

PROMOTING ETHICS IN PUBLIC LIFE  
**National Legal and Policy Center**



## Taxpayers' \$1.4B 'Investment' in Nissan EV May Make Volt Look Good by Comparison

Submitted by [Paul Chesser](#) ([bios/paul-chesser](#)) on Fri, 04/06/2012 - 14:00

While [General](#)

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[Motors](#)

<http://nlpc.org/category/keywords/general-motors>’

[Chevy Volt](http://nlpc.org/category/keywords/chevy-volt) ([http://nlpc.org/category/keywords/chevy-](http://nlpc.org/category/keywords/chevy-volt)

[volt](http://nlpc.org/category/keywords/chevy-volt)) assembly workers are [sidelined for five weeks](#)

<http://www.plugincars.com/chevy-volt-production-suspended-5-weeks-due-lower-expected-demand-13561.html>) (and more this summer) because

demand for its strongly hyped [electric car](#)

<http://nlpc.org/category/keywords/electric-car> is weak, the prospects for its chief

rival – [Nissan’s Leaf](#) (<http://nlpc.org/category/keywords/nissan-leaf>) – are shaky at best.



Nissan North America, Inc. – a subsidiary of its Japanese parent – is the beneficiary of a \$1.4 billion Advanced Technology Vehicle Manufacturing [oan](https://lpo.energy.gov/projects=nissan-north-america-inc) (<https://lpo.energy.gov/projects=nissan-north-america-inc>) from the U.S.

[Department of Energy](http://nlpc.org/category/keywords/department-energy) (<http://nlpc.org/category/keywords/department-energy>), to

convert a plant in Smyrna, Tenn. to produce the Leaf and batteries for it.

The project’s promoters say the alterations will lead to 1,300 new jobs, enabling Nissan to produce up to 150,000 Leafs and 200,000 battery packs per year, which will lead to the all-important avoidance of 204,000 tons of carbon dioxide emissions – or so they say.

But there’s just one problem: Sales of the Leaf are not much better than the Volt’s have been, and lately have been much worse. [In 2011](#)

<http://www.bloomberg.com/news/2012-01-04/gm-s-chevy-volt-misses-2011-sales-target-as-safety-probe-goes-on.html> Chevrolet sold 7,671 of its plug-in Volt, whose range is extended with the help of a small gasoline tank. Nissan sold 9,674 of the purely electric Leaf last year. So far through the end of March this year GM has delivered 4,095 Volts, while only 1,733 Leafs have been sold.

So if demand isn’t strong enough to keep a GM line running to build the Volt, how can the current level of sales for the Leaf justify the enormous plant investment Nissan is making in Tennessee? [USA Today reported](#) <http://content.usatoday.com/communities/driveon/post/2012/03/electric-cars-chevrolet-volt-fisker-karma-nissan-leaf/1> a few weeks ago that as gasoline prices reach \$4 per gallon, electric vehicles still “face dark days.” Industry expert LMC Automotive predicts EV sales will remain below 1 percent through 2017.

Why would this be? Because even with billions of dollars in “investment” from the government to help [Ford](https://lpo.energy.gov/projects=ford-motor-company) (<https://lpo.energy.gov/projects=ford-motor-company>), Nissan, [Fisker](http://nlpc.org/category/keywords/fisker) (<http://nlpc.org/category/keywords/fisker>), [Tesla](http://nlpc.org/category/keywords/tesla) (<http://nlpc.org/category/keywords/tesla>), and [The Vehicle Production Group](https://lpo.energy.gov/projects=the-vehicle-production-group-llc) (<https://lpo.energy.gov/projects=the-vehicle-production-group-llc>) build EVs, and to fund companies like [Ecotality](http://nlpc.org/category/keywords/ecotality) (<http://nlpc.org/category/keywords/ecotality>) to build out a charging network [at places like Cracker Barrel](http://nlpc.org/stories/2011/11/03/country-cookin%E2%80%99-can%E2%80%99t-overcome-lengthy-ev-charging-times) (<http://nlpc.org/stories/2011/11/03/country-cookin%E2%80%99-can%E2%80%99t-overcome-lengthy-ev-charging-times>), the technology is impractical for most people. Besides the obvious [range anxiety](#)

<http://nlpc.org/stories/2011/11/10/nissan-leaf-fails-real-life-test-miserably>) experienced by EV drivers, because the batteries don't maintain their charge long enough, there's the problem of lengthy times required to "fill up" again. Even the extremely expensive (\$40,000 each) and hard-to-find "fast-chargers" (440 volt) take 30 minutes to get a Leaf going again for any reasonable distance, and most chargers require four to five hours to re-boost.

At least the Volt has a small gas engine that extends its range, although its (highly subsidized) \$41,000 retail cost is still a lot to overcome for most consumers. But the Leaf is all-electric – no juice, no go, which may be a big reason the Volt has inched past it in sales recently. One EV enthusiast [had to stop and recharge his Leaf four times](http://nlpc.org/stories/2011/12/29/taxpayers-leaf-four-recharging-stops-needed-go-180-miles) <http://nlpc.org/stories/2011/12/29/taxpayers-leaf-four-recharging-stops-needed-go-180-miles>) to travel 180 miles last year. Besides the facts that range is reduced even more [by using heating and air conditioning](http://nlpc.org/stories/2011/11/10/nissan-leaf-fails-real-life-test-miserably) <http://nlpc.org/stories/2011/11/10/nissan-leaf-fails-real-life-test-miserably>), or by driving on inclines, there is the issue that you [can't even depend on its battery gauge](http://nlpc.org/stories/2011/11/17/hollywood-liberals-love-ev-everyone-else-not-so-much) <http://nlpc.org/stories/2011/11/17/hollywood-liberals-love-ev-everyone-else-not-so-much>) (the equivalent of a fuel gauge in a gas-powered car).

"I am ready to turn over a new Leaf – my own," [wrote](http://www.jewishjournal.com/rob_eshman/article/my_2011_nissan_solynbra_20111026/) [http://www.jewishjournal.com/rob\\_eshman/article/my\\_2011\\_nissan\\_solynbra\\_20111026/](http://www.jewishjournal.com/rob_eshman/article/my_2011_nissan_solynbra_20111026/) Rob Eshman, editor-in-chief of The Jewish Journal of Greater Los Angeles.

While Nissan CEO [Carlos Ghosn](http://nlpc.org/category/people/carlos-ghosn) <http://nlpc.org/category/people/carlos-ghosn> (pictured) would obviously love to see sales of the Leaf take off, he has said (in so many words) that government subsidies [are the reason](http://nlpc.org/stories/2011/10/24/nissan-exec-promises-record-sales-long-government-incentives-continue) <http://nlpc.org/stories/2011/10/24/nissan-exec-promises-record-sales-long-government-incentives-continue>) for his pursuit of EV technology, rather than successes based upon qualities such as value, styling, safety rankings, or popularity with the purchasing public.

"It does not matter if, for example, Portugal stops the incentives, as long as other countries like the United States continue to support," Ghosn [told Reuters in October](http://www.reuters.com/article/2011/10/21/renault-dUSL5E7LK2G20111021) <http://www.reuters.com/article/2011/10/21/renault-dUSL5E7LK2G20111021>. "If countries like France, Japan and the UK support and then China, that is about to start to support, that's fine."

The Brazilian-born Frenchman, who also chairs Renault, also does not hide the fact that he supports government control of markets and its attempts to stimulate technologies, no matter the cost.

"We must diversify the energy mix used to fuel our vehicles," Ghosn [wrote last month](http://www.forbes.com/sites/joannmuller/2012/03/14/carlos-ghosn-three-ways-carmakers-can-save-the-world/) <http://www.forbes.com/sites/joannmuller/2012/03/14/carlos-ghosn-three-ways-carmakers-can-save-the-world/>) for *Forbes*. "Petroleum-based fuels now account for 96 percent of the world's automotive energy mix. By mandating targets and requirements at the level of the state, we can increase the mix of renewable fuels."

And, obviously, he believes in the state's expenditure of billions of dollars on EVs. At this week's New York International Auto Show, he [repeated his assertion](http://blogs.wsj.com/drivers-seat/2012/04/05/mr-ghosn-takes-manhattan/) <http://blogs.wsj.com/drivers-seat/2012/04/05/mr-ghosn-takes-manhattan/>) that Nissan's future depended on development of EVs, predicting to the *Wall Street Journal*, "when we get to 500,000 sales we can be profitable." He believes that goal will be attained in 2015-2016.

Meanwhile an [analysis](http://www.bizjournals.com/nashville/blog/2012/04/savings-come-slowly-for-hybrid.html) <http://www.bizjournals.com/nashville/blog/2012/04/savings-come-slowly-for-hybrid.html>) of fuel efficiency [by the New York Times](http://www.nytimes.com/2012/04/05/business/energy-environment/for-hybrid-and-electric-cars-to-pay-off-owners-must-wait.html?_r=1) [http://www.nytimes.com/2012/04/05/business/energy-environment/for-hybrid-and-electric-cars-to-pay-off-owners-must-wait.html?\\_r=1](http://www.nytimes.com/2012/04/05/business/energy-environment/for-hybrid-and-electric-cars-to-pay-off-owners-must-wait.html?_r=1)) determined that it would take nine years before Leaf owners break even by saving money on gasoline

versus the extra cost of the EV. That is a dubious assumption, since after that amount of time all – or a lot of – the depleted battery pack will need to be replaced. Time will tell, but if like most batteries it needs entire replacement, the cost is [likely to exceed \\$30,000](#) (<http://green.autoblog.com/2011/08/03/need-to-replace-a-nissan-leaf-battery-hows-19-392-u-753-u/>).

Nissan [disputes that](#) (<http://green.autoblog.com/2011/09/30/nissan-addresses-leaf-battery-life-replacement-costs/>), of course. But is it worth risking the unknown for a vehicle that is only capable of traveling much fewer miles than would an equivalent gas-powered car such as the Nissan Versa or Chevy Cruze?

Not that that matters to Ghosn, since in his view, the purpose of the automobile business is to serve the collective through the manipulations of government.

"We have a social responsibility to ensure that this industry grows sustainably," he wrote in his *Forbes* piece, "and if we uphold our responsibility, we will increase the quality of life for everyone on our planet."

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## PROMOTING ETHICS IN PUBLIC LIFE

# National Legal and Policy Center



### Sens. Grassley, Thune Want Answers on Fisker Loan

Submitted by [Paul Chesser \(/bios/paul-chesser\)](#) on Wed, 05/02/2012 - 12:20

Why are taxpayers  [Printer-friendly \(/http://nlpc.org/print/3971\)](http://nlpc.org/print/3971)  [Email to friend \(/http://nlpc.org/printmail/3971\)](http://nlpc.org/printmail/3971)

Forced to underwrite a loan for the producer of a \$107,000 toy vehicle for the wealthy, the majority of which is assembled at a European auto plant?



Two weeks ago Republican Sens. Charles Grassley of Iowa and John Thune of South Dakota asked [Energy](#) <http://nlpc.org/category/keywords/department-energy> Secretary Steven Chu [those and some other pointed questions](#) [http://www.grassley.senate.gov/news/Article.cfm?customel\\_dataPageID\\_1502=40348](http://www.grassley.senate.gov/news/Article.cfm?customel_dataPageID_1502=40348) about his department's decisions, in granting a \$529 million taxpayer loan guarantee to [Fisker Automotive](#) (<http://nlpc.org/category/keywords/fisker>), a luxury electric car manufacturer.

The [politically connected automaker](#) (<http://nlpc.org/stories/2011/10/24/was-al-ore-behind-fisker-funding-fiasco>) has stumbled a number of times in delivering its six-figure Karma to market, with two recalls related to battery defects, in [an investigation](#) (<http://nlpc.org/stories/2012/03/12/fisker%E2%80%99s-private-undraisers-face-sec-investigation>) of its top venture capital raisers, and [layoffs of dozens of "green jobs"](#) (<http://nlpc.org/stories/2012/02/08/many-unanswered-questions-surround-fisker-layoffs>) that had been [bragged about](#) <http://www.wired.com/autopia/2009/10/fisker-delaware-factory/>) by the Obama administration.

The senators questioned the wisdom of extending the loan – which has now been suspended after issuance of \$193 million because of Fisker's troubles – in the first place.

"The statute which created the (Advanced Technology Vehicles Manufacturing) program did not specify a retail price range for vehicles that are financed by Federal dollars, but it would seem questionable how financing \$100,000 luxury class automobiles would be the best use of taxpayer money," the senators wrote in a [letter to Chu](#) <http://www.grassley.senate.gov/about/upload/2012-04-20-CEG-JRT-to-DOE-Fisker.pdf>, dated April 20. "The Department of Energy appears to have decided otherwise."

The senators then asked a series of questions which sought to "bring sunlight and transparency" to DOE's loan process. Among their queries:

<!--[if !supportLists]-->1. <!--[endif]-->Why did the department fail to grasp the concept that money is "fungible," when considering that Fisker planned to assemble the Karma in Finland at Valmet Automotive? As much as \$169 million in taxpayer guaranteed funds were dedicated to production of the Karma – allegedly for U.S. operations – allowing Fisker to commit its precious private resources to Finnish operations.

2. How did DOE calculate that its \$529 million guarantee would produce 2,000 permanent jobs (\$264,500 per job)? From the time it initiated plans in California and Delaware until DOE halted the loan, Fisker laid off at least 77 U.S. employees.

3. DOE estimates that the equivalent of 30,000 fewer cars would be on the road as a result of the Fisker loan. Only 1,500 Karmas are expected to be sold by the end of this year, and plans for a \$50,000 sedan – the Atlantic – are on hold, as is renovation at a planned plant to produce it in Delaware.

In addition, the senators asked Chu “what technical expertise” DOE used “to evaluate, originate and monitor the loan to Fisker.” According to the Recovery.gov Web site, international law firm Debevoise and Plimpton, LLC, [received \\$1.8 million \(http://nlpc.org/stories/2012/02/28/obama-supporting-law-firm-advised-failed-fisker-loan\)](http://nlpc.org/stories/2012/02/28/obama-supporting-law-firm-advised-failed-fisker-loan) to provide legal advice, conduct due diligence, and review documents for the loans to Fisker and to Ford Motor Company.

According to data compiled by the Center for Responsive Politics, employees of the law firm gave \$199,944 to Sen. Barack Obama for his 2008 presidential campaign, and over the last three congressional election cycles (two cycles for the presidency, including this year), Debevoise staff members have donated \$746,535 to Democrat candidates and political committees, including \$284,420 to the Obama campaign. Debevoise’s media relations manager, Suzanne Elio, is a former Democratic National Committee fundraiser, and top lawyer David Rivkin reportedly served on President Obama’s National Finance Committee, even hosting a fundraiser for presidential candidate Obama in his home in 2007.

Maybe Debevoise staffers have “technical” expertise too.

Sens. Grassley and Thune could ask a few other questions also. For example, did top investors in Fisker like co-owner [Kleiner, Perkins, Caufield and Byers \(http://nlpc.org/category/keywords/kleiner-perkins\)](http://nlpc.org/category/keywords/kleiner-perkins) receive special consideration because its employees donated \$2.6 million to candidates and political action committees, mostly to Democrats? And was Fisker granted favor because KPCB [spent \\$50,000 per quarter throughout 2009 and 2010 lobbying Congress \(http://nlpc.org/stories/2012/02/14/integrity-fisker-equity-fundraisers-questioned\)](http://nlpc.org/stories/2012/02/14/integrity-fisker-equity-fundraisers-questioned) – in addition to Fisker’s expenditure of \$480,000 for lobbying of Congress, the White House and the Departments of Energy and Defense to seek funds through DOE’s loan program?

The senators also might ask about the reputation of the private capital raisers for Fisker, [Advanced Equities \(http://nlpc.org/category/keywords/advanced-equities\)](http://nlpc.org/category/keywords/advanced-equities). Its primary partners, Keith Daubenspeck and Dwight Badger, have been accused of “foisting junky startups on investors” and are now the subjects of [a Securities and Exchange Commission investigation \(http://nlpc.org/stories/2012/03/12/fisker%E2%80%99s-private-fundraisers-face-sec-investigation\)](http://nlpc.org/stories/2012/03/12/fisker%E2%80%99s-private-fundraisers-face-sec-investigation).

And related to Fisker, the senators could ask what DOE grant makers were thinking when they awarded its battery supplier, [A123 Systems \(http://nlpc.org/category/keywords/a123-systems\)](http://nlpc.org/category/keywords/a123-systems), a grant for \$249.1 million. Fisker has had at least [two recalls \(http://nlpc.org/stories/2012/04/12/another-unders-taxpayer-funded-ev-battery-company-a123\)](http://nlpc.org/stories/2012/04/12/another-unders-taxpayer-funded-ev-battery-company-a123) due to A123’s product flaws, and the Massachusetts battery maker took a loss of \$85 million in the 4th quarter last year, partly because of a \$11.6 million write-down of its ownership stake in Fisker. Clearly something happened that made A123 executives realize they would never recover that investment.

Of course Sens. Grassley and Thune are appropriately focused on the absurdity of taxpayers subsidizing a risky start-up company that produces

six-figure toy vehicles for rich people. DOE justified the loan by calling attention to plans to produce a less expensive vehicle, the Atlantic, for an approximate retail price of \$50,000.

"This complaint misses the mark in several respects. First, both manufacturers plan to start with high end vehicles and then quickly move to more affordable product lines," [said \(http://thehill.com/blogs/e2-wire/e2-wire/223149-grassley-thune-energy-department-electric-car-loan-caters-to-the-1\)](http://thehill.com/blogs/e2-wire/e2-wire/223149-grassley-thune-energy-department-electric-car-loan-caters-to-the-1) DOE spokesman Dan Leistikow, also referencing a \$465 million loan to EV newbie Tesla.

But \$50,000 a car is not exactly accessible for low-income consumers, or the even broader 99 percent. The [Chevy Volt \(http://nlpc.org/category/keywords/chevy-volt\)](http://nlpc.org/category/keywords/chevy-volt), which retails for \$41,000 before a \$7,500 buyer tax credit, has sold to customers (and [not very many of them \(http://green.autoblog.com/2012/05/01/chevy-volt-sales-drop-to-1-462-nissan-leaf-sales-fall-to-370/\)](http://green.autoblog.com/2012/05/01/chevy-volt-sales-drop-to-1-462-nissan-leaf-sales-fall-to-370/)) who on average earn \$170,000.

Corporate cronyism, fudgy government numbers, and subsidies of the wealthy – a lot to explain for Steven Chu's Department of Energy.

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