



Written by [Bob Adelman](#) on March 15, 2013

Henrik Fisker Quits His Company, Leaving Taxpayers With Another Loss

[Fisker Automotive](#), the company founded by automobile designer [Henrik Fisker](#) (pictured) in 2007 and funded in part with U.S. taxpayer monies, announced his departure on Wednesday due to “disagreements,” [according to the New York Times](#). This could be the final straw as the company has faced a nearly unending series of problems since it first started shipping its high-end electric plug-in subcompact [Fisker Karma](#) in late 2011.



After raising more than \$1 billion in private equity capital and obtaining a line of credit of another \$500 million from the U.S. Department of Energy, the company claims to have sold and delivered about 2,000 Karmas to wealthy individuals who can afford the \$100,000+ price tag. The Karma [received accolades](#) when it was first introduced back in 2008 at the North American International Auto Show in Detroit, including being named as Vehicle of the Year, one of the “Green Design 100” by *Time* magazine, and the “Luxury Car of the Year” by *Top Gear* magazine. But difficulties delayed getting the car into buyers’ hands until late 2011 at which time *Consumer Reports* magazine [bought one for testing](#). It paid \$107,850 for the vehicle and within 200 miles began to have trouble with it. In its March 2012 blog entitled “Bad Karma,” *CR* reported:

We have owned our car for just a few days; it has less than 200 miles on its odometer. While doing speedometer calibration runs on our test track ... the dashboard flashed a message and sounded a “bing” showing a major fault. Our technician got the car off the track and put it into Park to go through the owner’s manual to interpret the warning. At that point, the transmission went into Neutral and wouldn’t engage any gear through its electronic shifter except Park and Neutral.

We let the car sit for about an hour and restarted it. We could now engage Drive and the same error message disappeared. After moving it only a few feet the error message reappeared and when we tried to engage Reverse the transmission went straight to Park and again no motion gear could be engaged.

After calling the dealer, which is about 100 miles away, they promptly sent a flatbed tow truck to haul away the disabled Fisker.

We buy about 80 cars a year and this is the first time in memory that we have had a car that is undriveable before it has finished our check-in process.

This was not unique to this particular car, however. *CR* noted that they had had problems with a Karma press car that they had driven earlier, and “we have heard of problems at press events ... and some owners are experiencing a variety of issues.”

Issues such as house fires [caused by a Karma sitting in the garage](#). In Fort Bend County, Texas, in May 2012 an owner parked his Karma in his garage, unplugged, only to have the car burst into flame, burn two other cars in his garage and set his house on fire. Fisker released a statement that there were



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“conflicting reports” and “uncertainty” about the cause.

In Woodside, California, a Karma parked in a lot caught fire in August 2012 due to a fault in a cooling fan that caused it to overheat. This resulted in a recall of hundreds of Karmas to replace the fan.

The company had other problems. When [Hurricane Sandy](#) hit the East Coast in October, 2012, floodwaters inundated more than 300 Karmas parked there awaiting delivery to some of Fisker’s 45 dealerships. When the floodwaters abated, several Karmas caught fire, burning 16 of them. Fisker said it couldn’t “be certain exactly what happened at the port ... but we think being submerged in 13 feet of water had something to do with it.” The only problem with that disclaimer, however, was that there were 4,000 Toyotas parked in the same location and none of them caught fire when the floodwaters receded.

The vehicle itself was designed by Henrik Fisker, [following successes](#) with the Aston Martin DB9 and V8 Vantage, and the BMW Z8. Unfortunately green technology is a long way behind in making the vehicle practical. It [weighs almost as much as a Rolls Royce Phantom](#), coming in at 5,300 pounds. It’s considered a subcompact by *Consumer Reports*, with little room for passengers or luggage. Most of the interior space is taken up by two huge lithium-ion batteries along with a two-liter gasoline engine designed to take over when the batteries run down. It has an official “all-electric” range of 32 miles before it needs recharging, although Fisker said that with careful driving one could go as far as 50 miles before the gasoline engine kicks in to start recharging the batteries. *Consumer Reports* estimates that after the batteries have discharged, and the vehicle is running essentially on gas, it will get about 20 miles per gallon.

Only wealthy environmentalists like [Leonardo DiCaprio](#) could appreciate such an automobile. While the federal government has extended a \$500-million line of credit to the company (which soaked up less than half before being shut down by the DOE when it missed some deadlines), DiCaprio is personally on the hook for millions. He, along with venture capital firms Palo Alto Investors, [Kleiner Perkins Caufield & Byers](#), [Qatar Holdings](#), and Ace Investments, have poured more than a billion dollars into the company in a failing effort to keep it afloat.

But with the bankruptcy of its lithium-battery supplier, [A123 Systems](#), another green company funded by U.S. taxpayers, and the departure of the prime driver of the company, Fisker is [putting the best face it can](#) on what appears to be a lost cause:

Mr. Fisker’s departure is not expected to impact the Company’s pursuit of strategic partnerships and financing to support Fisker Automotive’s continued progress as a pioneer of low-emission hybrid electric powertrain technology.

As Damon Lavrinc, writing about Fisker’s imminent demise at Wired.com, put it: “That sounds like a student traveling abroad sending home a postcard saying, ‘All’s well here. Please send money ASAP.’”

At least in this case private investors are taking the primary hit, while U.S. taxpayers are lucky to be getting out the door of Fisker’s imminent collapse with a loss of only less than \$200 million. The question remains, of course, as to why U.S. taxpayers should have one single dime invested in any such venture. If there’s a market for high-end, heavy, uncomfortable, low-mileage, electric plug-in cars, surely private capital markets will find a way to make them. But American taxpayer “investments” in such ventures to promote a green agenda are totally off limits, or should be. When such ventures fail, as Fisker appears to be failing, then those private venture capitalists take the hit, as they should. U.S. taxpayers should be insulated from such foolishness.



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Photo of Henrik Fisker: AP Images

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