

Highlights of [GAO-11-745T](#), a testimony before Committee on Energy and Natural Resources, U.S. Senate

Why GAO Did This Study

In the Energy Independence and Security Act of 2007, Congress mandated higher vehicle fuel economy by model year 2020 and established the Advanced Technology Vehicles Manufacturing (ATVM) loan program in the Department of Energy (DOE). ATVM is to provide up to \$25 billion in loans for more fuel-efficient vehicles and components. Congress also provided \$7.5 billion to pay the required credit subsidy costs—the government’s estimated net long-term cost, in present value terms, of the loans.

This testimony is based on GAO’s February 2011 report on the ATVM loan program ([GAO-11-145](#)). It discusses (1) steps DOE has taken to implement the program, (2) progress in awarding loans, (3) how the program is overseeing the loans, and (4) the extent to which DOE can assess progress toward its goals.

What GAO Recommends

GAO is making no new recommendations at this time. In the February report, GAO recommended that DOE (1) accelerate efforts to engage engineering expertise and (2) develop sufficient, quantifiable performance measures. DOE disagreed with the recommendations, stating that such expertise had not yet been needed and that performance measures would expand the scope of the program. GAO continues to believe that these recommendations are needed to help ensure that DOE is achieving its goals and is accountable to Congress.

View [GAO-11-745T](#) or key components. For more information, contact Frank Rusco at (202) 512-3841 or ruscof@gao.gov.

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DEPARTMENT OF ENERGY

Advanced Technology Vehicle Loan Program Needs Enhanced Oversight and Performance Measures

What GAO Found

DOE has taken several steps to implement the ATVM program. First, it set three program goals: increase the fuel economy of U.S. passenger vehicles as a whole, advance U.S. automotive technology, and protect taxpayers’ financial interests. DOE also set technical, financial, and environmental eligibility requirements for applicants. In addition, DOE established criteria for judging the technical and financial merits of applicants and projects deemed eligible, and policy factors to consider, such as a project’s potential for supporting jobs. DOE established procedures for ATVM staff, aided by experts from within and outside DOE, to score applicants and projects. Finally, the Credit Review Board, composed of senior DOE officials, uses the scores and other information to recommend loan decisions to the Secretary of Energy.

The ATVM program, as of May 2011, had made \$8.4 billion in loans that DOE expects to yield fuel economy improvements in the near term along with greater advances, through newer technologies, in years to come. Although the loans represent about a third of the \$25 billion authorized by law, the program has used 44 percent of the \$7.5 billion allocated to pay credit subsidy costs, which is more than was initially anticipated. These higher credit subsidy costs were, in part, a reflection of the risky financial situation of the automotive industry at the time the loans were made. As a result of the higher credit subsidy costs, the program may be unable to loan the full \$25 billion allowed by statute.

The ATVM program has set procedures for overseeing the financial and technical performance of borrowers and has begun oversight, but at the time of our February report it had not yet engaged engineering expertise needed for technical oversight as called for by its procedures. To oversee financial performance, staff review data submitted by borrowers on their financial health to identify challenges to repaying the loans. Staff also rely on outside auditors to confirm whether funds have been used for allowable expenses. To oversee technical performance, ATVM staff are to analyze information borrowers report on their technical progress and are to use outside engineering expertise to supplement their analysis, as needed. According to our review, projects needing additional technical oversight are under way, and the ATVM staff lack the engineering expertise called for by the program’s procedures for adequately overseeing technical aspects of the projects. However, the program had not yet engaged such expertise. As a result, DOE cannot be adequately assured that the projects will be delivered as agreed.

DOE has not developed sufficient performance measures that would enable it to fully assess progress toward achieving its three program goals. For example, DOE has a measure for assessing the fuel economy gains for the vehicles produced under the program, but the measure falls short because it does not account for, among other things, the fuel economy improvements that would have occurred if consumers purchased more fuel-efficient vehicles not covered by the program. Principles of good governance call for performance measures tied to goals as a means of assessing the extent to which goals have been achieved.