



## Grounding All Recalled Used Vehicles Devalues Consumer Trade-ins

### *Oppose Overbroad Recall Legislation That Creates a “Trade-in Tax” for Consumers (S. 1835)*

#### ISSUE

Sen. Richard Blumenthal (D-Conn.) has introduced legislation that would cripple the used-vehicle market by halting a dealer’s sale of used vehicles under any open recall. The bill, S. 1835, is overbroad because most recalls do not require the drastic step of grounding. Additionally, the bill would create a “trade-in tax” that would instantly devalue a car buyer’s trade-in by grounding recalled vehicles for minor matters, such as a peeling sticker. Finally, S. 1835 would push recalled vehicles into the unregulated private market, making it more difficult to complete recall repairs. **Congress should oppose overbroad recall legislation and instead support initiatives that improve consumer response to vehicle recall notices and increase recall completion rates.**

#### BACKGROUND

Dealers support a 100% recall completion rate. Franchised auto and truck dealers play a vital role in ensuring that recalled vehicles are fixed, since they are authorized to complete manufacturer recall repairs. However, dealers cannot repair vehicles until the manufacturer provides the remedy and parts. Often the manufacturer fix is subject to delays. For example, from 2010 to 2014, the average delay for parts to fix a recalled passenger vehicle was 60 days. Even after the parts become available, vehicle owners must respond to recall notices to complete the recall work.

Additionally, S. 1835 would devalue many consumer trade-ins, making it more difficult for a car buyer to purchase a newer, safer, cleaner vehicle. The bill would also mandate the extreme step of grounding vehicles for such minor matters as an incorrect phone number in the owner’s manual. A study by J.D. Power found that enactment of legislation that was nearly identical to S. 1835 would result in an average “trade-in tax” of \$1,210, with some consumer trade-ins suffering devaluations of up to \$5,000. By devaluing trade-ins and not regulating private sales, vehicle owners would be incentivized to sell their vehicles in the private market, where almost no safety or consumer protections exist. This legislation would make it less likely that recalled vehicles get fixed, and the bill’s proponents have offered no supporting safety analysis – despite an estimated \$1.1 billion cost to consumers.

#### KEY POINTS

- **Overbroad recall legislation, like S. 1835, would make it more challenging for consumers to both trade in their recalled vehicle and afford a newer, safer vehicle.** Due to a lack of replacement parts, it can take months for recalled vehicles to be repaired. Since a used vehicle historically depreciates by an average of 2% per month while sitting idle on a dealer’s lot, this bill would force dealerships to either pay consumers significantly less for trade-ins with open recalls or not accept trade-ins at all.
- **During the Obama administration, the National Highway Traffic Safety Administration took the position that not every recall warrants the vehicle’s immediate grounding.** By grounding all recalled vehicles irrespective of the nature of the recall, S. 1835 would diminish a recalled vehicle’s trade-in value by an average of \$1,210. This would harm many car buyers who rely on their trade-in to make a down payment on a newer vehicle.
- **Unrepaired vehicles will be pushed into the unregulated private market.** S. 1835 incentivizes vehicle owners with devalued trade-ins to sell their vehicles in the private market, making it less likely that recall work will be done in a timely manner, if at all.

#### STATUS

Sen. Blumenthal filed S. 1835 as an amendment to S. 2016, the “Surface Transportation Investment Act.” During Senate Commerce, Science, and Transportation Committee consideration of S. 2016 on June 16, the Blumenthal amendment was not offered or included in the bill. In 2015, the committee rejected a similar Blumenthal amendment. S. 1835 may be offered as an amendment during floor consideration of the Senate transportation bill this summer. There is no companion House legislation. **Congress should oppose any recall grounding amendment to the transportation bill which creates a “trade-in tax” on millions of consumer trade-ins without even guaranteeing that a single additional recalled vehicle gets fixed.**

July 1, 2021