

As Green Car Loan Funds Dwindle, What's Plan B for Startups?

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The flood of funding from the Department of Energy's \$25 billion Advanced Technology Vehicles Manufacturing loan program — \$8 billion for Tesla Motors, Nissan and Ford in June — has slowed to a trickle in recent months, comprising just two awards totaling some \$552 million, and the remaining \$16 billion or so in low-interest loans slated to go out under the program's current budget won't be enough to cover the [more than 90 projects](#) that have reportedly requested funding. But as they wait on a final ye or nay from the DOE, many of the applicants are facing a potential cash crunch for their manufacturing plans.

Startups in particular may face pressure to come up with matching funds for conditional commitments from other investors. We've already cruised past the dates when applicants such as [V-Vehicle](#) and [Bright Automotive](#) said they expected final word on their loan requests (for \$250 million and \$450 million, respectively). So for applicants that don't already have a realistic Plan B in their back pocket, now's the time to develop one.

The backup plans that have emerged so far include outsourcing manufacturing, pursuing more private equity investment and establishing less capital-intensive sources of revenue. We may start to see more strategic alliances and partnerships taking shape among green car startups and manufacturers as well.

No Factory? No Problem Fisker Automotive and Think, for example, have both contracted Finland's Valmet Automotive to manufacture their plug-in vehicles. Fisker won a nearly \$529 million ATVM loan this fall that will help it set up its own manufacturing stateside, but the startup plans to meet the 2010 launch target for its first model through the Valmet deal. And while Think hopes to set up manufacturing in the U.S. with DOE funding, the automaker's Think City [started rolling off the assembly lines Thursday at Valmet](#) — an investor and strategic industrial partner that helped rescue Think from the financial brink after the [Norwegian government initially rejected Think's request for aid](#). (A Norwegian government-backed investment fund ended up stepping in along with Valmet, battery maker Ener1 and other [private investors](#).)

Race for Private Equity Three-wheeled vehicle developer Aptera Motors, meanwhile, has [just scored eligibility for the ATVM program](#) (until this fall, it was only open to the regular four-wheeled

breed) right as [its venture capital funding is running out](#). But according to Lux Research senior analyst Jacob Grose, an ATVM loan for Aptera — it has [requested \\$75 million](#) — is a long shot. “I would imagine that four-wheeled vehicles will continue to get the nod given that, unlike Asia, to date there has been no appetite in the U.S. for electric vehicles with less than four wheels.”

What's the backup plan? Aptera marketing chief Marques McCammon [told former Tesla Motors VP Darryl Siry recently](#) that if DOE funds don't come through, Aptera's alternate route to financing production is “still private money.” ATVM funds would allow the company to turn “into a big boy much faster than if you had only organic growth,” he said, adding that, “We have a sizable amount circled, and we intend to get the rest.” Of course, as the shuttering of [battery startup Imara this week demonstrated](#), raising private capital when still-pending government funds could alter the competitive landscape is no easy task.

Innovation Under the Gun Bright Automotive CEO John Waters described a similar strategy to us earlier this year, saying that the company had to either secure DOE loans or raise capital from private equity markets by the end of May in order to reach its target of producing fleet vehicles in the fourth quarter of 2012. Yet in June, Waters told us Bright was still waiting for a final answer from the DOE and still in the process of raising private equity. No word on either has been heard since.

But Bright has pursued other sources of revenue, [launching a consulting business called Bright eSolutions in October](#) and snagging a [\\$1.4 million demo project](#) (reportedly [two years in the making](#)) with the U.S. Army's department of Tank-automotive and Armaments Command (TACOM) to test Bright's plug-in hybrid vehicles for non-combat situations.

Meeting Your Match V-Vehicle, meanwhile, has raised \$100 million from high-profile investors including T. Boone Pickens and Kleiner Perkins, and an \$82 million grant package provided through federal, state and local government channels. But that grant package comes with strings attached: V-Vehicle has to [meet the offer with \\$350 million by March 1, 2010, to trigger most of the incentives](#), and it's counting on that DOE loan to cover more than 70 percent of this obligation.

In October, the 3-year-old startup said it [expected an answer on the loan by the end of November](#), and last week Louisiana's [News Star](#) quoted Horst Metz, VP of assembly operations for V-Vehicle, as saying, “[W]e remain very confident that we'll be approved for the loan,” though he added that “[W]e haven't been given any timetable on when that might be.” And DOE spokesperson Ebony Meeks noted that the agency has not scheduled any new ATVM loan announcements.

Rev Your Engines, Entrepreneurs As Peter Wagner, a venture capitalist with Accel Partners, and Dan Squiller, CEO of battery startup PowerGenix, [told me](#) (GigaOM Pro, subscription required), if you're trying to break into a capital-intensive business (they were talking specifically about the energy storage market, but the advice seems to apply to advanced vehicles), an entrepreneur who finds “something he can sell right now,” and strengthens that core business can then position a startup to produce the bigger ticket item as the market grows.

The DOE brought former venture capitalist [Jonathan Silver on board as executive director of the ATVM program](#) (and also the green car loan guarantee program), with the idea that he would “strengthen and streamline” the agency's operations. As he heads into his second month at the post, the clock's ticking for the streamlining effort — but also for loan applicants to ready plans that will enable them to hit the ground running, whether the DOE gives them a green light or a red one.