

United States Senate

WASHINGTON, DC 20510

MEMORANDUM

TO: Senator Grassley and Senator Thune

FROM: Staff

TOPIC: Job Creation by the Recover Act's Electric Drive Vehicle Battery and Manufacturing Initiative ("EDVBM Initiative")

DATE: October 31, 2012

INTRODUCTION

On October 16th, Department of Energy (DOE) spokesman Dan Leistikow posted on DOE's website, "An Update on Advanced Battery Manufacturing" in response to the bankruptcy of A123 Systems (A123). This "Update" stated that as a result of the Recovery Act, the DOE "...awarded \$2 billion in grants to 29 companies to build or retool 45 manufacturing facilities spread across 20 states to build advanced batteries, engines, drive trains and other key components for electric vehicles."¹

Leistikow also noted that the Recovery Act's EDVBM Initiative was responsible for "employing thousands of American workers..." but provided no documentation to support this claim.

ANALYSIS

Your staff contacted DOE in an attempt to verify this information on October 17th asking for specific details regarding these job creation claims including a breakdown of how DOE arrived at the claim that "thousands" of jobs were created. On October 23rd, DOE responded by providing the following table:

FR.gov Jobs (FTE by quarter)												
2009	2009	2010	2010	2010	2010	2011	2011	2011	2011	2012	2012	2012
3	4	1	2	3	4	1	2	3	4	1	2	3
1.50	44.16	358.87	643.49	932.86	1,107.01	1,297.94	1,138.24	1,437.97	1,539.60	1,593.63	1,289.86	1,228.64

*Note - This table only provides the number of jobs "created" and does not include jobs which were later cut. (DOE appears not to keep track of this information). Further, DOE stated in an e-mail that, "This data **only** includes employees building or retooling the manufacturing facilities

¹ Department of Energy, An Update on Advanced Battery Manufacturing, available at: <http://energy.gov/articles/update-advanced-battery-manufacturing>.

with Recovery Act funds” so most of these jobs are likely temporary. DOE did not provide any other figures on job creation.

- **This table shows that a total of 12,613.77 jobs were “created” by the EDVBM Initiative from the signing of the Recovery Act on February 13, 2009, to the present.**
- **Given the \$2 billion cost of the program, that represents \$158,556.88 per job created.**

A123 ANALYSIS

According to Recovery.gov, A123 was awarded a \$249,090,000 Recovery Act grant.² Recovery.gov also states that A123 created 408.05 jobs.

- **In total, the DOE spent \$610,439.90 per job created by A123 under the EDVBM Initiative.**

DOE may claim that the cost per job is lower because it has only obligated \$129,529,710 to A123 so far. However, even using that figure, DOE spent \$317,435.88 per job created.

DID THIS PROGRAM MEET DOE AND OBAMA ADMINISTRATION GOALS?

In addition to the high cost per job created, these statistics also raise concerns regarding the future job creation potential of the EDVBM Initiative and whether it accomplished President Obama’s goal of being a “targeted and temporary” economic stimulus.³

Potential for Future Job Creation:

In his “Update”, Mr. Leistikow said, “From Columbus, Georgia to Batesville, Arkansas to Brownstown, Michigan, our investments in manufacturing advanced batteries and other electric vehicle components are putting Americans to work and helping make our country more competitive.”⁴

However, for two consecutive quarters, **job creation through this program has declined including an approximately 23% drop from the first quarter of 2012.**

² Recovery.gov, available at:

<http://www.recovery.gov/Transparency/RecoveryData/Pages/Recipient.aspx?duns=130452506>

³ Lawrence W. Summers, Testimony before the Joint Economic Committee, January 16, 2008.

⁴ Department of Energy, An Update on Advanced Battery Manufacturing, available at: <http://energy.gov/articles/update-advanced-battery-manufacturing>.

Temporary Impact:

In his testimony before Congress, Former Treasury Secretary Summers said, “**Stimulus should be designed so that its proximate impact on consumer or government spending is all felt within a year of enactment....**”⁵

In 2009 however, this program only created 45.66 jobs while unemployment hovered between 8.3% and 10%.

Targeted Impact:

Former Treasury Secretary Summers testified that, “**Targeted stimulus requires that funds be channeled where they will be spent rapidly and where they will reach those most in need.**”⁶

An examination of the jobs created by this program shows that **only 0.36% of the jobs created by this program were created within its first year of existence.** This would appear to indicate that the program did not channel funds so they could be “spent rapidly” again raising concerns that this program did not meet stated Recovery Act goals.

CONCLUSION

Staff is concerned that the DOE’s attempt to claim that the EDVBM Initiative was a success is not supported by the statistical evidence that it cost taxpayers \$158,556.88 per job created and will continue to press the DOE and A123 for more information on the value this program provided to taxpayers.

⁵ Lawrence W. Summers, Testimony before the Joint Economic Committee, January 16, 2008, page 3.

⁶ *Id.*