Complaining Lawers: Toyota's $16M Fine A 'Speeding Ticket'

Ken Thomas, Associated Press Writer

WASHINGTON (AP) — Toyota agreed on Monday to a record $16.4 million fine for its slow response to sticking gas pedals — the equivalent of a little more than $2 for every vehicle the company sold around the globe in 2009.

But the fine, the maximum under the law, could be simply a downpayment in the long run: The Japanese auto giant still faces dozens of private lawsuits, which have been combined before a federal judge in Santa Ana, Calif.

"In the court of public opinion, paying the fine speaks volumes. But at the end of the day, the fines are simply background noise in terms of the civil litigation," said Richard Arsenault, a plaintiff's attorney in Alexandria, La. "What's really important are the facts that were the catalyst for the fines."

Rushing to address new safety concerns, Toyota said it would recall all 9,400 of the 2010 Lexus GX 460s that went on sale in late December — 5,600 that have been sold and 3,800 still at dealers or elsewhere in the distribution pipeline. The announcement came less than a week after Consumer Reports issued a warning about the SUVs, a sharp contrast to the government's contention that Toyota took four months to order its huge recall of other models over sticking gas pedals.

For the Lexus recall, Toyota said dealers would update software in the stability control system, which is supposed to help prevent rollovers. Toyota already had halted sales of new GX 460s and begun tests on all of the company's other SUVs.

The government accused the company of hiding the earlier defects involving gas pedals, a contention Toyota rejected though it agreed to pay the fine.

Transportation Secretary Ray LaHood said Toyota "put consumers at risk" by failing to promptly notify authorities about potentially defective accelerator pedals on 2.3 million vehicles. LaHood said Toyota knew about the problem in late September but didn't issue the recall until late January, violating a federal law that requires an automaker to notify the government of a safety defect within five business days.

"They did not disclose within five days that there was a problem. They didn't disclose it for several months, so we fined them the maximum amounts and they decided to pay it and that means they knew they did something wrong," LaHood told reporters in St. Louis. "They did try to hide it — that's what we accused them of — and they've agreed to that."

Toyota said it agreed to the fine to avoid a lengthy legal battle but denied the government's allegation that it broke the law. In a statement, Toyota acknowledged

"that we could have done a better job of sharing relevant information within our global operations and outside the company, but we did not try to hide a defect to avoid dealing with a safety problem."

The fine does not free Toyota from potential civil and criminal penalties. The automaker still faces dozens of personal injury and wrongful death lawsuits in federal courts while federal prosecutors and the Securities and Exchange Commission are conducting investigations related to the recalls.

Attorneys representing Toyota owners said the agreement was an attempt to limit the company's liability prior to numerous legal hearings.

"This is being treated like a speeding ticket or some other traffic fine," said attorney W. Mark Lanier of Houston. "The plea is essentially ... 'We'll pay as long as we don't have to admit guilt.'"

In monetary terms, the penalty is largely symbolic, given Toyota's strong balance sheet. The company had cash assets of $23.6 billion as of Dec. 31 and has said it expects to post a net profit of $885 million for the fiscal year that ended March 31.

The previous record fine was $1 million paid by General Motors in 2004 for responding too slowly on a recall of nearly 600,000 vehicles over windshield wiper failure.

Toyota announced the recall to address sticking pedals in January, affecting popular vehicles such as the Camry and Corolla. The automaker has recalled more than 8 million vehicles worldwide because of acceleration problems in multiple models and braking issues in the Prius hybrid.

The fine was based upon timelines provided by Toyota that showed it had known about the defect at least since Sept. 29, 2009, when it issued repair procedures to distributors in 31 European countries to address complaints of sticking pedals, sudden increases in engine RPM and unexpected vehicle acceleration.

The documents also indicated that Toyota knew that owners in the U.S. had experienced the same problems.

The penalty is the largest the government could assess under a 2000 auto safety law enacted after a massive recall of Bridgestone/Firestone Inc. tires. Consumer advocates have pressed lawmakers to increase the penalties, arguing that they fail to act as a suitable deterrent.

Without the cap, government lawyers said Toyota could have faced fines of $13.8 billion, or $6,000 for each of 2.3 million vehicles that were sold with defective pedals.

Transportation officials have not ruled out additional fines. The department is reviewing whether Toyota delayed for six weeks the late January recall of the 2009-2010 Venza in the United States to address floor mats that could trap

accelerator pedals after making a similar recall in Canada.

Toyota recalled the Venza in Canada in December and reported to the U.S. government on Dec. 16 that the floor mats could move forward and interfere with the pedal. Toyota told U.S. authorities at the time that the floor mats in question were not imported into the U.S. but the Venza was added to the floor mat recall in late January.

___

AP Legal Affairs Writer Curt Anderson in Miami, AP Auto Writer Dee-Ann Durbin in Detroit and AP Business Writer Jim Suhr in St. Louis contributed to this report.

Source URL (retrieved on *04/25/2015 - 4:57am*):
http://www.impomag.com/news/2010/04/complaining-lawers-toyotas-16m-fine-speeding-ticket?qt-digital_editions=0