

US gov't accuses Fiat Chrysler of cheating on emissions

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In this Thursday, Nov. 5, 2015, file photo, 2015 Jeep Grand Cherokees appear on display at a Fiat Chrysler dealership in Doral, Fla. On Thursday, Jan. 12, 2017, the U.S. government alleged that Fiat Chrysler Automobiles failed to disclose that software in some of its pickups and SUVs with diesel engines allows them to emit more pollution than allowed under the Clean Air Act. The Environmental Protection Agency said in a statement that it issued a "notice of violation" to the company that covers about 104,000 vehicles, including the 2014 through 2016 Jeep Grand Cherokee and Dodge Ram pickups, all with 3-liter diesel engines. (AP Photo/Alan Diaz, File)

The U.S. government accused Fiat Chrysler on Thursday of failing to disclose software in some of its pickups and SUVs with diesel engines that allows them to emit more pollution than allowed under the Clean Air Act.

The Environmental Protection Agency issued a "notice of violation" to the company that covers about 104,000 vehicles including the 2014 through 2016 Jeep Grand Cherokee and Ram pickups, all with 3-liter diesel engines. The California Air Resources Board took similar action.

"Failing to disclose software that affects emissions in a vehicle's engine is a serious violation of the law, which can result in harmful pollution in the air we breathe," said Cynthia Giles, EPA assistant administrator for enforcement and compliance.

Fiat Chrysler CEO Sergio Marchionne denied any wrongdoing, saying the EPA was blowing the issue out of proportion. "We have done in our view nothing that is illegal," he said Thursday on a conference call. "We will defend our behavior in the right environment."

Marchionne said he was told by company lawyers that the Justice Department is investigating the company in concert with the EPA, raising the likelihood of an ongoing criminal probe. He said the company halted production of Grand Cherokees and Rams with diesel engines in September, but will continue to sell models manufactured before then that are still on dealers' lots.

The company said it intends to present its case to the incoming Trump administration. "We will work with the new leadership to get this issue through," Marchionne said.

A spokesman for President-elect Trump did not immediately respond to a request for comment. The White House said Thursday that EPA makes

enforcement decisions independently and that outgoing President Barack Obama wasn't involved in the decision to cite the company.

If found liable, Fiat Chrysler could face more than \$4.5 billion in potential fines for violations of the Clean Air Act.



In this Jan. 5, 2015, file photo, Ram pickup trucks are on display on the lot at Landmark Dodge Chrysler Jeep RAM in Morrow, Ga. On Thursday, Jan. 12, 2017, the U.S. government alleged that Fiat Chrysler Automobiles failed to disclose that software in some of its pickups and SUVs with diesel engines allows them to emit more pollution than allowed under the Clean Air Act. The Environmental Protection Agency said in a statement that it issued a "notice of violation" to the company that covers about 104,000 vehicles, including the 2014 through 2016 Jeep Grand Cherokee and Dodge Ram pickups, all with 3-liter diesel engines. (AP Photo/John Bazemore, File)

EPA said it will continue to investigate the "nature and impact" of the

eight software functions identified through an intensive testing program launched after Volkswagen was caught in a 2015 cheating scandal involving its "Clean Diesel" line of vehicles. Regulators were not yet defining the software found in the Fiat Chrysler vehicles as so-called "defeat devices" intended to cheat on government emissions tests.

However, the agency said that numerous discussions with Fiat Chrysler over the past year had not produced any suitable explanation for why the company had failed to disclose the software, which regulators said caused the vehicles to emit less pollution during testing than during regular driving.

"This is a clear and serious violation of the Clean Air Act," Giles said. "When companies break the law, Americans depend on EPA to step in and enforce."

On Thursday California regulators also announced they were citing Fiat Chrysler for 11 violations under that state's strict air quality standards.

Fiat Chrysler said in a statement that its emissions control systems "meet the applicable requirements" and that it spent months giving information to the EPA to explain its emissions technology and proposed a number of actions including software changes to address the agency's concerns.

Regulators said owners of the affected models do not yet need to take any action and that they should continue driving their vehicles.

Fiat Chrysler shares tumbled 20 percent \$9.12 Thursday morning as the EPA action was reported, wiping out about \$3 billion of the company's market value. The shares recovered a bit to \$9.91 by early afternoon but still were down nearly 11 percent.

Shares of Cummins Inc. also fell just over 2 percent to \$137.59. Though

the company manufactures some diesel engines for Fiat Chrysler, the company said Thursday it did not make the engines in the Jeep and Ram models cited by the EPA.



In this Tuesday, May 6, 2014, file photo, a vehicle moves past a sign outside Fiat Chrysler Automobiles world headquarters in Auburn Hills, Mich. On Thursday, Jan. 12, 2017, the U.S. government alleged that Fiat Chrysler Automobiles failed to disclose that software in some of its pickups and SUVs with diesel engines allows them to emit more pollution than allowed under the Clean Air Act. The Environmental Protection Agency said in a statement that it issued a "notice of violation" to the company that covers about 104,000 vehicles, including the 2014 through 2016 Jeep Grand Cherokee and Dodge Ram pickups, all with 3-liter diesel engines. (AP Photo/Carlos Osorio, File)

The announcement comes one day after Fiat rival Volkswagen pleaded guilty in federal court to criminal charges related to widespread cheating

involving emissions tests, agreeing to pay a record \$4.3 billion penalty. Six high-ranking VW executives have been charged in the scandal, which prompted a nationwide recall of more than a half-million affected cars and SUVs.

In the Volkswagen case, prosecutors alleged that top officials at the company approved of the cheating scheme, repeatedly lied to U.S. regulators and then orchestrated a mass attempted cover-up that included deleting computer files and emails.

EPA regulators made no such allegations against Fiat Chrysler on Thursday, though they said their investigation is in the early stages and is ongoing.

This isn't the first time the company has run afoul of a federal agency. In 2015, Fiat Chrysler was slapped with \$175 million in penalties by the National Highway Traffic Safety Administration for mishandling recalls and failing to report safety data.

Marchionne, who clearly was agitated on a conference call with reporters, expressed confidence that the EPA will find no evidence of an illegal "defeat device" in the Jeeps and Rams. He said some of the computer software on the engines was not disclosed because it's standard among automakers and disclosure wasn't previously required. But he said the EPA changed the rules after the Volkswagen case.

Marchionne said there is no comparison between his company and VW because there was no intent by Fiat Chrysler to deceive the EPA or cheat on emissions tests.

"There's not a guy in this house that would even remotely attempt to try something as stupid as that," he said. "And if I found a guy like that I would have hung him on a door."

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