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MARCH 8, 2012 AT 12:22 PM

Energy Department rejects another auto loan request

BY DAVID SHEPARDSON DETROIT NEWS WASHINGTON BUREAU 1 COMMENTS

Washington -Carbon Motors Corp., a startup aiming to build fuel-efficient diesel police cars and take on Detroit's automakers, is the latest company to be rejected by the Energy Department for loans under the struggling \$25 billion auto retooling program.

The privately held Connersville, Ind., company said the Energy Department informed the company it will not approve its request for \$310 million under the Advanced Technology Vehicle Manufacturing that was created in 2007 and funded by Congress in 2008 with \$7.5 billion to cover taxpayer losses.

Several startup automakers say they have spent millions of dollars, and in some cases, years, trying to win government loans. They accuse the Obama administration of refusing to approve any new loans because of concerns about political fallout from awarding loans to a company that could struggle — especially in a presidential election year.

"We are outraged by the actions of the DOE and it is clear that this was a political decision in a highly charged, election year environment. Since Solyndra became politicized last fall, the DOE has failed to make any other loans under the ATVM program, has pulled back one loan that it previously committed and, as of this month, the DOE has pushed aside the three remaining viable loans under active consideration," said William Santana Li, chairman and chief executive officer of Carbon Motors. "Each of these applicants has been caught for several years in a costly and extensive DOE due diligence process. Carbon Motors simply appears to be the last victim of this political gamesmanship."

The company said the failure to approve any new loans in two years "represents a glaring failure of the Obama Administration to create jobs that are clearly within its power to create."

The company had struck a deal to buy diesel engines from BMW AG in 2010, purchased a 1.8-million-square-foot factory in Connersville formerly owned by Visteon Corp., once a Ford Motor Co. subsidiary, and planned to add 1,550 jobs.

The government has awarded four loans totaling \$8.4 billion to Ford Motor Co., Nissan Motor Co. and startups Fisker Automotive and Tesla Motors.

An Energy spokesman, Damien LaVera, said the government "is committed to balancing our goal of supporting innovative projects that can promote the development of clean vehicles in the United States with our responsibility to be good stewards of the taxpayer's money."

LaVera noted that the government has been in talks with Carbon Motors for two and a half years "to try to negotiate a deal that supported their business while protecting the taxpayers."

Energy Secretary Steven Chu told a congressional committee Thursday that his staff would brief Congress next week on the status of its green loans. But Chu would not commit to disclosing to Congress the names of companies that have received loans on an internal "watch list" for potential problems.

Last month, Rochester Hills auto startup Bright Automotive said it was closing operations after it failed to receive a federal retooling loan.

The company, backed with \$5 million in funding by General Motors Co., had about 60 employees in Michigan and Indiana.

"We have been forced to say uncle. As a result, we are winding down our operations," the company's CEO Reuben Munger and chief operating officer Mike Donoughe wrote Energy Secretary Steven Chu in a letter.

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MARCH 8, 2012 AT 6:02 PM

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Several startup automakers say they have spent millions of dollars, and in some cases, years, trying to win government loans. They accuse the Obama administration of refusing to approve any new loans because of concerns about political fallout from awarding loans to a company that could struggle — especially in a presidential election year.

Republicans have seized on the fact that solar-panel startup Solyndra LLC filed for bankruptcy putting 1,100 people out of work — a move that could cost taxpayers the \$528 million they loaned the California firm.

"We are outraged by the actions of the DOE and it is clear that this was a political decision in a highly charged, election year environment. Since Solyndra became politicized last fall, the DOE has failed to make any other loans under the ATVM program, has pulled back one loan that it previously committed and, as of this month, the DOE has pushed aside the three remaining viable loans under active consideration," said William Santana Li, a former Ford executive and chairman and CEO of Carbon Motors. "Each of these applicants has been caught for several years in a costly and extensive DOE due diligence process. Carbon Motors simply appears to be the last victim of this political gamesmanship."

The company said the failure to approve any new loans in two years "represents a glaring failure of the Obama administration to create jobs that are clearly within its power to create."

The project had significant Republican backing, including Sen. Richard Lugar of Indiana, who lobbied on the project's behalf. Indiana Gov. Mitch Daniels said he was "deeply disappointed for the people of Connersville and those who tried to bring this promising business here."

The company had struck a deal to buy diesel engines from BMW AG in 2010, purchased a 1.8-million-square-foot factory in Connersville formerly owned by Visteon Corp., once a Ford Motor Co. subsidiary, and planned to add 1,550 jobs.

The government has awarded four loans totaling \$8.4 billion to Ford Motor Co., Nissan Motor Co. and startups Fisker Automotive, Tesla Motors and Vehicle Production Group.

No new loan has been finalized in a year.

An Energy spokesman, Damien LaVera, said the government "is committed to balancing our goal of supporting innovative projects that can promote the development of clean vehicles in the United States with our responsibility to be good stewards of the taxpayer's money."

LaVera noted that the government has been in talks with Carbon Motors for two and a half years "to try to negotiate a deal that supported their business while protecting the taxpayers."

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