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MARCH 2, 2012, 7:18 PM

GM's Volt Stumble Imperils Obama's Electric-Car Goals

Article

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By Yuliya Chernova

General Motors' [announcement](#) Friday that it would halt production of its plug-in hybrid car, the Volt, for five weeks figures to threaten President Obama's [stated goal of seeing a million electric cars in the U.S. by 2015](#).

That goal assumed that the Volt would become the industry leader and that GM would have produced 505,000 Volts by then. Another mainstay of the president's electric-car plans, Fisker Automotive's Nina plug-in, is also on hold. The federal government is not advancing new loan payments because Fisker didn't produce and sell as many of its first-generation cars as it promised.



Reuters

General Motors will temporarily halt production of its plug-in hybrid and lay off 1,300 workers for five weeks this spring.

The government has made [several investments to promote the electric car industry](#), including granting GM \$105.9 million to help it produce battery packs for the Volt, and \$151.4 million in a grant for LG Chem to produce battery cells for the Volt. The government also gives buyers of electric cars a tax credit.

The company said on Friday it will halt production of the Volt and lay off about 1,300 workers at its Hamtramck, Mich., factory over the next couple of months. The company sold just 7,700 Volts last year, below its 10,000-car target, which was already reduced from 15,000.

GM initially set a goal of selling 45,000 Volts in the U.S. in 2012, but the company needs to work through inventory it built up, as cars are not being sold as quickly as hoped.

The Volt, together with Nissan's all-electric Leaf, were the first mass-produced cars running on an electric drive to be introduced in the U.S., in January 2011. They were the flagship cars for this budding industry, and to have one halt production is a significant stumble.

The Chevy Volt, some analysts predicted, would be more appealing to consumers than the Nissan Leaf, because it can run on both batteries and on gasoline, preventing chances of being stranded if the battery taps out. It costs \$40,000 before the tax credit of \$7,500.

The Volt was ahead of the Leaf in the past few months in sales, and hit monthly sales record in December 2011, selling 1,529 vehicles, according to data from investment bank Stifel Nicolaus. Both manufacturers saw sales decline in January and February. Nissan sold 9,674 Leafs in North America last year, and 22,000 globally.

General Motors also suffered from an investigation by the National Highway Traffic Safety Administration over fires in a Volt during crash testing.

The decision to halt production will undoubtedly affect several sectors and companies, from Volt suppliers such as battery-maker LG Chem, to other companies that bet on a fast-growing electrification of transportation.

Several companies, such as Ener1, a battery company that went into bankruptcy, and A123 Systems, a battery supplier to Fisker that is struggling with that car's high costs and slow sales, are already seeing hopes for a quickly growing electric-car market, at least in the U.S., dashed.

Even as GM halts production, many other automakers are launching new electric models this year. Supporters hope that the initial difficulties are not going to spell the end of the industry in its infancy, which would be a repeat of a previous industry failure. In the 1990s, GM stopped producing an electric car called EV1 because of slow sales.

Reach Yuliya Chernova via email at yuliya.chernova@dowjones.com and follow her on Twitter at [@ychernova](#).

About Venture Capital Dispatch

Produced by the editors of [Dow Jones VentureWire](#), Venture Capital Dispatch tracks the fast-moving developments at the intersection of high-tech innovation and venture capital finance. Featuring the VentureWire reporting team in the Silicon Valley, New York, Boston and Shanghai tech centers, Venture Capital Dispatch provides insight into the newest start-ups and latest trends in venture capital investing. Write us at VCdispatch@dowjones.com. For more information on Dow Jones products covering venture capital and other financial markets, go to www.fis.dowjones.com.



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3:29 pm March 3, 2012

Time to level the playing field wrote :

How about we level the playing field so new tech can have a chance... Lets start by taking away the 4 billion a year in direct taxpayer subsidies to big oil... Next stop using the multi billion dollar strategic oil Reserve as a way of suppressing prices at the pumps whenever someone wants to win an election... That is not its purpose and it cost the tax payer billion each time. Do that Today, plus the expected double digit growth of oil consumption in oil exporting countries, china, India etc... \$6 a gallon by 2014... Now the new tech electric cars are cheap at any price...

9:58 am March 3, 2012

Steven L. wrote :

In its first year of production, 1958, there were over 63,000 Ford Edsels sold.

So the Volt is far less popular than the Edsel was.

10:43 pm March 2, 2012

ejhickey wrote :

Not hard to figure out why Volts are rotting on dealers lots. Too f'n expensive , especially when compared to one of GM's own cars – the chevy Cruze.

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10:39 pm March 2, 2012

mando wrote :

This story is slanted. It implies that having a million electric cars on the road is not good for America and Obama is the only one who will benefit. This is the trench warfare mentality in this country now. I believe that anything to get us from relying on foreign oil is a good thing regardless of who made the goal or how many times we try. it is ordinary American who will benefit, as Obama is a millionaire and will not be imperiled when gas is \$10/gallon

9:51 pm March 2, 2012

EV1 wrote :

"In the 1990s, GM stopped producing an electric car called EV1 because of slow sales." should have said "In the 1990s, GM stopped producing an electric car called EV1 because of slow leases".

Moochie, I think your analysis is a little harsh. You missed the point of the entire article. This was given as a short point of historical reference, not a main point of the article.

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