Trump Should Be Asking: Will Ford Pay Off Its Government Loan Before Moving Small Car Production To Mexico?

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Republican presidential nominee Donald Trump tried to score some cheap political points last week when he claimed — falsely – that Ford Motor F +1.03% plans to “fire all their employees in the United States and … move to Mexico.” Mark Fields, Ford’s chief executive, wouldn’t let him get away with such nonsense, though, telling CNN, “It’s really unfortunate when politics get in the way of the facts.”

What Ford does plan to do is shift production of small cars out of the U.S. to Mexico because it can’t make a profit on them at U.S. labor rates. Nobody’s getting fired. American workers instead will build higher-profit trucks and SUVs.

But here’s a legitimate question Trump — and every American — should be asking instead: Whatever happened to the $5.9 billion taxpayer loan Ford received from the U.S. Department of Energy in the throes of the Great Recession to build fuel-efficient cars?

Ford likes to say it “didn’t take the money” because unlike General Motors GM +0.97% and Chrysler, it didn’t require a taxpayer bailout to survive the 2008-2009 credit crisis. But don’t forget: Ford tapped into a different pool of government money set aside for the auto industry during those desperate times. (And those low-cost funds were critical to Ford’s survival because no other funding sources were available.)

Hoping to create “thousands of green jobs” in the U.S. and reduce the nation’s dependence on foreign oil, the DOE under the Bush Administration established the $25 billion loan program in 2007 to encourage development of advanced technology vehicles that would burn less fuel and, importantly, be manufactured in the U.S. Congress funded the program in 2009, after President Obama took office.

Ford applied for and received $5.9 billion in June 2009 (the same month GM filed for bankruptcy) to help pay for investments in more fuel-efficient engines, hybrids and electric cars and also to convert two truck plants to production of cars.

One of those plants, in Michigan, switched from making Ford Expeditions and Lincoln Navigators to producing fuel-efficient compact Ford Focus cars and C-Max Energi plug-in hybrids. The project, made possible by the DOE loan, cost $550 million. Now, just six years later, Ford says those small cars are moving to Mexico. Starting in 2018, the factory's 1,200 workers are expected to build Ford Ranger pickups and a next-generation Ford Bronco SUV instead.

Ford's decision is not unusual — FiatChrysler already gave up on small car production in the U.S., and many other global automakers are building cars in Mexico as well. And Ford has been telegraphing its intentions for months, including in talks with the UAW a year ago.

Production of vehicles like the plug-in Ford C-Max Energi are moving to Mexico. Ford received a taxpayer loan to build it in the U.S.

But the fact that the DOE loan came with very specific strings tied to building fuel-efficient cars in the U.S. leaves some with a bad taste, given that Ford still owes the government $3.5 billion and isn't scheduled to pay it off until 2022.

But the money Ford received was to fund advanced technology projects at 12 plants in six states — not just to produce small cars and EVs at a single plant in Wayne, Mich. For example, the funds helped pay for development of Ford's now ubiquitous EcoBoost family of engines and its use of new lightweight, high-strength aluminum in the bodies of its best-selling F-series pickups.

And just last week, Fields shared more details of Ford's plan to spend $4.5 billion on electrified vehicles by 2020, including advanced battery development and a greater focus on electric vans and other commercial vehicles. "We want to become a top player in electrified solutions, and I call it moving from a compliance mindset to one of leading where we can win such as with our commercial vehicles."

So while Ford may be shifting production of "compliance" cars like the plug-in C-Max to Mexico, it is doubling down on electrification for use in business fleets such as delivery trucks or commuter vans, which are built in the U.S.

One of the requirements to receive ATVM funding was that the project must produce a 25 percent improvement in fuel economy over 2005 levels. Ford's passenger car fleet fuel economy improved 27 percent, from 28.6 mpg to 36.4 mpg, between 2005 and 2014, the latest figures available, according to NHTSA's CAFE Public Information Center. Light truck fuel economy improved 15.7 percent, from 21.6 mpg to 25 mpg, during that period, but that doesn't reflect the improvement from Ford's aluminum F-150, which debuted at the end of 2014. For 2017, the F-150 features an improved Ecoboost engine and a new 10-speed transmission, improving the fuel economy even further. EPA-estimated figures will be released later this year.

A Ford spokeswoman noted that each individual project had to show a 25 percent improvement in fuel economy, and that fleetwide CAFE (Corporate Average Fuel Economy) ratings are not relevant to the ATVM program. She also noted that the Michigan plant will continue building small cars and plug-in vehicles through 2018 and that Ford will pay off the loan, with interest, as required under the terms.

"As part of the loan requirements, Ford provides semiannual progress reports to the Department of Energy," said the Washingt0n-based spokeswoman, Christin Baker. "Our metrics have consistently shown that our 12 projects have exceeded the 25 percent improved fuel economy levels over 2005 levels."

The Department of Energy doesn't seem particularly concerned. "As it does with all its borrowers (the DOE) will continued to work closely with Ford to determine what impact this may have on the loan and ensure taxpayer interests are protected," an agency spokeswoman said.

Ford was one of five companies that received loans under the ATVM program in 2009, but two of them didn't work out too well. Fisker Automotive, which produced $100,000 plug-in hybrid sports cars, went bankrupt after drawing $193 million of its $529 million ATVM loan, and was later sold to a Chinese manufacturer, saddling taxpayers with a $139 million loss. Vehicle Production Group (VPG) planned to sell natural gas-powered vans for handicapped drivers, but also went bankrupt after receiving a $50 million government loan. DOE recovered just $8 million on that investment.

Nissan North America received $1.5 billion to build an advanced battery plant in Tennessee and produce the plug-in Nissan Leaf nearby. It's still paying off the loan and won't disclose the balance owed. California-based Tesla Motors TSLA +0.05% repaid the entire $465 million it received to build its plug-in Model S sedan and related batteries.

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Is Ford building an inflatable car?

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We're guessing this will come with a very big fix a flat kit.

Ford has filed trademark applications for something called an Inflatable Light Urban Vehicle, or iLuv.

Classified under "vehicles; apparatus for locomotion by land, air or water," there's little more information about what it could be.

The outlet that first discovered the applications, Ford Inside News, suggests that they could be intended for use on some sort of small, collapsible personal urban transportation device, rather than a traditional car, but Ford isn't saying. A spokesperson tells FoxNews.com that the company regularly trademarks various names and won't comment on any speculation surrounding these.

Mercedes-Benz has shown a prototype vehicle fitted with inflatable steel beams in its doors that expand in the event of a crash to absorb energy, while a San Francisco startup company called XP Vehicles has proposed a car made from flexible panels filled with lightweight expandable foam.

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Taxpayer billions could fall short in creating new jobs, more efficient cars

Energy Department doles out corporate loans without checks on spending or goals

By Ronnie Greene and Matthew Mosk | March 31, 2011

Tesla Motors was one of the companies selected to receive loans from an Energy Department program meant to create jobs and spur development of fuel-saving cars. Other recipients include Ford Motor Co., Nissan North America and Fisker Automotive. Credit: Emma Schwartz/CPI

An Energy Department loan program meant to create jobs and spur development of fuel-saving cars — bestowed with $25 billion in public money — lacks clear benchmarks to ensure taxpayers' dollars are properly spent or that the goals are achieved, a new Government Accountability Office report concludes.

Short of funds, the program might not even be able to lend the full $25 billion approved by Congress — creating even fewer jobs than envisioned.

This latest criticism of Energy Department grants and loans follows earlier inquiries that have raised questions about whether the Obama administration is favoring certain companies in awarding federal aid, including money intended to stimulate the economy by creating jobs.

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As the Center for Public Integrity has reported, a number of green firms financed by major fundraisers to President Obama's 2008 campaign — such as California politician-turned-venture capitalist Steve Westly — obtained hundreds of millions of dollars in federal grants, loans and stimulus money. After Westly raised more than half a million dollars for Obama's campaign, companies in his venture firm portfolio secured half a billion dollars in Energy Department grants and loans. White House and energy officials say those awards were won on merit, and that political support plays no role in the process.

The report by the GAO, the investigative arm of Congress, focuses on the Advanced Technology Vehicles Manufacturing (ATVM) loan program, which has infused five companies with more than $8

Report: Ford using government-backed loans to pay off debt

by **Sam Abuelsamid** (RSS feed) on Aug 10th 2010 at 10:31AM

Ford was the only one of Detroit's three automakers able to avoid taking a direct government bailout in 2009 to bypass bankruptcy. However, that doesn't mean it hasn't been able to benefit from some government largess.

Back in 2006 before the credit markets collapsed, Ford essentially mortgaged every facility it had in order to borrow $23.5 billion. That money was used to provide operating cash flow that General Motors and Chrysler didn't have when things went south in 2008. The money allowed Ford to keep the lights on, but it also saddled the company with the debt service payments of $318 per vehicle in the second quarter of this year.

Rather than direct bailouts, Ford has been able to take advantage of several government-backed low interest loan programs like the Advanced Technology Vehicle Manufacturing program run by the Department of Energy to fund new vehicle development and factory retooling. Ford is also getting tax breaks and low interest loans from various states as well as other countries like the UK and Russia. At the same time, it has used profits earned in the past year to pay down higher interest debt. Ford has done little to deliver the electric and fuel cell cars it was supposed to deliver but has done much to pay executive bonuses.