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Automotive News

A harsher light on Takata

Hints of a cover-up going back a decade

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WASHINGTON -- Reports that Takata executives suppressed information about a potentially deadly airbag defect as far back as a decade ago mark a turning point in the case, bringing sharper focus to what had been a diffuse recall crisis and stirring calls for a new criminal inquiry into the Japanese airbag supplier.

The prospect of a deeper criminal case against the company, by one expert's reckoning, raises serious questions about Takata's viability and the potential impact on a key link in the auto supply chain.

Since 2013, 10 automakers have recalled nearly 8 million vehicles to repair Takata air-bag inflators that could shoot metal and plastic shards toward vehicle occupants after a crash, while regulators and companies worked together to pinpoint the scope and cause of the problem.

A National Highway Traffic Safety Administration investigation -- opened in 2009, closed in 2010 and reopened this past July as fresh reports of airbag ruptures surfaced -- had intensified in recent weeks, with the agency ordering Takata and its biggest customer, Honda, to answer questions under oath and provide documents dating back more than a decade to support the investigation.

Yet a report by *The New York Times* last week, detailing secret tests and hinting at a high-level cover-up, adds a new level of intrigue to the Takata saga, the origins of which have been muddled by the supplier's evolving explanations for the airbag problem, including improper material handling, exposure to humidity and manufacturing errors.

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Joint statement by U.S. Sens. Richard Blumenthal and Edward Markey

The *Times* report, which cites two unidentified former Takata employees, said that after a 2004 crash involving a driver injured by a ruptured airbag inflator, employees at Takata's North American headquarters in Michigan secretly tested 50 airbags recovered from scrap yards and found dangerous cracks that could cause their

inflators to rupture. Rather than alert regulators, the *Times* said, Takata executives halted the testing and ordered all records of it to be destroyed.

If true, the employees' claims would indicate that at least some Takata employees have known for a decade that the airbags posed a safety risk and that they withheld evidence of the flaw from regulators for years. NHTSA closed a six-month investigation into Takata airbag inflators in 2010 with no action after concluding that all the affected vehicles had been recalled.

The report sparked calls from lawmakers for a criminal investigation into the matter.

"Reports that Takata concealed and destroyed test results revealing fatal air bag defects, along with other evidence that the company was aware of these deadly problems, clearly require a criminal investigation by the Department of Justice," Sens. Richard Blumenthal, D-Conn., and Edward Markey, D-Mass., said in a statement. "If the reports are true, the company must be held accountable for the horrific deaths and injuries that its wrongdoing caused. These allegations are credible and shocking -- plainly warranting a prompt and aggressive criminal probe."

Such an investigation would come on top of a probe reportedly already underway in which federal prosecutors are looking into whether Takata misled regulators in past attempts to investigate the defect.

In a statement issued late Friday, Nov. 7, Takata said it "takes very seriously the accusations made in this article, and we are cooperating and participating fully with" the ongoing NHTSA investigation. The company said it wouldn't comment on the details of "anonymous allegations," except to say that they were "fundamentally inaccurate."

Earlier in the week, before a packed briefing room at the Tokyo Stock Exchange, Takata CFO Yoichiro Nomura bowed in apology as the company projected wider losses due to the recalls. "We would like to apologize for worrying and concerning all our customers, automakers and shareholders who have been affected by repeated recalls of cars with our airbags," he said.

Scott Upham, a consultant who covers the airbag industry, said he believed that Takata would be able ride out the controversy -- until he learned about the *Times* report.

"I was dumbfounded by what looks like a conspiracy to conceal these manufacturing flaws," said Upham, principal of Valient Market Research in Rochester, N.Y. "I was confident they were too big to fail, but this is really shaking my analysis."

Any criminal conviction, Upham said, "could be really troubling for Takata as a continuing operation."

However, Upham said, automakers would have a tough time shaking their dependence on Takata as an airbag supplier because rival companies such as Autoliv, TRW and Daicel have limited spare production capacity and would need months of safety tests to ensure that their inflators worked properly in the vehicles of Takata's customers.

"You can't just plug and play a new inflator," he said.

Takata, meanwhile, is laboring to produce enough replacement airbags for the 8 million vehicles that have been recalled.

NHTSA, too, has escalated its investigation, issuing rarely used "special orders" in recent weeks against Takata and American Honda to compel them to turn over documents related to the airbag defect. The orders, which carry the legal weight of subpoenas, come amid scrutiny from Congress, safety advocates and even officials in the Obama administration who have questioned whether NHTSA has been sufficiently vigilant in the Takata airbag case.

Allen Kam, a former senior enforcement attorney at NHTSA who spent 25 years at the agency, said special orders are used when NHTSA suspects "some possible real wrongdoing or a failure to be forthright with the agency in the past with respect to the defect at issue." He would not comment on the Takata case directly.

Following the *Times* report, NHTSA said in a statement that it's encouraging current and former employees to come forward with additional information that may aid the agency's investigations into Takata and Honda.

"Claims such as these have raised additional concerns about Takata's handling of airbag issues and are one of the reasons we're compelling them to produce documents and answer questions," NHTSA said.

NHTSA also is investigating how Honda reports deaths and injuries that may be related to vehicle defects in its quarterly early warning reports to regulators. That investigation came after the Center for Auto Safety, a watchdog group, accused Honda of failing to report two accidents involving a death or injury caused by exploding Takata airbags last month.

NHTSA said, "We will leave no stone unturned as we review everything we have and new information we receive."

David Sedgwick contributed to this report.



Takata CFO Yoichiro Nomura: Sorry to "our customers, automakers and shareholders"

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