



Analytics

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RE: Fisker's Folly?

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Backed by a \$529 million loan from the U.S. Department of Energy plus a \$9 million grant and \$13 million loan from the taxpayers of Delaware, Fisker Automotive has taken ownership of the former GM Boxwood plant. Fisker continues to contend that a new hybrid electric sedan (HEV), the Nina, will begin rolling off the assembly line in late 2012 and by 2014 production of 75,000-100,000 units a year will require the employment of 2000 "factory" workers. The CRI continues to question how feasible all this is.

The latest information from the U.S. Department of Energy shows HEV sales of 352,274 in 2007 and 312,386 in 2008, including HEV sedan sales of 293,952 and 260,162. The 2010 prices for HEV sedans average \$25,000, ranging from \$19,000 for the low end Honda Insight to \$45,000 for the Lexus RX400h. The incremental price of an HEV over a standard gas only vehicle is narrowing, and according to the DOE "will decrease as the technology matures and is less costly to manufacture."

With a current estimated price of \$47,000, the planned Nina will be in the high end of the HEV sedan market. As noted previously by CRI, competition in the HEV market is fierce. All the major automobile producers are moving into the hybrid market (e.g., the Ford Fusion, the Chevrolet Volt). According to two recent studies, "gasoline prices would need to increase to around \$6 per gallon to make plug-in hybrids cost effective." And no major breakthroughs have occurred in

battery technology. According to energy journalist Robert Bryce, "gasoline holds eighty times as many watt-hours per kilogram as a lithium-ion battery, and ethanol holds more than fifty times as much."

If HEV sedan sales rise 5% per annum, total sales in 2014 will be about 350,000 units. Fisker, with a high price point, limited retail and service network, and no established reputation, claims it will capture 21% to 28% of the U.S. HEV sedan market at that time. Should 50% of Fisker's cars be sold as exports, the highest proportion of exports for any current American company, Fisker is assuming a U.S. HEV market share of 11% to 14%, greater than the current share of Honda and three times the current hybrid market share of Nissan.

Based upon current information, CRI stands behind its earlier conclusion. Fisker's projected sales seem to be a stretch. The assembly operation is unlikely to achieve its 2014 production goals and will never employ 2,000 workers in Delaware. While the project may be one more stepping stone in the development of alternative automotive technology, this benefits the nation, but does not merit any subsidies from Delaware taxpayers.

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