



AUTO ALLIANCE

DRIVING INNOVATION®

STATEMENT
OF
THE ALLIANCE OF AUTOMOBILE MANUFACTURERS

BEFORE THE:

**SUBCOMMITTEE ON COMMERCE, MANUFACTURING AND TRADE
OF THE COMMITTEE ON ENERGY AND COMMERCE**

“AN UPDATE ON THE TAKATA AIRBAG RUPTURES AND RECALLS”

JUNE 2, 2015

PRESENTED BY:

**MITCH BAINWOL
PRESIDENT & CEO**

EXECUTIVE SUMMARY

On May 19, 2015, Takata announced that a defect exists in some of its airbag inflators and agreed to a national recall of certain types of frontal driver and passenger side air bag inflators used in 11 manufacturers' vehicles. The action expands the number of vehicles to be recalled for defective Takata inflators to nearly 34 million. The manufacturers were provided with a list of affected inflators after the announcement and are working to identify precisely which vehicles will be included in the recall.

Federal Coordination of the Takata Airbag Recall is Appropriate. The Takata recall is unprecedented in size and scope. US antitrust laws may hinder multiple manufacturers from developing common approaches to many of the issues critical to an efficient recall and remedy. A clear, unified approach to the recall and remedy process is the most effective way to minimize owner confusion and improve participation rates for this recall. It is also important that NHTSA continue to have a prominent voice among its international counterparts, given the global nature of this recall.

Alliance Members Are Committed to Improving Consumer Participation in Recalls. The Alliance has initiated a multi-faceted research initiative that marks the first collective effort by the automotive industry to understand what motivates consumers to participate in a recall and get their recalled vehicles repaired. We anticipate completing all of our work by this fall but will release data in the interim if it identifies ways to help improve the current recall completion rate.

Auto Manufacturers Remain Focused on the Big Picture. Cars and trucks have never been safer. Over the last decade, total traffic deaths have fallen by roughly 25%, and deaths in passenger vehicles in that same timeframe have fallen by about 32%. Alliance members are focused on the future of automotive safety, developing new technologies to reduce impaired driving and allow vehicles to communicate with each other to help prevent crashes.

TESTIMONY

Thank you for inviting me to testify on behalf of the Alliance of Automobile Manufacturers (Alliance), and particularly, the Alliance member companies working to remedy their customers' cars and trucks affected by the Takata airbag inflator recalls. Alliance members are committed to remedying safety defects, and we appreciate the public leadership Administrator Rosekind is taking to coordinate efforts to complete the Takata airbag recall campaign. It is clear that a comprehensive response is needed to help ensure this recall is implemented effectively. Alliance members are actively engaged in finding ways to increase consumer participation in recall campaigns generally, including commissioning the most comprehensive analysis to date of consumer motivations and responses to recalls. Moreover, Alliance members continue to be focused on next-generation safety technologies that promise to improve upon the dramatic reductions in passenger vehicle deaths in the last decade.

Federal Coordination of the Takata Airbag Recall is Appropriate

As this recall moves forward, NHTSA and automakers must work together on behalf of consumers. Auto manufacturers have been concerned from the outset that the Takata recall may erode public confidence in a proven technology that has saved thousands of lives over the years. The May 19 announcement generated enormous consumer interest, and it would have been most helpful for manufacturers to have been able to tell vehicle owners whether their vehicles were included in the expanded recall. Ideally, we should be in a position to provide consumers with timely information when the news of a recall is fresh in their minds.

At the same time, Administrator Rosekind should be recognized for the leadership role the agency is taking to coordinate what was already a massive task, and is now even larger. The challenges of a recall spanning multiple manufacturers were already evident at this Committee's hearing last December. Unfortunately, antitrust laws may hinder affected manufacturers from developing common approaches to many of the issues that Congress and NHTSA have rightly identified as critical to an efficient recall and remedy of affected vehicles when a defect spans so many manufacturers. For example, the issues of parts allocation and prioritization of repairs in a constrained marketplace raise antitrust risks that are difficult for manufacturers to address on their own under existing law.

Thus, Alliance members believe that NHTSA's decision to use its authority to "organize and prioritize" affected manufacturers' remedy programs is appropriate in this particular instance. Affected Alliance members are committed to working cooperatively with NHTSA as it addresses a number of issues – including sourcing, production, allocation, delivery, installation, and adequacy of the remedy – as identified in the Federal Register notice the agency published on

May 22. A clear, unified approach is the most effective way to minimize owner confusion and improve consumer participation rates for this recall.

It is also reassuring to see strong and effective US leadership, given that Takata airbags are being recalled on a global basis. The reality is that the competition for parts and the prioritization of airbag repairs is happening globally – not only for vehicles in the US. It is important that NHTSA continue to have a prominent voice among its international counterparts.

Alliance Members Are Committed to Improving Consumer Participation in Recalls

Motor vehicle safety is a shared responsibility. Auto manufacturers are required by law to identify safety defects and implement recalls under NHTSA's supervision. But ultimately, individual vehicle owners decide whether or not to get their vehicles repaired.

According to NHTSA, the average consumer participation rate for light vehicle recalls after one and a half years of reporting is 75 percent (75%). That means approximately 25 percent (25%) of owners are not promptly participating in the recall even though they are entitled to the free remedy offered. However, that rate varies markedly based on the age of the vehicle involved in the recall. For newer vehicles, the participation rate averages 83 percent (83%); for vehicles 5 to 10 years old, that rate drops nearly in half, to 44 percent (44%); and for vehicles older than 10 years old, the participation rate drops by another two-thirds, to 15 percent (15%). While we know that participation rates vary by vehicle age, we don't have a good understanding of why vehicle owners don't respond to – in many instances – multiple notices that their vehicle needs free repairs to fix a safety-related defect.

That is why the Alliance has initiated a multi-faceted research initiative that marks the first collective effort by the automotive industry to understand what motivates consumers to participate in a recall, and get their recalled vehicles remedied. The qualitative and quantitative research is commissioned by the Alliance and is being conducted by Public Opinion Strategies, one of the nation's leading public opinion research firms. A series of methods are being employed to explore consumer motivations, including reaching out to consumers who have repaired their recalled vehicles as well as seeking out consumers who own vehicles still requiring a recall remedy, and trying to learn more about consumers' attitudes to recall notices. Our research includes:

- A large-scale national online survey of vehicle owners to test awareness and reasons for consumer behavior.

- An online forum of non-responders to vehicle recall notices to delve deeper into non-responder behavior through an online community session lasting several days.
- Focus groups with dealership service managers to learn more about real-world consumer responses as well as efforts proven effective in increasing participation rates.
- Consumer retail research into the decision-making and values of both responders and non-responders at locales where consumers would have VINs in hand and the researcher could use the NHTSA VIN lookup to see if there is an open recall.
- In-depth research with non-responders to test ideas, tactics, language, messages and spokespersons that might increase participation rates.
- An online quantitative survey to test a range of approaches and further refine new communication material.
- A national panel test online survey of vehicle owners who report receiving a recall notice to demonstrate in a quantifiable way how segments of non-responders react to test concepts across audiences.

We anticipate completing all of our work by this fall but will release data in the interim if it identifies ways to help improve the current recall completion rate.

Auto Manufacturers Remain Focused on the Big Picture

While it is absolutely critical that we increase consumers' participation in recalls, it should be noted that the overall picture of motor vehicle safety is the best that it has ever been in history. Over the last decade, total traffic deaths have fallen by roughly 25%, and deaths in passenger vehicles in that same timeframe have fallen by about 32%, due in part to new safety technologies auto manufacturers are constantly adding to new models. We are experiencing record low traffic deaths even as the number of licensed drivers and the number of vehicle miles driven continues to grow.

Alliance members are committed to accelerating this trend by developing new safety technologies that will help drivers avoid crashes in the first place. They are focused on the future of automotive safety, including working jointly with NHTSA on technologies to reduce impaired driving, allowing vehicles to communicate with each other and improving transportation infrastructure to help prevent accidents from ever happening in the first place.

What once only existed in the imaginations of science fiction writers is now being developed and tested by carmakers in laboratories and on roadways across the globe. Today's leading automakers are developing cars that park themselves, brake automatically and stay in lanes without driver assistance.

As automated functions in vehicles become more common, the possibility of achieving fully driverless cars becomes closer to reality. Today's emerging technology — sensors able to read road signs and traffic signals, while also employing vehicle-to-vehicle (V2V) and vehicle-to-infrastructure (V2I) systems to navigate roadways, traffic and pedestrian hazards — will be widely available in the future.

In closing, the Takata airbag inflator recall is unprecedented in size, scope and the number of affected manufacturers. It requires ongoing and coordinated attention from NHTSA. On average, the industry successfully conducts more than 600 recalls each year and Alliance members are committed to increasing consumers' participation in these vehicle recalls. We look forward to sharing the findings from our study with Congress and NHTSA, and believe the study will provide a better understanding of what drives consumers to participate in recalls. Finally, while we appreciate the significance of the Takata recall and the challenges ahead, we must remain focused on the technologies that will make it possible to build on our current success. We look forward to working with you and your colleagues on initiatives to help speed the wide-spread introduction of life-saving new vehicle technologies into consumers' hands.