The National Automobile Dealers Association
"The Voice of the Dealer"

Used Car Recall Legislation Should Focus on Timely Repairs

Proposal Would Increase Paperwork Burden on Small Business Dealerships

Issue

In 2010, the Senate Commerce Committee passed a vehicle safety bill that proposed new requirements when a used car under recall is sold through a dealership. That bill, which was not enacted into law, would have put additional paperwork burdens on dealers without ensuring that all recalled vehicles would be fixed in a timely manner. In 2012 Congress ordered the National Highway Traffic Safety Administration (NHTSA) to establish a new database by July 2013 that would list every vehicle under open recall. This new database must be searchable by vehicle identification number (VINs) and accessible to dealers and consumers alike. However, some in Congress are considering revisiting the 2010 proposal before the NHTSA database is operational. NADA believes that instead of more paperwork requirements on dealerships, the new NHTSA database should first be given a chance to work.

Background

The 2010 Senate bill would have imposed a new duty on dealerships by requiring them to check the NHTSA database to identify if used vehicles in inventory are subject to safety recalls, and if those recalled vehicles have not yet been remedied. This would mean all VINs of used vehicles would need to be run through the NHTSA database before resale. Relying on this database, the bill would require dealerships to disclose in writing to purchasers if a used vehicle offered for sale was under open recall. While well-intentioned, the 2010 legislation does not address the main problem – namely, that recalled vehicles should be fixed immediately.

According to a GAO report, from 2000 to 2008, the average recall vehicle completion rate was only 65 percent. **NADA believes that efforts to increase recall completion rates should focus on measures that encourage consumers to act on recall notices immediately**, rather than waiting until the recalled vehicle is sold or traded-in at a dealership, which may not occur for several years. Additionally, relying on a dealer resale approach exclusively does not cover consumer-to-consumer sales, which typically account for 33% of used vehicle transactions annually. Finally, the 2010 proposal would impose a paperwork burden on dealerships in the aggregate of $441.5 million (2009 estimate) without a safety benefit of this cost being quantified.

Key Points

• Dealers support a 100% vehicle recall completion rate. Instead of more government-mandated paperwork, government policies should be tailored to boost recall completion rates.
• The 2010 legislation did not cover private sales. This loophole would likely grow because

diminishing the value of unremedied vehicles sold through dealerships would encourage more unregulated sales by the private market.

- More effective ways to increase recall completion rates should be analyzed, such as encouraging vehicle insurance companies to notify owners that their vehicle is under recall.

Status

No legislation has yet been introduced in the 113th Congress.

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