

**BUS-L203 Commercial Law**  
**In-Class Exercise: Takata Airbags**

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Purpose: Apply course concepts regarding product recalls to a current example.

Preparation

- 1) Briefly review assigned readings on product recalls
- 2) Divide students into teams (5-6 per team)
- 3) Each team:
  - Review the news articles on Takata Airbag recalls
  - Discuss overall implications for Takata
- 4) Assign a functional role to each team
  - Accounting
  - Finance
  - Marketing
  - Operations
  - Human Resources
  - Purchasing/Procurement
  - Sales
  - Shareholder Relations
  - Legal
  - IT
  - Government Relations

Assignment Task

You are the management team for your assigned function.

- 1) Discuss the implications of the product recall on your function in the organization.
- 2) Answer these questions:
  - a. What immediate decisions/actions do you need to make?
  - b. Who is/are your primary constituent/s, customer/s, audience?
  - c. What message do you need to send to them?
  - d. In 5 words, recommend a course of action for your function in the company.

360 Review/Discussion of the Issues

- 1) Each team shares their answers to the questions.
- 2) Discuss implications on other teams/functions.
- 3) Prioritize actions for the company - write 5-word actions on the board.
- 4) Consider long range implications.
- 5) How can Takata prevent similar problems in the future?
- 6) Reveal and discuss the Epilogue.

# Overview of Product Recalls

4/12/2017

## Product Safety

### Consumer product recalls:

- Voluntary recall option
- Negotiative process
- FTC can order an involuntary recall

## An Indiana Example



- convertible hand truck
- baby crib
- playpens
- bungee baby jumper
- baby wipe warmer
- toddler bed
- car seat
- tandem stroller
- infant swing
- crib mattress
- high chair
- dressers

## CSPC Product Recalls – last 30 days

- Ikea: 1,800 Dackpoel bed: Children, fire hazard
- Delta: Traxx Stroller, Rando Caddy, releasing: Safety seat
- Bauer: 1,000 Poodle, gentle, made, wire: Great an impact
- Corcoran: 8,000 Double, Tandem, Soft leavers: leading to fall
- Binko: 2 Bk: 200,000 window shades, Chromalife: hazard
- Home Depot: 100,000 Hubs, Vertical, Blue Hubs, also: Glass to fall
- Cole Sport: 2,000 TennisRackets, and Tennis, lead paint
- San Pedro: 100: 2,000 mattresses, also, Tammy: hazard
- Linen: 8,000 foldable pajamas, releases: fall: hazard
- Kids pajamas/Tammy's: hazard:
  - 8,000 pr - Green: hazard
  - 20,000 pr - 100%: 100%: hazard
  - 8,000 pr - 100%: hazard
  - 10,000 pr - 100%: hazard
  - 2,000 pr - 100%: hazard

## Product Recalls Often Lead to:



## Takata Airbag News Articles



# Takata Airbag Recall - Everything You Need to Know

## What this recall means to you and what actions you should take

Last updated: March 02, 2017 02:30 PM

Vehicles made by 19 different automakers have been recalled to replace frontal airbags on the driver's side or passenger's side, or both in what NHTSA has called "the largest and most complex safety recall in U.S. history." The airbags, made by major parts supplier Takata, were mostly installed in cars from model year 2002 through 2015. Some of those airbags could deploy explosively, injuring or even killing car occupants. (Look for [details below](#) on what to wait for replacement airbags.)

At the heart of the problem is the airbag's inflator, a metal cartridge loaded with propellant wafers, which in some cases has ignited with explosive force. If the inflator housing ruptures in a crash, metal shards from the airbag can be sprayed throughout the passenger cabin—a potentially disastrous outcome from a supposedly life-saving device. NHTSA has determined the root cause of the problem: airbags that use ammonium nitrate-based propellant without a chemical drying agent. As postulated early on, environmental moisture, high temperatures, and age as associated with the defect that can improperly inflate the airbags and even send shrapnel into the occupant. To date, there have been 11 deaths and approximately 180 injuries due to this problem in the U.S.

Through various announcements, the recall has tripled in size over the past year. It is expected that the inflator recall will impact more than 42 million vehicles in the U.S., with the total number of airbags being between 65 and 70 million.

Visit [www.safercar.gov](http://www.safercar.gov) to check the recall status of your vehicles.



## U.S. Confirms 11th Death Linked to Faulty Takata Airbag Inflator

BY THE ASSOCIATED PRESS

DETROIT — A 50-year-old woman who died after a car wreck last month in California is the 11th U.S. victim of Takata Corp.'s defective air bag inflators.

The National Highway Traffic Safety Administration confirmed the woman's death on Thursday but didn't release her name. Up to five people also may have been killed by the air bags in Malaysia, bringing the number of deaths globally to as many as 16.

The agency said the woman, identified in Riverside County, California, coroner's records as Delia Robles, 50, of Corona, was driving a 2001 Honda Civic. Riverside police said in a statement that a man making a left turn in a Chevrolet pickup truck was hit head-on by the Civic. The woman was rushed to a nearby hospital, where she died from her injuries, the statement said.

"Our thoughts and deepest sympathies are with the family of the driver during this difficult time," Honda said in a statement.

Takata air bags can inflate with too much force, which causes a metal canister to rupture and spew shrapnel into the vehicle. Tokyo-based Takata, unlike other manufacturers, uses the chemical ammonium nitrate to create a small explosion that inflates air bags in a crash.

But the chemical can deteriorate when exposed to prolonged high heat and humidity and can burn faster than designed. That can blow apart a metal canister designed to contain the explosion.

The problem touched off what is now the largest auto recall in U.S. history. More than 69 million inflators have been recalled in the U.S. and more than 100 million worldwide. Takata faces billions in costs.

Honda said the Civic involved in the California crash had been included in multiple recalls since 2008. The company said it mailed more than 20 recall notices to the car's registered owners, but its records indicate the vehicle was never repaired.

Company spokesman Chris Martin said "multiple" notices were sent to the victim's address, but he did not know if she received them. She bought the car at the end of 2015, he said.

In June, NHTSA urged owners of 313,000 older Hondas and Acuras to stop driving them and get them repaired, after new tests found that their Takata inflators are extremely dangerous. The agency said it had data showing that chances are as high as 50 percent that the inflators can explode in a crash. Martin said about 300,000 have not been repaired, and that the owners have been difficult to reach. Just over 1 million Hondas originally had the risky type of inflators.

NHTSA's urgent advisory covers vehicles that are up to 16 years old including 2001 and 2002 Honda Civics and Accords, the 2002 and 2003 Acura TL, the 2002 Honda Odyssey and CR-V, and the 2003 Acura CL and Honda Pilot, NHTSA said. They were recalled from 2008 to 2011, and about 70 percent of them already have been repaired, the agency said.

Honda says it has sufficient supplies of replacement air bags for owners who still need them.

The older the inflators are, and the more time they spend in heat and humidity, the more likely they are to malfunction.

The government urged people to go to [safercar.gov](http://safercar.gov) and enter their vehicle identification number to see if their car or truck is being recalled.

THE ASSOCIATED PRESS

## **U.S. indicts three Takata executives, fines company \$1 billion in air-bag scandal**

By [Steven Overly](#) January 13 The Washington Post

Federal prosecutors brought criminal charges against three Takata executives and fined the Japanese auto-parts maker \$1 billion on Friday for concealing information about faulty air bags, leading to the deaths of several motorists and prompting the largest safety recall in U.S. history.

**Shinichi Tanaka, Hideo Nakajima and Tsuneo Chikaraishi, all of Japan, were indicted** on charges connected to deceiving automobile companies about known defects in order to continue selling products they knew failed safety tests. At the time national recalls began in 2015, Takata was the world's second-largest provider of air bags.

On Friday, the Justice Department announced that **Takata would plead guilty to one count of fraud and pay \$25 million to settle the criminal charge. The company will also pay \$850 million to automakers and \$125 million to those injured as a result of the defect, according to a plea agreement.**

“Automotive suppliers who sell products that are supposed to protect consumers from injury or death must put safety ahead of profits,” U.S. Attorney Barbara McQuade said Friday. “If they choose instead to engage in fraud, we will hold accountable the individuals and business entities who are responsible.”

Takata chief executive Shigehisa Takada issued a statement that the company will continue to work with regulators and automakers to address ongoing recalls. “Takata deeply regrets the circumstances that have led to this situation and remains fully committed to being part of the solution,” the statement said.

The faulty Takata air bags could rupture or explode and propel shrapnel into the vehicle. The defect has been tied to 11 deaths and more than 180 injuries in the United States, according to the National Highway Traffic Safety Administration. NHTSA has recalled more than 64 million air bags, installed in 42 million vehicles made by just about every brand on the market.

Since at least 2000, **Tanaka, Nakajima and Chikaraishi allegedly schemed to hide the fact that at least some of the devices that inflate Takata's air bags did not perform as promised, court documents state. The three men and others at the company deleted unfavorable data and manipulated other information, then signed off on the falsified records** as proof to automakers that the air bags met safety standards, according to the documents.

As the air bags began to fail on the roads, **the three executives and other employees continued to hide the safety test information,** the documents state.

The indictment was initially filed Dec. 7 and unsealed Friday.

All three executives were longtime employees of Takata until their departure in 2015. They held executive-level roles in Japan and the United States that involved regular communication about the design, production and testing of air-bag inflators, according to the indictment, which was filed in U.S. District Court in the Eastern District of Michigan. **They face six counts, including wire fraud and conspiracy to commit wire fraud.**