

U.S. Charges Chrysler with Diesel Emissions Cheating

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Fiat Chrysler Automobiles NV was accused of violating pollution laws with 104,000 diesel vehicles, sending the shares plunging on the prospect the automaker may follow Volkswagen AG in facing billions of dollars in fines.

The Environmental Protection Agency alleged Fiat Chrysler put software in Jeep Grand Cherokee and Ram 1500 models that allows them to exceed pollution limits. The EPA stopped short of calling the software a “defeat device” but said the carmaker failed to disclose their use. Fiat Chrysler said it meets all applicable regulatory requirements and will work with President-elect Donald Trump’s administration to contest the allegations.

Fiat Chrysler becomes the second automaker in less than three years the EPA has accused of violating the law by using software to pass laboratory emissions tests. Volkswagen, which admitted to using defeat devices in September 2015, [agreed Wednesday to pay a \\$4.3 billion fine](#), boosting the cost of the scandal to about 20.5 billion euros (\$21.9 billion).

Fiat Chrysler’s case is “completely different” from Volkswagen’s, Chief Executive Officer Sergio Marchionne said in a call with reporters Thursday. He called the timing of the EPA’s notice of a violation “very strange” and said the Italian-American automaker rescued by the Obama administration in 2009 had discussed emissions with the EPA for more than a year.

“I am really ticked off,” Marchionne said. Fiat Chrysler fell as much as 18 percent, the biggest intraday drop since the stock began trading in October 2014. The shares pared losses after the CEO’s conference call, trading down 10 percent to \$9.95 as of 4:15 p.m. in New York.

Fiat Chrysler’s alleged violations could result in fines of as much as \$44,539 per vehicle, Cynthia Giles, the EPA’s enforcement chief, said Thursday. The total potential penalty could be as much as \$4.6 billion, based on the cost per vehicle and the number of 2014 through 2016 model year SUVs and trucks. When the EPA first revealed Volkswagen’s wrongdoing in September 2015, the company faced punishment of up to \$18 billion.

‘Clear Violation’

“Our meetings with Fiat Chrysler to date have not produced a viable explanation” for the software, Giles said during a conference call the EPA hosted with reporters. “This is a clear violation of the Clean Air Act.”

New York Attorney General Eric Schneiderman said his office will investigate the EPA’s claims against Fiat Chrysler, saying in a statement he was “deeply troubled” and would work with state and federal partners.

Fiat Chrysler plans to work with the Trump administration to “present its case and resolve this matter fairly and equitably,” the automaker said in a statement.

The company’s bonds also fell. Its \$1.47 billion of 5.25 percent coupon notes due in 2023 sank 4 cents to 99.7 cents at 11:19 a.m. in New York, according to Trace, the bond-price reporting system of the Financial Industry Regulatory Authority. That’s the biggest decline since the notes were sold in July 2015.

Enhanced Testing

The EPA says it discovered Fiat Chrysler's allegedly illegal software while conducting enhanced testing of other diesel vehicles in the wake of Volkswagen's scandal. The agency said it's now up to Fiat Chrysler to demonstrate the software was not a defeat device.

"Chrysler's alleged misbehavior — rigging its trucks, VW-like, to increase pollution of our lungs and lying about it — is appalling," Dan Becker, director of the Safe Climate Campaign, said in an e-mailed statement.

The EPA's violation notice said Fiat Chrysler's diesel engine system had eight control devices changing the emissions of the vehicles under certain conditions that the company didn't disclose.

Not all such systems are cheat devices like Volkswagen used, according to John German, senior fellow at the International Council on Clean Transportation, a Washington-based non-profit that conducts technical and scientific analysis. ICCT played a central role in exposing Volkswagen's cheat devices.

Devices Allowed

The government allows control devices, but they can't be used to change emissions to meet testing requirements and they must be disclosed, German said.

"The EPA is still investigating whether these are cheat devices," he said in a phone interview. "VW got hit hard because they lied, covered it up and didn't have a fix."

Marchionne said he presumes the U.S. Justice Department also is investigating the company. Fiat Chrysler's software wasn't used to bypass emissions tests or operate differently during evaluations than in real-world use, he said, calling such allegations "absolute nonsense."

"This software doesn't look for anything," he said. "It just runs."

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