

**Statement of Rick Schostek, Executive Vice President,  
Honda North America, Inc.  
before the  
U.S. Senate Committee on Commerce, Science and Transportation  
November 20, 2014**

Thank you, Mr. Chairman, Senator Thune and members of the committee. My name is Rick Schostek. I'm an executive vice president with Honda North America – a company that works in support of all Honda companies in North America – and I'm based in Ohio. On behalf of the more than 28,500 associates working for Honda in the United States, as well as our nearly 1,300 automobile dealers in the U.S. and more than 600 suppliers in North America, thank you for this opportunity to share our perspectives on this very serious automotive safety issue.

I want to begin by expressing our deepest and heartfelt sympathies to those individuals and families who have been affected by these tragic incidents. It is truly heartbreaking to all of us at Honda. We offer our sincere apologies to the families of those who have died, to those who have been injured – including Ms. Erdman – and to those who have been in any way inconvenienced due to the defects in Takata airbags in our vehicles.

Airbags save thousands of lives each year. But we recognize that even one customer who is injured or loses their life when an airbag does not perform as intended, is one too many, and is completely unacceptable.

Regarding the multiple recalls we have conducted let me first say that Honda is a company built upon a commitment to providing satisfaction to our customers. We take great pride in the quality of our products, the vast majority of which are built here in North America. And we stand behind the safety of these products.

We understand the urgency of the current situation, and are taking proactive steps to encourage Honda and Acura owners to get their vehicles repaired at an authorized dealership.

We have a well-respected service division dedicated to supporting our dealers in meeting the needs of each customer throughout the lifetime of vehicle ownership. Specifically, regarding the effort to reach out and meet the needs of our customers related to the airbag recalls:

- We have posted written messages prominently on our websites to reassure our customers that we have procedures in place to address their individual needs.
- Customers with affected vehicles who desire alternative transportation until their car is fixed have access to loaner cars and rental vehicles – at no cost to the customer – if we experience a situation where a dealers' service capacity or the availability of replacement air bag inflators is insufficient to meet the customer's needs.
- We continue to work with Takata in an effort to increase parts availability to meet the needs of customers in the expanded population of recalls.
- And we are working within our own service parts division and with our dealer network to ensure that our existing inventory of replacement airbag inflators is available when and where they are needed.

- We have dedicated resources to promptly investigate all reports of potential rupture, contacting owners or their representatives when we learn of potential ruptures through media, law enforcement or other sources.

So, we have taken, and continue to take action to address the needs and concerns of our customers related to the series of recalls in our vehicles with Takata airbag inflators.

Like many automakers, Honda looked to Takata for the supply of airbag components because Takata was an internationally-recognized safety systems supplier. As the manufacturer of the complete vehicle, we relied on Takata for its expertise in this specific area of technology. We provided our performance requirements and Takata designed the airbag components to those criteria.

Beginning with the 2001 model year, Takata began to supply Honda with a new generation of airbag components. By 2004, we had sold several million vehicles equipped with these Takata airbags, when we learned of an airbag inflator rupture in one of our vehicles, and reported it to NHTSA. This remained the only airbag inflator rupture we were aware of until three years later.

Since 2007, we have been involved in a safety investigation of Takata airbag inflators. Throughout this investigation, Takata identified specific manufacturing issues as the primary factors of the rupture events. Starting with a recall in November 2008, and with every subsequent recall, we gathered component parts from the time period corresponding to Takata's manufacturing issues and provided those to Takata for further investigation. Additionally, we recalled units that were outside the range Takata had identified, for the purpose of analysis.

As new evidence identified new risk, Honda acted to expand our recall populations. The investigation process has, since 2007, been designed to replace defective Takata inflators and to seek out data using the public recall process. The investigation continues to this day.

With regard to the 2004 inflator rupture, Takata advised us that their analysis demonstrated that it had distinctly different characteristics compared to the ruptures that led to the first recall.

Honda has conducted seven recalls and two safety improvement campaigns in the U.S. related to Takata driver and front passenger airbag inflators. These actions represent our continued due diligence and focus on the safety of our customers.

It is our practice to actively communicate with our customers who own an affected vehicle in order to get them to take immediate action to have their vehicle repaired. Over and above the required first class mail notification, we provide multiple notices in English and Spanish, as well as other means of reaching customers, both directly and indirectly. We plan to continue these activities for all recalls.

We also have employed other communications techniques in an effort to increase the completion rate for our recalls. We consulted with the U.S. Postal Service to try new methods to get people to open their recall mailings. We also have used overnight delivery. We have called more than 700,000 hard-to-reach customers by phone, using our customer relations staff, our dealers, and automated calls.

Based on our efforts, we have experienced completion rates that are considered high for the recall of older model vehicles. Still, we are concerned when multiple recall notices go unheeded by some registered owners. We want our customers to complete each and every recall.

Toward this goal, we would like to offer a suggestion for consideration that we believe would greatly improve the response rate to recall notices.

Many states require owners to obtain a tailpipe emissions test before a vehicle can be registered, and certain states decline vehicle registration renewals until outstanding emissions recall repairs have been completed. In a similar way, as the Inspector General commented in October 2011, if each state required that open recalls related to safety issues be addressed, if parts are available, before allowing the vehicle to be registered, this simple step would greatly reduce the risk of injuries related to unrepaired older model vehicles. Further, all dealerships and independent repair facilities could be required to check for, and notify the customer of, any open recalls before returning a vehicle to the customer. This is something we already ask all of our dealers to do.

However, at this time, such requirements do not exist in the United States. So, Honda will continue to work to alert owners about recalls and to encourage owners with an affected vehicle to take immediate action to have their vehicle serviced at their authorized dealership.

At Honda, the founding principle of our company places the highest priority on the quality of our products and the satisfaction of our customers. Now, we are operating with even greater energy and focus to quickly address our customers' needs and concerns and, with every action of our company, dedicating ourselves to honor the relationship we have with our customers.

Again, I very much appreciate the opportunity to appear before the committee today, and now I will be happy to address your questions. Thank you.