

# As safety complaints mounted, GM avoided recalls that could cut into profits

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As safety complaints about its cars mounted in the mid-2000s, General Motors executives repeatedly avoided ordering the recall of potentially dangerous vehicles because it could undermine corporate profits. Instead GM management sent out numerous “technical service bulletins” to dealerships and some car owners, including those that suggested low-cost and woefully inadequate fixes for what proved to be fatal defects.

Over the weekend articles in the *New York Times* and other publications have provided a damning exposure of this practice. They also implicate the National Highway Traffic Safety Administration (NHTSA), the federal agency in charge of regulating the automakers, and current GM CEO Mary Barra, who has claimed she was unaware until January of safety concerns with the ignition switches of the Chevrolet Cobalt and other recently recalled vehicles.

Documents released by GM show that the company knew as early as 2001 of a potentially deadly ignition switch defect in its Chevrolet Cobalt, Saturn Ion and other small car models. The defect could shut the engine off while the car was being driven, disabling the power steering and power brake systems as well as airbags, making the vehicle difficult to control and rendering the occupants unprotected in the event of a collision.

In 2006 GM issued a letter to dealers warning of an ignition switch defect in its Chevrolet Cobalt model. The company did not, however, order the recall of the Cobalt and other small cars until February of this year, after the defect was connected to at least 13 fatalities and scores of injuries.

In public statements GM CEO Barra has claimed that the company’s criminally slow response was an “extraordinary” situation. The *Times* investigation of recalls since GM emerged from bankruptcy in 2009

concluded that the company’s “handling of the ignition problem was not an isolated event: G.M. has repeatedly used letters, called technical service bulletins, to dealers and sometimes to car owners as stopgap safety measures instead of ordering timely recalls.”

According to the glass industry and insurance web site, Glassbytes.com, in 2005 “GM issued a service bulletin to dealers, informing them that ‘there is a potential for the driver to inadvertently turn off the ignition due to low ignition key cylinder torque/effort ... The concern is more likely to occur if the driver is short and has a large or heavy key chain and ... the customer should be advised of this potential and should take steps to prevent it—such as removing unessential items from their key chain.’”

The bulletin also informed dealers, “Engineering has come up with an insert for the key ring so that it goes from a ‘slot’ design to a ‘hole’ design. As a result, the key ring cannot move up and down in the slot any longer—it can only rotate on the hole. ... In addition, the previous key ring has been replaced with a smaller 13 mm design. This will result in the keys not hanging as low as in the past.”

In December 2005, the industry web site noted, GM reported it decided “the service bulletin and field service campaign was the appropriate response to the reported incidents, given that the car’s steering and braking systems remained operational even after a loss of engine power, and the car’s engine could be restarted by shifting the car into either neutral or park.”

GM dealers provided the tiny plastic key inserts to 474 customers who brought their vehicles into dealers for service, according to a NHTSA document. In October 2006, the service bulletin was updated to include the 2007 Chevrolet Cobalt, the 2007 Chevrolet HH, the Pontiac G5, the 2007 Pontiac Solstice and

2007 Saturn Ion, as well as the 2007 Saturn Sky.

With profit margins for smaller vehicles far lower than highly profitable SUVs and pickup trucks, management rejected a proposal by GM engineers to replace the part at the cost of 57 to 90 cents per unit, according to a 2005 internal emails from GM. Company officials told the NHTSA they knew of a Cobalt ignition switch problem in 2004 but closed the investigation into the situation “after consideration of the lead time required, cost and effectiveness of each of these solutions [suggested by its team].”

The refusal to take unsafe vehicles off the road is a clear violation of federal law. It is clear, however, that the recalls were deemed too costly for the corporation, which after decades of savage cost cutting and the slashing of workers’ wages, made \$3.8 billion in profits last year. Outgoing CEO Dan Akerson was rewarded with a \$9 million package, while new the CEO Barra, it was announced, would be paid as much as \$14 million this year.

By September 2011, GM had informed the NHTSA of 3,489 customer reports claiming a sudden loss of power steering in 2004-7 Ions, as well as two crash claims indicating that drivers had been injured, according to regulatory filings.

The following month, the *Times* wrote, “Ms. Barra, who was then vice president for global product development, received an email from a senior G.M. engineer, telling her that the Ion might have the same power steering problems that led to the recall of the Cobalt and G5. ‘Mary,’ the email said, “during the initial Cobalt case, the Ion data did not justify being included. The situation has been evolving. We will meet and understand the latest data.”

In May 2012, the company sent out two more bulletins, one for dealers and one for owners. In bold, the letter to owners stated, “Do not take your vehicle to your G.M. dealer as a result of this letter unless you believe that your vehicle has the condition as described above.”

The Ion was not recalled until earlier this year. During the nine-year delay, the *Times* said, “more than 40 percent of the consumer complaints to federal safety officials about the Ion were about steering problems, including instances of drivers losing control of their cars or being unable to maneuver them to the side of the road.”

“A manufacturer must address a safety defect by conducting a safety recall, which requires the manufacturer to notify consumers and remedy the defect,” Nathan Naylor, a spokesman for the NHTSA, told the *Times*.

Everything that has been revealed, however, points to the fact that the NHTSA was well aware of the company’s negligence and did nothing to enforce the law. In one case, the *Times* reported, NHTSA officials “reprimanded GM for issuing a service bulletin in July 2012 for a ‘fairly obvious’ safety concern over a defective air bag in the Buick Verano and Chevrolet Cruze and Sonic. In at least four other instances the agency “questioned GM’s use of technical bulletins to deal with safety issues.”



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