Advanced Technology Vehicle Loan Program Implementation Is Under Way, but Enhanced Technical Oversight and Performance Measures Are Needed

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. GAO was asked to review the ATVM program and agreed to (1) identify the steps DOE has taken to implement the program, (2) examine the program’s progress in awarding loans, (3) assess how the program is overseeing the loans, and (4) evaluate the extent to which DOE can assess progress toward meeting its goals.

What GAO Found

DOE has taken several steps to implement the ATVM program. First, it set three 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. 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 also set technical, financial, and environmental eligibility requirements. 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 also set technical, financial, and environmental eligibility requirements. 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 also set technical, financial, and environmental eligibility requirements. 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.

The ATVM program has 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.

Although the ATVM program has set procedures for overseeing the financial and technical performance of borrowers and has begun oversight, it has not yet engaged engineering expertise needed for technical oversight. 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 analyze information borrowers report on their technical progress and are to use outside engineering expertise to supplement their analysis. 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 has 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 the extent to which it has achieved its three program goals. For example, while DOE has a measure for assessing specifically the fuel economy gains for the vehicles produced under the program, the measure falls short of enabling assessment of progress in achieving DOE’s broad goal of improving the fuel economy of U.S. passenger vehicles as a whole because it does not account for, among other things, the fuel economy improvements manufacturers would have made, in the absence of the loans, to remain in compliance with increasingly strict federal fuel economy requirements. Principles of good governance call for performance measures tied to goals as a means of assessing the extent to which goals have been achieved.

What GAO Recommends

To help ensure the effectiveness and accountability of the ATVM program, GAO recommends that DOE accelerate its efforts to engage the engineering expertise needed for effective technical oversight and develop sufficient, quantifiable performance measures for its program goals. DOE disagreed with GAO’s recommendations. GAO continues to believe DOE should engage expertise and reaffirms its recommendation that DOE develop sufficient performance measures.

View GAO-11-145 or key components.
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