



Written by [Brian Koenig](#) on September 28, 2011

## Senate Axes House Bid to Trim \$25 Billion Green Car Loans

Despite ongoing controversy over the federal government's scandalous loan guarantee to the now-bankrupt Solyndra, a \$25 billion green-car loan fund has managed to avoid the congressional guillotine. The Department of Energy's Advanced Technology Vehicles Manufacturing (ATVM) loan program, which was established during the Bush years and began dispensing funds during the Obama administration, is designed to provide debt capital to the auto industry and assist manufacturers in retooling facilities and equipment and improving fuel economy for vehicles manufactured in the United States.



In his 2011 State of the Union Address, President Obama [vowed](#) to "break our dependence on oil" and pledged that the United States would "become the first country to have one million electric vehicles on the road by 2015." Considering the ATVM loan program and consumer offerings such as Cash for Clunkers, the President's proclamation is not a market goal, but a government goal, and as he perceives it, such a target is only achievable through government-sponsored loans and subsidies.

The ATVM program has become a hot target for conservatives, but Senate Republicans choked legislative efforts from House Republicans to shave the \$25 billion program by \$1.5 billion to help avert a government shutdown and outweigh new spending for disaster relief. The \$1.5-billion cut was originally proposed in May by House Majority Leader Eric Cantor (R-Va.) as a way to offset increased funding for FEMA following the Joplin, Missouri, tornado. Naturally, environmental rhetoric has demonized all efforts to weaken the ATVM program, as politicians and activists tout greenhouse gas pollution as the cause of catastrophic events such as droughts, floods, heat waves, tornados, and hurricanes.

"It is staggeringly shortsighted to pay for the economic losses of climate disasters by choking off funding for policies that reduce the threat of future climate disasters," Bracken Hendricks, a fellow at the Center for American Progress, [declared](#) in response to Rep. Cantor's proposal. "The Advanced Technology Vehicles Manufacturing Loan Program is helping U.S. companies right now to remain competitive and protect good manufacturing jobs, by producing highly efficient vehicles that cut dependence on foreign oil."

To date, ATVM has shoveled out \$9.1 billion of the \$25 billion to six companies, while it holds 18 applications and about \$10 billion under review. *USA Today* [reported](#):

Loans have been doled out for a pair of auto start-up companies, Tesla Motors and Fisker Automotive, which still are far from being ready to produce the cars for which they primarily received the loans. Ford Motor — which has become one of the most profitable automakers, with



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net income of \$2.4 billion in the second quarter alone — also is the biggest loan recipient to date, with nearly \$6 billion. And Nissan, a Japanese automaker, will make electric-car batteries in the U.S. in the future.

Opponents affirm that U.S. automakers are improving financially, and American buyers are already gaining interest in fuel-efficient vehicles. For this reason, they suggest that government assistance is not necessary. In fact, even green-vehicle proponents have questioned the efficacy and economic morality of the loan program. “Washington never should have been picking winners and losers in the first place,” said Ron Cogan from the *Green Car Journal*, a magazine covering the green energy car industry.

Indeed, questions regarding the effectiveness of ATVM are not the only concern. Free market proponents argue that, as is the case with many other government programs, Washington bureaucrats are picking winners and losers, as only certain companies benefit from such lavish government perks.

Manufacturers left out of ATVM have become some of program’s fiercest critics. Aptera Motors, a small company in California, attracted meaningful attention a few years ago with its three-wheeled, egg-shaped electric car, which claimed to [handle](#) a fuel economy of 300 mpg. But co-founder Steve Fambro, who has since moved on to an agricultural venture, recalls seeing rival mock-ups of his car at various events throughout the country. Some of the companies he observed pocketed government money, but his company was not granted a government loan or subsidy. So by Fambro’s observations, corporate welfare programs such as ATVM are indeed picking winners and losers, and as a result, many smaller-sized companies are being booted out of the market.

Politicians, environmental activists, and industry leaders tout such programs not only as saviors from “global warming,” but also as job-creation measures. “We shouldn’t take American jobs to fund disaster relief,” said Sen. Majority Leader Harry Reid (D-Nev.). Sen. Debbie Stabenow (D-Mich.) echoed Reid’s dramatization, saying the House Republicans’ proposal was an “insult” to the 50,000 jobs that could be “saved” or “created” from the green loans.

Naturally, many auto manufacturers themselves stand behind the program, as they seek to cash in on their own government benefits. “These programs are critical to creating thousands of manufacturing jobs, improving energy security by reducing America’s dependence on foreign oil and investing in American innovation and know-how,” said Michael Brylawski, executive vice president of the plug-in hybrid van start-up, Bright Automotive.

Indeed, every company wants their piece of the government pie, as do the bureaucrats who benefit from political stature and campaign contributions. The Solyndra fiasco is a prime example, as company executives and prominent investors lobbied Congress and the White House for a \$535-million federal loan. But Solyndra was unable to compete. Low demand and fierce competition from China, along with poor management and operational inefficiencies, forced the solar company out of the market — and now taxpayers are left on the hook for over a half billion dollars.

The Senate’s decision to retain all \$25 billion of the ATVM loan program shows the unrelenting fiscal irresponsibility of the nation’s political leaders, particularly as the federal deficit continues to climb and the threat of another government shutdown looms. However, critics predict the program could meet greater resistance during the next budget review, as an economic recession and increasing global competitiveness bring pressure to bear on the government’s “green” investment ventures.



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