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Is Politics Hurting Automakers Looking for Federal Loans?

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Two years ago, electric carmaker Coda Automotive petitioned the U.S. Department of Energy for submitted a \$334 million in loans to help fund the construction of an EV battery plant in Columbus, Ohio.

According to Coda's senior vice president of government affairs, Forrest Beanum, the application has been in a "holding pattern" ever since, and last month Coda withdrew the loan application.

According to Beanum, the Department of Energy, which administers the Advanced Technology Vehicles Manufacturing Loan Program, never responded to the application.

He said Coda has raised upwards of \$300 million in private investments and cut costs while waiting on the loan. Instead of building its battery production plant in Columbus, Ohio, Coda has outsourced those operations to China, along with its subassembly operations. Beanum estimates the Columbus factory would have employed between 1,000 and 2,000 workers.

Beanum said, "We just needed to continue operations overseas to meet our business plan."

Coda is not the only automaker to fail in its attempts to secure federal loans from the \$25 billion Advanced Technology Vehicles Manufacturing Loan Program.

Chrysler Group also pulled its loan application last February. According to the automaker, the process was taking too long and the loan terms were becoming too restrictive. Another startup automaker, Bright Automotive, went out of business while waiting for approval of its loan application.

The Advanced Technology Vehicles Manufacturing Loan Program was created in 2007 and funded in 2008 for the purpose of funding automotive research and design of more fuel efficient conventional vehicles and alternative energy vehicles, including hybrids and all-electric automobiles. However, the program has come under attack in recent months due in part to the high profile bankruptcy of another DOE loan recipient; Solyndra.

Beanum said, "It became clear to us after the Solyndra debacle that things in Washington as it pertains to this program were becoming quite politicized. Going into an election year, our objective was not to be unnecessarily scrutinized due to politics."

Since 2008, only five Advanced Technology Vehicles Manufacturing Loan Program loan requests have been approved. The program reportedly has about \$16 billion left to be dispersed.

Coda plans to launch its new electric vehicle in the U.S. later this year. The Coda sedan will have a base sticker price of \$37,250 and will come with a 10-year/100,000-mile guarantee on its lithium battery pack. The company plans to market the Coda in California initially, and slowly expand into other regions of the U.S.

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