

Ford May Get U.S. Aid to Overhaul SUV Plant to Build Small Cars

By Keith Naughton and Alan Ohnsman - May 08, 2009

May 8 (Bloomberg) -- [Ford Motor Co.](#), the only U.S. automaker not on federal aid, may get as much as \$440 million in government loans to help convert a Michigan sport-utility vehicle factory to build small cars.

Ford said it's seeking the funds under a \$25 billion Energy Department program to promote production of fuel-efficient vehicles. Under the agency's rules, the low-interest loans may cover 80 percent of Ford's \$550 million investment in the SUV plant in Wayne, Michigan.

The automaker may be among the first to get the financing, which was created in the 2007 energy bill to help automakers boost fleetwide fuel economy by about 40 percent, to 35 miles (56 kilometers) per gallon by 2020. Ford plans to build the Focus small car, including an electric version, in Wayne.

Ford's project "is one that's happening, and happening quickly," said [Brett Smith](#), an alternative-energy analyst at the Center for Automotive Research in Ann Arbor, Michigan. The Michigan investment was announced May 6 as part of Chief Executive Officer [Alan Mulally](#)'s effort to shift the Dearborn, Michigan-based automaker's lineup toward smaller vehicles and away from the light trucks that accounted for about 62 percent of its 2009 [U.S. sales](#) through April.

"We are actively pursuing the Department of Energy initiative to help us retool our plants and bring advanced- technology vehicles to the market," [Mike Moran](#), a Ford spokesman, said yesterday. "This plant is a prime example."

Ford Gaining

After posting a record \$14.7 billion [loss](#) in 2008, Ford has said it's now benefiting from not taking a government handout. It has gained U.S. retail market share in six of the last seven months and said it is attracting customers from General Motors Corp. and Chrysler LLC. The \$19.4 billion in rescue funds for those automakers is separate from the Energy Department loans. The first \$10 billion in DOE financing will be available this year, with \$15 billion more next year, according to budget documents released yesterday.

Money may start reaching automakers by month's end, said Ebony Meeks, an Energy Department spokeswoman. More than 100 applications have been submitted, with about 30 meeting the criteria, she said.

Ford is seeking \$5 billion in federal loans by 2011. Interest rates will be set in line with Treasury bond rates for equivalent periods, and will vary depending on when loan applications are granted, according to program documents.

Ford fell 20 cents, or 3.2 percent, to \$6.06 yesterday in New York Stock Exchange composite [trading](#). The automaker's shares have almost tripled this year, making it the third-best performer in the [Standard & Poor's 500 Index](#).

Improving Efficiency

In order to receive the loans, an automaker must improve the fuel economy of a model by 25 percent. The Focus, which now gets 28 mpg, would have to improve to 35 mpg. A more fuel-efficient, European-designed Focus debuts next year, followed by a battery-powered model that will go 100 miles on a charge. Ford hasn't revealed the fuel economy of the new Focus.

[Dan Becker](#), head of the Safe Climate Campaign at the Center for Auto Safety, a Washington-based advocacy group, said fuel-efficiency calculations for the Focus shouldn't be swayed by the electric version, which will be built in small numbers.

"The electric version will be nice window dressing but it shouldn't carry any weight," Becker said. "It's wonderful that Ford recognizes that nobody wants gas guzzlers and they ought to make more efficient vehicles. But if they want us to pay for it, it should at least meet the law that it be 25 percent better."

Moran said that by next year Ford expects half its model lineup to meet the requirements of the Energy Department loans. By 2014, the automaker projects 90 percent of its lineup will qualify.

GM, [Nissan Motor Co.](#) and Tesla Motors Inc. have also applied for the Energy Department loans. GM has requested \$8.3 billion in loans, while Tesla, a San Carlos, California-based maker of electric sports cars, has asked for \$450 million. Tokyo-based Nissan hasn't detailed its request.

To contact the reporters on this story: [Keith Naughton](#) in Southfield, Michigan,
at Knaughton3@bloomberg.net; [Alan Ohnsman](#) in Los Angeles
at aohnsman@bloomberg.net

To contact the editor responsible for this story: Jamie Butters at jbutters@bloomberg.net

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