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Toyota's troubles add notch to list of disputes

Attempts to slow, block recalls not new, NHTSA says

BY JUSTIN HYDE

FREE PRESS WASHINGTON STAFF

WASHINGTON -- Toyota's recall of vehicles over sudden acceleration have highlighted an uneasy détente between automakers and the National Highway Traffic Safety Administration -- a relatively small, overworked bureaucracy that relies on public outrage as an enforcer for recalls.

Toyota and NHTSA's battle over faulty parts in 5.6 million vehicles -- and a half-dozen probes into other models -- is expected to be a key topic in at least three congressional hearings set this month.

U.S. Transportation Secretary Ray LaHood said last week that at every crucial step from March 2007 to the present, NHTSA officials had to goad Toyota into acting, whether it was launching the first floor mat recall or expanding it last year after four people died in a California crash.

"When you look at what I've done since we've been there, it's been very aggressive. It will continue to be aggressive," LaHood said last week.

But the agency faces critiques, too.

NHTSA probes "have been too brief and cursory to find other causes," Safety Research & Strategies said in a report last week. The advocacy firm works with attorneys suing Toyota.

Tense relations highlighted

The showdown between Toyota and U.S. auto safety regulators over sudden acceleration in vehicles last week added to a history of disputes between the two sides, going back to when Toyota threatened to recall 157,000 pickups to remove a safety feature.

In 2005, the National Highway Traffic Safety Administration found that 2003 through 2005 model year Toyota Tundras had been built without child-seat latches on the front passenger side, a violation of federal safety rules.

Toyota asked for an exemption, saying the problem was not a safety issue. When NHTSA declined, Toyota warned that the only possible repair that could meet federal rules would be to disable switches allowing the passenger air bag to be shut off -- a feature added after concerns about how air bags could harm children in rear-facing child seats.

Under pressure from regulators, Toyota relented in 2006 and offered to install latches for customers who sought them. A year later, the U.S. agency would pressure Toyota into the first recall involving floor mats in its vehicles that could stick under gas pedals, which includes 5.4 million cars and trucks in the U.S.

Making an example of Toyota?

For an agency that's often dwarfed by the companies it regulates, NHTSA has to rely on suasion as much as its legal powers. Industry officials say the push back by regulators over Toyota's behavior in recent weeks may be an attempt to make an example that the rest of the industry would heed.

"It was not an uncommon occurrence for us to urge a company to do something," said Ricardo Martinez, who served as NHTSA's chief during the Clinton administration. "That is, unfortunately, the typical approach for some companies.

"The thing that is disappointing to me is that Toyota was once one of the more proactive companies."

Compared with the companies it regulates, NHTSA's resources are meager. It has 650 employees and an \$850-million annual budget. Besides crash tests, safety research and public campaigns against drunken driving, its Office of Defect Investigations oversaw 608 recalls of faulty vehicles, parts and tires last year, ranging from mopeds to Mack trucks.

With limited resources, NHTSA must rely on manufacturers to police themselves to a large degree; for any given defect, studies have shown the agency gets only 10% of the complaints generated by consumers, with the rest sent to automakers.

Of last year's recalls, just 179, or 29%, were spurred by a NHTSA probe, either based on customer complaints or testing. The rest were launched by manufacturers without government action.

Stalling recalls

Automakers regularly work the agency's probes; they try to limit the scope of investigations, question what the data show and argue for the smallest recalls necessary. There's also a typical revolving door of people moving from the agency to the industry.

But in recent years, automakers have avoided fighting NHTSA head on, often attempting to minimize recalls by jumping on problems quickly rather than letting them build to involve millions of vehicles.

"Manufacturers don't want to do a recall if it's a lot of vehicles or a lot of money," said Joan Claybrook, NHTSA chief during the Carter administration. But if the agency launches a probe into a safety issue, "the company knows they're going to eventually figure it out."

All of 2009's recalls were legally considered voluntary because NHTSA didn't need to issue a formal recall order, which can open a floodgate of legal claims and bad publicity. The last time the agency took such a step with an automaker was in 2008, when BMW rejected NHTSA's directive to recall 28,000 Mini Coopers over exposed exhaust pipes that could burn people's legs.

Just before NHTSA held a hearing, BMW ordered the recall.

The last time an automaker took NHTSA to court over a defect decision was in 1996, when Martinez ordered Chrysler to fix seat belts in 91,000 sedans and the automaker refused.

In the end, both sides lost: A court threw out NHTSA's order and chastised the agency for overreaching, but Chrysler had to recall many of the 91,000 sedans anyway, and suffered from public relations scrutiny.

Challenging U.S. regulators

The idea that NHTSA's decisions should go unchallenged isn't universally accepted. Kevin McDonald, an assistant general council at Volkswagen's U.S. arm, wrote in a Cato Institute magazine last summer that the benefits of NHTSA's defect recalls are "dubious and largely unproven."

McDonald said each recall typically costs automakers at least \$100 per vehicle, and no studies conclusively show any benefit to auto safety. He said the recalls could make people less safe because they have to drive extra trips to their dealerships.

"It is certainly worth asking whether, in the aggregate, more lives are put at risk by recalls than are saved," McDonald wrote.

McDonald said his article was his opinion only, and not that of his employer, but those sentiments were once common among industry officials. Just as debacle over defective tires on Ford Explorers that was linked to hundreds of deaths eventually led to Congress requiring automakers to share more data with NHTSA, the Toyota case could lead to more power for U.S. regulators to pursue recalls.

"That's something we need to think about," U.S. Transportation Secretary Ray LaHood said, "and we will think about it."

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Toyota president emerges to criticism

TOKYO -- Japanese news media and business experts sharply criticized Toyota's president Saturday for what they called a delayed and unconvincing explanation for the massive recall that has sullied the world's biggest automaker, a Japanese corporate icon.

Akio Toyoda, the founder's grandson appointed to lead Toyota Motor Corp. last June, emerged Friday to apologize and address criticism that the company mishandled a crisis over sticking gas pedals. But he stopped short of ordering a recall for Toyota's Prius hybrid over separate braking problems.

Toyoda's appearance before reporters made the front pages of the country's leading newspapers -- but won no praise. Among the reactions:

- "Words are not enough. The company's crisis management ability is being subjected to severe scrutiny." -- An editorial in the Nikkei business daily
- "Utterly too late. The entire world is watching how Toyota can humbly learn from its series of recent failures and make safe cars." -- An article in the Japanese nationwide Asahi newspaper
- "Toyota needs to be more assertive in terms of providing consumers comfort that the immediate problem is being addressed ... and that it can deal with these crises." -- Sherman Abe, a business professor at Hitotsubashi University in Tokyo, in an interview

Associated Press

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namespace: ["analytics", "util.Cookie", "remoting"], callback: (function(_p) { return function() {
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is done on the individual provider ONLY for initialization * so that we can support initializing
different provider * at different times. * */ var _provs= _vt.init(provider); for(var
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