

THE AUTO DEALER'S ORIGINAL FIXED OPERATIONS RESOURCES

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# FIXED OPS

## FIRING ON ALL CYLINDERS

THE VALUE OF PRE-PAID MAINTENANCE PLANS

RECALL NON-COMPLIANCE

CHECKLIST GUIDE TO EFFECTIVE REPAIR ORDERS

BRINGING MORE WOMEN INTO FIXED OPS

# THE RECALL CONUNDRUM

## NON-COMPLIANCE LEAVES YOUR DEALERSHIP AT RISK

BY CHRIS MILLER

Recalled vehicles have affected the lives of many and aren't going away anytime soon.

With everyone scrambling to rectify things and make our roads and vehicles safer to drive, we must examine what's going on in the bigger picture to truly grasp just how large this problem really is and what we, as an industry, can do to alleviate this epidemic.

Situations can differ depending on whether recall vehicles are new or used. Let's look at different scenarios in which recalls can affect the sale of vehicles:

### **New Cars: Fines Possible**

According to the Federal Motor Vehicle Safety Act, it's illegal to sell a new car with an open recall on it. But the National Highway Traffic Safety Administration (NHTSA) recently settled with an Arizona car dealership that sold two new cars with open recalls two years ago. The fine? \$40,000. This could be precedent-setting and an indication of heavy fines in the future for selling vehicles with open recalls.

Heck, if the fine for calling someone on the "Do Not Call" list is \$10,000 per

incident, I could easily see the fine for selling a new car with an open recall being set at \$20,000 or more!

**MANY TIMES IN THE PAST, MANUFACTURERS HAVE STEPPED IN TO ASSIST DEALERS WHEN LIABILITY ISSUES HAVE ARISEN AND LAWSUITS FILED. NOW, MANUFACTURERS ARE SEEKING TO REMOVE THEMSELVES FROM LIABILITY AND BASICALLY TELLING DEALERS THAT, IF THEY SELL THE CARS, THEY WILL HAVE TO FACE ANY CONSEQUENCES ON THEIR OWN.**

Although many dealers follow best practices and wouldn't intentionally sell a new car with an open recall, think about how easy it could be to do so accidentally.

That unit that sat on your lot for a while, that hasn't been looked at by Service since it was pre-delivery inspected three months ago, finally is sold and driven off the lot. It's very easy to see a situation where there was an open recall for that car that came into effect between the dealership receiving it and selling it. I've yet to hear of a "Does this vehicle have any open recalls?" checkbox on a dealer's delivery checklist. Perhaps it would be wise to include a measure similar to this, as \$20,000 per incident could get expensive.

Manufacturers are now stepping in with stop sales on some models, which bar dealers from selling these vehicles (which is good). Many times in the past, manufacturers have stepped in to assist dealers when liability issues have arisen and lawsuits filed. Now, auto manufacturers are seeking to remove themselves from liability and basically telling dealers that, if they sell the cars, they will have to face any consequences on their own.

# PENALTY NOTICE

Dealers, on the other hand, can't simply sit on inventory indefinitely. For their used vehicles, some dealers have taken to asking customers to sign waivers that release the dealership from any open recalls. They may need to start doing something similar with new cars as well, unless they run a recall report on the new vehicle immediately prior to delivery.

**IF THE EXTENT THAT RECALLS ARE ALREADY A PROBLEM FOR THE AUTOMOTIVE INDUSTRY IS NOT ALREADY OBVIOUS TO ALL PARTIES CONCERNED, IT WILL SOON BECOME EVEN MORE SO — AND SOMETHING THAT WILL BE IMPOSSIBLE TO IGNORE.**

What can be done? Perhaps dealers should consider ensuring that checking new vehicles for open recalls be added to their delivery checklist and, if any exist, making sure that the repair is completed prior to allowing the customer to drive off of the lot. That would ensure that the dealership is protected from li-

ability and that the customer leaves the lot with a safe vehicle. There are information sources that would make it easy for dealerships to check the recall status on new cars.

#### **Used Cars: Different Circumstances**

Used cars pose a different conundrum for dealers.

It's technically not illegal to sell a used vehicle with an open recall to a consumer. Many dealers and dealership groups have implemented policies in which they hold these vehicles until the recall repair is completed prior to sale.

Some dealers, however, have taken the lesser road of simply informing the consumer of open recalls during the sale process and are have them sign waivers releasing the dealership from liability.

Others continue to sell these vehicles, business as usual. Into this mix we must throw vehicles that are wholesaled, as many simply end up on small used car lots or "Buy Here, Pay Here" lots and end up back on the road with no concern given to any open recalls. These are particularly concerning, as each time a vehicle passes hands, the difficulty increases for tracking down the

owners and informing them of open recalls.

The solution? Although it's understandable that holding pre-owned inventory for an indefinite amount of time awaiting parts for open recalls can present a large financial burden on a dealership, it's important to consider the fact that these vehicles end up on the roads right next to the ones that we are all driving.

Continuing to churn these vehicles without regard to recall work is dangerous to society, to say nothing of being a bad business practice. When it comes to same-brand used vehicles, dealers can adopt the same practices as with new cars — ensure that open recalls are completed prior to delivery.

It's understandable that off-brand used cars present a large challenge. They typically require that the dealership ship the vehicle off to what could easily be a competitor to have the repair completed. However, even if this is the case, the most responsible thing to do is to ensure that you do not sell the vehicle if the recall repair cannot be completed prior to delivery. This again protects the dealership from future liability and safeguards the customer from acquiring a potentially dangerous vehicle.



### Service Customers

An oft-overlooked area in recall repair is vehicles that come in for Service work.

Dealerships see hundreds of customers per week (and some see that many in a day) who bring their vehicles in for Service. Few dealers check for open recalls on all Service customers as part of their inspection process.

Oftentimes, this is due to lack of time and resources to check the vehicles, because, in most cases, it's a manual process. It could also inconvenience the customer because of a lack of parts availability, shop capacity or both. This would then expand what was simply a routine service into a potential upset and dissatisfied customer, a negative OEM survey and a more time-consuming repair for the dealership.

The opportunity? Although it may be annoying to the dealership and consumer, making a check for open recalls in the Service drive a best practice for the safety of your customers and society can bring in extra revenue that the dealership may have missed.

Not all recalls involve parts that are impossible to obtain. And the mere fact that you have identified them, notified the customer and fixed them will probably end with a grateful customer along with increased Service revenue.

### Looking into the Future

Recently, news reports indicated that despite having been proven defective, some auto manufacturers were continuing to install Takata airbags in new vehicles. Yes — the vehicles rolling off the assembly lines right now.

Although they realize that these very same vehicles will need to be recalled in the next five years to have those airbags replaced, the justification for allowing this is that it's a temporary measure due to a shortage of replacement parts. Five years from now, replacement airbags will be available and the problem alleviated

Until there's an alternative, the affected car manufacturers have no other option but to keep installing the defective airbags. Ceasing production would impact many of those assembly line workers'

jobs, the manufacturers and the economy of the country.

If the extent that recalls are already a problem for the automotive industry is not already obvious to all parties concerned, it will soon become even more so — and something that will be impossible to ignore.

How do we, as an industry, work together to ensure that the vehicles we make, sell and send our customers out on the roads with — the same cars that we drive with our families — are safe? The solution won't be easy. Before we can ever fix this, it will take effort, innovation and a true commitment from everyone in our industry to solving this problem.



*Chris Miller is President of Recall Masters, a leading provider of automotive recall news, data, training and communications. Privately held and based in the San Francisco Bay area, the company is dedicated to helping automakers and their dealers expedite the repair of recalled vehicles and make the roadways safer for everyone. Chris has over 17 years of experience building software to automate marketing communications.*