

Department of Energy: Advanced Technology Vehicles Manufacturing (ATVM) Program



August 2013

Section 136 of the Energy Independence and Security Act of 2007 (EISA) authorized the Department of Energy Advanced Technology Vehicles Manufacturing (ATVM) Program to provide direct loans to advanced automobile and component manufacturers.¹ Created alongside new corporate average fuel economy (CAFE) standards, the ATVM program aims to encourage the production of passenger vehicles with greater fuel economies, advance vehicle technology, and protect taxpayers' interests.²

In November 2008, the Department of Energy issued the interim final rule, or regulations, detailing how the ATVM program would be administered.³ To qualify for the program, an applicant must "reequip, expand, or establish manufacturing facilities in the United States to produce qualified advanced technology vehicles, or qualifying components and also for engineering integration costs associated with such projects."⁴ All loans must be made through Federal Financing Bank and are intended to fund up to 80 percent of total project costs.⁵



After issuing the final rule, the DOE was authorized to start accepting applications. The deadline for the first round of applications was December 31, 2008. Thereafter, applications have been accepted on the last day of each calendar year quarter.⁶ By February 2011, DOE had received more than 130 applications from the automobile industry for direct loans. Over the life of the program, DOE has awarded five companies a total of approximately \$8.4 billion in direct loans (See Table 3 below for more details on individual applicants). As of January 2013, DOE was not actively reviewing any additional ATVM direct loan applications.⁷ To date, two of the five ATVM loan recipients have defaulted on their taxpayer-backed loans totaling nearly \$600 million.

With \$16.6 billion in authority still available to be awarded, taxpayers have a considerable stake in the successes or defaults of DOE's ATVM program. The program as currently structured has several serious weaknesses that should concern taxpayers, including a lack of adequate performance measures, lack of technical oversight, and underestimated program costs, among others.

Program Funding History

Passed in 2008, the Fiscal Year 2009 Continuing Resolutions Act authorized DOE to provide \$25 billion in loans to advanced automobile and component manufacturers. The act also appropriated \$7.5 billion to

DOE in order to pay the required credit subsidy costs¹ of the direct loans (See Tables 1 and 2). Neither the loan authority nor the credit subsidy cost funds expire.

Table 1: ATVM Program Authorized Loan Volume Cap Level	
<i>Legislation</i>	<i>Amount</i>
Consolidated Security, Disaster Assistance, and Continuing Appropriations Act, 2009	\$25,000,000,000
Source: Pub. L. 110–329	

Table 2: Direct Appropriations for Credit Subsidy Costs	
<i>Legislation</i>	<i>Amount</i>
Consolidated Security, Disaster Assistance, and Continuing Appropriations Act, 2009	\$7,500,000,000
Source: Pub. L. 110–329	

Loans Awarded

In November 2008, DOE received its first loan applications and has since awarded approximately \$8.4 billion (a third of the total loan authority of \$25 billion) to five companies and 20 projects. To date, two companies—Fisker Automotive and The Vehicle Production Group LLC—have defaulted on their loans (See Table 3 for more details on individual companies). The ATVM program continues to accept applications on a rolling basis today.

Table 3: Advanced Technology Vehicle Manufacturing Loans				
<i>Loan Recipient</i>	<i>Amount</i>	<i>Date of Agreement</i>	<i>Numbers of Projects</i>	<i>Status</i>
Fisker Automotive (DEFAULTED)	\$529,000,000	April 2010	2	Closed
Ford Motor Company	\$5,907,000,000	September 2009	13	Closed
Nissan North America, Inc.	\$1,448,000,000	January 2010	2	Closed
Tesla Motors	\$465,000,000	January 2010	2	Closed
The Vehicle Production Group LLC (DEFAULTED)	\$50,000,000	March 2011	1	Closed
Source: Department of Energy, Loan Programs Office				

After the ATVM program made its most recent award in March 2011, DOE considered seven additional loan applications totaling \$1.48 billion. However, according to a January 2013 Government Accountability Office (GAO) report, DOE is no longer reviewing those applications and considers them to inactive due to “insufficient equity or technology that is not ready.”⁸

¹ The credit subsidy cost is the expected long-term liability or cost of the risk of default to the Department of Energy.

Taxpayer Risk

Putting the full faith and credit of the U.S. government behind risky, high cost projects that the private sector won't finance is fiscally reckless. As recently as February 2011, the GAO released a report detailing significant taxpayer concerns with the ATVM program.⁹

- *Underestimated Costs:* In 2008, the Congressional Budget Office (CBO) calculated that \$7.5 billion would be required by DOE to pay the credit subsidy costs for \$25 billion worth of direct loans under the ATVM program. After awarding the first \$8.4 billion in direct loans, DOE has spent approximately \$3.3 billion on credit subsidy costs, or nearly half of the amount available. This was due to awarding loans with higher than expected default risks and subsequently higher credit subsidy costs. GAO projects that the ATVM program will not have enough funds to pay the credit subsidy costs of future applicants in order to provide the remaining \$16.6 billion in loans.¹⁰
- *Technical Oversight:* The Department of Energy must provide additional technical oversight to ensure the technical progress required within the loan agreement is being made before distributing additional funds. Currently, AVTM program staff—not independent auditors—are responsible for monitoring the technical progress of individual applicants. At the time of GAO's review, four of the five loan recipients had reached or were in the process of reaching the development phase that typically requires the greatest amount of technical oversight. Without adequate technical oversight, GAO states that ATVM program “may be at risk of not identifying critical deficiencies” and could put taxpayer funds at risk.¹¹
- *Performance Measurement:* The Department of Energy has not developed adequate performance measures to gauge whether the program has been making progress towards its goals. DOE currently lacks the metrics to determine whether any improvements in fuel economy are a result of the AVTM program or merely due to compliance with CAFE standards. Consequently, DOE cannot be certain that taxpayer funds have been spent efficiently or effectively.

*For more information, please visit www.taxpayer.net
Or contact Autumn Hanna at (202) 546-8500 x112 or autumn@taxpayer.net*

¹ *Federal Register*. “Loan Guarantees for Projects That Employ Innovative Technologies – Final Rule.” October 23, 2007. <https://lpo.energy.gov/wp-content/uploads/2010/09/lgfinalrule.pdf>

² *U.S. Government Accountability Office*. “Advanced Technology Vehicle Loan Program Implementation Is Under Way, but Enhanced Technical Oversight and Performance Measures Are Needed.” February 28, 2011. <http://www.gao.gov/products/GAO-11-145>

³ *Federal Register*. “Loan Guarantees for Projects That Employ Innovative Technologies – Final Rule.” October 23, 2007. <https://lpo.energy.gov/wp-content/uploads/2010/09/lgfinalrule.pdf>

⁴ *Federal Register*. “Loan Guarantees for Projects That Employ Innovative Technologies – Final Rule.” October 23, 2007. <https://lpo.energy.gov/wp-content/uploads/2010/09/lgfinalrule.pdf>

⁵ *Federal Register*. “Loan Guarantees for Projects That Employ Innovative Technologies – Final Rule.” October 23, 2007. <https://lpo.energy.gov/wp-content/uploads/2010/09/lgfinalrule.pdf>

⁶ *Federal Register*. “Loan Guarantees for Projects That Employ Innovative Technologies – Final Rule.” October 23, 2007. <https://lpo.energy.gov/wp-content/uploads/2010/09/lgfinalrule.pdf>

⁷ *U.S. Government Accountability Office*. “Status of Loan Programs.” March 2013. <http://www.gao.gov/products/GAO-13-331R>

⁸ *U.S. Government Accountability Office*. “Status of Loan Programs.” March 2013. <http://www.gao.gov/products/GAO-13-331R>

⁹ *U.S. Government Accountability Office*. “Advanced Technology Vehicle Loan Program Implementation Is Under Way, but Enhanced Technical Oversight and Performance Measures Are Needed.” February 28, 2011. <http://www.gao.gov/products/GAO-11-145>

¹⁰ *U.S. Government Accountability Office*. “Advanced Technology Vehicle Loan Program Implementation Is Under Way, but Enhanced Technical Oversight and Performance Measures Are Needed.” February 28, 2011. <http://www.gao.gov/products/GAO-11-145>

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