Toyota To Pay Record $32.4 Million Fine Over Recalls

Ken Thomas and Tomoko A. Hosaka, Associated Press

TOKYO (AP) — Toyota Motor Corp. has agreed to pay the U.S. government a record $32.4 million in additional fines to settle an investigation into its handling of two recalls at the heart of its safety crisis.

The civil penalties will settle investigations into how Toyota dealt with recalls over accelerator pedals that could get trapped in floor mats and steering relay rods that could break and lead to drivers losing control.

The latest settlement, on top of a $16.4 million fine Toyota paid earlier in a related investigation, brings the total penalties levied on the company to $48.8 million. It caps a difficult year for the world's No. 1 automaker, which recalled more than 11 million vehicles globally since the fall of 2009 as it scrambled to protect its reputation for safety and reliability.

Toyota's board of directors agreed to pay the fines on Tuesday at the company's board meeting in Japan, according to an official familiar with the case, and the company said it agreed to the penalties without admitting to any violations of U.S. laws. However, that does not free Toyota from potential civil and criminal penalties in private lawsuits and other federal investigations.

The person had spoken Monday on condition of anonymity ahead of the formal announcement.

Steve St. Angelo, Toyota's chief quality officer for North America, said in a statement that the company has "worked very hard over the past year to put these issues behind us and set a new standard of responsiveness to our customers. These agreements are an opportunity to turn the page to an even more constructive relationship with NHTSA (National Highway Traffic Safety Administration)."

He said Toyota was grateful to its customers for "their confidence in the quality and reliability of our vehicles."

In April, Toyota agreed to pay the maximum fine allowed under law for a single case — $16.4 million — for failing to promptly alert U.S. regulators to safety problems over sticking accelerator pedals. Under federal law, automakers must notify the National Highway Traffic Safety Administration within five days of determining that a safety defect exists and promptly conduct a recall.

At the time, Toyota denied attempting to hide a safety defect and said it agreed to the penalty to avoid a lengthy legal battle with the government.

Jesse Toprak, vice president of industry trends and insight at TrueCar, an automotive consulting firm in Santa Monica, California, said Toyota was trying to put its recalls behind it at a time when the company's U.S. sales have been flat while many rivals have taken advantage of a recovering auto landscape. But he said the rebuilding of the trust would take time.

"It's going to be a far lengthier process. Consumer loyalty is not what it used to be. The choices are plentiful now," he said.

Investors have soured on Toyota shares this year, sending them tumbling 17 percent compared with a less than 2 percent fall in the benchmark Nikkei 225 stock average. Reaction Tuesday was muted, however, with the issue finishing up 0.6 percent at 3,250 yen in Tokyo.

Analysts said the new fines — small considering Toyota's 98.7 billion yen profit ($1.2 billion) in the first half alone — would have virtually no impact on the company's earnings.

Mizuho Investors Securities auto analyst Ryoichi Saito described the payment as part of the company's ongoing efforts to regain customer confidence.

"It is one positive step forward for the company to move on from the recall crisis," he said.

Seperately, Toyota said Tuesday it aims to boost global sales 3 percent to 7.7 million vehicles next year with global demand offsetting an expected drop in purchases in Japan.

The latest fines involve two separate safety problems affecting certain Toyota passenger cars and trucks.

The first case deals with recalls in 2009 and 2010 of about 5 million Toyota and Lexus vehicles with gas pedals that could become entrapped in floor mats. Toyota had recalled 55,000 all-weather floor mats in 2007 to address pedal entrapment, but the government said its investigation found that simply removing the floor mats was insufficient.

A high-speed crash involving a Lexus in August 2009 killed four people near San Diego, prompting the government to investigate the recall. After reviewing crash evidence and other data, NHTSA investigators concluded that Toyota failed to notify the government about a known safety defect within five days.

In the second case, Toyota conducted a recall in 2004 of Hilux trucks in Japan with steering relay rods that could break and affect steering. Toyota told U.S. regulators in 2004 that the safety problem was limited to vehicles in Japan and the company had not received similar complaints in the U.S.

But a year later, Toyota told NHTSA the steering defect was also found in several U.S. models and recalled nearly 1 million vehicles. NHTSA said in May 2010 it

learned about complaints from U.S. consumers that Toyota failed to disclose to the government when it conducted the recall in Japan in 2004.

Toyota turned over thousands of documents to the government as part of the investigation. The two most recent fines are also the maximum allowed under law, and are adjusted for inflation.

"Safety is our top priority and we take our responsibility to protect consumers seriously," said U.S. Transportation Secretary Ray LaHood. "I am pleased that Toyota agreed to pay the maximum possible penalty and I expect Toyota to work cooperatively in the future to ensure consumers' safety."

The Japanese automaker faces dozens of lawsuits from families of people killed or injured in crashes linked to unintended acceleration. The government's safety agency has received about 3,000 reports of sudden acceleration incidents involving Toyota vehicles during the past decade, including 93 deaths. NHTSA, however, has confirmed only the four deaths from the California crash.

Toyota says their recalls have directly addressed the safety problems with their vehicles and the company is making progress in responding to concerns. The company has established engineering teams to examine cars that are the subject of consumer complaints and appointed a chief quality officer for North America, giving its U.S. offices a larger role in safety related decisions.

Toyota has found no link to electronic problems, an issue raised by safety groups as a potential cause of the vehicle problems. A separate investigation by the Transportation Department and NASA has not uncovered any electronic problems, but the probe is expected to continue into 2011.

The National Academy of Sciences is reviewing potential causes of unintended acceleration in vehicles across the entire auto industry and expects to issue its findings in the fall of 2011.

Before Toyota's recall crisis, the largest automaker fine was $1 million paid by General Motors in 2004 for a slow response to a recall of nearly 600,000 vehicles with faulty windshield wipers.

___

Thomas reported from Washington. AP Writer Shino Yuasa contributed to this report.

Source URL (retrieved on *07/24/2014 - 5:14pm*):
http://www.impomag.com/news/2010/12/toyota-pay-record-324-million-fine-over-recalls?qt-most_popular=0