

Hyperdrive

GM Sells Shuttered Ohio Assembly Plant to Electric Vehicle Startup

By David Welch

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- ▶ Lordstown Motors is still raising money for its plug-in pickup
- ▶ CEO Steve Burns says he hopes to start production in late 2020



American flags fly in front of the GM plant in Lordstown, Ohio, in March. The automaker has sold the factory to Lordstown Motors.

Lordstown Motors Corp., the electric-truck startup formed specifically to save a shuttered Ohio car factory, has acquired the highly politicized plant from General Motors Co.

The acquisition that the two companies announced Thursday ends an era that began when GM opened the complex in 1966. The factory's fate was largely sealed when the United Auto Workers union was unable to convince GM to keep it in the fold as part of a new labor contract ratified late last month.

Terms of the deal aren't being disclosed. Workhorse Group Inc., which is affiliated with Lordstown Motors but doesn't share any ownership, soared 27% to close at \$3.13 in New York trading.

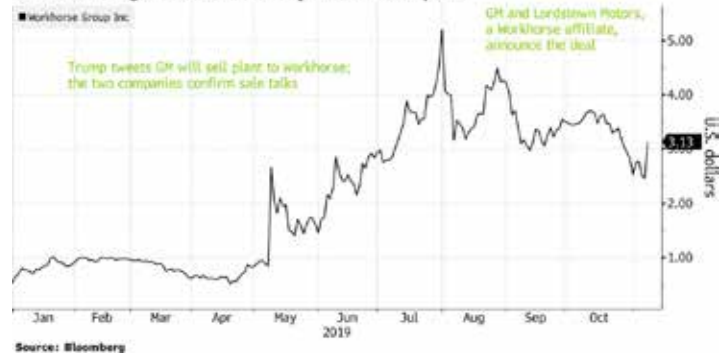
The plant has been a political football since GM announced a year ago that it wouldn't allocate future product to Lordstown. The decision was an immediate liability for U.S. President Donald Trump, who a year earlier went so far as to discourage

rally-goers from selling their homes because of all the jobs he would bring back to the area. Democrats seized on the development as a symbol of unfulfilled promises made to voters in a key battleground state.

Trump was so eager to endorse GM's discussions to sell the Lordstown plant that he preempted the announcement of the talks in May by the largest U.S. automaker and Workhorse. But both companies are on shaky financial footing, with Workhorse totaling just \$6,000 of revenue during its latest quarter.

Big Beneficiary

Workhorse surges on affiliate's acquisition of GM plant



With the plant acquisition out of the way, Steve Burns, who used to lead Workhorse and is now chief executive officer of Lordstown Motors, is turning his attention to phase two: seeking cash to convert the Lordstown plant from making gasoline-burning Chevrolet Cruze sedans to plug-in pickups.

"We are going to be fundraising for a while," Burns said in a phone interview. "We have to stand up an auto company."

Continued →

Debut Model

Lordstown Motors is calling its debut model Endurance and targeting fleet buyers who make up a big chunk of the truck market.

Workhorse Group is meanwhile among the bidders for a lucrative contract to make plug-in mail trucks for the U.S. Postal Service. The two companies share intellectual property related to electric-drive systems, Burns said.

If Workhorse wins the postal contract, the Lordstown plant could eventually build those vehicles, but it isn't guaranteed, he said. Lordstown Motors does have an agreement to transfer 6,000 existing pre-orders for Workhorse's electric truck prototype called the W-15 to Lordstown Motors for production.

If he raises the cash to get Endurance into production, Burns said he would work with the UAW and look to hire staff who didn't accept the automaker's offer to transfer to one of its other facilities. He wants experienced vehicle assemblers to build the trucks.

"GM is committed to future investment and job growth in Ohio," the company said in an emailed statement. "We believe LMC's plan to launch the Endurance electric pickup has the potential to create a significant number of jobs and help the Lordstown area grow into a manufacturing hub for electrification."

Four Motors

Burns said the Endurance will be built with four motors -- one for each wheel -- to deliver all-wheel drive. It will have fewer moving parts than existing pickups, which could translate to lower repair costs for fleet operators. It also will have outlets that enable owners to run power tools off the battery.

Lordstown Motors has the money to buy the plant and work on the vehicle, but Burns will need more to continue development, conduct crash and safety testing, get the truck approved for sale and retool the factory.

The UAW opposed the Lordstown plant sale because of the risk involved. In addition to being wary of tying its fortunes to a cash-strapped startup, future demand for electric vehicles is uncertain. Several electric-vehicle upstarts have failed, including Fisker Automotive Inc., which was acquired by a Chinese auto-parts conglomerate after bankruptcy. Even Tesla Inc. struggles to make consistent profit.

Burns said he's hired a team of veterans from GM, Ford Motor Co. and Fisker's successor company, Karma Automotive LLC. His chief production officer, Rick Schmidt, was a manufacturing director at Tesla for 3 1/2 years.

"We've got a solid team and I'm confident in our fundraising efforts," he said.

— *With assistance by Kevin Miller*