

Fiat Chrysler settlement raises questions for dealers, drivers

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After years of massive recalls by the auto industry, car dealerships and drivers are now trying to navigate the nation's largest-ever vehicle buyback by Fiat Chrysler.

The Italian-American automaker could be required to lay out hundreds of millions of dollars to get potentially defective Ram pickups, Dodge and Chrysler SUVs, and older Jeeps off the road under a deal with safety regulators to settle claims that the company mishandled nearly two dozen recalls.

Dealers and customers are awaiting more details from Fiat Chrysler on how the program will work. At least 30 Chrysler, Jeep and Dodge dealers in Maryland are preparing to field questions and concerns from customers, and for any fallout for their business.

"This is significantly different than just a normal recall," said Peter Kitzmiller, president of the Maryland Automobile Dealers Association. Dealers "don't have any more specifics than anybody else yet."

Under the deal with regulators that included a record civil fine of up to \$105 million, Fiat Chrysler must offer to buy back certain Ram pickup trucks and Dodge and Chrysler SUVs with defective steering parts that can cause drivers to lose control.

More than 579,000 vehicles were initially recalled in 2013. Some of the pickups have already been repaired, and the company would only be required to buy back one-third of the total.

The automaker must also allow owners of more than 1 million older Jeeps with vulnerable rear-mounted gas tanks to trade them in at above market value or give them \$100 as an incentive to get a repair.

Fiat Chrysler Automobiles NV shares traded on the New York Stock Exchange dropped nearly 5 percent to close at \$14.41 Monday following the announcement of the deal.

The settlement with the National Highway Traffic Safety Administration is the latest sign that auto safety regulators are taking a more aggressive approach toward companies that fail to disclose defects or don't properly conduct a recall.

"Merely identifying defects is not enough," U.S. Transportation Secretary Anthony Foxx said Monday during a conference call with news media. "Manufacturers that fail in their duty to fix these defects will pay a price."

While dealerships and drivers have been dealing with recall notices for years, some said the settlement announced Sunday came as a surprise.

Dwayne Burke, general manager of Len Stoler Dodge Chrysler Jeep in Westminster said he expected to start hearing from customers soon. Jeeps and Ram pickups are the dealership's top sellers, he said.

"We stand behind the product as well as Chrysler does," Burke said. "Once we find out from them the specifics of how they're going to handle this specific case ... we'll be happy to help customers with any questions or any

concerns."

Larry Alston, 61, of East Baltimore, said he has received a number of recall letters in his two years of owning his 2005 Liberty. He said he doesn't plan to get rid of the compact SUV. In fact, he spent \$225 on a new key for it Monday afternoon.

He said the company most recently offered a \$6,000 trade-in voucher for the vehicle or to fix the latest safety issue, Alston said. But he took issue with the language in the letters, saying the company didn't take seem to take full responsibility.

"To me, it seems like they want to do something about it," he said. "But they don't 100 percent want to say it's their fault."

The older Jeeps have fuel tanks located behind the rear axle, with little to shield them in a rear crash. They can rupture and spill gasoline, causing a fire. At least 75 people have died in crash-related fires, although Fiat Chrysler maintains they are as safe as comparable vehicles from the same era.

The repair consists of adding a trailer hitch to the Jeeps. The company has repaired about 441,000 of the 1.5 million Jeeps recalled.

Nearly 1.3 million Rams, Chrysler Aspen and Dodge Durango SUVs and Dodge Dakota pickups from as far back as the 2003 model year were recalled for the steering problem in 2013. The government excluded around 700,000 of the oldest models from the buyback program because most have already been repaired or are no longer on the road.

The government knows of at least one death attributed to the steering defect.

The buyback applies to vehicles from the 2008 through 2012 model years. Of those, about 193,000 have not gotten the recall repairs and are eligible for either a repair or a buyback, according to Fiat Chrysler.

In each case, Fiat Chrysler would be required to pay the original purchase price plus 10 percent, minus a certain amount for depreciation.

Jerome Bruce of Dundalk drives a 2013 Ram, which doesn't qualify for the buyback, but the retired 69-year-old said he may consider replacing it.

"I drive it every day," he said. "I was trying to get a van so I wouldn't have to drive a truck every day. Maybe now I will. ... I don't want to be taking no chances."

Mike Barr, also of Dundalk, bought his black 2004 Ram used from his nephew. It's the 62-year-old's fourth Dodge and eighth pickup truck. It has 126,000 miles on it.

Barr said the recall doesn't concern him much. A letter that came in the mail about it indicated another would follow with more information, he said, and he's waiting for that.

And when he gets a new truck, he said, it's likely to be a Dodge.

"I had four Fords before," he said. "I'll stick with Dodge."

The ultimate cost of the settlement to the parent company, Fiat Chrysler, depends on how many pickup and SUV owners join in.

According to Kelly Blue Book, a 2010 Dodge Ram 1500 — one of the smaller, less-expensive trucks involved in the recalls — could fetch \$20,000 in a dealer trade-in, assuming the truck has 60,000 miles on it and is in "good" condition. At that rate, the company could spend \$956 million to buy back one-quarter of the vehicles at issue. The company is allowed to repair and resell the trucks it buys back.

The Jeep trade-ins could add to the tab, but they also could generate more new vehicle sales by getting customers into showrooms.

Still, the total could strain the company. Fiat Chrysler posted a first-quarter net profit of \$101 million and had more than \$20 billion in cash and securities at the end of March.

The company said the amount it pays to repurchase vehicles will be applied as a credit to the \$20 million it agreed to spend on outreach efforts as part of its \$105 million fine.

Fiat Chrysler "does not expect that the net cost of providing these additional alternatives will be material to its financial position, liquidity or results of operations," the company said Monday.

The settlement between the government and the automaker relates to allegations of misconduct in 23 recalls covering more than 11 million vehicles. Besides the civil penalty, Fiat Chrysler agreed to an independent recall monitor and strict federal oversight.

The Associated Press contributed to this article.

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