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Manufacturing

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CAFE CHAOS

DOE loans do little to help meet mpg rules



Tesla, left, and Fisker, center, got loans for green-car manufacturing; Aptera, right, didn't and closed.

Christina Rogers

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Automotive News -- April 2, 2012 - 12:01 am ET

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Back in 2007, amid a push by Congress to hike U.S. fuel economy standards, Michigan lawmakers got the auto industry some help to comply: a pot of low-interest loans to retool factories for the next generation of advanced-technology vehicles.

Five years later, the \$25 billion federal program, intended to give the nation's fledgling green-car industry a jump-start, has produced messy results.

Ford Motor Co., **Nissan Motor Co.**, and Tesla Motors have benefited, using the cheap money to convert aging factories to build everything from compacts to pure electric vehicles.

Fisker Automotive got a commitment, but it has struggled to get its U.S. production line running. Some startups died while waiting

for an answer.

Now, the Department of Energy auto loan program, created by Congress and signed into law by President George W. Bush in 2007, is bogged down in election-year politics. Republicans are on the attack, and if they get their way, the program could face the ax in this year's budget showdown.

Others, including many green-tech advocates and Democrats, say new loans are being stalled by political considerations and the program needs to be reworked.



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"What you're seeing is a general atmosphere of attack on any government support for clean energy," said Roland Hwang, transportation program director for the Natural Resources Defense Council, an environmental group. "And that's made the government rather cautious."

Plus, consumers aren't exactly flocking to EVs.

In March, General Motors suspended production of the plug-in hybrid Chevrolet Volt for more than a month to help trim inventories. It had missed its 2011 sales target of 10,000 Volts, selling only 7,671 units. Nissan sold 9,674 all-electric Leafs last year. For the year, sales of the Leaf and Volt accounted for only a sliver of the U.S. market, about 0.1 percent.

So far, the initiative, officially the Advanced Technology Vehicles Manufacturing Loan Program, has disbursed less than half of the \$25 billion supported by its fund.

Only five companies have received loan guarantees since 2008, the year the program was funded by Congress, with the majority of the allocations -- about \$5.9 billion -- going to Ford.

In a statement, DOE spokesman Bill Gibbons said of the auto loan program that the department is committed to balancing support for innovative, clean-vehicle projects with "our responsibility to be good stewards of the taxpayer's money."

Meanwhile, Republicans are seizing on last year's bankruptcy of solar-panel maker Solyndra Inc. to criticize the Obama administration's use of public dollars to spur growth in the clean-energy sector -- even though the advanced-technology vehicles program originated with the Bush administration.

While Solyndra's \$535 million loan commitment was backed by a separate DOE program -- one funded by stimulus spending under the Obama administration and intended to give new alternative-energy business a boost -- the company's demise has cast a pall over all green-energy lending, including the auto loan program.

"I'm concerned this Congress is missing the larger picture of the lessons to be learned" from the auto loan program, said Rep. John Dingell, D-Mich., referring to the importance of expanding the nation's clean-energy manufacturing base.

"We don't need to throw the baby out with the bath water."

Retrofitting for fuel efficiency



The Tesla Model S is scheduled to go on sale this summer. Tesla received a \$465 million federal loan commitment in 2010.

Created as part of the Energy Independence and Security Act of 2007, the advanced-technology vehicles program offers direct low-interest loans from the federal government to automakers and suppliers seeking to retool factories to build lighter, more fuel-efficient vehicles.

The program's intent is to help the auto industry prepare for tougher corporate average fuel economy regulations, which under a current administration proposal would reach 54.5 mpg by the 2025 model year.

For instance, Ford used the money to convert Michigan Assembly, a former truck factory west of Detroit, to build the compact Focus, as well as electrified vehicles.

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"This came at a critical time," said a Ford spokeswoman. "During the financial crisis, capital was hard to find."

The DOE loan helped accelerate the company's turnaround plan, giving it capital to retool 11 factories in five states -- Michigan, Illinois, Kentucky, Missouri and Ohio -- creating or saving 33,000 jobs.

"It helped us to bring the fuel-efficient vehicles we have now to market," the spokeswoman said.

Ford, so far, has used \$4.5 billion of its original \$5.9 billion loan commitment, with an interest rate averaging about 2.5 percent. The automaker expects to draw down the rest by year end, the spokeswoman said.

Tesla Motors, which got a \$465 million commitment in 2010, used its loan money to retool the former New United Motor Manufacturing Inc. factory in Fremont, Calif., to build its second EV, the Model S. The car is scheduled to go on sale this summer.

Nissan used its \$1.4 billion DOE loan money to overhaul its factory in Smyrna, Tenn., for production of the all-electric Leaf. The Japanese carmaker also used the loan money to build a battery plant there capable of producing 250,000 packs a year. Both are slated to start production by year end.

"Obviously, it worked out well for us," said Tracy Woodard, Nissan's director of government affairs. "But we don't have a position on the program. That's up to Congress to decide."

DOE loans

WINNERS

Ford Motor Co: \$5.9 billion

Nissan Motor Co: \$1.4 billion

Tesla Motors: \$465 million

Fisker Automotive: \$529 million

Vehicle Production Group: \$50 million

LOSERS

Next Autoworks: Fails to secure \$320 million loan, consolidates operations

Aptera Motors: Fails to secure \$150 million loan, shuts down

Bright Automotive: Withdraws request for \$314 million loan, closes shop

Carbon Motors: Denied \$310 million loan request

General Motors: Withdraws request for \$14.4 billion in loans

Chrysler Group: Withdraws request for less than \$3.5 billion in loans

False starts

Other companies haven't had it as easy.

High-end startup Fisker Automotive has yet to start the assembly line at its plant in Wilmington, Del., after winning a \$529 million loan agreement in April 2010 to retool the former GM plant for a second, plug-in hybrid model.

The company missed several government-imposed deadlines when it delayed sales of its first plug-in hybrid, the Karma, which starts at \$103,000, including shipping.

So far, it has drawn down \$193 million on the loan. But because of the missed benchmarks, the DOE has blocked access to the rest, stalling work at Fisker's U.S. plant, a Fisker spokesman said.

Last summer, Fisker began renegotiating the terms but hasn't reached an agreement, he said.

"They have exercised a lot more due diligence," the spokesman said. "They are looking deeper into the business, and it's taken a lot longer than the first time around."

Some startups needed the loans as a lifeline and didn't get them.

EV startup Aptera Motors closed in December, saying delays in the DOE loan process hurt its ability to attract other investors.

Last month, Carbon Motors, an Indiana startup planning to build diesel police cars, was denied its \$310 million loan request. In a statement, CEO William Santana Li blasted the DOE for what he described as "a political decision in a highly charged, election year environment."

Even Chrysler Group had trouble getting DOE financing.

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Chrysler sought out the loans in 2008 and updated the application in May 2010 to reflect changes to its product plans. But after years of waiting, it withdrew its loan request for less than \$3.5 billion in February.

CEO Sergio Marchionne has expressed frustration about the process taking too long.

In an interview with *The Detroit News* last week, he said the automaker's failure to get the loans will slow new projects and job creation. But the terms were too restrictive, he said.

"To borrow a dollar, I'd have to mortgage my future, and it wasn't worth it," he told the *News* during a trip to Washington.

GM, which had applied for multiple loans in 2009 totaling \$14.4 billion, withdrew its request in January 2011, saying it didn't want to take on the debt.

Meanwhile, politicians on both sides of the aisle have taken the DOE to task for its handling of the clean-energy loan programs, especially in the wake of the Solyndra bankruptcy.

A White House audit, commissioned in November by then-Chief of Staff William Daley, called for stronger oversight of the direct loans and more staff to monitor risks.

Budget battle

During last year's budget fight, House Republicans moved to reallocate \$1.5 billion from the auto loan fund to disaster relief.

The Democrat-controlled Senate blocked that effort, but now conservatives are taking aim at all green-energy loans, including those intended for the auto industry, in an alternative budget proposal for 2013 released by House Republicans last month and passed by the GOP-controlled House last week.

The GOP's plan calls for an immediate end to "all programs that allow government to play venture capitalist with taxpayers' money."

Genevieve Cullen, vice president of the Electric Drive Transportation Association, a Washington advocacy group, said Republicans have made attempts at shaving money from the advanced-technology vehicles program, only to be beaten back each time by congressional support for the loans.

But with the budget fight heating up in Washington, the loan fund could become a hot target as the GOP seeks to slash spending in the next round of budget talks.

Cullen said: "I don't think anything is safe going forward."

Retooling for fuel efficiency

Dec. 2007: The Advanced Technology Vehicles Manufacturing Loan Program is established as part of the Energy Independence and Security Act.

Sept. 2008: Congress appropriates \$7.5 billion to support a maximum of \$25 billion in loans under the program; it kicks in another \$10 million for the U.S. Department of Energy to administer it.

Sept. 2009: DOE makes first loan commitment to Ford Motor Co. for \$5.9 billion to help the automaker retool 11 factories in five states; Ford commits to 33,000 new or saved jobs.

Jan. 2010: Nissan Motor Co. gets a \$1.4 billion loan agreement to retool its factory in Smyrna, Tenn., to build all-electric vehicles; the money also goes to build a battery plant; Nissan agrees to create 1,300 jobs.

Jan. 2010: Tesla Motors Co. receives a \$465 million loan agreement to reopen the former New United Motor Manufacturing Inc. factory in Fremont, Calif., to build the electric Model S, as well as battery packs and electric motors; Tesla commits to 1,500 new jobs.

April 2010: Fisker Automotive gets a \$529 million loan agreement to retool a former General Motors plant in Wilmington, Del., for production of plug-in hybrids; Fisker commits to 2,000 jobs.

Jan. 2011: GM withdraws its request for \$14.4 billion in loans, saying it has enough cash to fund vehicle development; GM had applied for loans in 2009.

March 2011: The Vehicle Production Group gets a \$50 million loan commitment to build a wheelchair-accessible vehicle that runs on compressed natural gas; it agrees to create 900 jobs.

Dec. 2011: Next Autoworks, planning an energy-efficient small car, closes its California headquarters, consolidates operations at its Detroit-area engineering center; Next Autoworks, backed by natural-gas supporter T. Boone Pickens, failed to secure a DOE loan.

Dec. 2011: EV startup Aptera Motors closes, saying delays in the DOE loan process hurt its ability to attract other investors.

Feb. 2012: Fisker Automotive suspends work at its Wilmington, Del., plant, where it had planned to start

production on plug-in hybrids; it lays off 26 workers as it renegotiates its DOE loan agreement.

Feb. 2012: EV startup Bright Automotive closes its doors after withdrawing its \$314 million DOE loan application.

Feb. 2012: Chrysler Group withdraws request for less than \$3.5 billion in loans, saying the terms were too restrictive; it first applied in 2008. DOE denies a loan request from Carbon Motors, an Indiana company that aims to build diesel-powered police cars.

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	<p>COOTIER1 11:37 AM on 4/2/2012</p> <p>These corporations should be relying on profits to make investments not taxpayer loans. It is believed that continued support of this sector will only increase continued dependency just like any other entitlement program.</p>	<p>Score: 0</p> <p>Report Abuse</p>
	<p>1guyin10 9:35 AM on 4/2/2012</p> <p>I understand the recent pressure because of how poorly the green energy loans were handled. The administration did a nice job of shooting that one in the foot - repeatedly. That has certainly put a damper on things, however, the question I have is what was the hold up for the three years preceding that? How many years does it take to process a loan request?</p>	<p>Score: 1</p> <p>Report Abuse</p>
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	<p>chrisgb 8:43 AM on 4/2/2012</p>	<p>Score: 0</p> <p>Report Abuse</p>

The original program could be slashed by \$10 billion, leaving about \$6.65 billion for future loans.

The budget is cut, and there is still loan money available.



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