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**REPORT TO THE COMMITTEE
ON COMMERCE
UNITED STATES SENATE**

090422

**The Auto Safety Program:
Identifying Defects And
Recalling Defective Vehicles**

National Highway Traffic Safety Administration
Department of Transportation

**BY THE COMPTROLLER GENERAL
OF THE UNITED STATES**

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FEB. 11, 1975



COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

B-164497(3)

The Honorable Warren G. Magnuson
Chairman, Committee on Commerce S. 2300
United States Senate

R Dear Mr. Chairman:

You requested that we review major activities of the National Highway Traffic Safety Administration. This report, which is the final one we plan to send you pursuant to your January 22, 1973, request, reports on motor vehicle safety defect identification activities and effectiveness of recall campaigns.

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We do not plan to distribute this report further unless you agree or publicly announce its contents. In this connection, we want to invite your attention to the fact that this report contains recommendations to the Secretary of Transportation which are set forth on page 13. As you know, section 236 of the Legislative Reorganization Act of 1970 requires the head of a Federal agency to submit a written statement on actions he has taken on our recommendations to the House and Senate Committees on Government Operations not later than 60 days after the date of the report and to the House and Senate Committees on Appropriations with the agency's first request for appropriations made more than 60 days after the date of the report. When you agree to release the report, we will make it available to the Secretary and the four committees to set in motion the requirements of section 236.

Sincerely yours,

Comptroller General
of the United States

C o n t e n t s

	<u>Page</u>	
DIGEST	i	
CHAPTER		
1	INTRODUCTION	1
	Scope of review	1
2	INVESTIGATIVE PROCESS FOR IDENTIFYING SAFETY-RELATED VEHICLE DEFECTS	2
	What has been done since 1966	2
	Source of safety defect information	2
	Investigating safety defects	3
3	RECALLS OF DEFECTIVE VEHICLES	5
	The degree of success	5
	Questionnaire results	6
	Undelivered questionnaires	7
	Vehicles not inspected or repaired	8
	Actions to improve recall campaign effectiveness	11
	Conclusions	13
	Recommendations to the Secretary of Transportation	13
	Agency comments and our evaluation	13
APPENDIX		
	Letter dated December 10, 1974, from the Assistant Secretary for Administra- tion, Department of Transportation, to the General Accounting Office	15

COMPTROLLER GENERAL'S REPORT
TO THE COMMITTEE ON COMMERCE
UNITED STATES SENATE

THE AUTO SAFETY PROGRAM:
IDENTIFYING DEFECTS AND RECALLING
DEFECTIVE VEHICLES

National Highway Traffic Safety
Administration
Department of Transportation

D I G E S T

WHY THE REVIEW WAS MADE

GAO reviewed aspects of the auto safety program administered by the National Highway Traffic Safety Administration.

This report summarizes the Safety Administration's activities to identify safety defects and discusses problems associated with recall of vehicles.

FINDINGS AND CONCLUSIONS

The National Traffic and Motor Vehicle Safety Act of 1966 requires the Secretary of Transportation to notify the manufacturer whenever he determines that a motor vehicle or item of motor vehicle equipment contains a safety defect. The manufacturer is required to notify the vehicle owner of the defect, its risk to traffic safety, and repair measures to be taken. (See p. 1.)

Identifying defects in motor vehicles is considered the responsibility of both the Safety Administration and the manufacturer. (See p. 1.)

Defect Identification

From the start of the safety program in 1966 through June 1974, domestic and foreign manufacturers conducted 1,582 recalls, involving over

45.7 million vehicles, for various safety reasons. The Safety Administration reports it has influenced 160 recalls for safety defects, involving about 22.7 million vehicles and 1.2 million equipment items.

The Safety Administration receives from 800 to 1,500 complaints monthly about performance of motor vehicles and equipment which indicate possible safety-related defects. Most letters are from vehicle owners. Consumer-oriented groups, the Congress, Government agencies, and insurance companies are other major sources of consumer complaints. (See p. 2.)

Safety-related defects are usually investigated in three stages--defect identification, information collection and analysis, and formal investigation. The investigation is terminated if the alleged problem is not safety-related or the manufacturer initiates a recall. (See p. 3.)

Recalls of defective vehicles

Correction of safety defects is necessary to rid the Nation's highways of potentially hazardous vehicles. However, many vehicles containing safety defects continue to be operated on the Nation's highways. GAO's analysis of 298 recall campaigns involving over 19 million vehicles showed that only 6.5 million vehicles (34 percent) had been returned for inspection or correction. This includes three large

recalls which significantly affect the results. Their exclusion would increase the percentage for the remaining 295 recalls to 60 percent.

(See pp. 5 and 6.)

GAO's review indicated that this situation exists because

- not all owners receive defect notifications,
- some dealers apparently sell recalled vehicles without correcting the defects,
- some owners simply do not return their vehicles for correction of a defect, and
- dealers are not always prepared to service vehicles when owners bring their cars in for defect correction. (See pp. 7 through 11.)

Actions to improve recall campaigns

Both the Congress and the Safety Administration have taken actions to improve the effectiveness of recall campaigns. The Motor Vehicle and School Bus Safety Amendments of 1974 require manufacturers to use State records and other sources of information to update manufacturers' address information for owners of recalled vehicles. This legislation also requires that recall notices be sent by ordinary first class rather than certified mail.

To alleviate some problems associated with availability of parts the Safety Administration

also requires manufacturers to include in their recall notices an estimated date when dealers will be supplied with replacement parts.

The Safety Administration now requires manufacturers to submit vehicle identification numbers of recalled vehicles not inspected or repaired within 6 months and the Safety Administration makes the information available upon request. (See pp. 11 and 12.)

The Safety Administration presently has the means available to expand vehicle inspections to cover recalled vehicles.

Under the Highway Safety Act of 1966, the Safety Administration has provided matching funds of over \$434 million through June 30, 1974, to encourage the States to adopt and implement 15 nationally uniform highway safety standards.

One of these standards--periodic motor vehicle inspection--has been implemented by 31 States, the District of Columbia, and Puerto Rico. To assist the States in improving their inspection programs, over \$5 million in Federal funds have been obligated for various matching funds projects. (See p. 12.)

A similar vehicle inspection approach is being taken by the Environmental Protection Agency in its effort to insure that cars meet emission standards. (See p. 12.)

Regardless of obstacles, it seems that periodic motor vehicle inspections would be the most universal and effective technique to determine whether recalled vehicles have been inspected and corrected, if necessary. (See p. 13.)

RECOMMENDATIONS

The Secretary of Transportation should undertake a broad study to identify the major reasons defective motor vehicles are not being corrected and determine the cost-effective alternatives for improving effectiveness of recall campaigns. Such a study should consider:

- Having motor vehicle manufacturers require their dealers to certify, to purchasers of recalled vehicles in dealers' inventories, that the vehicles were inspected and repaired prior to sale.
- The feasibility of amending the periodic motor vehicle inspection standard to include recalls as a special item of inspection.

AGENCY ACTIONS AND UNRESOLVED ISSUES

The Department said it concurs fully in GAO's findings and will take appropriate action to improve the recall system.

It will initiate discussions with motor vehicle manufacturers to determine the extent and prevalence of recalled vehicles and equipment being sold without correction of the defect. Corrective procedures will be developed and implemented as necessary.

The Department currently is investigating and will vigorously pursue ways to improve overall compliance with recall campaigns. The investigation includes periodic motor vehicle inspections to accomplish this goal, but based on available information, it does not believe this approach would be as successful as State vehicle registration and licensing. It is also investigating this approach as a mechanism to verify defect correction.

GAO recognizes there are shortcomings to the use of periodic motor vehicle inspections. Because there are also drawbacks to the use of vehicle registration and licensing procedures, the Department should explore all reasonable alternatives and adopt the most cost-effective solution.

CHAPTER 1

INTRODUCTION

The purpose of the National Traffic and Motor Vehicle Safety Act of 1966, as amended (15 U.S.C. 1381), is to reduce traffic accidents and resulting deaths and injuries. The act provides that the Secretary of Transportation shall notify the manufacturer of any defective motor vehicle or item of motor vehicle equipment that relates to motor vehicle safety. The act further provides that a manufacturer of motor vehicles shall notify owners of any defect in the performance, construction, components, or material of any motor vehicle or item of motor vehicle equipment which affects safety. Such notifications, commonly called recalls or recall campaigns, are to contain a clear description of the defect, an evaluation of the defect's risk to traffic safety, and a statement of the measures to be taken to repair the defect. The manufacturers are also required to notify their dealers of such defects within a reasonable time after its discovery. Copies of all notices, bulletins, and other communications to dealers or purchasers regarding defects must be furnished to the Secretary.

The National Highway Traffic Safety Administration administers the act. According to the Safety Administration, the Safety Administration and the manufacturer are responsible for identifying motor vehicle defects.

The Safety Administration deals with defects in two phases--investigating possible safety defects and monitoring vehicle recall campaigns.

SCOPE OF REVIEW

We examined the Safety Administration's investigative process for identifying safety-related vehicle defects and made a limited study of recall campaigns.

We made our review at Safety Administration headquarters in Washington, D.C. We examined pertinent legislation and the Safety Administration's policies and procedures for investigating safety-related motor vehicle defects and discussed defect investigation and motor vehicle recall activities with appropriate agency officials. We sent questionnaires to owners of vehicles recalled in 1972 that were selected from the recall information of four domestic and three foreign motor vehicle manufacturers and discussed pertinent questionnaire responses with the manufacturers and manufacturers' dealers.

CHAPTER 2

INVESTIGATIVE PROCESS FOR IDENTIFYING

SAFETY-RELATED VEHICLE DEFECTS

The Safety Administration investigates potential defects in motor vehicles to identify and to obtain correction of those safety-related defects which the vehicle and vehicle equipment manufacturers are not aware of or have overlooked. A safety-related defect is any defect in the performance, construction, components, or material of a motor vehicle or item of motor vehicle equipment which subjects the public to unreasonable risk of accident, death, or injury.

WHAT HAS BEEN DONE SINCE 1966

From the inception of the motor vehicle safety program in late 1966 through June 1974, domestic and foreign manufacturers conducted 1,582 defect notification campaigns and recalled over 45.7 million vehicles for various safety reasons.

The Safety Administration reports it has influenced 160 of the manufacturers' recalls for safety defects. These recalls involved about 22.7 million vehicles and 1.2 million items of equipment.

SOURCE OF SAFETY DEFECT INFORMATION

The Safety Administration receives 800 to 1,500 letters a month containing complaints about the performance of motor vehicles and motor vehicle equipment, indicating a possible safety-related defect. More than 50 percent of the letters are received directly from vehicle owners. Consumer-oriented groups, the Congress, Government agencies, and insurance companies are other major sources of consumer complaints. Complaint information received by the Safety Administration is recorded in a computerized complaint analysis file by the name of vehicle (or equipment) and manufacturer, model type and year, and type of complaint.

After we pointed out to the Safety Administration that approximately 35 percent of the letters from vehicle owners did not contain enough information to classify the complaints, the Safety Administration contracted for a computer program in February 1974 to identify letters lacking essential data and prepare a followup request for the

missing information. The first followup letters are expected to be sent in January 1975.

INVESTIGATING SAFETY DEFECTS

Investigating safety-related defects is usually done in three stages--identifying defects, collecting and analyzing information, and making a formal investigation. The investigation can be terminated at any stage when (1) the Safety Administration considers it has enough information to determine that a safety-related defect does not exist or (2) the manufacturer initiates a recall.

Identifying defects

The Safety Administration reviews complaints it receives about the performance of vehicles or motor vehicle equipment for indications of potential safety defects which can cause loss or deterioration of vehicle control or result in physical injury. The Safety Administration also reviews the monthly complaint analysis printouts for examples of the same type defect. When these reviews indicate the possibility of a safety-related defect and the alleged defect is not the subject of a prior recall or of a completed or ongoing Safety Administration investigation, it is studied and investigated further.

Collecting and analyzing information

In this stage of investigation, the Safety Administration collects and analyzes readily available information about the reported defect. These studies are usually completed in about 2 months and can include inspecting the vehicle, obtaining information on the component or part from the manufacturer, reviewing the component or part design, and other analyses.

Many investigations are terminated at this stage because the Safety Administration analysis shows no safety-related defect. Of the 245 alleged defects analyzed from June 1972 through June 1974, 156 investigations were terminated during this stage, 47 warranted a formal investigation, and 36 were in progress. Six of the investigations were terminated because the manufacturers initiated recalls of the vehicles or equipment to replace or repair the defective components.

Making formal investigations

Formal investigations are publicly announced and the vehicle or equipment manufacturer is formally asked to provide information regarding the alleged defect.

Information obtained in the earlier investigative stages is reviewed and supplemented by various studies and tests by the Safety Administration, which can include engineering and design studies and laboratory tests of the applicable components or parts, inspections of selected vehicles, and interviews of vehicle owners for additional evidence of the reported defect. Safety Administration personnel or private engineering and testing facilities under contract with the Safety Administration usually conduct these studies and tests. In some instances, studies by the vehicle or equipment manufacturer are used. The formal investigation should clearly establish whether the reported defect is safety-related, determine its cause, and evaluate how the defect may be corrected.

Depending on the nature and complexity of the reported defect, a formal investigation can require 2 months or longer to determine whether a defect is safety-related. For example, the time span for 12 formal investigations leading to recalls in 1972, 1973, and 1974 ranged from 2 to 24 months.

From September 1966 through June 1974, the Safety Administration made 436 formal investigations; 34 resulted in one or more recalls of vehicles or equipment, 321 were closed because the defect was not safety-related, and 81 were in progress as of June 30, 1974.

CHAPTER 3

RECALLS OF DEFECTIVE VEHICLES

Identifying motor vehicles with safety defects is only the beginning. These defects must be corrected to rid the Nation's highways of vehicles that are potential hazards to the motoring public because of design and construction deficiencies.

Many vehicles containing safety defects are still operated on the Nation's highways because (1) all owners do not receive defect notifications, (2) some dealers apparently sell recalled vehicles without correcting the defects, (3) some owners simply do not return their vehicles for correction of defects, and (4) dealers are not always prepared to service vehicles when owners bring them in for defect correction.

THE DEGREE OF SUCCESS

The Safety Administration monitors the effectiveness of recall campaigns. Before October 1971 the Safety Administration could not measure the success of any particular campaign; however, at that time, it began requiring manufacturers to report on the results of recall campaigns. Under the reporting system prescribed by the Safety Administration, the manufacturer of a recalled product must, among other things, report quarterly on the number of vehicles inspected for the potential defect and corrected. Beginning with the quarter in which the defect is identified, the reporting requirement extends for six consecutive quarters, or until corrective action has been completed on all defective vehicles involved in the campaign, whichever occurs first.

Recall campaigns, even when the manufacturer pays for correcting the defect, have not been completely successful. The experience with completed recall campaigns or recall campaigns with all six quarters reported as of March 31, 1974, is as follows:

<u>Manufacturer</u>	<u>Number of recalls</u>	<u>Number of vehicles</u>		<u>Percent</u>
		<u>Recalled</u>	<u>Inspected/corrected</u>	<u>Inspected/corrected</u>
		-----000 omitted-----		
Domestic	244	15,049	6,321	42.0
Foreign	54	4,302	220	05.1
Total	298	19,351	6,541	33.8

A considerable number of recalled vehicles have never been inspected and/or corrected. The overall experience, however, is not as bleak as it first appears. Three recalls involving over 14 million vehicles have drastically affected the overall results. The first recall involved about 6.8 million 1965 to 1969 passenger cars and 1965 to 1970 trucks with defective engine mounts; only about 2.9 million (42.6 percent) of these vehicles have been corrected. The second recall involved about 4.1 million 1970 and 1971 passenger cars with defective shoulder belt assemblies; only about 713,000 (17.4 percent) have been corrected. The third recall campaign involved 3.7 million 1949 to 1969 vehicles having defective windshield wiper arms; only about 22,000 (0.6 percent) of these vehicles have been corrected. According to a Safety Administration official, the nature of the defects and the age of the vehicles have attributed to poor response to these recall campaigns. For the third recall, owners also had to pay for repairs and the manufacturer, as required, only notified the 138,671 owners whose vehicles were still under warranty. Excluding these three recalls would increase the percentage of vehicles inspected and/or corrected for the remaining 295 recalls to 64 percent for domestic and 33 percent for foreign manufacturers--or 60 percent overall.

QUESTIONNAIRE RESULTS

To test the effectiveness of recall campaigns, we mailed questionnaires to 3,546 automobile owners selected from automobile manufacturers' records of seven vehicle recalls in 1972. Four domestic and three foreign automobile manufacturers conducted the seven recalls. The Safety Administration considered five recalls--three to correct brake hoses, brake pipes, and throttles and two to correct hood latches--major safety hazards. The remaining two recalls involved safety hazards of lesser significance. The seven recalls included 501,161 vehicles; 328,312 (65.5 percent) were returned for inspection and/or correction.

The questionnaire results disclosed that for these seven recalls more than the usual number of automobile owners returned their automobiles to the manufacturers' dealers for inspection or repair of defects. Of 2,196 automobile owners responding to our questionnaire in enough detail to permit analysis, 76.6 percent said that their vehicles were repaired or that the dealer's inspection disclosed that no repairs were needed.

The analyses of responses to our questionnaires are shown below.

	<u>Number</u>	<u>Percentage</u>
Questionnaires sent	<u>3, 546</u>	
No response to questionnaires (note a)	<u>1, 350</u>	
Responses to questionnaires:		
Vehicle repaired or inspected and no repair required	1, 683	76. 6
Notice of recall not received	256	11. 7
Vehicle owner ignored recall notice	101	4. 6
Dealer not prepared to service vehicle	100	4. 6
Vehicle sold, traded, or destroyed before recall	<u>56</u>	<u>2. 5</u>
Total responses	<u>2, 196</u>	<u>100. 0</u>

363 questionnaires were undelivered, 829 were not answered, and replies to 158 were not responsive.

UNDELIVERED QUESTIONNAIRES

The Postal Service returned the questionnaires sent to 363 vehicle owners because the address was erroneous or incomplete, the addressee moved and left no forwarding address, the addressee was unknown, or the time period for a Postal Service change of address order had expired.

The percentage of undelivered letters for each of the seven recalls included in our sample ranged from about 5 to 19 percent. The manufacturers may have experienced different return rates for these same recalls because our mailing was by ordinary first class rather than certified mail which the manufacturers were required to use and our mailing occurred more than 1 year after the manufacturers' recall notifications. One manufacturer informed us that the rate of undelivered certified letters ranged from about 1 to about 11 percent for recalls; other manufacturers gave percentages which fell within this range. The manufacturers cited two major reasons for undelivered recall notices.

- Vehicle owner addresses were erroneous or incomplete or the owner moved without providing a forwarding address.
- Vehicle owners refused to accept certified mail or failed to obtain it from the Postal Service.

VEHICLES NOT INSPECTED OR REPAIRED

Of 2,196 vehicle owners responding to our questionnaires, 513 (23.4 percent) said that the vehicle had not been inspected or repaired by an authorized dealer. Failure to receive a notice of the recall was the major reason cited. Most of the other reasons can be broadly categorized as either owner apathy or dealers not prepared to service recalled vehicles.

Notice of recall not received

In 256 instances (11.7 percent), vehicle owners said that they received no notice of the recall. Many of these instances can be attributed to the fact that, for the recall of a defective brake hose, the manufacturer could not provide information on the ownership of the vehicles at the time of the original recall in June 1972 and our questionnaires were sent to its August 1973 list of owners. This increased the chances of sending a questionnaire to a person who did not own the vehicle at the time of the original recall and, therefore, should not have received a notice of the recall. For this recall, 144 responses to our questionnaire indicated the vehicle owner had not received a recall notice. After we brought this to the attention of the manufacturer it advised us that all 144 vehicles had been in dealer inventories at the time of recall, that the dealers had been instructed to correct the defects before selling the vehicles, and that its records showed that only 57 of the 144 vehicles had been reported as being repaired by the dealers before the sale. Because the manufacturer had no repair record of the remaining 87 vehicles while in dealer inventory, it told us that recall notices were subsequently sent in December 1973 (about 18 months after the initial recall) to vehicle purchasers.

To determine whether dealers inspected and repaired these vehicles but failed to notify the manufacturer, we requested from the manufacturer a listing of the dealers responsible for the 87 vehicles. From five dealers, selling 6 of the vehicles, we obtained information on the inspections and repairs the vehicles received prior to sale.

One dealer had a repair record of a vehicle in question before its sale. Another dealer had no repair record but confirmed the vehicle's repair with the owner. The records of the other three dealers showed no repair information on the four remaining vehicles. Explanations offered by these dealers for the lack of repair records included misplacing files, repairing vehicles without filing a claim for reimbursement, and oversight in the case of one demonstration vehicle.

In the case of the recall for a defective brake pipe, 73 vehicle owners said they had not received a recall notice. The manufacturer advised us that 65 owners had been mailed notices and that the remaining 8 vehicles had been in dealers' inventory at the time of recall. The manufacturer's records indicated that dealers had repaired only 2 of these 8 vehicles prior to sale. An official of the manufacturer told us that its changes to the recall campaign procedures in July 1973 makes it unlikely that this situation could occur today.

We found another indication that recalled vehicles in dealers' inventories may not have been inspected or repaired. One manufacturer told us that 85 percent of the vehicles recalled in another campaign were either in dealer or distributor inventory at the time of the recall. The reported completion rate for the recall about 1 year later was 36 percent. This would indicate that at least 49 percent of the vehicles were not inspected or repaired by dealers before selling the vehicles.

In December 1974 the manufacturer said that although it had no concrete proof, past experience suggests that the overwhelming majority of dealers probably inspected and/or repaired these vehicles without reporting the repairs because the inspection and repair was simple, involved little effort and cost, and dealers had little incentive to report the repair. It also said that feedback from dealers is more complete today than in 1972.

Owner apathy

In 101 responses to our questionnaire (4.6 percent), owner apathy was a primary factor for not having the recalled vehicle inspected or repaired. The reasons the 101 vehicle owners cited for not having the vehicle inspected or repaired were that they:

- Would have been without transportation while the automobile was being inspected.
- Were dissatisfied with previous dealer service.
- Believed the automobile did not have the defect.
- Did not have time.
- Intended to sell or trade the vehicle.
- Did not believe the defect was serious.
- Did not know of an authorized dealer nearby.

The Safety Administration's reviews of individual recall campaigns also showed instances of owner apathy to recalls.

Of 25 dealers in Michigan, Ohio, and the metropolitan area of Washington, D. C. whom we interviewed, 8 said owner response to recalls was generally good. Seven dealers said that owners were generally apathetic to recalls. One of these dealers said that owner apathy was more prevalent in recalls of older vehicles, and three dealers expressed the opinion that owner apathy was the principal reason for recalled vehicles not being inspected or repaired.

Dealer not prepared to service vehicle

Of the 100 responses in this category, 82 cited failure of the dealer to have replacement parts as the reason for not having the recalled vehicle inspected or repaired. Other reasons cited by owners follow.

- Dealer not aware of recall--8 instances
- Dealer did not have time--3 instances
- Dealer said defect was not serious--2 instances
- Dealer would not inspect vehicle without recall notification card--1 instance

The owners of four recalled vehicles said they did not know why the cars were not repaired. The dealer may have inspected the vehicle and determined that repair was not necessary.

Of 25 dealers interviewed, 10 said that lack of replacement parts was a factor in some recall campaigns. Several attributed this to recall notices being sent to owners before parts were distributed to dealers or the supply of parts initially distributed not being sufficient to service recalled vehicles.

Three manufacturers of recalled vehicles included in our sample said that they had experienced difficulties in manufacturing, obtaining, or distributing replacement parts to dealers for some recall campaigns. The Safety Administration said that this situation usually occurs when the replacement parts require extensive design work or are difficult to manufacture. They also said that recall campaigns involving large numbers of vehicles contribute to the difficulties in acquiring and distributing parts.

ACTIONS TO IMPROVE RECALL CAMPAIGN EFFECTIVENESS

Both the Congress and the Safety Administration have acted to improve the effectiveness of recall campaigns.

The Motor Vehicle and School Bus Safety Amendments of 1974 (15 U.S.C. 1409) contain provisions directed at improving the vehicle owner notification process. This legislation requires manufacturers to (1) use State records and other sources of information to update their address information for owners of recalled vehicles and (2) send recall notices by ordinary first class mail rather than by certified mail. Several manufacturers believe the use of ordinary first class mail would overcome the reluctance of some persons to accept certified mail.

The Safety Administration has taken steps to alleviate some of the problems associated with parts availability. Since March 1973 it has required manufacturers to include in their recall notification letters an estimated date when its dealers will be supplied with replacement parts.

The Safety Administration has amended its defect report regulation (49 CFR Part 573) to require manufacturers to submit vehicle identification numbers of recalled vehicles which are not inspected or repaired 6 months after the start of a campaign. The Safety Administration makes this information available to anyone requesting it.

Public comments on the amendment suggested several possible uses of the information.

- An insurance company suggested that insurance companies could identify insured recalled vehicles and notify owners of record, as it had already done for two recall campaigns. The insurance company found this program useful in identifying and locating second and later owners of recalled vehicles.

- A consumer group suggested that State and local inspection personnel could determine, as a part of their vehicle inspections, whether particular vehicles subjected to recall campaigns had been inspected or repaired. This presently is being done by the District of Columbia under contract with the Department of Transportation. Vehicles recalled, but not inspected or repaired, fail the D.C. inspection.

The Safety Administration presently has the means available with which to expand vehicle inspections to cover recalled vehicles. Under the Highway Safety Act of 1966 (23 U.S.C. 402), the Safety Administration has provided matching funds of over \$434 million through June 30, 1974, to encourage the States to adopt and implement 15 nationally uniform highway safety standards. The purpose of Highway Safety Program Standard 1--Periodic Motor Vehicle Inspection--is to increase the likelihood that (1) every vehicle is properly equipped and is being maintained in safe working order, (2) each State have a program for periodic inspection of all motor vehicles, and (3) owners be required to correct defects. At the end of 1973, a total of 31 States, the District of Columbia, and Puerto Rico were implementing periodic motor vehicle inspections. To assist the States in improving their inspection programs, over \$5 million in Federal funds have been obligated for various matching fund projects.

A similar approach is also being taken by the Environmental Protection Agency (EPA) as a part of its effort to insure that cars meet emission standards. An earlier GAO review reported that EPA had not aggressively promoted the establishment of highway inspection programs. We concluded that EPA should have an economical and effective nationwide highway inspection program to insure that emissions of cars on the road are within established standards. EPA recently informed us that it has provided technical

and financial assistance to States for developing highway inspection programs and that it has continued to develop and analyze various approaches and test procedures for States' in conducting such programs.

CONCLUSIONS

Millions of recalled vehicles have not been inspected for defects. A number of changes to the recall system have been adopted to minimize this situation. Our limited tests indicate some other problems. Regardless of the various obstacles posed, however, it seems that the most universal and effective technique for improvement would be periodic motor vehicle inspections to determine whether recalled vehicles have been inspected and, if necessary, corrected. Such a technique could become an integral part of Highway Safety Program Standard 1, Periodic Motor Vehicle Inspection.

RECOMMENDATIONS TO THE SECRETARY OF TRANSPORTATION

We recommend that the Secretary of Transportation undertake a broad study to conclusively identify the major reasons defective motor vehicles are not being corrected and determine the cost-effective alternatives for improving the effectiveness of recall campaigns. Such a study should consider:

- Having motor vehicle manufacturers require their dealers to certify, to purchasers of recalled vehicles in dealers inventories, that the vehicles were inspected and repaired prior to sale.
- The feasibility of amending the periodic motor vehicle inspection standard to include recalls as a special item of inspection.

AGENCY COMMENTS AND OUR EVALUATION

The Department (see app.) concurs fully in our findings and will take appropriate action to improve the recall system.

The Department said that it will initiate discussions with motor vehicle manufacturers to determine the extent and prevalence of recalled vehicles and equipment in dealers' inventories being sold without defect correction and that corrective procedures will be developed and implemented as necessary.

The Department is currently investigating, and will vigorously pursue, ways to improve the overall compliance with recall campaigns. The Department's investigation includes the use of periodic motor vehicle inspections to accomplish this goal, but because over 20 million vehicle identification numbers would have to be furnished to each inspection station, it does not believe this approach would be as successful as the use of State vehicle registration or licensing mechanisms to verify defect correction. The Department said the Safety Administration currently is discussing the feasibility of using vehicle registration or licensing for this purpose with a number of State motor vehicle departments.

We recognize there are shortcomings to the use of periodic motor vehicle inspections. Because there also are drawbacks associated with the use of vehicle registration and licensing procedures, the Department should explore all reasonable alternatives and adopt the most cost-effective solutions for improving the effectiveness of recall campaigns.



APPENDIX

OFFICE OF THE SECRETARY OF TRANSPORTATION

WASHINGTON, D.C. 20590

ASSISTANT SECRETARY
FOR ADMINISTRATION

December 10, 1974

Mr. Henry Eschwege
Director
Resources and Economic Development
Division
U. S. General Accounting Office
Washington, D. C. 20548

Dear Mr. Eschwege:

This is in response to your letter of October 23, 1974, requesting the Department of Transportation's comments on the General Accounting Office's (GAO) draft report on Motor Vehicle Safety Defect Activities and Effectiveness of the Recall Notification System.

The report recommends that the Secretary of Transportation undertake a broad study to conclusively identify the major reasons defective motor vehicles are not being corrected and determine the cost-effective alternatives for improving the effectiveness of recall campaigns. The report further recommends that such a study should consider: having motor vehicle manufacturers require their dealers to certify, to purchasers of recalled vehicles in dealers inventories, that the vehicles were inspected and repaired prior to sale and the feasibility of amending the periodic motor vehicle inspection standard to include recalls as a special item of inspection.

As acknowledged in the draft report the National Highway Traffic Safety Administration (NHTSA) has taken actions to improve the recall system. Although NHTSA will initiate additional appropriate action to improve the recall system, we question both the feasibility and the likelihood of success of the proposed use of periodic motor vehicle inspections to verify the results of recall campaigns. Our comments, therefore, provide not only a suggested alternative but also certain background and perspective for better understanding.

I have enclosed two copies of our reply.

Sincerely,

A handwritten signature in black ink, which appears to read "William S. Heffelfinger".

William S. Heffelfinger

Enclosure
(2 copies)

APPENDIX

DEPARTMENT OF TRANSPORTATION REPLY

TO

GAO DRAFT REPORT TO THE COMMITTEE ON COMMERCE

UNITED STATES SENATE

ON

DEFECT IDENTIFICATION ACTIVITIES AND EFFECTIVENESS

OF RECALL CAMPAIGNS, B-164497(3)

SUMMARY OF GAO FINDINGS AND RECOMMENDATIONS

During the period February 1973 through October 1974, representatives of the General Accounting Office, at the request of the Chairman of the Committee on Commerce, United States Senate, conducted a review of the National Highway Traffic Safety Administration's defect identification activities and of the effectiveness of its recall campaigns. The General Accounting Office finds that, while the process for identifying defects in motor vehicles and motor vehicle equipment works well, the correction of identified defects under the recall system is in need of improvement. The GAO notes that both NHTSA and the Congress have taken actions to improve the recall system. The GAO recommends that the Secretary of Transportation should:

"--undertake a broad study to conclusively identify the major reasons defective motor vehicles are not being corrected and determine the cost-effective alternatives for improving the effectiveness of recall campaigns."

The GAO also recommends that such a study should consider:

"--having motor vehicle manufacturers require their dealers to certify, to purchasers of recalled vehicles in dealer inventories, that the vehicles were inspected and repaired prior to sale; and

"--the feasibility of amending the periodic motor vehicle inspection standard to include recalls as a special item of inspection."

SUMMARY OF DEPARTMENT OF TRANSPORTATION POSITION

The National Highway Traffic Safety Administration appreciates the constructive approach taken by the GAO in the review of this very complex issue and concurs fully in the findings of the subject draft report. NHTSA believes, however, that the suggestion to use the periodic motor vehicle inspection program to identify those vehicles involved in a recall campaign, which were not inspected and repaired as required, would not be successful. As an alternative, the State vehicle registration and licensing mechanism would seem to offer several distinct advantages.

As acknowledged in the draft GAO report, NHTSA has taken actions to improve the recall system. Thus, manufacturers must now advise vehicle owners in their recall notices of the estimated date by which dealers will have replacement parts available. Also, manufacturers are now required to submit to NHTSA the vehicle identification numbers of recalled vehicles which have not been inspected or repaired six months after the start of the recall campaign.

As also noted in the GAO draft report, the Congress, too, has taken steps to improve the recall system. Recently enacted legislation (P.L. 93-492) requires manufacturers, effective December 26, 1974, to use State vehicle registration systems for compiling their lists of owners of vehicles involved in a recall campaign. The same Act also requires the use of first class mail for defect notifications to owners of vehicles involved in a recall campaign.

NHTSA will continue to take any steps, or propose appropriate legislation to initiate such steps, necessary to further improve the recall system.

APPENDIX

POSITION STATEMENT

With respect to the specific observations and the recommendation in the draft report for a broad study which should consider,

"--having motor vehicle manufacturers require their dealers to certify, to purchasers of recalled vehicles in dealer inventories, that the vehicles were inspected and repaired prior to sale,"

NHTSA has the following comments:

Discussions will be initiated with vehicle manufacturers to determine the extent and prevalence of this problem. Corrective procedures, to ensure that defects in vehicles or equipment in dealer inventory are corrected, will be developed and implemented as necessary.

NHTSA had not, heretofore, considered defects of vehicles or equipment in dealer inventory a major problem. This assessment was based on the assumptions that first, the requirement for manufacturers to develop lists of owners and notify each owner of any defect unless dealers indicated that the vehicle in question had been inspected prior to sale, and, second, that followup letters (usually one to three), mailed by manufacturers several months after the start of a recall campaign which should have included the owners of defective vehicles originally in dealer inventory, would have precluded the possibility or large numbers of defective vehicles not being covered by recall campaigns. Evidently, these checks did not yield the full assurances they were designed to provide.

As regards the specific observations and the recommendation that NHTSA study,

"--the feasibility of amending the periodic motor vehicle inspection standard to include recalls as a special item of inspection,"

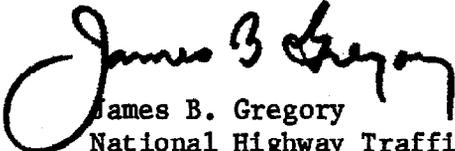
NHTSA has the following comments:

The fact that a significant number of vehicles involved in defect campaigns were not inspected and repaired as required has been, and is, a matter of considerable concern to NHTSA. Ways to minimize this undesirable situation, including the use of the periodic motor vehicle inspection program, are currently being investigated and will be pursued vigorously. Based on information now available, NHTSA does not believe that periodic motor vehicle inspection would be successful in alleviating this shortcoming of the recall procedure. First, the vehicle identification numbers of all involved vehicles would have to be available to each inspection station. At the present time, this would involve over 46 million numbers. Even if verification of corrections

were restricted to those vehicles whose defects had not been inspected and repaired nine months after the start of the recall campaign, this would still involve in excess of 20 million vehicle identification numbers. Given this magnitude of operations and considering the business nature of most inspection stations, it is doubtful that all involved vehicles can, or will be, identified. Secondly, it must be borne in mind that the correction of certain defects cannot be readily determined by inspection.

As an alternative, therefore, it would seem more feasible to verify defect correction through State vehicle registration or licensing mechanisms. NHTSA staff is currently visiting with a number of State motor vehicle departments to investigate this possibility. Recent legislation requiring manufacturers to use State vehicle registration records to compile their vehicle owner lists enhances this approach.

NHTSA will take all necessary steps to preclude any continuation of this undesirable situation and initiate appropriate action to improve the recall system.


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