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## Chrysler Pulls Out Of Bid For \$3.5 Billion Department Of Energy Loan

The Huffington Post | By Sharon Silke Carty | Posted: 2/16/12 | Updated: 2/16/12

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Chrysler has decided to pull out of its bid for a \$3.5 billion loan from the Department of Energy, one which would have helped the automaker reconfigure its plants to help make more fuel-efficient vehicles, because the restrictions on the loan were too stringent.

In a statement from the automaker on Thursday, Chrysler said it "remains confident in its strategy to bring competitive, fuel-efficient vehicles and technologies to market on schedule."

The Advanced Technology Vehicles Manufacturing Loan Program set aside \$25 billion to help automakers revamp assembly plants and invest in fuel-efficient technologies. General Motors also [backed](#) out of its bid for \$14.4 billion of this type of loan in January 2011.

"The DOE's proposed terms were very restrictive and compliance would have negatively affected our operational flexibility," a

Chrysler representative said.

"While we were continuing to work with Chrysler to come to an agreement, we are pleased that they are capable of achieving their business goals without Department support," said DOE spokesman Damien LaVera. "The company's decision to move forward without this loan reflects the tremendous financial turnaround that Chrysler and its workers have achieved in the past three years."

The negotiations between Chrysler and the DOE over the loans have been ongoing for years. The loan program was set up in the fall of 2008 to help the automakers, then on the verge of collapse, find ways to keep developing new technologies.

At the Detroit auto show in January, Chrysler CEO Sergio Marchionne said the company had been debating for months with the DOE over the loans. The government was asking for more collateral to back up the loan and placing too many restrictions on the money, he said. The automaker had originally asked for \$7 billion, but cut that number in half to \$3.5 billion.

"You start asking yourself, is it worth it?" Marchionne said.

In 2009, Ford received a \$5.9 billion loan from DOE through the same program, after asking for \$11 billion. Chrysler was looking for the same terms as in the Ford deal but was struggling to convince the DOE, Marchionne said.

Marchionne said the dispute was happening largely because Chrysler is doing better financially. The company was no longer in a crisis mode, and creditors were asking for a bigger piece of the automaker as collateral.

But that also gave Chrysler the ability to walk away, he said.

"This is the same Chrysler that would have taken a buck off the ground three years ago," Marchionne said with a shrug and a smile.

The DOE has only issued five loans under this program: the one to Ford, one to Nissan for \$1.4 billion to help it build the all-electric Leaf in Tennessee, another to electric carmaker Fisker Automotive for \$529 million and one to electric carmaker Tesla for \$469 million. Still another for \$50 million went to the Vehicle Production Group LLC, which will make a wheelchair accessible van powered by natural gas.

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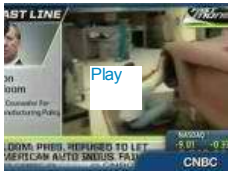
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