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US senators question gov't loan to Fisker Automotive

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Tue Apr 24, 2012 1:57am BST

* Republicans ask whether taxpayer loan prudent

* Fisker loan frozen after production delay

By [John Crowley](#)

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WASHINGTON, April 23 (Reuters) - Two U.S. senators have asked the Obama administration to explain why it approved a \$529 million loan to startup Fisker Automotive, which has suspended U.S. production of a heavily touted plug-in electric car as it revamps its business plan.

Charles Grassley, the top Republican on the Judiciary Committee, and John Thune, a senior Republican member of the Finance and Commerce committees, asked Energy Secretary Steven Chu whether it was wise to grant financing to Fisker, which ran into production problems after receiving part of the loan.

"Though the Department of Energy has now frozen the remaining portion of Fisker's loan, questions remain as to why a loan was extended to this now 'troubled' auto company in the first place," the two lawmakers said in an April 20 letter that was released on Monday.

The Department of Energy (DOE) is working with an outside consultant, Houlihan Lokey, to evaluate a variety of agency loans, including Fisker.

Fisker was approved for the \$529 million loan in 2009 under a DOE program aimed at helping automakers make more fuel-efficient cars and trucks.

Fisker received about a third of the money initially to mainly support U.S. engineering and other efforts to roll out its first electric car, the \$100,000 Karma, that was assembled in Finland. But delays in getting that car to showrooms prompted the DOE to hold additional financing.

Remaining funds were to go to develop a \$50,000 sedan, called the Atlantic, at a former General Motors factory in Wilmington, Delaware. Work on the Atlantic was suspended in February.

Since the collapse of solar-panel maker Solyndra last year, congressional Republicans primarily in the U.S. House of Representatives have pressured the DOE to justify billions in loan programs aimed at green economy projects and related jobs.

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Grassley and Thune asked Chu whether he believed it was prudent to spend taxpayer funds to help finance Fisker's development of high-end vehicles. They also want to know the degree of technical expertise the DOE used to evaluate, originate and monitor the loan.

Agency spokesman Damien LaVera said DOE financing programs have strict conditions and borrowers must meet milestones and other conditions to receive loan proceeds.

He added that startup delays are common, and that the DOE is working with Fisker to review a new business plan and determine "the best path forward so the company can meet its benchmarks, produce cars and employ workers" in the United States.

Fisker says it has devised an approach that allows it to launch the Atlantic and be profitable without U.S. government loans. So far, it has raised more than \$1 billion in private financing since closing its Energy Department loan, the agency said.

A spokesman for Fisker confirmed the company was still in talks with the DOE and exploring all funding options.

A number of automakers are betting heavily on hybrids and electric vehicles. GM and Nissan Motor Co Ltd, which received DOE loans, have electric cars on the road. The push for greener cars has also ushered in a host of venture-backed startups like Fisker and Tesla Motors Inc. (Reporting By John Crawley; Editing by Eric Walsh)

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