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## 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 earlier than planned. In doing so, Ford hopes to get back from junk bond status to investment grade by late 2011 or early 2012.

[Source: [Wall Street Journal](#)]

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74.8962655602%1

### [Lionsfan54](#) 10:36AM (8/10/2010)

Not seeing the problem. Companies like Hyundai are basically owned by the Korean gov't. Ford getting gov't help is pretty much in line with everyone else.

Don't even get me started on currency manipulation, the Yen and Honda/Toyota...

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17.2448567971%2

### [gua](#) 10:40AM (8/10/2010)

The US government is the world's richest government having over 300 million high-paid taxpayers. Comparing the US government to the Korean government is a little unfair. Auto companies around the world are government-backed even if they are listed as public because they are national symbols and voter bases. Geely is said to be privately owned, but Geely does get billions of dollars from the Chinese government. Ford is no exception, neither is any automaker.

★☆☆↓↑report



47.6085481682%3

### [Invisible](#) 10:41AM (8/10/2010)

If you are going to proclaim currency manipulation, then clearly you are a brain washed UAW shill.

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80.9523809524%4

**[ksawicz](#) 10:47AM (8/10/2010)**

Just to comment on the tax payer number, the US has 300 million people in the country, not all of them pay taxes (especially the 0-18 year olds), and only a small portion pay high taxes. You are right that the US government has a lot of money, but they also have a lot of debt to worry about.

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63.8645980254%5

**[Bobmarley](#) 11:04AM (8/10/2010)**

@ gua,

"The US government is the world's richest government having over 300 million high-paid taxpayers."

what are you smoking?...almost half of that 300 million dont pay taxes

★★★★ [↓↑report](#)



59.5419847328%6

**[canonsburg](#) 11:33AM (8/10/2010)**

@Lionsfan54:

Well the U.S Government borrows from Japan, Korea and other countries, and the U.S Government lends to Ford so in a way foreign governments are helping Ford pay back their debt.

Actually, this is a transfer of risk to the U.S Government and a form of subsidy (a more subtle concept compared to "bailout") since Ford is using debt from U.S Government at a lower interest rate to pay back debt to the private sector at a higher interest rate because they are junk bond status and so the risk of default is handled over to the U.S Government. This is a form of Socialism because liabilities are transferred to the Government as opposed to being left to the private markets.

Effectively, Ford is getting PAID to pay off its debt since borrowing from the government is cheaper and they are paying off debt at the same time. Result: Financial Loophole!

★☆☆ [↓↑report](#)



73.405762872%7

**Epyx 11:37AM (8/10/2010)**

"U.S Government lends to Ford"

No they dont. Backed not supplied.

★★★★ [↓↑report](#)

46.4821222607%8

**Dest 11:45AM (8/10/2010)**

So why were GM and Chrysler criticized so much around here for getting government help? Now that Ford does it, it's all fine and dandy apparently. It's a pretty slippery slope to say that it's okay since other governments do the same thing. Hell, we might as well subsidize and help all the industries that the US lost until they can compete like electronics and textiles.

★☆☆ [↓↑report](#)

59.5419847328%9

**canonsburg 11:57AM (8/10/2010)**

@Epyx:

Well according to the autoblog article: "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."

Now it does say "government-backed" but the program is run by the Department of Energy, which is part of the U.S Government so they must be getting the money from the Government. Now I wish I had more information but sadly I don't have a subscription to the Wall Street Journal. (Someone can correct me if I'm wrong)

Also in another sentence in the article: "Ford is also getting tax breaks and low interest loans from various states as well as other countries like the UK and Russia".

If you are getting" low interest loans from various states" and since each state government is part of the larger Government then it is getting money from the Government.



★☆☆↓↑report



73.405762872%10

**Epyx 12:23PM (8/10/2010)**

"various states"

This is a reference to countries, not US state governments..

★★★★↓↑report



60.0659229209%11

**airchompers 1:24PM (8/10/2010)**

Hyundai isn't owned by the Korean government. Far from it. In fact, Hyundai's domestic competitor, SsangYong, gets the most State support by far and still fares the worst. I won't deny that the South Korean government has helped Hyundai, but the fact of the matter is that no automaker is cultivated without state support (except for Honda, really) and America's support goes far beyond the 2009 bailouts: Highway subsidies, defense contracts, et. al.

But you know my objection? Subsidized companies never do well. The strong, worthwhile companies are the unsubsidized ones and by supporting our companies, we make them weak.

★★★★↓↑report



69.5105243492%12

**simbadogg 1:28PM (8/10/2010)**

@ksawicz

that's very true that many people in the use in lower income (shiet, even in middle income and higher income brackets) either dont pay any taxes, or dont pay nearly as much as they should in taxes. but i wouldn't include 0-18 year olds in this group, or 16-18 (or w/e the legal working age is from state to state). i've always thought it to be unfair for kids to be state and federal taxes if they're unable to vote. off topic a bit i know...

★★★★↓↑report



64.4647387113%13

**Wiggy 1:40PM (8/10/2010)**

Lionsfan54 - You're right.

yongpeng racist - I refuse to agree with you regardless of what you say.

invisible - You are a moron.

ksawicz - Exactly.

Bobmarley - Yep.

canonsburg - Nice spinning. Now go back to your insanity with Beck.

Epyx - Who supplied the money?

Dest - You suck just as bad as when you called yourself jeez.

canonsburg - Yes.

Epyx - No, it isn't. Read and comprehend.

airchompers - Honda got PLENTY of state support as did every other foreign manufacturer in the US so you are wrong.

<http://clawback.org/2008/12/15/foreign-auto-plants-have-received-36-billion/>

☆☆☆ ↓↑report



67.0612106865%14

**John H. 3:49PM (8/10/2010)**

The only "problem" is the holier-than-thou / holier-than-those attitude being reflected by typical Ford fanboi.

Other than that, it's business as usual - everybody's taking the money. Some obviously, others, not so much.

The only question to me is whether we get to call Ford "Government Motors", too...

☆☆☆ ↓↑report



70.6624605678%15

**sollord 5:37PM (8/10/2010)**

I don't see the problem as this it nothing remotely like the bail outs GM and Chrysler got which were basically free money from the tax payer while Ford on the other hand has to you know really pay it ALL back not just shift some of it around and claim they paid it all back.

☆☆☆ ↓↑report



78.6487656994%16

**merlot066 9:32PM (8/10/2010)**

I think the problem is a VERY poorly worded title followed by nobody reading/understanding the article. They're not using government money to pay off loans, they're using government loans to pay for operating costs that the loans were approved for (like the Advanced Technology Vehicle Manufacturing loan for retooling plants) so incoming profits can be used to pay down debt.

★★★★ [↓↑report](#)

47.6085481682%17

**Invisible 10:43AM (8/10/2010)**

So Ford is now being bailed out by tax payers too.

We all saw this coming, but Ford is creative enough to "call" it something else. Kinda like Ford uses SYNC, or ECOBOOST to wrap common technology in a fancy name to fool the sheep.

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17.2448567971%18

**gua 10:47AM (8/10/2010)**

Automakers belong to the country, to the people. Remember your socialism lessons, son? To speak against socialism is to speak against the people.

★☆☆☆ [↓↑report](#)

64.2412935323%19

**RandyMarsh980 10:49AM (8/10/2010)**

Not really bailed out, it's like taking out a loan from a bank, but instead they took them out from the Government. Im sure there is some interest growing on it also so we should make money on Ford. It's not like the Government owns majority share of Ford like GM.

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78.5082174463%20

[spdracerut](#) 10:49AM (8/10/2010)

I'd say that Ford actually used a lot of smart business moves to best position itself with the resources that were available to everybody.

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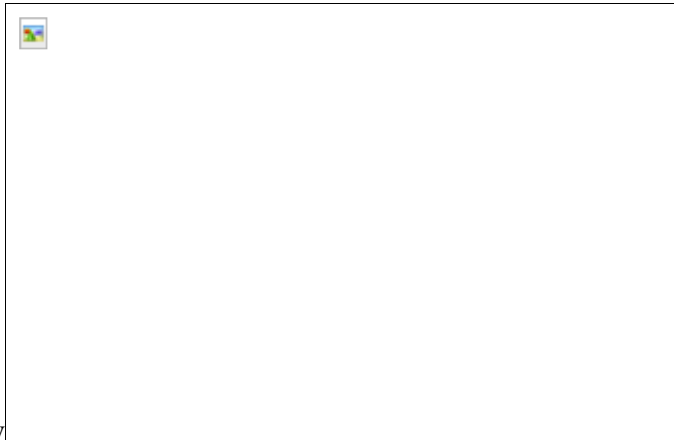
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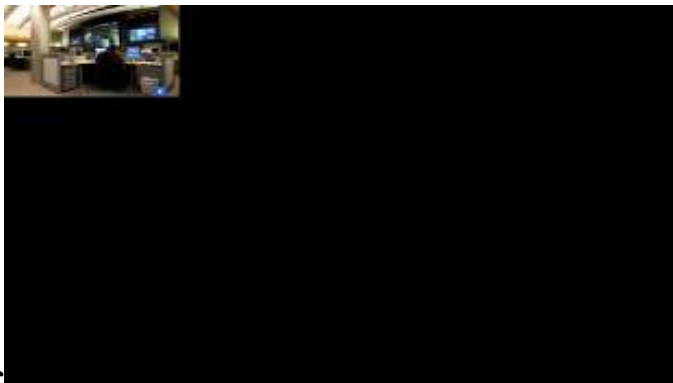
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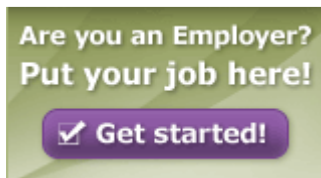
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