

**TESTIMONY OF HENRIK FISKER**

**Subcommittee on Economic Growth, Job Creation, and Regulatory Affairs  
Committee on Oversight and Government Reform**

**April 24, 2013**

Thank you, Chairman Jordan, Ranking Member Cartwright, and Members of the Subcommittee. My name is Henrik Fisker and I am the co-founder and former Chairman and Chief Executive Officer of Fisker Automotive.

From the outset, Fisker Automotive aimed to be a new American car company, setting pioneering standards for low-emission technology and cutting-edge design. I am proud of what Fisker Automotive and its incredible employees, shareholders, suppliers, dealers, and other stakeholders were able to accomplish: designing, engineering, and manufacturing an advanced, electric plug-in hybrid engine vehicle from scratch and bringing it to production. We sold approximately 2,000 of these vehicles to buyers around the world before having to cease production due to several difficult events. After resolving initial launch challenges, the cars perform well and customers love them. Fisker still has the potential to build on these achievements if the company can secure financial and strategic resources. I sincerely hope that the company can find a way to move forward and repay its Department of Energy loans.

I am also proud that the Karma has been given many awards for its advanced technology, including *TIME* magazine listing the car as one of the 50 Best Inventions of 2011. The technology that Fisker developed is cutting edge and could help pave the way for a new generation of American car manufacturing. A decade from now, I hope we will look back on the last five years as the moment when the United States retook its leadership position to define the future of the automobile.

This hearing presents an important opportunity to set the record straight: about what the company and I did right, what went wrong, and where factors beyond our control intervened.

This hearing is also an opportunity to address some of the misinformation that has circulated in recent weeks.

Before we begin, I need to make an important note about my testimony. I stepped down as Chief Executive Officer in early 2012 and became Chairman of the Board. In March of this year, I resigned from the Board and left Fisker Automotive. I do not speak for the company nor am I privy to details of the company's current financial condition or ongoing negotiations with the Department of Energy. While the company retains my name, we are not one and the same.

### **The Fisker Automotive Story**

I co-founded Fisker Automotive with several partners in Irvine, California in 2007 and we announced our plans for our first car, the Karma, in 2008. From the beginning, we knew that we would face significant challenges in building an electric plug-in hybrid engine vehicle from scratch. We started out with a premium model so the cost of technology could be absorbed by the high sale value of the product – a well established model for new technology launches. Fisker's plans to build the Karma generated a great deal of interest and a large amount of private capital. In total, Fisker received over \$1 billion in private capital from investors in the United States and around the world that shared our vision for creating a new segment in environmentally-friendly vehicles that were designed and engineered in America.

Fisker delivered its first Karma in late 2011, after battling through regulatory and supplier delays. In total, Fisker has sold approximately 2,000 Karmas to customers around the world. Our single biggest market has been the United States but we also achieved notable success in Europe and elsewhere.

After deliveries to customers began, the Karma had two recalls related to parts supplied by outside vendors. Millions of cars are recalled in the United States every year, including by some of the largest and most well-established auto groups. We were no exception. Nevertheless, the Karmas that have been delivered are operating smoothly and continue to receive fantastic customer reviews. The Karma is the first American car to have won the coveted *Top Gear* Luxury Car of the Year award and many customers report that they achieve better than 100 MPG for their daily driving.

The Karma is a technology leader that will pave the way for more affordable vehicles with the same, if not better, emissions and fuel economy. Once we developed and manufactured the technologies for the Karma, we planned to apply those technologies to a more affordable sedan that would be manufactured here in the United States. We called that car the Atlantic but it was also referred to as the Nina or Kx. Although the Atlantic has not yet gone into production, its engineering is all but complete, a feat financed primarily with private investments. I believe that the opportunity still exists for the Atlantic to be produced and make its mark in the automotive industry.

### **Department of Energy Loans**

In January 2008, Fisker Automotive showed the concept car for the Karma at the North American International Auto Show in Detroit. Soon after, I was approached at a sustainability conference in California by Mr. John Mizroch, the then-Acting Assistant Secretary of the U.S. Department of Energy's Office of Energy Efficiency and Renewable Energy. We discussed the technology that Fisker Automotive was developing and he encouraged the company to apply for a loan from the Advanced Technology Vehicles Manufacturing program (ATVM). Fisker continued its conversations with the Department and the company applied for a loan at the end of 2008. At that time, we already had significant financial backing from private investors.

During the loan application process, the Department conducted extensive due diligence over a period of nine months. The Department retained several independent consulting firms to assess all aspects of Fisker's business plan, technology, and finances. Fisker's business plan, based on extensive research, indicated a growing market for electric and plug-in hybrid vehicles due to stricter emission standards and growing consumer awareness. After a thorough independent examination and the input of its consultants, the Department issued a conditional commitment letter in September 2009. At this point, the company had made significant progress and developed unique expertise in advanced technology plug-in hybrid powertrains.

In early 2010, Fisker secured final approval for two loans under the ATVM program. In total, the company drew down \$192 million on the loans. The first loan supported American design and engineering for the Karma, a car that was already designated for contract manufacturing in Finland before the company applied for the loan. At the time, the company

employed engineers and designers at its headquarters in California and additional contractors, suppliers, and consultants throughout the United States. In 2008, we conducted an extensive review of contract manufacturing facilities in the United States, but we were unable to find a facility that could meet our requirements. That year, the company decided on the contract manufacturer in Finland as the only viable option for manufacturing the Karma to our specifications and timetable. Per our agreement with the Department of Energy, all Karma loan funds were dedicated to supporting Karma engineering in the United States. Fisker Automotive has filed over 80 patents for new U.S. technologies in low-emission systems and engineering.

Fisker Automotive also received a second loan for funds to support the engineering and manufacture of a more affordable car, the Atlantic, in the United States. The company drew down a total of \$23 million on that loan. The company planned to use the Karma technology to create a second generation powertrain, with even better fuel economy and lower cost in support of the Atlantic. We purchased a closed GM factory in Delaware as the future site of production. We purchased that factory for its ready access to skilled labor, its proximity to major ports for export, and its state-of-the-art paint facility (the only one of its kind available for purchase at the time). We had hoped to employ up to 2,500 employees at that location when the Atlantic hit full production.

The Department's loans to Fisker Automotive contained milestones and covenants that the company was supposed to meet to allow additional loan draw-downs. For a variety of factors I will discuss shortly, the company met initial milestones before informing the Department that it would not meet certain future milestones on time. Fisker regularly apprised the Department of the company's progress.

Some have alleged that the company only received the loans due to political connections. Let me be clear: I am not aware and do not believe that any improper political influence was used in connection with the company's loan application or subsequent negotiations with the Department of Energy. As stated earlier, we were approached and encouraged to apply for a loan by the Department.

The Advanced Technology Vehicles Manufacturing program was approved by Congress in 2007 to provide financing to American companies that had the knowledge and wherewithal to

develop the next generation of automobile technologies. Fisker Automotive was not only leading the way in developing advanced electric plug-in hybrid powertrain technology but we had attracted significant private capital during a very difficult investment period. By the time Fisker applied for the loan at the end of 2008, it had already brought together many of the best and brightest automotive engineers in the country. Ultimately, the company attracted over \$1 billion in private capital from around the world – before and after the Department of Energy loans.

### **Rough Roads**

Fisker Automotive began drawing down on the Karma loan in April 2010. In October 2010, we unveiled the Karma that was to go into production with its advanced powertrain technology. In 2011, the Karma ran into several significant obstacles. First, regulatory approvals for the Karma in the United States took longer than anticipated. Since the Karma was built from scratch on a totally new platform with a new powertrain, the EPA and National Highway Transportation Safety Administration required additional time to evaluate, test, and eventually certify it. That review period and some initial parts supply issues significantly delayed our production schedule and delivery to customers.

Second, after extensive U.S. certification, the Karma was launched in 2011. There were two recalls, but both were related to parts provided by outside suppliers, not the plug-in hybrid technology developed by the company. Such recalls are not unusual for newly launched automobiles but they are particularly difficult for a young company with limited resources. The recalls generated bad publicity, diverted management attention, impacted sales, and further delayed our production schedules.

Third, Fisker Automotive had an exclusive contract with A123 Systems in Massachusetts to supply the vehicles with lithium ion cells, and jointly develop the battery pack to fit the Karma platform. Before we entered into this exclusive agreement, we did a thorough analysis of several lithium ion battery manufacturers, but either they could not deliver to our specifications or had an exclusive contract with another vehicle manufacturer. After we chose A123, it took an extended period to develop the final battery pack for the Karma. Sadly, A123 filed for bankruptcy protection in mid-October 2012 and stopped manufacturing batteries. As a result,

Fisker Automotive had to cease production of the Karma. We explored options for other battery suppliers, but due to large investment costs and long development cycles, we could not secure arrangements that would allow us to resume production immediately. This was a crippling factor in restarting production of the Karma.

And fourth, two weeks after A123's bankruptcy, Hurricane Sandy hit the Northeast of the United States. Port Newark New Jersey is one of the largest vehicle handling facilities in the United States and many thousands of vehicles were flooded. Over 330 Karmas were waiting for transshipment and were damaged beyond repair during this unforeseen natural disaster. This constituted a major share of the company's inventory and resulted in a drastic loss in revenue.

### **Driving Forward**

In spite of all these setbacks, I want to make it clear that Fisker Automotive accomplished many notable achievements. We engineered and brought to market an exceptional new vehicle technology that won acclaim from customers and reviewers alike. Fisker still has the potential to build on that success if the company can secure financial and strategic resources. I sincerely hope that the company can find a way to move forward and repay its Department of Energy loans.

## **MR. HENRIK FISKER**

### **BIOGRAPHY**

Henrik Fisker is the former executive chairman, chief design & brand officer at Fisker Automotive.

From 2001 to 2005, Mr. Fisker held prominent design positions at Ford Motor Company. He was creative director at Ingeni, Ford's London-based design and creativity center. At Aston Martin he served as a member of the Board of Directors and design director. There he designed the Aston Martin V8 Vantage and was responsible for the production launch design of the DB9, variants of which were James Bond's preferred vehicles.

Mr. Fisker was also director of Ford's Global Advanced Design Studio in Irvine, California. Designed under his direction were several show cars including the Shelby GR1 concept showcased at the 2005 North American International Auto Show.

In January 2001 Mr. Fisker became president and chief executive officer of DesignworksUSA, BMW's California-based industrial design subsidiary. Some of his most notable works include the BMW Z07 concept (1997) and Z8 roadster (1999), another Bond car. In 1989

Mr. Fisker began his career in Germany at BMW's advanced design studio, BMW Technik GmbH, upon graduating from The Art Center College of Design in Switzerland.

Committee on Oversight and Government Reform  
Witness Disclosure Requirement - "Truth in Testimony"  
Required by House Rule XI, Clause 2(g)(5)

Name:

Heavik Fisker

1. Please list any federal grants or contracts (including subgrants or subcontracts) you have received since October 1, 2010. Include the source and amount of each grant or contract.

N/A - None

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2. Please list any entity you are testifying on behalf of and briefly describe your relationship with these entities.

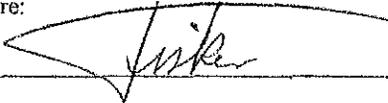
N/A - None

3. Please list any federal grants or contracts (including subgrants or subcontracts) received since October 1, 2010, by the entity(ies) you listed above. Include the source and amount of each grant or contract.

N/A - None

I certify that the above information is true and correct.

Signature:



Date:

4/23/2013