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House Panel Slams Toyota

Company Says U.S. Grand Jury, SEC Seek Documents

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By KATE LINEBAUGH And JOSH MITCHELL



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Reuters

Toyota Motor Corp's Prius

WASHINGTON—U.S. lawmakers said Toyota Motor Corp. made misleading public statements about its recent recalls, and added the Japanese auto maker has resisted the possibility that electronic defects could cause sudden acceleration in its vehicles.

Separately Monday, Toyota said it has received subpoenas from a U.S. grand jury and the Securities and Exchange Commission, both requesting documents related to unintended acceleration and the braking system of its Prius hybrid.

The House Energy and Commerce Committee, in a letter to the head of Toyota's U.S. sales arm, Jim Lentz, said documents "show that Toyota consistently dismissed the possibility that electronic failures could be responsible for incidents of sudden acceleration."

The committee sent a separate letter to Transportation Secretary Ray LaHood raising concerns that federal safety regulators "lack the expertise needed to evaluate defects in vehicle electronic controls."

In addition, the committee said the National Highway Traffic Safety Administration's response to complaints of unintended acceleration in Toyota vehicles "appears to have been seriously deficient." The committee said that NHTSA "has conducted only cursory and ineffective investigations" into the sudden-acceleration issues.

A Toyota spokeswoman said Monday the company is reviewing the letter from the Energy and Commerce Committee and will cooperate with the panel's inquiry.

The letters come on the eve of a congressional hearing to examine consumer complaints of sudden acceleration at which both Mr. Lentz and Mr. LaHood will testify. The hearing Tuesday will be the first of several called in the wake of a string of Toyota recalls affecting more than 6.5 million U.S. vehicles. The congressional committees will examine how Toyota and the government addressed the company's safety issues.

In the letter to Mr. Lentz, the committee said that safety regulators informed Toyota in June 2004 that Toyota Camrys with electronic throttle controls had 400% more complaints relating to vehicle speed than those with manual controls. "Despite these warnings, Toyota appears to have conducted no systematic investigation" into electronic defects, the letter said.

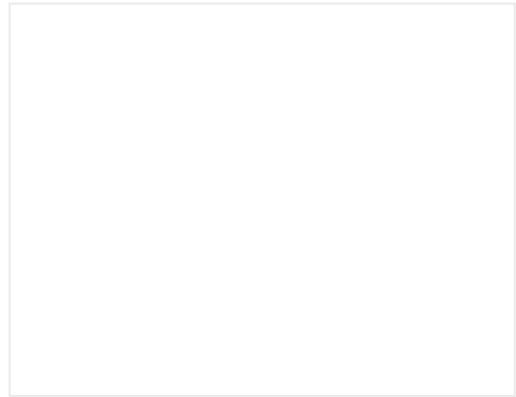
In public statements after a January recall of 2.3 million vehicles for sticky accelerators, Toyota's Mr. Lentz appeared on television stating that the company was "very confident" that a proposed repair "is going to stop what's going on," according to the letter.

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Subsequently, in private conversations Toyota said the sticky gas pedal problem was not associated with sudden high speed acceleration. The committee noted that 70% of the complaints Toyota received about sudden acceleration involved vehicles that are not subject to the company's two massive recalls aimed at addressing the issue.

In the matter of the subpoenas, Toyota said it intends to cooperate with the investigations and is preparing its responses to the requests.



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A person familiar with the matter said the securities-fraud unit of the U.S. attorney's office is handling the investigation but declined to say anything further.

The securities-fraud unit brings cases involving violations by public companies, including improper disclosures or misleading statements made to investors, among other things.

The U.S. attorney's office sometimes issues subpoenas in order to be the primary criminal investigator on high-profile cases should any evidence emerge.

Toyota said the subpoena was issued by a federal grand jury in the Southern District of New York on Feb. 8.

The company said that on Feb. 19 it received a voluntary request and a subpoena from the Los Angeles office of the SEC seeking documents related to the sudden acceleration issue and the company's disclosure policies and practices.

The disclosure of a grand-jury investigation is the latest blow to Toyota, which has been under intense scrutiny for its safety track record.

The U.S. Department of Transportation is investigating whether to seek civil penalties against the company for failing to comply with regulations governing safety recalls.

A spokesman for Theodore Hester, a King & Spalding attorney who is representing Toyota at congressional hearings this week, said he declined to comment on the subpoenas. The law firm doesn't issue comments on clients' issues as a matter of policy, according to the spokesman.

Documents released Sunday show Toyota officials basked in their success in lobbying federal safety officials in 2007 to limit a recall tied to sudden-acceleration complaints to just 55,000 vehicles, saving the company \$100 million, according to an internal document obtained by a congressional committee.

The company blamed incidents on all-weather floor mats, instead of a potentially more costly defect with the car itself.

The documents also list among "wins" NHTSA's decision to close safety investigations of the Toyota Tacoma truck without ordering recalls, and delays to new safety rules that saved the company hundreds of millions of dollars.

Toyota said in a statement Sunday: "Our first priority is the safety of our customers and to conclude otherwise on the basis of one internal presentation is wrong." Toyota has said it is overhauling the company's corporate culture to ensure that safety is a top priority and to improve communication between its Japanese headquarters and its U.S. operations.

—Dionne Searcey contributed to this article.

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