

Fisker to cut three-fourths of its work force (Update)

April 5 2013, by Tom Krisher

Troubled electric car maker Fisker Automotive Inc. has laid off about three-fourths of the workers at its California headquarters as it struggles with financial and production problems.

The Anaheim, California-based company confirmed the layoffs in a statement on Friday, saying it is pursuing "strategic alternatives" to get through financial challenges, but it reached a point where the layoffs are necessary.

"The company regrets having to terminate any of its hard-working and talented people. But this was a necessary strategic step in our efforts to maximize the value of Fisker's core assets," the statement said.

Fisker, which makes the \$100,000 Karma plug-in hybrid sports car, hasn't produced any cars since last year after its battery supplier filed for bankruptcy protection. The company has struggled to attract investment and was shopping around for a buyer or company to join it in an alliance. Last month, its co-founder resigned and Fisker furloughed its staff of about 220 for one week. The company at one time had about 600 workers.

The statement said Fisker met with workers on Friday to tell them this would be their last day with the company. Core workers who will be kept were told on Thursday, the statement said.

Fisker's statement said it plans to keep about one quarter of its

workforce, but it gave no numbers. One-fourth of the work force would be about 55 people, with 165 laid off.

Fisker said it has sold about 1,800 Karmas, but production was halted last year when battery producer A123 Systems Inc. went into bankruptcy protection. The Karma is Fisker's only model, but it was developing a lower-cost car—the Atlantic coupe—which would sell for around \$55,000.

Co-founder Henrik Fisker left the company last month in a disagreement over business strategy. Henrik Fisker didn't give further details on the resignation. The company said last month in a statement that his departure wouldn't affect the pursuit of strategic partners and additional financing.

But Friday's layoffs cast doubt on Fisker's ability to repay a loan from the U.S. Department of Energy that was made to help the automaker get started. In 2011, the Energy Department suspended the \$529 million loan after introduction of the Karma was delayed due to trouble with battery packs. Fisker got \$193 million from the government before the payments were stopped in May of 2011.

Last year, Fisker brought in Tony Posawatz, a former General Motors electric car chief, as CEO. He has favored alliances or a sale of the company. There have been reports that some Chinese automakers are interested. A message was left for Posawatz on Friday.

Fisker's troubles show just how difficult and costly it is to start a car company and introduce a new technology. Gas-electric powertrains allow the Karma to go 30 to 40 miles (50 to 65 kilometers) on battery power before a backup engine kicks in. The engine eliminates anxiety over running out of electricity.

The company was started in 2007 by Henrik Fisker and a business partner. It has raised more than \$1.2 billion from private investors—including actor Leonardo DiCaprio. However, production was suspended last fall after battery supplier A123 Systems Inc. went into bankruptcy protection. The company was negotiating a battery contract with A123's new owners.

Fisker has had other stumbles. Consumer Reports magazine last year gave the Karma a failing grade, citing numerous dashboard glitches and a battery that failed while the car was being tested.

Posawatz said Fisker was overly ambitious and tried to bring the Karma to market too quickly.

Last fall, in an appearance in Detroit, Posawatz declined to say which companies Fisker is negotiating with as potential buyers or partners. But he said the company's hybrid system is very valuable to other companies. Fisker uses an engine from General Motors in the Karma and plans to use a BMW engine in the Atlantic.

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