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# Indiana Gov. Daniels: Obama administration 'gun-shy' on auto loans

BY DAVID SHEPARDSON DETROIT NEWS WASHINGTON BUREAU 0 COMMENTS

*Indianapolis*— Indiana Gov. Mitch Daniels says the Obama administration has become "gun-shy" in awarding loans to startup automakers.

Two companies with major Indiana operations — Carbon Motors Corp. and Bright Automotive — both recently disclosed that the Energy Department had rejected their requests for loans as part of the government's \$25 billion auto retooling program.

"I think that after such obvious problems and scandals, the administration is incredibly gun-shy and (in) 'no mistakes mode,'" Daniels told The Detroit News in an interview on the sidelines of the Society of American Business Editors and Writers annual conference here. "Both of them had every reason to believe that they would be approved."

Carbon Motors, a startup aiming to build fuel-efficient diesel police cars and take on Detroit's automakers, said it learned it would not receive approval for 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.

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.

Daniels said he "understands why the administration after some of the mistakes wants to maybe top a fail-safe policy in an election year." Daniels said both companies should have seen that once they sought federal funds they might face "interminable delay and who knows what. I still feel for them."

He recalled former President Ronald Reagan's statement that "when you climb in bed with the federal government you get a lot more than a good night's sleep."

Carbon Motors said the rejection was political.

"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.

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.

Energy Secretary Steven Chu said this week that the department is still considering loan applications and denied that politics played any role in the denial of Carbon Motors loan.

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.

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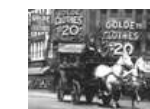
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