Startup Vehicle Company Moving Into Old GM Plant

Melinda Deslatte, Associated Press

BATON ROUGE, La. (AP) — A startup company called Elio Motors is moving into the former General Motors plant in northwest Louisiana, where it plans to build three-wheeled vehicles with high fuel efficiency and a cheap price tag.

The deal was announced Thursday for Elio to take over part of the plant to assemble its unusual-looking, two-seat vehicle. The company said it averages 65 miles per gallon of gas and will sell for $6,800 when commercial production begins in mid-2014.

"We can't wait to begin our journey in Louisiana," Paul Elio, CEO of Elio Motors Inc., said in a statement.

The Phoenix-based company said it would hire 1,500 workers by late 2015, reviving a plant that once built pickup trucks and the commercial Hummer to now churn out tiny, fuel-efficient vehicles. The Shreveport plant would be Elio's first manufacturing location.

The plant has been closed since late August. GM had handed it over to a trust, the RACER Trust, that took over dozens of GM-owned facilities around the country after the company declared bankruptcy.

Industrial developer Stuart Lichter is buying the entire facility in conjunction with Elio. Elio will use about a quarter of the 4-million-square-foot facility. Lichter hopes to lease other parts to more tenants, but they haven't been rounded up yet.

Details of the sale, including the purchase price, weren't provided, though Gov. Bobby Jindal's office said the capital investment would top $100 million.

To secure the deal, Louisiana offered a package of tax breaks to Elio Motors that includes a yearly payroll rebate of 13 percent for the first 10 years of plant operations. The state economic development department didn't provide an estimate of what such a payroll tax break could cost, but it could reach as much as $9 million annually if all 1,500 jobs, with salaries averaging $47,700 a year, are eligible for the rebate.

"After the loss of GM, we made a commitment to the people of northwest Louisiana that we would not only pursue possible alternative uses for the old GM facility, but we would also aggressively pursue new projects in the region that would create new job opportunities," Jindal said in a statement.

Elio Motors has been taking reservations for the egg-shaped vehicle, called the Elio.

First delivery is projected for mid-2014.

"They're not a big blip on anybody's radar screen that I'm aware of," said John O'Dell, a green car analyst for Edmunds.com.

The vehicle is car-like, fully enclosed with power windows, airbags and air conditioning. But because it has three wheels, it's considered a motorcycle under federal vehicle safety standards, according to Elio's website.

"Do not call them cars, because they're not," O'Dell said.

Elio seeks to compete in a tight market where many green car startups have had struggles.

Lichter, president of the Los Angeles-based Industrial Realty Group, said he's putting up financing to help launch the vehicle line because he supports the concept of a fuel-efficient, gas-powered vehicle that is produced in America and that can be bought for under $7,000.

"It's a pretty spectacular concept," he said. "I just think the economic case is so compelling for a class of people, because this car will not be for everybody, obviously. To me, it creates a new model."

The low price could give Elio an advantage, said Andrea James, an applied technologies analyst with investment firm Dougherty and Co.

Both she and O'Dell said it was hard to tell who is the target market for the not-quite-a-motorcycle, not-quite a car vehicle. James said Elio might be able to find a sustainable niche without producing at the extremely high volumes of traditional automakers.

A similar, previous announcement of a start-up automaker for northeast Louisiana fell through a few years ago.

The much-hyped V-Vehicle Co., later known as Next Autoworks Co., proposed converting a former headlight plant in Monroe into an auto assembly facility that would build a fuel-efficient vehicle and eventually employ 1,400 workers.

But the plans hinged on hundreds of millions of dollars in federal loans that were never approved by the U.S. Department of Energy, and the project was scrapped.

Bill Callen, a spokesman for RACER Trust, said no federal money is involved in the Elio Motors project.

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