

Manufacturing - Automotive - Advisory

October 2008

\$25 Billion Automotive Loan Program Unanswered Questions and Potential Opportunities

Although President Bush signed legislation funding the \$25 billion Advanced Technology Vehicles Manufacturing Program, significant issues of interest to automotive suppliers remain as to their eligibility for loans and when they will become available.

The main gist of the legislation is to benefit the production of vehicles – “Advanced Technology Vehicles” – with 25% improved vehicle fuel efficiency. This program will provide low cost loans with low interest rates – about 5 percent – and favorable repayment terms of up to 25 years, with an allowance to defer repayments up to 5 years.

The eligibility criteria in the legislation creating and funding the program are scant:

- Funding awards will be made for facilities that produce components installed to meet the fuel efficiency requirements of Advanced Technology Vehicles.
- Funding awards may also be made for tooling and design, manufacturing process development, and engineering integration for such components.
- Priority will be given to facilities that are oldest or at least 20 years old.
- 10% of funding will go to businesses employing fewer than 500 people.

Many issues will be resolved through the government’s rulemaking process, under which detailed eligibility requirements will be determined by the Department of Energy (“DOE”). Under the new law, the DOE has 60 days, i.e., until approximately November 29, to establish “interim final rules,” which are effective immediately. The DOE has indicated that it will meet the November 29 deadline, but political circumstances may defeat that commitment. As a consequence, Congressional oversight hearings may take place in a November lame duck session, after the elections.

Ordinarily, there is no opportunity for public input on interim final rules until after they are issued, but the DOE has also suggested it may alter this practice. Automotive suppliers should consider becoming involved in the rule making process at the first available opportunity. Significant, unanswered questions for suppliers include:

- To what extent must qualifying components be associated with achieving Advanced Technology Vehicle status?

- What level of financial need must a supplier have to be eligible?
- What role will vehicle manufacturers play in identifying eligible suppliers?
- Will collateral be required?
- If the Advanced Technology Vehicles Manufacturing Program does not address vehicle manufacturers' and suppliers' immediate funding needs, will more timely support be provided under additional legislation?

Through our office in Washington, D.C., our other governmental affairs experts, and our daily interactions in the automotive industry, Butzel Long will continue to closely monitor and provide updates on this topic during the rule making process.

For more information, or if you wish to be involved in the rule making process, please contact your regular Butzel Long attorney, or one of the following.

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