Would-Be Automaker Drops Plans For LA Plant

MONROE, La. (AP) — Start-up auto maker Next Autoworks Co. withdrew its application Wednesday for more than $320 million in federal loans to fund a plant in Ouachita Parish, ending a project more than two years in development.

A company statement said the U.S. Department of Energy notified Next Autoworks on Tuesday that its loan application with the agency's Advanced Technology Vehicle Manufacturing program would not be approved. The News-Star reported (http://tnsne.ws/vLsKBA) that political and credit-risk concerns involving the funding of start-up companies in general were a factor in the decision.

Although Next has been working for the past two and a half years with the DOE, supporting an intensive due-diligence process and finalizing a fully negotiated term sheet this summer, recent defaults of other DOE-funded start-ups have caused the government to re-evaluate its appetite for loans to early-stage companies, the company said.

"New companies with new ideas are the lifeblood of future job creation in the United States," said Kathleen Ligocki, chief executive officer of Next Autoworks. "The most powerful funding combination is one of public-private partnership, especially in capital-intensive manufacturing industries which have the most power for permanent employment for the broadest group of people. Still, in the current reality, there are many demands on public capital and choices must be made."

Ligocki said the company, which planned to build a fuel-efficient vehicle, will now "evaluate strategic alternatives with our board and our stockholders."

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.

The Energy Department, as of July, had issued over $9 billion overall 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.

"We are disappointed that Next Autoworks has been unable to secure the financing necessary to enable their project to move forward in Northeast Louisiana," said Louisiana Economic Development Secretary Stephen Moret. "We understand that the company now is exploring alternative financing options."

The state had a $67 million incentive waiting for Next Autoworks had the loan won 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 and local government and private investors and businesses in the State of Louisiana have been excellent partners as we pursued our shared objective of bringing an automotive assembly plant to Monroe," Ligocki said. "Few companies could have had a stronger champion than Louisiana has been for Next Autoworks over the last few years."

U.S. Sen. Mary Landrieu also expressed disappointment Wednesday.

"A tremendous amount of effort went into this application," she said in a statement. "It is unfortunate that it didn't work, but I'm committed to pursuing other economic development opportunities that create jobs for Northeast Louisiana and in the rest of the state."

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