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ENERGY DEPARTMENT TRADE MISSIONS

Authority, Results, and Management Issues

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Mr. Chairman and Members of the Subcommittee:

I am pleased to be here today to discuss the four trade missions that the Secretary of Energy has led during her term in office. The four trade missions were to India, Pakistan, China, and South Africa.[1] My statement will cover

(1) the Department of Energy's (DOE) authority and role in conducting trade missions;
(2) the difficulties inherent in trying to quantify the value of trade missions, including a review of DOE's reports of the results of the four trade missions; and
(3) management weaknesses of DOE in running these trade missions.

My testimony is based on our current and past work at DOE and our reviews of governmentwide export promotion issues.[2]

Summary

In short, the Secretary of Energy has legislative authority to conduct trade missions. DOE's rationale for using this authority is based on the significant economic potential in developing energy markets and the active assistance that foreign governments provide their private companies. DOE is one of 19 agencies that conducts federal export promotion activities and is part of the Trade Promotion Coordinating Committee (TPCC) that is charged with coordinating federal export promotion activities.

Measuring the impact of federal advocacy activities is inherently difficult. For example, it is not always clear that sales generated through such activities are additional to what would otherwise have been exported in their absence. Further, since many parties participate in a single project, isolating the contribution of any one participant is problematic. While DOE has reported the results of its advocacy based on the value of business agreements signed during the missions, calculating the actual value of such agreements yields speculative results. DOE identified $19.7 billion in

[1]The trade missions to India (July 1994), Pakistan (September 1994), and China (February 1995) were designated as "presidential missions." The trip to South Africa (August 1995) was designated as a "Clinton Administration Delegation on Sustainable Energy and Empowerment to South Africa." The Secretary has stated that the purpose of these missions was to advance U.S. business interests and create jobs.

[2]See Energy Management: Some Unsubstantiated Payments for the Secretary's Foreign Travel (GAO/T-RCED-96-59, Jan. 4, 1996); Export Promotion: Rationales for and Against Government Programs and Expenditures (GAO/T-GGD-95-169, May 23, 1995); Export Promotion: Governmentwide Strategy Needed for Federal Programs (GAO/T-GGD-93-7, Mar. 15, 1993); and Export Promotion: Federal Programs Lack Organizational and Funding Cohesiveness (GAO/NSIAD-92-49, Jan. 10, 1992).

potential and finalized agreements signed during the Secretary's four trade missions and related follow-up trips, and later reported that there were $2.03 billion in finalized deals. We reviewed the finalized deals comprising the $2.03 billion and found that in some cases U.S. exports appear to be substantially less than 50 percent of the project's total estimated exports.

Company representatives that participated in the missions generally supported the Secretary's efforts and the resulting intangible benefits such as increased credibility, access, and acceleration of projects. Several of the company officials we interviewed said their completed business agreements would have occurred without DOE's involvement.

A number of management weaknesses exist in DOE's trade mission program. DOE's processes for acquiring aircraft, recovering expenses from and approving travel for nonfederal travelers, and documenting U.S. embassy expenses were weak. New procedures have been introduced to correct these weaknesses but they have not been fully tested in practice.

With that overview, I would now like to discuss each of these issues in greater detail.

DOE's Authority for Conducting Trade Missions and Role in Export Promotion Activities

Before discussing the specifics of DOE trade missions, I would first like to provide some context by reviewing DOE's statutory authority for conducting overseas trade missions and its role within the federal export promotion apparatus.[3]

According to DOE, the Secretary was given explicit statutory authority to undertake export promotion activities under various legislative enactments, including the Export Enhancement Act of 1992[4] and the

[3]Federal export promotion programs include efforts to provide export financing; export-related information, such as market research and trade leads; export facilitation services, such as business counseling; and other support services, such as trade missions and business advocacy.

[4]Public Law 102-429, 106 Stat. 2186, 2199-2205 (Oct. 21, 1992). The Export Enhancement Act established the Trade Promotion Coordinating Committee (TPCC), which included DOE representation, and called, among other things, for "better delivery of services to United States businesses, including . . . representation of United States business interests abroad." (15 U.S.C. 4727(b)(3)(B)).

Energy Policy Act of 1992.[5] We have reviewed this legislation and agree that the Secretary has the authority to conduct export promotion activities, including trade mission activities.

Regarding its role in the federal export promotion apparatus, DOE is a member of the interagency TPCC, whose role is to increase the effectiveness and coordination of all activities involving government promotion of exports. TPCC is chaired by the Commerce Department and is comprised of 19 federal agencies. According to the TPCC's latest annual report,[6] DOE funded about $14 million for export promotion in fiscal year 1995, making it one of the smallest TPCC players in terms of funding.[7] Federal export promotion funding totaled about $3.1 billion in fiscal year 1995. Three federal agencies—the U.S. Department of Agriculture, the U.S. Export-Import Bank (Eximbank), and the Department of Commerce—accounted for about 90 percent of all federal export promotion funding for fiscal year 1995.

DOE's high-level advocacy on behalf of U.S. energy companies is conducted in emerging energy markets like China, India, and Pakistan. According to DOE, each of these countries will need new sources of energy in the coming years, representing a huge potential market for U.S. businesses. For example, DOE anticipates that China will need an estimated 100,000 megawatts of new electric power generation over the next 5 years, with each new 1,000-megawatt power plant generally valued at $1 billion. In addition, India is expected to need more than an estimated 140,000 megawatts of new electric power by 2007, requiring an investment of about $200 billion. According to DOE, overall, Asian economies alone are expected to spend as much as $1 trillion on power-related infrastructure over the next 15 years, and U.S. cutting-edge technologies in the electric power, renewable energy, and energy efficiency fields provide important opportunities for the United States to compete for this business.

[5]Public Law 102-486, 106 Stat. 2776-3133 (Oct. 24, 1992). The Energy Policy Act established a new TPCC subgroup to "seek to expand the export . . . of clean coal technologies," which the Secretary of Energy would chair (42 U.S.C. 13361(a),(b)). The Secretary was given responsibility for promoting exports of clean coal technologies, as well as renewable energy technologies (42 U.S.C. 13361(d), 13316(b)). In the latter case, the act specifically assigns the Secretary responsibility for assisting U.S. firms that are competing with foreign firms for opportunities to undertake projects in foreign countries (42 U.S.C. 13316(b)(9)).

[6]The National Export Strategy, Third Annual Report to the United States Congress, Trade Promotion Coordinating Committee (Washington, D.C.: Oct. 1995), p. 119.

[7]According to a DOE official, this figure does not include most of the costs of the four secretarial trade missions. The costs of the trade missions were covered by DOE program offices' travel budgets and the Departmental administrative budget.

DOE's high-level advocacy is also a response to similar advocacy efforts that foreign governments conduct in energy markets. TPCC reports that competitor industrialized nations perform similar export promotion activities and that foreign governments are increasingly aggressive in helping their firms compete for major projects in foreign markets. Foreign governments use a variety of tactics, including performing high-level advocacy, providing project financing (including low-interest-rate loans and corporate financial assistance), and making promises of technology transfer and aid funds in order to obtain projects for their own companies.[8]

For instance, in January 1996, the Canadian Prime Minister and 7 ministers took 300 business representatives from a variety of industry sectors to India. Advocacy is not just limited to our major industrialized competitors. In August 1995, a Malaysian cross-sectoral trade mission of 250 high-level government officials and business executives visited South Africa at the same time that the U.S. Secretary of Energy's trade mission was visiting the country.

Measuring the Impact of Federal Advocacy Activities Is Difficult

In general, several factors make it difficult to quantify the precise impact of federal advocacy activities:

(1) The determination of whether the sales generated through trade missions are additional to what would have been exported in their absence is not always clear.

(2) Numerous participants (U.S. government agencies as well as foreign governments) may be involved in a single project. This makes it difficult to identify and isolate the contribution of any one participant.

(3) Figures used to quantify the success of trade missions, particularly if they are based on tentative business agreements such as letters of intent or memorandums of understanding, may be speculative.

(4) The calculation of the value of follow-on sales agreements and maintenance contracts that can flow from the introduction of U.S.

[8]We have reported that European Union (EU) competitors provide more export financing assistance to their exporters than does the U.S. government. In 1993, the Eximbank financed about $15.1 billion of U.S. exports—about 3.2 percent of total U.S. exports. In comparison, five EU governments—France, Germany, Italy, the Netherlands, and the United Kingdom (U.K.)—collectively supported at least $74.8 billion (or about 7.1 percent) of their total exports in that year. See Export Finance: Comparative Analysis of U.S. and European Union Export Credit Agencies (GAO/GGD-96-1, Oct. 24, 1995).

engineering and technological standards is difficult. These sales can be as significant in monetary terms as the original sales contract.

TPCC has recognized some of the difficulties in measuring the results of export promotion programs and has tasked a TPCC working group to develop better performance measures for these activities.[9] An update of working group activities will be provided in the next TPCC annual report due for release in September 1996. DOE has also recognized some of the uncertainties associated with this issue and is now reviewing its estimation practices.

Value of the Business Agreements Reported by DOE

Despite the difficulties in measuring the impact of federal advocacy activities, DOE has reported the results of its advocacy based on the value of signed business agreements. In a December 28, 1995, letter to the Chairman of this Committee, the Secretary of Energy stated that the Secretary's four trade missions resulted in $19.7 billion in potential and finalized agreements. These agreements include memorandums of intent or understanding (the first and necessary step to any business deal), fuel supply and power purchase agreements for power plants, oil and gas exploration and production agreements, and other steps necessary to advance business deals. According to DOE, this was the total estimate of deals signed, as reported by the U.S. companies on these missions.

As you requested, we reviewed DOE's estimates of the impact of its advocacy. In response, I would like to clarify what the $19.7 billion is and what it is not. The $19.7 billion is the total potential value of business agreements signed during the four trade missions led by the Secretary, two follow-up trade missions that were led by the Secretary or Deputy Secretary, and several follow-up visits of foreign trade delegations to the United States (see app. I). The $19.7 billion estimate is not the finalized value of deals to the United States or the value of U.S. exports. Moreover, for some of the agreements that have been finalized, the U.S. export value is substantially less than 50 percent of the project's total exports.

Finalized Agreements

DOE has reported that of the $19.7 billion in agreements, about $2.03 billion in business agreements have reached either "financial closure" or "sales agreement," that is, have been finalized.

In an effort to clarify what this number represents, we conducted an independent review of the 14 business deals that DOE used as the basis for

[9]See National Export Strategy (GAO/NSIAD-96-132R, Mar. 26, 1996).

the $2.03 billion estimate (see app. II). As part of this process, we reviewed DOE documents and interviewed government officials. We also interviewed business representatives from most of these companies and studied their written responses to questions posed by this Committee. We studied related business filings, annual reports, and business journal articles for these deals as well. Although we are including private-sector estimates of the potential value of U.S. exports associated with these deals, we caution that these projections are inherently uncertain.

Our review of the likely composition of the 14 deals makes it clear that the $2.03 billion figure that DOE reported should not be confused with the potential U.S. export value of the deals. For example, the largest single deal reported by DOE is a $660-million power project in Pakistan with an estimated U.S. export value of about $218 million (over 30 percent of the total project value), which represents virtually all of the total exports associated with the project, according to Eximbank officials.[10] The Eximbank provided financing for this project.[11]

In some of the cases, the U.S. export value is substantially less than 50 percent of the total exports associated with the agreements. For example, three power plant projects valued at about $950 million comprise about 47 percent of the $2.03 billion:

- Two power projects in Pakistan, sponsored by the same company, have a total value of $700 million and estimated exports of $400 million. The estimated U.S. export value is about $80 million (20 percent), according to company officials and the financing documents we reviewed.[12] Japan's Export-Import Bank and Mitsubishi Heavy Industries are major participants in financing and constructing these projects, which suggests that Japanese companies will receive a significant share of the sales.
- One $250-million power plant in India has estimated exports of about $160 million. The estimated U.S. export value is about $40 million (25 percent), according to a company official.[13] The U.K.'s Export Credit

[10]According to Eximbank and company officials, the size of the project is about $625 million and not $660 million as reported by DOE.

[11]Generally, Eximbank programs may support only sales of U.S. goods and services. If the U.S. export contains foreign-made components, Eximbank will provide support only for the U.S. content portion. Eximbank approved $243 million in financing for this project in November 1995.

[12]We assumed that the value of the turnkey contracts was a reasonable proxy of the value of the exports associated with the project. The turnkey contracts for these projects were about $400 million.

[13]Company officials reported the agreement value was $245 million. The turnkey contract for this project totaled $163 million.

Guarantees Department and the U.K.'s Rolls Royce company are major participants in this project, which suggests that U.K. companies will receive a significant share of the sales.

While examining these U.S. export content issues, we noted that DOE does not have or use guidelines that specifically incorporate U.S. content considerations as a basis for selecting businesses on DOE-led trade missions. The Commerce Department has developed advocacy guidelines to assist U.S. government personnel in determining whether and to what extent U.S. government support is appropriate in advocating for individual projects.

Given the increasingly complex nature of international transactions, the Commerce Department guidelines were developed in 1993 to assist U.S. government officials in making these determinations. The guidelines place a premium on U.S. content, including employment, in the determination of whether and to what extent a given project is considered to be in the national interest.[14]

Company representatives that participated in the missions generally supported the Secretary's efforts. Although several of the company officials we interviewed said their completed business agreements would have occurred without DOE's involvement, many also said that their projects were accelerated as a result of the trade missions. Others, including some Commerce Department officers stationed in the four overseas posts that DOE visited, cited such intangible benefits as increased credibility with foreign officials and the opportunity to establish new or high-level contacts with business and government officials.

Now let me turn to the administration of DOE's trade missions.

[14]To implement its guidelines, Commerce has developed a background data questionnaire for companies that seek U.S. government advocacy support. Among other items, the questionnaire requests information on total project value, the value of U.S. exports, and the expected direct and indirect effect on U.S. jobs. The Commerce guidelines do say that bids with lesser U.S. content may, under certain circumstances, also be determined to be deserving of comparable, nondiscriminatory treatment by the U.S. government. The guidelines state that in cases where the U.S. content does not exceed 50 percent, the following factors may be considered in determining whether U.S. government support of a bid or proposal is in the national interest: U.S. materials and equipment content, U.S. labor content, contribution to the U.S. technology base, repatriation of profits to the U.S. economy, and the potential for follow-on business that would benefit the U.S. economy.

Management Weaknesses Existed in the Four DOE Trade Missions

The procedures that DOE used for chartering aircraft, recovering costs from nonfederal participants, approving the travel expenses of certain nonfederal travelers, and obtaining services from U.S. embassies were weak. These procedures have been the subject of critical reports from our office and the DOE Inspector General (IG).[15] Our recent work highlights issues of continuing concern.

According to program officials, the planning for these missions was complicated by time constraints and frequent, last-minute changes in plans. These planning difficulties were further compounded by DOE's lack of familiarity with the requirements for conducting large, overseas trade missions. We noted that the Secretary's first trade mission, the mission to India, took place less than 2 months after President Clinton made a commitment to send a high-level mission to India during Prime Minister Rao's May 1994 state visit. DOE's second trade mission, to Pakistan, took place less than 3 months after the India trip. According to DOE officials, "heroic" efforts were sometimes needed to overcome the ad hoc planning process to ensure that the missions were completed on schedule.

DOE has recognized these inadequacies and in March 1996 introduced some new, interim international travel policies and procedures to address these management weaknesses. These new procedures are designed to help assure that DOE's future international missions are more cost-effective and better managed, but they have yet to be fully tested in practice. A DOE official told us that DOE believes that the newly designed procedures are adequate to ensure that taxpayers' interests are protected.

Air Charter Services

The costs of air transportation services represent the largest expense of the four DOE missions. DOE's total cost of the four missions was about $2.8 million (see app. III). According to program officials, DOE used an evolving process for obtaining air transportation services for the four trade missions.

[15]For example, see Unsubstantiated DOE Travel Payments (GAO/RCED-96-58R, Dec. 28, 1995), and Audit of Department of Energy International Charter Flights, Office of Inspector General, Department of Energy (Washington, D.C.: Nov. 7, 1994). In November 1994, after the first two trade missions were completed, DOE's IG raised concerns about the process and the procedures that DOE used to acquire these services. The IG found that DOE had not established a systematic and cost-effective process to acquire international air services nor for recouping costs from nonfederal passengers. The IG "suggested" that DOE prepare formal procedures for acquiring international air services, including writing a clarification of the responsibilities of all interested parties. In December 1994, the IG communicated additional concerns to the Deputy Secretary on this matter. He concluded that DOE should ensure that all processes and procedures covering international travel were addressed before any additional trips were undertaken. Although DOE agreed that improved procedures were needed, the final two trade missions were completed before these suggested improvements were fully implemented.

- For the July 1994 India trip, DOE used a Department of Defense VC-137, the military version of the Boeing 707. DOE managed the fare collections from the non-DOE passengers. Passengers were billed after the trip was completed.
- For the September 1994 Pakistan trip, DOE chartered a DC-8 through a charter agent.[16] DOE used a Department of the Interior working capital fund as the mechanism to pay for the charter aircraft and to collect fares from the federal and nonfederal travelers.
- For the February 1995 China trip, DOE's contract travel agency, Omega Travel, chartered a DC-8 through a charter agent. DOE assisted Omega in chartering the aircraft and collecting the fares from the nonfederal passengers.
- For the August 1995 South Africa trip, DOE chartered a DC-8 through a charter agent. The charter agent managed the fare collections for all passengers. Government Transportation Requests were used as the vehicle for paying DOE's costs of the charter aircraft.

DOE justified the use of charter aircraft for the trade missions because of a special need for planning and conferencing facilities during enroute travel.[17] According to DOE, no scheduled commercial airline service could fulfill this need.

In at least one instance, DOE did not fully comply with the requirements of federal regulations devised to help ensure the efficient and effective management and use of government aviation resources. Provisions of the Federal Property Management Regulations require advance written approval for travel on government aircraft by DOE's General Counsel or his principal deputy on a trip-by-trip basis.[18] Although such approval was obtained for the India and South Africa trip, it was not obtained for the Pakistan trip or the China trip. DOE acknowledged that prior written approval should have been obtained for the Pakistan trip. DOE officials said prior written approval was not needed for the China trip because it did not involve the use of a DOE-chartered aircraft but instead the DOE purchase of seats for federal travelers from a General Services Administration (GSA) contractor. DOE stated that GSA advised DOE at the time that the regulatory

[16]According to DOE, a charter agent, Flight Time International, was used to obtain this particular aircraft. Flight Time International is a charter broker and does not own nor operate its aircraft. It queries and receives bids from airlines and passes the information on to its customers.

[17]The justifications for the charter aircraft included a requirement for "conferencing or work tables in sufficient space to accommodate not less than 8 separate and simultaneous work groups of 2 to 4 persons each."

[18]41 CFR 101-137.405.

requirement for General Counsel approval was not applicable to this situation.[19]

It is clear that using military and charter aircraft added to the costs of the trips. We compared the government cost of using charter aircraft to regularly scheduled commercial air service using cost estimates and related information developed by DOE before each trip. We estimate that the decision to use the military and charter aircraft increased the cost to the government by at least $588,435 (i.e., the savings if the government-funded travelers had used commercial air carriers for each of the four trade missions (see app. IV)).[20] DOE said that security considerations on the India trip and the need for conferencing facilities on all the missions precluded the use of commercial aircraft.

Recovering Costs From Nonfederal Participants

DOE efforts to recover costs from the trade missions' nonfederal participants have also been problematic. Although DOE established a policy of full-cost recovery after the India trip, it has yet to completely realize this goal, as of March 26, 1996. It still has a total of $50,646 in accounts receivable from the first two trips ($29,646 from the Pakistan trip). On the last two missions, collecting fares was the responsibility of the company that chartered the aircraft.

I would also like to point out that DOE paid $50,595 to cover the additional cost of a scheduled trip to Kimberley and the cost of an unplanned stop in Capetown on the South Africa trip.[21] None of these costs were passed on to the other nonfederal travelers. A DOE official said DOE did not attempt to recover the additional costs because DOE was responsible for making the decisions that added to the costs. They also said they would face a loss of credibility with the U.S. business community if they attempted to recover the additional costs of these trips after the travelers had already been billed.

[19]GSA is the agency that promulgates the Federal Property Management Regulations.

[20]Our analysis is based on DOE's estimates of the costs of comparable commercial air service for India, Pakistan, and China. For South Africa, we developed our own estimate by comparing the cost of using the charter (excluding DOE's cost of additional side trips to Kimberley and Capetown) to the estimated round-trip cost of flying from Washington, D.C., to Capetown to Johannesburg and return at a commercial business class rate.

[21]According to program officials, the trip to Kimberley was made to conduct official governmental activities, and the stop in Capetown was made because the plane's weight did not allow a nonstop flight to be made from Johannesburg at the scheduled departure time.

Invitational Travel Issues

I would now like to take a few moments and discuss DOE's handling of "invitational travelers" on its trade missions. The term "invitational traveler," as used in this testimony, refers to those nonfederal travelers who participated in the missions and had their travel expenses paid for by DOE (see app. V). This term does not refer to the private sector representatives who participated on these missions and paid their own way.

The regulations governing DOE's payment of travel expenses of "invitational travelers" are contained in 10 C.F.R. Part 1060. The regulations state that DOE may pay the travel expenses of a nonfederal traveler provided that the person receives an invitation from DOE to confer with a DOE employee "on matters essential to the advancement of DOE programs or objectives." If the meetings occur at a place other than the conferring employee's post of duty, a principal departmental officer (the DOE Secretary, Deputy Secretary, or Under Secretary) must have approved and stated the reasons for the invitation in writing before the travel takes place. The regulations also permit payment of such travel expenses where a principal departmental officer has determined in writing that "it is in the interest of the Government to provide such payment," and DOE's General Counsel has determined in writing that the payment is authorized by statute. The duties to be performed by a principal departmental officer cannot be delegated.

In 77 percent (17 of 22) of the cases, DOE did not provide documentation showing prior written justification for the invitational travelers. In their comments on this testimony, DOE pointed out that some documents existed indicating Office of the Secretary approval, but DOE agrees it was not in complete compliance with 10 C.F.R. Part 1060.

Documenting Expenses for Services Obtained From U.S. Embassies

In our January 1996 testimony before this Committee, we highlighted some of the problems that DOE was encountering in documenting the expenses it incurred when using U.S. embassy services for administrative and logistical support on two of the four missions.[22] For example, DOE did not have written procedures that specified either the types of records to be kept or the process to follow in obtaining support for foreign travel from U.S. embassies. During our review of the Secretary's trip to India, DOE officials could not provide records to substantiate some of the costs of the mission. DOE has taken several steps to address this problem, including the development of detailed written procedures and closer cooperation from

[22]See Energy Management: Some Unsubstantiated Payments for the Secretary's Foreign Travel.

the State Department in obtaining improved documentation of overseas expenses. A DOE official said DOE hopes to resolve issues related to the embassies' charges by the end of May 1996.

DOE is still in the process of analyzing the expense reports received from overseas posts in connection with administrative and logistical support charges for the July 1994 India trade mission and the other three trade missions that we examine in today's testimony. DOE provided us with the following status report on its efforts:[23]

- The total embassy logistical and support costs charged to DOE for the four missions were about $409,674. DOE has accepted about $257,555 of these charges, has disputed or rejected about $135,119 of these charges, and continues to review about $17,000 of these charges.

Some of the charges rejected by DOE include

- $14,170 for a double billing of a banquet that was not a DOE expense and
- $6,346 for aircraft fueling services not requested.

Mr. Chairman, this concludes my prepared remarks. I will be happy to answer any questions you or other Members of the Subcommittee may have.

[23]DOE, Office of Chief Financial Officer as of April 23, 1996.

DOE Summary of All Realized and Potential Business Agreements Signed During Department of Energy (DOE) Trade Missions Since 1994

Mission	Date	Head of delegation	Number of agreements	Value of agreements (millions)
South Africa	August 1995	DOE Secretary	10	NA[a]
China	February 1995	DOE Secretary	35	$6,529.79
India[b]	February 1995	DOE Secretary	23	1,324.30
Pakistan	December 1994	DOE Dep. Sec.	18	2,580.20
India	September - December 1994	(Reverse trade missions to the United States)[c]	23	215.00
Pakistan	September 1994	DOE Secretary	16	3,937.00
India	July 1994	DOE Secretary	18	5,172.30
Total				

[a]According to a response to this Subcommittee in April 1996, DOE said, "Based on its experience with India, Pakistan, and China missions, including uncertainties about the economic benefits of MOUs, DOE chose not to announce financial and job creation benefits from the mission to South Africa, although the benefits are considerable. It is reviewing its estimation practices in order to learn from these missions and the follow up process."

[b]The February trip to India was a follow-up visit made in conjunction with the China mission.

[c]Reverse trade missions refer to visits of India trade delegations to the United States.

Source: DOE, Office of Energy Exports document provided March 18, 1996.

DOE Summary of Finalized Business Agreements Signed During Four Trade Missions

Country	Type of project	Value assigned by DOE (millions)[a]	GAO comments
Pakistan	Gas combined cycle power plant	$660.0[b]	Company official estimated $218 million in U.S. exports
Pakistan	Oil-fired power plant	350.0	Company official estimated $40 million in U.S. exports
Pakistan	Oil-fired power plant	350.0	Company official estimated $40 million in U.S. exports
India	Gas combined cycle power plant	250.0[c]	Company official estimated $39 million in U.S. exports
Pakistan	Oil and gas exploration and production agreements	178.8	Company official estimated $72 million in U.S. exports
Pakistan	Oil and gas exploration and production agreements	125.6	Company official said it is too early to estimate the value of U.S. exports
India	Sale of wind energy equipment	60.0	DOE official said this project may not be related to DOE's trade missions
China	Sale of components of two 600-megawatt turbine generator units	24.0	Company official estimated U.S. exports would be $12 million
India	Sale of wind energy equipment	12.6	Company official estimated U.S. exports would be $23 million
India	Sale of wind energy equipment	9.0	DOE official said this deal did not materialize
India	Sale of photovoltaic cells for assembly in India	6.0[d]	Company official estimated $2.5 million in U.S. exports
Pakistan	Pipeline service contract	3.0	Company official estimated negligible U.S. exports
India	Sale of solar lanterns	3.0	DOE official said this figure represents the value of improvements to a U.S. factory
China	Joint venture to manufacture high-technology flow measurement products	0.9	Company official estimated U.S. exports at less than $5 million
Total			

(Table notes on next page)

Note 1: We use “finalized business agreements” to refer to agreements DOE describes as reached financial closure or sales agreements.”

Note 2: DOE did not cite any finalized business agreements for the South Africa trade mission.

[a]Based on DOE status report of December 19, 1995.

[b]Agreement value is $625 million, according to company officials and the Eximbank.

[c]Agreement value is $245 million, according to the company.

[d]Agreement value is $7 million, according to the company.

Sources: DOE, Office of Energy Exports, and company officials.

Estimated Costs of Four DOE Trade Missions

Tables III.1-5 illustrate the total estimated costs of four DOE trade missions, from July 1994 to August 1995.

Table III.1: Total Estimated Cost of Trade Mission to India, July 1994

Type of cost	Amount
DOE costs	
Advance	$127,273
Delegation	
Subsistence and lodging	50,455
Administration & logistics (provided by State Dept.)	43,000[a]
Department of Defense aircraft[b]	498,965
Total cost	**$719,693**[c]

Note: Cost as of April 17, 1996.

[a]Total amount accepted by DOE.

[b]Cost to DOE of chartering the aircraft. DOE managed the fare collections from the non-DOE passengers. DOE collected $58,000 from private-sector travelers that was deposited to miscellaneous receipts of the U.S. Treasury.

[c]Net cost to the government is actually $661,693 because private-sector reimbursements to the U.S. Treasury totaled $58,000.

Source: DOE, Office of Chief Financial Officer.

Table III.2: Total Estimated Cost of Trade Mission to Pakistan, September 1994

Type of cost	Amount
DOE Costs	
Advance	$130,000
Delegation	
Subsistence and lodging	50,000
Administration & logistics (provided by State Dept.)	50,000[a]
Charter airfare[b]	427,450
Total cost	**$657,450**[c]

Note: Cost as of April 17, 1996.

[a]Total amount charged to DOE.

[b]Cost to DOE of chartering the aircraft. DOE used a Department of the Interior working capital fund as the mechanism to pay for the charter aircraft and to collect fares from the federal and nonfederal travelers. Through this mechanism, private-sector participants reimbursed the U.S. Treasury rather than DOE. Cost includes $235,672 in reimbursements received from the private sector and $23,408 in reimbursements pending.

[c]Net cost to the government is actually $421,778 because private-sector reimbursements to the U.S. Treasury totaled $235,672.

Source: DOE, Office of Chief Financial Officer.

Table III.3: Total Estimated Cost of Trade Mission to China, February 1995

Type of cost	Amount
DOE Costs	
Advance	$171,909
Delegation	
Subsistence and lodging	206,956
Administration & logistics (provided by State Dept.)	157,000[a]
Charter airfare	309,013
Total cost to DOE	**$844,878**
Private sector costs[b]	352,987
Total cost of mission	**$1,197,865**

Note: Cost as of April 17, 1996.

[a]Total amount charged to DOE.

[b]For charter airfare only. DOE's contract travel agency chartered an aircraft through a charter agent. DOE assisted the travel agency in chartering the aircraft and collecting fares from the nonfederal passengers.

Source: DOE, Office of Chief Financial Officer.

Table III.4: Total Estimated Cost of Trade Mission to South Africa, August 1995

Type of cost	Amount
DOE Costs	
Advance	$161,200
Delegation	
Subsistence and lodging	49,400
Administration & logistics (provided by State Dept.)	112,139[a]
Charter airfare	248,910
Commercial airfare	12,000
Total cost to DOE	**$583,649**
Private sector costs	
Delegation traveling on charter[b]	294,567
Delegation traveling commercially	72,000
Other mission costs[c]	25,800
Total private sector costs	**$392,367**
Total cost of mission	**$976,016**

Note: Cost as of April 17, 1996.

[a]DOE's portion of accepted charges.

[b]DOE chartered a DC-8 aircraft through a charter agent. The charter agent managed the fare collections for all passengers. Government Transportation Requests were used as the vehicle for paying DOE's costs of the charter aircraft.

[c]Each private-sector delegate paid a $600 pro rata share for costs associated with the meetings.

Source: DOE, Office of Chief Financial Officer.

Table III.5: Total Estimated Costs of the Four DOE Trade Missions, From July 1994 to August 1995

Mission	Total cost of mission[a]	Total cost to DOE
India	$719,693	$719,693
Pakistan	657,450	657,450
China	1,197,865	844,878
South Africa	976,016	583,649
Total	**$3,551,024**	**$2,805,670[b]**

Note: Cost as of April 17, 1996.

[a]Cost does not include costs to the private sector for subsistence and lodging.

[b]Actual cost to the government was $2,511,998. Private-sector participants reimbursed the U.S. Treasury $58,000 for the charter airfare to India and $235,672 for the charter airfare to Pakistan.

Source: DOE, Office of Chief Financial Officer.

Cost Comparison of Charter Versus Commercial Fares for Four Trade Missions

Mission	Total passengers	Number and percent of government-funded passengers	Government share of total charter cost[a]	Total estimated commercial fare for government passengers	Difference between fares
India	59	15 (25.4%)	$375,765[b]	$42,000	$333,765
Pakistan	65	20 (30.8%)	127,820	80,000	47,820
China	67	26 (38.8%)	256,896	100,334	156,562
South Africa[c]	67	25 (37.3%)	188,738	138,450	50,288
Total					**$588,435**

[a]With the exception of India, the government share is calculated as the government's proportional share of the anticipated passenger load times the actual charter cost. The analysis assumed that all fares for nonfederal travelers will be collected.

[b]In the case of India, nonfederal travelers were billed at a commercial rate of $2,800 per passenger. We calculated the government share as the actual charter cost minus the product of the number of nonfederal travelers times the commercial rate. We assumed that full reimbursement was received for these passengers.

[c]South Africa comparison excluded the additional costs of the charter aircraft trips to Kimberley and Capetown.

Source: Information provided by DOE.

Invitational Travelers on Four DOE Trade Missions

Trip	Travelers for whom invitational travel was paid	Travelers approved as invitational per 10 C.F.R. 1060	Travelers not approved as invitational per 10 C.F.R. 1060
South Africa - Aug. 1995	6	0	6
China - Feb. 1995	6	5	1
Pakistan - Sept. 1994	6	0	6
India - July 1994	4	0	4
Total	**22**	**5**	**17 (77%)**

Source: GAO analysis based on DOE information.

Scope and Methodology

To complete our work, we interviewed DOE officials; company officials; U.S. Export-Import Bank (Eximbank) officials; and Department of Commerce officials, including Foreign Commercial Service officers stationed abroad. We reviewed various DOE and Commerce Department documents, including DOE trade mission trip reports, and over 17,000 pages of documentation provided by DOE to this Subcommittee. We also reviewed financing documents provided by the Treasury Department and the Eximbank, DOE press releases, and other documents relating to specific business agreements and companies.

At the request of this Subcommittee, we focused on the 14 business agreements that DOE characterized as having reached "financial closure or sales agreement." We did not review the other business agreements that were characterized as potential agreements by DOE. We contacted the 13 companies associated with these agreements to obtain additional information about the nature and extent of DOE's assistance. In two cases, we were not able to obtain a company response to our questions. We relied on the businesses involved to provide estimates of the U.S. export value and the size of their agreements. We did not verify the value of the estimates provided nor did we examine the actual contracts associated with the business agreements. In regard to the costs of the trips, we relied upon information provided by DOE's Office of the Chief Financial Officer.

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