U.S. Announces $94 Million Clean Air Act Settlement with Chrysler Over Emission Control Defects on 1.5 Million Jeep and Dodge Vehicles

Release date: 12/21/2005

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DOJ, 202-514-2007

(Washington, D.C.-Dec. 21, 2005) The United States has reached a settlement with DaimlerChrysler Corporation (Chrysler) to repair defective emission controls on nearly 1.5 million Jeep and Dodge vehicles from model years 1996 through 2001, the Justice Department and the Environmental Protection Agency (EPA) announced today. The agreement also settles allegations that the company violated the Clean Air Act (CAA) by failing to properly disclose defective catalytic converters installed on the affected vehicles. In settlement, Chrysler has agreed to:

· Extend the warranty on the catalytic converters installed on approximately 700,000 of the vehicles involved, and for another 300,000 vehicle owners, send notification of the catalytic converter problem which will be covered under the original emissions system warranty under the CAA;
· Recall approximately 500,000 of the vehicles to fix a separate defect in the on-board diagnostic (OBD) system installed on the vehicles and to check the catalytic converters on the recalled vehicles; and
· Implement enhanced emission-related defect reporting procedures.

The total estimated cost to Chrysler to implement the settlement is $90 million. In addition, Chrysler will pay penalties of $1 million and will spend at least $3 million to implement a supplemental environmental project to reduce emissions from diesel engines currently in use, making this the largest settlement yet for an emission-related defect reporting case. Chrysler will pay another $1 million to California as part of a parallel administrative settlement agreement with the California Air Resources Board (CARB), and will provide similar remedies for California-certified vehicles with the catalyst or OBD defects.

"Auto makers' prompt and full disclosure of emission-system defects to EPA is critical to ensuring that vehicles on the road comply with the Clean Air Act, and to protecting the enormous progress we have made toward reducing vehicle emissions," said Sue Ellen Wooldridge, assistant attorney general for the Justice Department's Environment and Natural Resources Division. "The settlement announced today underscores the Justice Department's commitment to enforcing the Act's disclosure requirements."

Today's lawsuit is the result of a joint EPA-CARB investigation of Chrysler's 1996 through 2001 Cherokees, Grand Cherokees, Wranglers, Dakota trucks, and Ram vans, wagons, and pickup trucks. The investigation disclosed that a significant percentage of the vehicles experience excessive deterioration or failure of the catalytic converter. The catalytic converter is a device installed in the exhaust system of an internal combustion engine to control emissions and reduce pollutants, including hydrocarbons, carbon monoxide, and oxides of nitrogen.

The deterioration of the catalytic converters in the named models results from a design defect in the original converter installed on each of the vehicles. As a result of this design defect -- in some of the identified Chrysler vehicles -- the internal components of the
converter move around excessively, causing the device's ceramic core to break up. The result is that the catalytic converter loses its ability to treat harmful pollutants. Most owners experience a rattling noise from the underside of their vehicle as the catalytic converter deteriorates. The EPA-CARB investigation also disclosed that the OBD system installed on certain of the 1996, 1997, and 1998 model year vehicles -- which should have detected the catalytic converter problem and illuminated the dashboard "check engine" light -- may not function properly, leaving some owners unaware of the problem.

"Cleaner cars require emissions control systems that work, and prompt measures to fix emission-related defects when they occur," said Phyllis Harris, EPA's principal deputy assistant administrator for the Office of Enforcement and Compliance Assurance. "This case demonstrates EPA's commitment to ensuring that automobile manufacturers comply with their emission-defect reporting and emission system obligations under the Clean Air Act."

"To achieve the benefits envisioned by the Clean Air Act, emission controls must operate effectively and be durable for the life of the vehicles on the road," said Bill Wehrum, EPA's acting assistant administrator for Air and Radiation. "This settlement will enable hundreds of thousands of vehicle owners to repair defective emission control systems at no cost, resulting in cleaner vehicles and cleaner air for the public."

Under the settlement, Chrysler will notify approximately 700,000 owners of certain 1996-1999 model year Jeeps, Dodge Ram, and Dodge Dakota vehicles, that the catalytic converter warranty on their vehicles is being extended to 10 years or 120,000 miles. All of these vehicles will also be covered for at least one year without mileage limitation, and for 2 years if the vehicle fails a state emissions inspection due to a defective original equipment catalytic converter. An extended catalytic converter warranty will also be provided to 6,100 non-California model year 2000 heavy-duty Dodge Ram trucks to cover them for at least 12 months without mileage limitation.

Chrysler will also send notices to approximately 300,000 owners of the affected vehicles informing them of the potential catalytic converter failure and reminding them that their original catalytic converters are still covered by the original 8-year/80,000-mile warranty. Owners of the remaining 500,000 vehicles will receive a recall notice for repair of the defective OBD system on their vehicles. For those recalled vehicles, the catalytic converter will be inspected and repaired if found to be defective.

Chrysler will also establish procedures to reimburse owners of vehicles covered by the settlement's extended warranty or recall provisions who, before receiving Chrysler's notice of the remedial measures announced today, paid out of their own pockets for the repair or replacement of a defective original equipment catalytic converter.

The proposed consent decree is subject to a 30-day public comment period and final court approval. A copy of the consent decree is available at: [http://www.usdoj.gov/enrd/open.html](http://www.usdoj.gov/enrd/open.html) and [http://epa.gov/compliance/resources/cases/civil/CAA/daimlerchrysler.html](http://epa.gov/compliance/resources/cases/civil/CAA/daimlerchrysler.html) For more information on EPA's on-road vehicle and engine emissions programs see: [http://www.epa.gov/otaq/hwy.htm](http://www.epa.gov/otaq/hwy.htm)

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