



Back to Toyota saw threat to Lexus brand and dealers

## Toyota saw threat to Lexus brand and dealers

April 12, 2010

Tony Van Alphen

Toyota Canada faced a threat to its luxury Lexus brand and the survival of dealerships if the automaker did not find a quick solution to a "large number" of complaints concerning hesitation in acceleration in 2004, internal company documents show.

Company officials pressed for an urgent remedy to complaints concerning a lack of response and then abrupt acceleration in the Lexus ES330 sedan during the spring and summer of 2004, according to minutes of an internal meeting labelled "confidential."

"Lexus dealer owners are using the term 'franchise threatening' regarding this issue," said one official in the minutes of the company's "North American technical service strategy" meeting. "These dealers are shielding us from many complaints and buybacks with some hope that we are going to make an improvement soon.

"If they stop trying to take care of customers complaining, the numbers of complaints/buyback will be astronomical."

The minutes of the Toyota meeting in August 2004 and other internal information came to light in a civil lawsuit by a Toronto husband and wife against the company for negligence by selling them an allegedly unsafe, defective car.

Karen and Maurice Stekel of suburban Scarborough sued Toyota, the company's credit arm and a local dealer in 2006 for more than \$1 million in general and special damages after she drove their Lexus ES330 sedan into a tree in Aventura, Fla., on April 21, 2005.

They said in the claim in the Ontario Superior Court of Justice that their four-door sedan "suddenly hesitated and lurched forward" causing her to lose control.

The crash caused extensive damage to the car and injuries to Karen Stekel that left her disabled and unable to perform household chores as she had done, according to the claim, which has not been proven in court.

In a statement of defence, Toyota denied any breach of duty or negligence. The company added that any accident was the result of improper driving; misapplying the brake or accelerator; going too fast or impairment from alcohol, drugs or lack of sleep.

Toyota spokeswoman Sandy Di Felice said Monday the company could not comment further on the claim or documents.

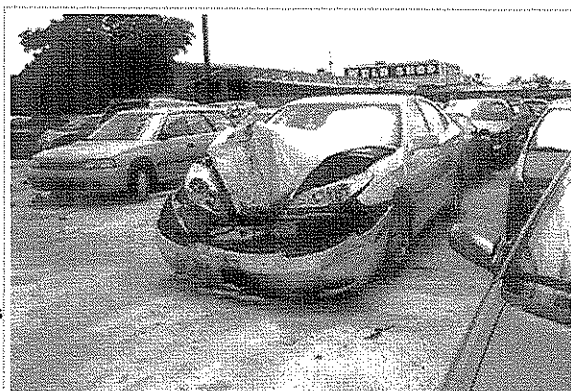
"We are defending the Stekel action and are confident this claim will be judged on its merits," she said.

Di Felice added that the issue of earlier vehicle hesitation could confuse the public with media reports and model recalls earlier this year involving unintended acceleration. Transport Canada has reported no Toyota or Lexus recalls relating to vehicle hesitation in acceleration.

"These are unrelated conditions," she said. "Toyota has investigated the hesitation issue thoroughly. Software updates were introduced that changed the timing the timing to smooth out the transmission shifts. This is a driveability issue, not an unintended acceleration concern."

The Toyota documents, which the company produced during the civil proceedings after requests from the Stekels' lawyers, showed problems with the model's "poor" shifting performance in Canada including "jerking," "hesitation" or a "lurch."

"TCI (Toyota Canada Inc.) does not think that the transmission shift quality on the ES330 is acceptable for the Canadian market," added the report titled "TCI Market Impact Summary."



Karen and Maurice Stekel's Lexus was badly damaged in an April 2005 crash. Karen was seriously hurt.

SUBMITTED PHOTOS

One Toyota official warned that the cost of buybacks because of the problem would be the loss of owner loyalty to other brands.

Toyota indicated in internal documents that it resolved some of the acceleration problems through an update and modifications in computer software.

But another official at the meeting, which included Toyota representatives from the U.S. and Japan, wondered whether the move would work.

"We are coming to the limit (trade-off between shock and hesitation) with the software tuning," the official said in the Aug. 2004 meeting minutes. "There is a need to make countermeasure on hardware for fully effective fix."

Toyota said in one document that technological advances in powertrains caused shifting to "feel strange" for drivers but the software should provide characteristics to "satisfy" most of them.

*With files from Emily Mathieu*