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Chrysler withdraws loan application

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Reuters
6:26 p.m. CST, February 16, 2012

(Reuters) - Chrysler on Thursday withdrew an application for a U.S. government loan worth more than \$3 billion to help it make cars and trucks that are more fuel efficient.

The automaker said in a statement it was confident in its ability to adopt new technologies and make competitive products without new government assistance.

"The decision will not impact Chrysler's ability to achieve its previously announced business plan targets," the company said.

Chrysler was bailed out by the government in 2009 and is now a unit of Italy's Fiat SpA. It did not comment on the status of its application for an Energy Department loan to upgrade U.S. plants with technology needed to overhaul its truck-heavy lineup.

The loan was pending for some time with the company and the government engaged in tough negotiations over financing terms and other aspects. The agency said it still was considering the Chrysler application when the company pulled out.

"While we were continuing to work with Chrysler to come to an agreement, we are pleased that they are capable of achieving their business goals without department support," Energy Department spokesman Damien LaVera said.

Not providing substantial assistance to Chrysler will likely be a political plus for the Obama administration, whose overall Energy Department loan practices have come under scrutiny by congressional Republicans.

Two deals considered under the department's \$25 billion advanced technology auto financing program have been in the spotlight recently.

The first was conditional approval of a \$730 million loan for the North American subsidiary of Russian steel giant Severstal to overhaul a Michigan factory. After lawmakers sought information about the deal, the Energy Department determined Severstal NA could finance the project on its own and rejected the bid in January.

The second case involves electric car startup Fisker Automotive, which has suspended work at its U.S. manufacturing plant while it renegotiates the terms of its \$529 million DOE loan.

With Chrysler dropping a loan bid, the administration also can quiet questions about the wisdom of more taxpayer largess for a company that received \$12.5 billion in politically controversial bailout and bankruptcy aid.

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Chrysler is following a path set by General Motors Co, which received a government bailout and pulled a similar loan application last year. GM said it could finance the infrastructure needed to improve the gas mileage of its vehicles without new federal help.

Ford Motor Co and Nissan Motor Co Ltd have each received billions from the Energy Department loan program, established by Congress in 2008, to upgrade factories.

Chrysler's decision comes as it is again profitable, joining its bigger Detroit rivals with restructured balance sheets, new products and confidence to take on traditionally more nimble overseas rivals.

Even if the administration favored Chrysler's financing proposals, the government was unlikely to have awarded the entire \$3 billion due to political pressure to find budget savings.

(Reporting by John Crawley and Megha Mandavia; Editing by Andre Grenon and Steve Orlofsky)

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