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Battery Maker Gets \$250 Million Federal Grant, Files for Bankruptcy

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In a move likely to remind taxpayers of the Solyndra fiasco, an electric car battery maker has filed for bankruptcy after receiving a \$250 million federal grant.

Waltham, Mass.-based A123 Systems Inc. listed debt of \$376 million as of Aug. 31 in Chapter 11 documents filed on Tuesday in U.S. Bankruptcy Court in Wilmington, Del.

It also listed assets of \$459.8 million, but said it did not expect to be on time with interest payments and stated that the company “may not have sufficient cash to fund operations.”

A123 received a \$249.1 million federal grant in 2009 to build a U.S. factory to manufacture rechargeable lithium-ion batteries for electric cars, Bloomberg reported.

President Obama called the firm’s chief executive officer during a September 2010 event celebrating the opening of the plant in Livonia, Mich., and said “this is about the birth of an entire new industry in America — an industry that’s going to be central to the next generation of cars.”

But A123 struggled with costs from a recall of batteries supplied to Fisker Automotive Inc., a plug-in hybrid luxury carmaker.

“The bankruptcy filing may fuel further political debate over government financing of alternative-energy and transportation businesses,” Bloomberg observed.

“Federal grants and loans to companies including A123, Fisker and Tesla Motors Inc. have drawn scrutiny from congressional Republicans following the September 2011 bankruptcy filing of solar-panel maker Solyndra LLC two years after it received a \$535 million loan guarantee from the U.S. Energy Department.”

Newsmax’s Insider Report recently disclosed that a Michigan plant built with \$150 million in taxpayer funds to make batteries for hybrid vehicles is putting workers on furlough before a single battery has been produced.

The Compact Power plant was opened in July 2010 to make batteries for the Chevrolet Volt, a plug-in hybrid vehicle built by GM. Obama touted the opening of that firm’s plant as well, saying at a groundbreaking ceremony that its workers “are leading the way in showing how manufacturing jobs are coming right back here to the United States.”

Republican presidential candidate Mitt Romney charged in September that Obama has picked “losers” for alternative-energy loans and grants, and his running mate Paul Ryan has called for an end to all green-energy subsidies.

Romney spokeswoman Andrea Saul said: ““At the town hall debate four years ago, then-Senator Obama promised to ‘easily’ create five million green jobs. A123’s bankruptcy is yet another failure for the president’s disastrous strategy of gambling away billions of taxpayer dollars on a strategy of government-led growth that simply does not work.

“While the president has said he would ‘double down’ in a second term, Governor Romney will return the federal government’s focus to its proper role supporting research and creating an environment where private sector innovation can thrive.”

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