April 2010

GAO Accountability·Integrity·Reliability

Highlights

Highlights of GAO-10-486, a report to congressional committees

AUTO INDUSTRY

Lessons Learned from Cash for Clunkers Program

Why GAO Did This Study

In July and August 2009, the federal government implemented the Consumer Assistance to Recycle and Save (CARS) program, or “Cash for Clunkers,” a temporary vehicle retirement program that offered consumers a monetary credit ($3,500 or $4,500) to trade in an older vehicle for a new, more fuel-efficient one. The National Highway Traffic Safety Administration (NHTSA) was responsible for administering the program, and GAO was required to review the program’s administration. This report examines (1) what is known to date about the extent to which the CARS program achieved its objectives; (2) what stakeholders’ experiences were with the CARS program; and (3) how the CARS program compares to other selected domestic and international vehicle retirement programs.

To address these issues, GAO reviewed the CARS legislation and implementing regulations, a required NHTSA report to Congress on the program’s efficacy, and CARS program transaction data. GAO also contacted officials from NHTSA and the Environmental Protection Agency (EPA); representatives of industry organizations and academics; as well as CARS program stakeholders, including representatives from consumer groups, scrap and salvage industries, automobile manufacturers, vehicle dealerships, and charities. GAO also interviewed officials from other domestic and international vehicle retirement programs and reviewed information about these programs.

View GAO-10-486 or key components. For more information, contact A. Nicole Clowers at (202) 512-2834 or clowersa@gao.gov.

What GAO Found

Members of Congress and administration officials articulated two broad objectives for the CARS program: (1) help stimulate the economy and (2) put more fuel-efficient vehicles on the road. The program achieved these broad objectives; however, the extent to which it did so is uncertain. For example, nearly 680,000 consumers purchased or leased vehicles using the program’s credit, yet some of these sales would have happened anyway. Among others, NHTSA estimated how many sales were directly attributable to the program. In its report to Congress, the agency estimated that 88 percent of the 677,842 CARS transactions approved at the time of its report were directly attributable to the program. Additionally, NHTSA found that the average combined fuel economy of new vehicles purchased or leased under the program was 24.9 miles per gallon, compared with 15.7 miles per gallon for vehicles traded in. According to the agency, however, the entire difference in combined fuel economy may not have been a direct result of the program. NHTSA also estimated that the program reduced fuel consumption for the typical CARS participant. NHTSA based these estimates on a consumer survey that it designed and implemented. However, largely because it had limited time to establish and administer the program, NHTSA did not follow some generally accepted survey design and implementation practices, thereby posing a potential risk to the reliability of estimates based on the survey data.

Stakeholders in the CARS program reported varied experiences. Specifically, the program benefited eligible consumers, providing them with a monetary credit to help purchase or lease a new vehicle. GAO found that participation in the program was distributed across the country and reflected the U.S. population distribution. Many consumers contacted the Department of Transportation (DOT) about the program, but DOT officials reported that no systemic problems with the program were identified through these contacts. Representatives of scrap and salvage industries reported that the impact of the CARS program was mixed. Automobile manufacturers and eligible dealerships generally benefited from the increased sales the program generated, even though they identified some administrative challenges. Representatives GAO spoke with about the impact on used vehicle dealerships and charities reported mixed experiences during the program and said it would be difficult to isolate the impact of the CARS program.

The CARS program and most other vehicle retirement programs GAO reviewed shared some similarities, but differed in their objectives, eligibility criteria, and incentives. Most of the programs required that the trade-in vehicle be operational and registered. However, only the CARS program used fuel economy as a criterion for the trade-in vehicle, while other programs used different criteria, such as the vehicle’s age or emissions. Moreover, while the CARS program established a price ceiling for the new vehicle, only one other program included such a criterion. All of the programs used monetary incentives to encourage participation, but the average CARS monetary credit—about $4,200—was larger than other programs’ incentives, which ranged from about $300 to $3,500.

DOT and EPA commented on this report and provided technical comments, which GAO incorporated, as appropriate. DOT discussed the successes of the program and noted the limited time NHTSA had to design and implement the program’s consumer survey.