

AUTOS

Capitol Hill adds to angst for Toyota

A House panel sets a hearing over how the automaker has dealt with complaints of sudden acceleration.

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The pressures on auto giant Toyota Motor Corp. continued to mount on several fronts Thursday, including in Congress, where a panel scheduled hearings into the automaker's handling of complaints that its vehicles could suddenly accelerate out of control.

The House Subcommittee on Oversight and Investigations, chaired by Rep. Bart Stupak (D-Mich.), on Thursday issued exhaustive data requests to both Toyota and the National Highway Traffic Safety Administration.

Citing "persistent consumer complaints of sudden unintended acceleration," the committee made the request in a letter to Yoshimi Inaba, president of Toyota Motor North America Inc., and NHTSA Administrator David Strickland.

The House Energy and Commerce subcommittee probe came after Toyota said this week that it would stop production and sales of eight of its most popular vehicles, including the Camry and Corolla, while it developed a remedy for a sticking accelerator-pedal system that could cause unintended acceleration.

On Thursday, Toyota also expanded its recalls to China and Europe, met with federal safety regulators to describe a remedy for its sticky accelerator pedals and saw its gold-standard credit rating threatened.

Fighting off competitors eager to woo disaffected buyers, the automaker also jumped into the marketplace with price incentives for vehicles unaffected by recalls.

How much other auto companies benefit "is going to depend on how this all plays out, and how fast Toyota gets this behind them," said Ford Motor Co. Chief Executive Alan Mulally, after the nation's No. 2 car company announced a \$2.7-billion profit for 2009, its first in four years. "Clearly there is a void right now in people needing vehicles."

Ford on Thursday launched a program aimed directly at Toyota owners, offering a \$1,000 trade-in bonus to any

buyers who bring in a Toyota vehicle, including the Japanese company's Lexus and Scion models. General Motors Co. is offering special financing and other deals to Toyota owners. Competitors Mazda Motor Corp. and Hyundai Motor Co. also rushed deals into the marketplace.

Late Thursday, auto information company Edmunds.com estimated that Toyota's U.S. market share would fall to 14.7% in January, down from 17.9% a year earlier.

In Southern California, Toyota is defending its turf by offering \$500 to \$3,000 "customer cash," depending on the model, and an extra \$100 to each salesperson who seals the transaction. California is Toyota's most important sales region. The automaker accounted for 24.5% of California new-vehicle sales last year, almost double that of its nearest rival, Honda, according to the California New Car Dealers Assn.

Until now, Toyota's greatest advantage in the marketplace was its reputation for manufacturing rock-solid vehicles. But that's under siege, said Jeff Hess, a marketing professor at Cal Poly San Luis Obispo.

"Toyota has relatively strong relationships with customers that are built on the reliability of its vehicles," something that isn't as true with nameplates such as BMW and Honda, he said.

But that consumer dynamic is starting to unravel as Toyota's problems build. It still has no details for customers on when it will have a fix for the problem and how owners can make sure their vehicles are safe.

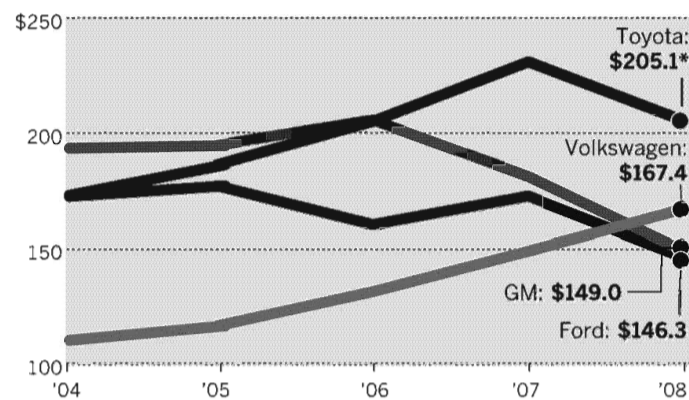
That's upsetting to owners such as Bill and Caryn King of Valencia. The Kings paid \$40,000 for a Toyota Highlander in November and now wished they had never purchased the vehicle. They have asked for their money back.

"I don't trust [Toyota]. I think they have known for too long there is a problem," said Bill King, who also owns a 1997 Camry with 227,000 miles on it. "Even if they tell me they have fixed the problem, I don't have much confidence that it is safe to drive."

Growing negative consumer sentiment is one of the factors prompting Fitch Ratings to place Toyota's top grade credit ratings on a "negative" watch. "The recalls and sales and production suspension cast a negative light on Toyota's reputation for quality, just as the company emerges from an unprecedented downturn in the auto

High stakes for top players

Worldwide revenue of selected auto manufacturers (In billions)



Source: Bloomberg

*12-month data through March 2009

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industry," said Jeong Min Pak, a Fitch senior director.

As Fitch was issuing its ratings warning, LeaseTrader.com, a Miami company that creates a marketplace for people to trade or sell auto leases, said it would not allow the lease trade of any Toyota model vehicle involved in the recall until it had documentation proving inspection or repair.

The National Auto Auction Assn., the largest used-vehicle auto auction trade group, told its members Thursday to stop selling the Toyota cars and trucks involved in the recalls. This week, rental car companies were pulling the affected Toyota vehicles out of their fleets.

Toyota last fall issued a recall to address floor mats that could jam accelerator pedals and then another recall last week for problems with accelerator pedals that could stick.

In the company's meeting Thursday with government regulators, Toyota officials reviewed a proposed remedy to the sticky accelerator pedals that triggered its most recent recall.

NHTSA was not expected to issue a formal approval for the design change but rather monitor its effectiveness at solving the problem.

Meanwhile, Toyota said parts supplier CTS, based in Elkhart, Ind., has rushed the new pedal design into production with hopes that the automaker could restart assembly plants in a few weeks. The company is also working on a plan to fix current owners' vehicles.

"We can confidently say that we are on a path to finalize our plans for the recall," Toyota spokesman Brian Lyons said.

In Washington, the House Energy and Commerce subcommittee said it would hold a hearing Feb. 25 on the handling of the recall by Toyota and federal safety regulators.

"I am concerned by the seriousness and scope of Toyota's recent recall announcements," said Energy and Commerce Committee Chairman Henry A.

Waxman (D-Beverly Hills).

Subcommittee Chairman Stupak said in an interview that he remained uncertain whether Toyota's assessment of the problem and its proposed solution were adequate. In the letters to Toyota and NHTSA, he asked for a comprehensive timeline of what the two organizations knew about sudden-acceleration problems and when they knew it.

The issue also has spilled over to another automaker. Ford confirmed it has stopped making a limited-production commercial van in China because the vehicle contained gas pedals that were similar in design to the component involved in Toyota's recall.

Meanwhile, Toyota's recall for sticky accelerator pedals expanded worldwide Thursday, as the Japanese automaker said it would pull vehicles from Europe and China.

An unspecified number of models and vehicles will be affected in Europe, but production will not be halted there because changes had already been adopted in newly made cars, the automaker said.

In China, the government's product-safety group said on its website that the recall would include more than 75,000 RAV4 sport utility vehicles.

On Tuesday, Toyota issued an unprecedented stop-sale and halted production on eight of its most popular models: the 2009 and 2010 RAV4, 2009 and 2010 Corolla, 2009 and 2010 Matrix, 2005 to 2010 Avalon, 2010 Highlander, 2007 to 2010 Tundra and 2008 to 2010 Sequoia. It also is halting sales of certain 2007 to 2010 Camry sedans.

The company then said Wednesday that it had added 1.1 million vehicles to the recall relating to floor mats that can jam accelerator pedals.

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