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DOE auto loan program was badly bungled

Automotive News -- April 9, 2012 - 12:01 am ET

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The Advanced Technology Vehicles Manufacturing Loan Program has been a mess. In four years, the Department of Energy program has disbursed less than half the \$25 billion approved by Congress, leaving a trail of bungled opportunities.

It is more evidence of why it is wrong for government to pick winners and losers.

The program was created in December 2007 as part of the Energy Independence and Security Act, amid a push by Congress to hike U.S. fuel economy standards. At the behest of Michigan legislators, the low-interest loan program was included to help the Detroit 3 retool their aging factories to produce the next generation of advanced-technology vehicles.

But the law of unintended consequences and political pandering made a bad idea worse.

Only five companies have received loan guarantees since 2008, the year the program was funded by Congress, with the majority of the allocations -- about \$5.9 billion -- going to [Ford Motor Co.](#) [Nissan Motor Co.](#), the only other established automaker to secure a loan, received about \$1.4 billion.

The Obama administration's political bias for electric vehicles became a problem.

Two startups, Tesla Motors and Fisker Automotive, didn't need to retool to meet new corporate average fuel economy standards. But after buying fallow assembly plants, they applied for and were granted loans. Tesla got a \$465 million loan agreement. Fisker got a \$529 million agreement but received only a portion of it before the government demanded to review the company's business plan. As of last week, it wasn't clear whether Fisker will even build cars here.

Worse, the strings attached to the loan process ended up repelling General Motors and Chrysler, two of the three companies that legitimately might have been able to use the money to meet the new standards.

Now the DOE auto loan program and a separate DOE program intended to give nonautomotive alternative-energy projects a boost have become a political football, as often happens in an election year when tax dollars are involved. Republicans and Democrats have raised questions about some of the loans.

A DOE spokesman says the department is committed to balancing support for innovative, clean-vehicle projects with "our responsibility to be good stewards of the taxpayer's money."

In some areas involving commerce and technology, such as the Internet and global positioning satellites, the federal government has an appropriate role providing support.

But when it comes to clean-vehicle projects and fuel economy, the government should set reasonable

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WRONG, setting a reasonable standard is not possible with the environmental leftist feet in the door. Everyone knows the solution is easy, but politically unpopular. Phase in higher fuel taxes and put it toward the debt or some of our crumbling national infrastructure. If they had implemented even a 25 cent a gallon tax over the past couple of years consumers would have been used to paying a little more for gas, the government would have slightly less debt and more road/bridge money as well. Consumers would vote with their feet and would find the best technologies available to trim their fuel budget. Besides, can anyone really argue that the 18 cent fed tax now has kept up to inflation. The excise tax should really be some kind of percentage so it would keep pace with the increased cost of transportation infrastructure. This unfortunately, is politically unpopular as well, but in the long run it would save money over paying for more DOE workers, administrators, policy formulators, defaulted loans and many other expenses related to CAFE and the EPA. The huge untold cost to companies that have to build models that the market may not otherwise purchase from their companies. CAFE standards are counter-productive and extremely in-efficient. I Say, Quit picking winners and losers by both eliminating DOE loans and shutting CAFE down.



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One has to wonder if, as a nation, we will ever learn that there is no such thing as free money. One also has to wonder about the wisdom of those who would propose to borrow money to play banker with when our country is in debt to the point of absurdity already.



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Bungled loan program, federal governeemnt, is anyone surprised?



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