The Moral Liberal

Close the Advanced Technology Vehicles Manufacturing Program

By: Nicole Kaeding
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The Government Accountability Office's annual duplication report is out. This year, the report highlights 30 ways that the federal government can save money. One way is to terminate the Advanced Technology Vehicles Manufacturing (ATVM) program, which provides government-subsidized loans to companies that make fuel-efficient cars. The program has been a failure, and it has cost taxpayers millions of dollars.

Established by the Energy Independence and Security Act of 2007, ATVM was authorized to provide a total of $25 billion in loans for projects that "support the production of fuel-efficient, advanced technology vehicles and components in the United States." Companies that participated in the program could borrow funds directly from the government with very little out-of-pocket expenses—participants only had to pay some upfront borrowing costs. But Congress made the program even more lucrative in 2009 by provided $7.5 billion to help offset those borrowing costs.

The Department of Energy (DOE) has issued five ATVM loans totaling $8.4 billion so far—with an additional $3.3 billion in borrowing costs. In its promotional material for the program, DOE highlights three of the recipients: Ford Motor Company, Nissan North America, and Tesla Motors.

However, these DOE materials don't mention loans to two other companies, Fisker Automotive and Vehicle Production Group (VPG). I think I know why: taxpayers lost almost $200 million on those two loans.

Fisker Automotive borrowed $529 million from the federal government to produce its luxury car, Karma. The loan was touted by the administration, including by Vice President Biden. Biden said "the story of Fisker is a story of ingenuity of an American company, a commitment to innovation by the U.S. government and the perseverance of the American auto industry."

The car was a flop from the beginning. It was recalled, and it received poor performance ratings. Fisker lost an estimated $35,000 on each vehicle sold. A year after issuing the loan, DOE halted Fisker's borrowing authority after the company had already borrowed $192 million. Fisker filed for bankruptcy shortly thereafter. Only $50 million of the $192 million has been recovered for taxpayers.

Vehicle Production Group had financial and production problems as well. In addition, its loan was questioned due to the political connection between its adviser and the White House. The adviser was a fundraiser for the White House and "headed Obama's vice presidential selection committee in 2008." The company quietly folded costing taxpayers the full $50 million loan.

The taxpayer losses from Fisker and VPG were in addition to the losses from other federal energy loans to companies such as Solyndra and Abound Solar. After all the bad press from these failed energy subsidies, demand for the loans dried up. According to a March 2013 report from GAO, DOE was no longer considering applications for the remaining $16.6 billion in loan authority and $4.2 billion in borrowing cost subsidies. Auto companies told GAO that the "costs of participating outweigh the benefits."

However, Congress still has not rescinded ATVM's loan authority. DOE could start reissuing loans under the failed program at any point, and it is re-launching its promotional efforts. Closing the program would not only save taxpayers money, it would reduce government interventions in the energy and automobile markets. For reformers in Congress, this change should be a no-brainer.

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