March 2, 2012

Bright Automotive Shutters After Feds Say No To Loan in Solyndra's Wake

The Huffington Post Sharon Silke Carty First Posted: 03/ 1/2012 5:25 pm Updated: 03/ 1/2012 5:25 pm

Another company has cried uncle and withdrawn from a federal program designed to help green companies invest in U.S. manufacturing.

Start-up auto company Bright Automotive, which was backed by Google, said it will close its doors in the next few days after it failed to secure a Department of Energy loan aimed at encouraging the development of alternative fuel vehicles. The outgoing CEO called the program "a debacle."

The administration may now be too skittish to hand out investment loans: Its first investment went to solar-panel maker Solyndra, which filed for bankruptcy two years later. And then the feds agreed to give loans to a profitable Russian steelmaker, which turned out to be a big political misstep. After a public lashing which resulted in the head of the Energy Department's loan office resigning, the loan program has become an embarrassment.

Bright Automotive, which makes hybrid delivery vans, tried for four years to get the loan. Bright, a joint venture created by the Rocky Mountain Institute, Google, Johnson Controls, the Turner Foundation and Alcoa, said it did everything the Department of Energy asked, even securing financing from General Motors -- but to no avail.

Bright CEO Reuben Munger said the company tried to work with the Department of Energy, but the terms of the loan were too onerous. "Bright has not been explicitly rejected by the DOE; rather, we have been forced to say, 'uncle,'" Munger said in a letter to Department of Energy Secretary Steven Chu. "As a result, we are winding down our operations."

Failing to issue loans could end up forcing several more companies to close down or file for bankruptcy, putting a kink in President Barack Obama's plans to have 1 million hybrid or electric cars on the road by 2015. The president's goal was intended to cut oil consumption by 730 million barrels through 2030, and is part of an attempt to reduce reliance on foreign oil.

Damien LaVera, a spokesman for Department of Energy, said the government was unable to find terms for a loan to Bright that would've ensured U.S. taxpayers would get their money back.

"We understand that this is a difficult day for Bright Automotive and their workers," he said. "Over the last three years, the Department has worked with the company to try to negotiate a deal that supported their business while protecting the taxpayers. In the end, we were not able to come to an agreement on terms that would protect the taxpayers."

The Advanced Technology Vehicles Manufacturing Loan Program was initiated under President George W. Bush in the fall of 2007 and expanded under Obama. To date, just $8 billion of the $25 billion program has been allocated, to just five companies: Ford, Nissan, Fisker Automotive, Tesla, and natural-gas van maker the Vehicle Production Group.

The Energy Department had sustained two public embarrassments with its various loan programs. Solar-panel maker Solyndra was the first to receive loans, getting $535 million in DOE loans through a Recovery Act program. It filed for bankruptcy two years later in August 2011.

The next problem followed a $730 million loan to Russian steelmaker Severstal to manufacture lighter, high-strength steel in Dearborn, Mich., a suburb of Detroit. Rep. Darrell Issa, head of the House Committee on Oversight and Reform, argued that Severstal didn't need the loan because it was already planning to go ahead with construction, and because it was successful and didn't need taxpayer money.

"It's become too highly politicized," said Theodore O'Neill, an analyst with Wunderlich Securities. "They can't give money out, but they can't say no … the program hasn't been cut, but nobody's getting funding either. So there's no one to blame if things go wrong."

Munger said the loans caused a Catch-22 for Bright: Private investors did not want to give the automaker money, because they were waiting to see how much the government would invest. But the government was hesitant to invest given private investors weren't stepping up. And to further complicate matters, the company couldn't do business with foreign investors for fear of causing a political uproar.

Chrysler last week backed out of its application for $3 billion in loans, saying the requirements were too onerous. General Motors backed out last year for the same reason. Electric car maker Aptera closed down in December after failing to get loans. Next Autoworks, which also was waiting on Energy Department loans, in December said it was scaling back operations because it had not secured one.

Fisker Automotive, which makes the Fisker Karma electric sports car and plans to make an electric sedan called the Nina, has also cut back. It was granted $527 million in loans, and received $193 million to help make the Karma and start work on the Nina. But in early February, the Department of Energy suspended payment of its loans to Fisker, saying the company missed several business milestones.

That prompted O'Neill, the analyst from Wunderlich, to predict Fisker will file for bankruptcy this year. He had been hoping the automaker would file an IPO instead.

William Santana Li, CEO of Carbon Motors, which is also waiting on a federal loan to make more fuel-efficient police cars, expressed disappointment that Department of Energy loans are failing to help auto companies invest in American jobs. He and other U.S. companies have been trying to respond to the president's call to small-business leaders to bring jobs back to the United States.

"The leaders of these businesses did just that, for years, and we now we find the response from the DOE to be far from consistent with the president's directive," he said.

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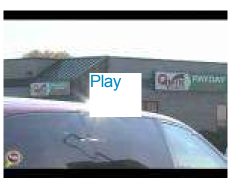

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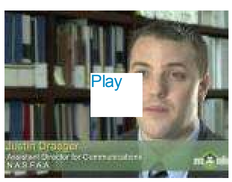

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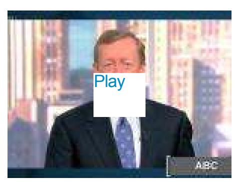

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