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GAO critical of loan program for carmakers

Regulators say staffing, delays derail loans to help automakers retool for greener autos

David Shepardson / Detroit News Washington Bureau

Washington— A new government report is harshly critical of a \$25 billion Energy Department loan program that is intended to help automakers retool for new fuel-efficient [vehicles](#).

The Government Accountability Office said the Advanced Technology Vehicles Manufacturing program has serious problems, lacks enough staff and has been delayed in handing out much of its funds that were approved in September 2008.

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[Chrysler](#) Group LLC, for example, is eagerly awaiting word on its request for a \$3 billion loan that has been pending for nearly two and a half years.

As a result of the long delays, many companies have given up on their loan applications. General Motors Co., which had sought up to \$14.4 billion in loans, abandoned its effort in January. The Energy Department has made \$8.4 billion in loans, primarily to Ford Motor Co., Nissan Motor Co., Tesla Motors Inc. and Fisker Automotive Inc.

The report disclosed that the Energy Department said the loans to the four companies will save or create 37,800 jobs, including 33,000 at Ford.

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"Staff lack the engineering expertise called for by the program's procedures for adequately overseeing technical aspects of the projects," the report said. "As a result, DOE cannot be adequately assured that the projects will be delivered as agreed."

Furthermore, the report said, some of the money hasn't been used properly by three automakers. It did not identify them or how much it believes was misspent.

"The auditors have reported instances in which three of the four borrowers did not spend funds as required, with two borrowers spending some loan funds outside the United States and the third spending some loan funds on ineligible payroll expenses," the GAO report said.

The Energy Department said the mistakes were minor relative to the size of the loans and that the companies have taken corrective actions. Energy spokeswoman Stephanie Mueller defended the agency's handling of the program. "The department has put in place a rigorous financial and technical review for each project that applies for a loan under the program, and the results speak for themselves," she said.

The GAO report also said the government hasn't done enough to assess the program'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 improvement

manufacturers would have made, in the absence of the loans, to remain in compliance with increasingly strict federal fuel economy requirements."

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