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Shallow Analysis Deems DOE Electric Vehicle Loans a Success
Submitted by Paul Chesser on Mon, 07/08/2013

Popular automotive Web site's attempt to set the record straight on the degree of success and failure of the Department of Energy's Advanced Technology Vehicles Manufacturing loan program was well-intentioned, but missed the mark on several points and overall gave the initiative far too much credit.

Jalopnik.com contributor Patrick George was pointed in the right direction when he characterized DOE's boastful Loan Program Office as "rosy," but more accurate descriptors would be "excessive" and "unrealistic." It's clear his analysis was one of an automotive enthusiast and reviewer, rather than someone who regularly watchdogs government with a skeptic's eye and knows how bureaucrats fudge and exaggerate numbers to claim credit for their politician bosses. As NLPCC has reported often, DOE – before a taxpayer-backed bank check was ever issued to an electric automaker – has made absolutely unbelievable claims about jobs, fuel savings and carbon dioxide emission reductions that were to be realized as a result of their loans.

"The Energy Department's rosy website claims the government's Advanced Technology Vehicle Manufacturing loan program has 'created or saved' 37,000 jobs," George wrote. "A Jalopnik analysis of the current states of the five companies involved shows that this number is technically true, but not the way the government tells it."

George gave DOE far too much credit. Even now, after more than three years for most of the projects, the Loan Program Office can't be bothered to update statistical expectations even though two of the companies (Fisker Automotive and Vehicle Production Group) are non-operational and on the verge of bankruptcy. No one should take the agency seriously if it doesn't even attempt to correct the record for the projects it manages.

Even the original exaggerations were obvious. For example, DOE claimed the \$5.9 billion loan guarantee issued to Ford Motor Company (the largest recipient in the ATVM program) made possible the conversion of "nearly 33,000 employees to green manufacturing jobs," with an alleged 509,000 cars "off the road," 268 million gallons of gasoline "displaced" annually, and 2.38 million tons of carbon dioxide avoided. This miraculously occurred with Ford's refurbishment of a few manufacturing plants.

Rather than simply deliver the derisive laughter that Ford and DOE deserve, George asked a company spokeswoman what "converting jobs" means. He was told that the loan guarantee helped "retain" 33,000 workers for new roles.

"For example, Michigan Assembly Plant used to be a truck plant," the Ford spokeswoman explained. "It is now the world's first factory to build not only fuel-efficient gas-powered small cars, but also three versions of electrified vehicles - battery electric, hybrid and plug-in hybrid vehicles - all in one place."

That seemed good enough for George, who expressed mild skepticism that only went so deep.

"Though it is unlikely that 33,000 Ford employees would be out of work without the loan," he reasoned, "they are now in new roles manufacturing more efficient vehicles, which was indeed the goal of the program."

True, of course, but George left so much unaddressed. First, the very claim that it was only because of the U.S. government that 33,000 auto manufacturing jobs were "saved," at a perfectly healthy company, was just brazen lying. The appropriate response should be, "What do you take us for – idiots?"

But there was so much more beyond that. The only reason the administration launched the program, and that Ford was willing to accept the loan, is that the federal government created a heightened regulatory scheme that exacted greater vehicle fuel economy in the first place. The automotive market has shown little demand for electric vehicles, at least to justify the extensive financing and construction that automakers have undertaken. What little sales there have been were goosed only by subsidies and tax breaks.

And even with that, the claims about gas displacement, avoided carbon dioxide and gas-powered cars "off the road" were created out of thin air and likely supplied by Ford itself to justify the loan, which in turn gave DOE a sales pitch to the public for the program. The Congressional Budget Office has determined that the overall \$7.5 billion in subsidies for electric vehicle production will have little or no benefit on gas consumption or emissions avoidance. Even now, with the Focus Electric that Ford doesn't seem to care about selling, the numbers haven't been modified.

The truth is, as Car and Driver reported in November, is that many companies have put barely enough alternative vehicles on the market just so they can comply with government-mandated Corporate Average Fuel Economy (CAFÉ) standards. The automakers incur huge penalties for failing to bring up the average gas mileage for the vehicles they sell up to federal demands. On the other hand, with the taxpayer subsidies like Ford enjoys, the car companies get much of the expenses for the lousy-selling EVs in their lineups covered.

"In many cases this is intentional," Car and Driver reported, "with automakers building EVs to satisfy regulators and leasing a limited number of loss-making vehicles in California and a handful of other states."

Another ATVM loan program beneficiary, Nissan, has acknowledged the strategy. After admitting mistakes in trying to promote its all-electric, poor-selling Leaf "like Altimas," vice president for sales Al Castignetti became more realistic.

"We've pulled back a little bit and are telling our dealers, 'You don't market this car traditionally,'" he told Automotive News.

"No carmaker makes 54.5 miles per gallon without alternative-fuel vehicles," he said of CAFE. "Direct-injection engines are not going to get you there."

Nonetheless the DOE Loan Program Office boasts that, as a result of its \$1.4 billion backing for a Leaf plant in Tennessee, that 5.7 million gallons of gasoline will be displaced annually, with 51,000 tons of CO₂ "avoided," 11,000 gasoline-powered cars "off the road," and 1,300 permanent jobs created. However, Jalopnik's George confirmed from a Nissan spokesman that the jobs number is really closer to 300, and the larger number reflects the plant at full capacity. At that level the factory would produce up to 150,000 Leafs and 200,000 battery packs per year, but Nissan has sold only 9,839 Leafs (thanks to extreme discounts on leasing deals) through June, so "full capacity" is nowhere in sight.

It's not worth rehashing the bogus statistical claims DOE has made (and still maintains on its site) for Fisker (\$529 million loan; \$193 million paid out) and Vehicle Production Group (\$50 million loan), since their downfalls mean the stats have been essentially zeroed out. So between those two and Ford and Nissan's unsupportable claims, George had one DOE loan recipient left to demonstrate that its job claims are "technically true": Tesla Motors.

George argued that the company's \$465 million loan enabled the luxury automaker owned by Paypal billionaire Elon Musk (in photo with President Obama) enabled it to grow to 4,000 employees, surpassing the 1,500 that DOE claimed credit for on the Loan Program Office Web site. According to George a Tesla spokeswoman told him, "the ATVM loan did contribute to our abilities to grow our workforce."

Maybe that's true, but in Tesla's and Musk's case, it's just a matter of deciding how to use money and debt at their disposal. The CEO, who is also head of SolarCity and out-of-this-world private travel company SpaceX, would have almost infinite options of where to draw financing from, if he decided not to use his own fortune (and what rich person would do that when he can use other peoples' money?). So grabbing hold of a cheap interest, government-backed loan for Tesla would be a no-brainer – but Musk didn't need it.

Therefore as for the "success" that George gives Tesla credit for, none of it is attributable to the DOE loan because it could have been achieved without putting U.S. taxpayers' money at risk. And so far the jury is still out on Tesla's success: the company announced its first profitable quarter ever a couple of months ago, but it was largely because it was able to sell California emissions credits to other auto companies who were not in compliance with the state's strict mandates. So again, there are far more losers than winners in a market distorted by government meddling.

Nevertheless George gives DOE credit for the creation of 4,000 jobs by Tesla and 33,000 jobs "retained" by Ford, because that was the program's "intent." Thus he concludes that despite inaccuracies in the details, the ATVM program's claim of 37,000 jobs is accurate. This is the kind of thing the White House will seize upon as "proof" of its policy "successes," while ignoring the unpleasant details.

"But the Energy Department could stand to be a lot more honest and transparent with the taxpayers who are backing these loans, and that includes no longer telling us everything is stellar with VPG and Fisker," George wrote. "The Obama Administration is still trying to have an 'unprecedented level of openness in Government,' right?"

At least we can agree on that.

Paul Chesser is an associate fellow for the National Legal and Policy Center and publishes CarolinaPlottHound.com, an aggregator of North Carolina news.