

Would-Be Automaker Waits For Loans

Alan Sayre, AP Business Writer

NEW ORLEANS (AP) — More than two years after unveiling a plan to build a fuel-efficient vehicle in Louisiana, startup automaker Next Autoworks Co. continues to play a long waiting game for federal financing with no end in sight.

Touted in 2009 as one of the biggest all-new industrial projects in years, what was first known as V-Vehicle Co. proposed converting a former headlight plant in Monroe into an auto assembly facility that would eventually employ 1,400 people.

But the plan needs \$321.1 million in federal loans designed to encourage new automotive technologies.

Despite pressure from Louisiana's congressional delegation, the Energy Department hasn't acted. A second application was made in 2010 after the company was told by the agency that it needed to raise more of its own capital to qualify for the loan.

"We are in constant contact with the DOE and are confident of a positive outcome," said David Hitchcock, the San Diego-based company's director of Louisiana operations.

The Energy Department has issued over \$9 billion from the \$25 billion pool of money approved by Congress in 2007 to spur automotive advances. The largest recipient has been Ford Motor Co., which received \$5.9 billion in September 2009 to upgrade factories in five states to raise fuel efficiency for existing Ford models.

Nissan Motor Co. got \$1.4 billion to produce electric plug-in vehicles at its plant in Smyrna, Tenn. Fisker Automotive received \$529 million to build two lines of hybrid plug-in electric vehicles in Wilmington, Del. Tesla Motors Inc. got \$465 million to build an all-electric car in Fremont, Calif. and produce powertrains for electric vehicles for itself and other companies.

The Energy Department also issued \$730 million for Severstal Dearborn LLC to produce high-strength steel for vehicles in Dearborn, Mich.

And Vehicle Production Group got a \$50 million loan to produce a six-passenger, wheelchair accessible vehicle that will be powered by compressed natural gas.

Hitchcock said that Next Autoworks has been busy — despite the wait.

"We've done some refinements to the product. Our design team has been working on refinements," Hitchcock said. "We're always trying to learn and incorporate good ideas that will make the car more appealing. We have absolutely not been sitting on our hands."

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When the initial application was rejected in April 2010, company officials said the Energy Department wanted it to raise another \$50 million in private investment — on top of \$86.5 million initially raised — and get a \$50 million credit line for working capital. In November 2010, the company changed its name to Next Autoworks and named Kathleen Ligocki, a veteran auto executive, as chief executive.

Investors in the company include T. Boone Pickens, the investment arm of Google Inc. and the venture capital firm of Kleiner Perkins Caufield & Byers.

John O'Dell, senior editor at Edmonds.com, which follows the automotive industry, said it was difficult to tell whether a startup company proposing an all-gasoline vehicle might be in a competitive disadvantage with other applicants for Energy Department loans. Electric cars and hybrids have an avid fan in President Obama.

"They are mostly going to electric or electric-gas vehicles," he said. "However, there's nothing that bars a gasoline-efficient manufacturer from getting one of these loans."

O'Dell said the Energy Department has received scores of applications and there are probably about a dozen that can expect serious consideration based on technological advancements and their business plans to market their vehicles.

"The grants coming to the smaller companies have been really slow," he said. "That's been the rule rather than the exception."

At a hearing in June, U.S. Sen. Mary Landrieu, D-La., pressed Jonathan Silver, director of the Energy Department loan program, on the status of the loan. During a Senate hearing, Silver said the agency was in regular contact with Next Autoworks officials and other applicants.

After the hearing, Landrieu said "significant progress is being to finalize this loan. I am very hopeful that it will be finalized in the next few months."

In a June 13 letter from Silver to Gov. Bobby Jindal, Silver said the agency was in negotiations with Next Autoworks "respecting the potential terms of a proposed loan" to the company. Silver said he could not provide a time frame for a decision.

The state has a \$67 million incentive waiting for Next Autoworks should the loan win approval, including \$50 million in the state's capital outlay bill and \$17 million in a special state fund for big business development projects. State economic development chief Stephen Moret said that if the loan is approved, his agency will immediately ask the Joint Legislative Budget Committee to free the \$50 million.

Voters in Ouachita Parish in 2009 approved a property tax expected to raise another \$12.5 million for the project.

Hitchcock would not speculate on how long it would take Next Autoworks to begin production if the Energy Department loan is approved.

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"We're working on every aspect of our business model so we'll be ready to go when the funding is in place," he said.

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