Tesla And Toyota Announce NUMMI Joint-Venture

Daisy Nguyen, Associated Press Writer

LOS ANGELES (AP) — The heads of Tesla Motors Inc. and Toyota Motors Corp. surprised the auto world Thursday by announcing a partnership to develop and build electric cars at a recently shuttered auto plant in the San Francisco Bay area.

Akio Toyoda, CEO of the world's largest automaker, said Toyota will invest $50 million in Tesla when the company begins selling stock to the public, and Tesla CEO Elon Musk said his company will purchase the New United Motor Manufacturing Inc. factory, known as Nummi, in Fremont where the Model S electric sedan will be built.

"We're going to create electric cars together," Musk told a news conference at Tesla's office in Palo Alto. "It's a great honor to work with a company like Toyota, one of the automobile leaders of the world and one I've personally long admired."

Toyoda flew in from Japan to make the announcement a day after both companies finalized the deals.

"I spent time at Nummi and learned much about working in America there, so I feel a sense of attachment (to the plant)," Toyoda said. He also said in a statement that through the venture, Toyota hopes to learn from Tesla's "challenging spirit, quick decision-making and flexibility."

Analysts said the partnership enhances the credibility of Tesla, a Silicon Valley startup just a few years ago, and boosts Toyota's image after being fined a record $16.4 million for its slow response to an accelerator pedal recall.

"Many had doubted (Tesla's) ability to deliver on all its promises, but Toyota must have conducted substantial due diligence before making this investment," said John O'Dell, senior editor for car adviser Edmunds' GreenCarAdvisor.com.

The news stunned city officials from Downey, who expected to vote Thursday on a lease deal allowing Tesla to rent 20 acres of city property south of Los Angeles. Downey spent months courting the automaker to locate its factory there, and officials said they were certain of clinching a deal after meeting with Musk recently.

"Tesla has been extremely disingenuous in their dealing with Downey, and I now have new appreciation as to why America is fed up with many large corporations," Downey Councilman Mario Guerra said. "This last-minute betrayal is even more shocking because (Downey) was hours away from signing the lease with Tesla that would have been an economic boon for the city."

Downey had offered to waive $6.9 million in rent in hopes that the plant could create up to 1,200 jobs and revitalize its reputation as Southern California's high-tech hub.

Musk said there was no effort to mislead Downey officials, adding that parts of the deal with Toyota were only resolved Wednesday.

"We weren't sure could a deal be put together, could Tesla afford Nummi," Musk said. "These were question marks that that were only resolved yesterday."

Tesla, which currently makes a two-seater electric sports car costing $109,000, said its goal is to produce increasingly affordable electric cars. It has been scouting for a site to build the Model S, which is scheduled to go on sale in 2012.

The Model S is slated to sell for $49,900, including federal tax credits, and is designed to travel as far as 300 miles on a three- to five-hour charge.

The Nummi plant, established in 1984 as a joint venture between General Motors Co. and Toyota, employed 4,700 workers. GM made the Pontiac Vibe there but withdrew from the alliance last year after filing for bankruptcy protection.

Toyota made the Corolla sedan and Tacoma pickup at the plant but said in August that without GM, it could not sustain the factory. The last of nearly 8 million vehicles that moved through the sprawling facility rolled off the lot last month.

The fate of the plant had been unclear. At its closure, plant executives said some employees would stay on while they try to sell off equipment and clean up. Executives also said the plant would try to find a buyer and work with city and state officials to identify the best new use for the site.

Musk would not disclose what Tesla paid for the factory. It bought only a parcel of the sprawling Nummi plant.

He said there is a lot of potential for long-term growth and that he sees the partnership eventually generating about 10,000 jobs between suppliers and factory workers.

He said Tesla already has started hiring former Nummi employees and plans to add workers at a rate of about 50 a month. Nummi was a union shop, and Musk said Tesla was "neutral" on any possible guild organization - it would neither encourage or fight such an effort.

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Associated Press Writer Brooke Donald in San Francisco contributed to this report.

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