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MASS. LEMON LAW RETURNS ANOTHER \$6.4 MIL TO CONSUMERS

Secretary of Consumer Affairs and Business Regulation Mary Ann Walsh today released statistics that show the state's four-year-old new car lemon law continues to provide consumers with multi-million dollar refunds annually through a combination of state hearings and case settlements.

Figures for 1989 reveal that consumers who purchased defective new automobiles obtained \$1.9 million in refunds through the state-run arbitration program, and an estimated \$4.5 million in refunds from manufacturers who settled claims prior to arbitration. Since its inception, the program has returned an estimated \$23 million to consumers in refunds and replacements.

"The law is now working so well that almost half of the consumers who are accepted into the program don't have to fight to get their money back--their cars are bought back voluntarily, without having a hearing," said Walsh. "Settlements like these are good news for consumers who find themselves in the uncomfortable position of owning a lemon."

As part of the case statistics, the state released its annual "lemon index" comparing the complaint rates of various car manufacturers. The lemon index shows how many more or fewer complaints involving particular manufacturers are accepted for arbitration compared to the manufacturer's market share. A company selling 20 percent of the cars might be expected to have 20 percent of the complaints, and thus a lemon index of zero or "average." If, however, it had 30 percent of the complaints, its lemon index would be +50 percent. A high lemon index may mean a manufacturer is either

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producing more than its share of allegedly defective automobiles, or is not settling enough consumer complaints before consumers seek arbitration, or both. The lemon index is based on the number of complaints screened and accepted for hearing, not on the outcome of those complaints.

Topping the list in 1989 was Sterling, with a lemon index of +991 percent, meaning it had almost 11 times the "expected" number of complaints. (Sterling sold 160 cars in Massachusetts in 1989 and had two lemon law cases.) Yugo ranked second with a lemon index of +396 percent---nearly five times the expected number of cases. Both Sterling and Yugo settled all their cases prior to hearing.

"Consumers should remember that although the chances of getting a problem car vary by manufacturer, on average, fewer than one in a thousand cars is the subject of a lemon law hearing," said Walsh. "Therefore, when shopping for a new car, consumers should not rely solely on the lemon index, but should consult Consumer Reports and other product evaluation resources, as well as seek the recommendations of knowledgeable friends."

On the good end of the lemon index--the negative ratings--were Honda with 91 percent fewer complaints than average (only one out of nearly 10,000 Hondas sold was subject of a lemon law hearing); and Audi, Porsche, Suzuki, and Range Rover with no complaints filed at all.

Ford topped the ranking of the big three U.S. car makers by continuing to surpass its competition with a lemon index of -51 percent (51 percent fewer complaints than average), compared to Chrysler's +48 percent (48 percent more complaints than average), and General Motors' +55 percent.

GM's complaint rate would have been higher, but for a company decision in the second half of 1989 to experiment by offering settlements to most consumers, and to change its three-year-old practice of employing "high-powered" lawyers to challenge most consumers' claims throughout the arbitration process. Overall in 1989, GM settled 52 percent of its cases accepted for arbitration compared to only 37 percent in 1988. GM's settlement rate for new cases received from July through December 1989 was 88 percent, compared to only 35 percent for the first half of that year. GM's shift toward settling cases is further demonstrated by a 62 percent drop in GM customers requesting arbitration hearings during 1989. The lemon law program logged an average of 29 GM cases a month prior to July 1989, compared to only 11 a month in the second half of 1989.

"I applaud all car makers who have become more consumer-oriented and are voluntarily buying back problem vehicles," commented Walsh. "I think manufacturers are realizing that if they satisfy a consumer's complaint early, they are more likely to keep that person as a customer."

The arbitration program received 550 requests for hearings in 1989. Consumers won 52 percent of the cases heard, and manufacturers won 48 percent. As manufacturers continue to settle more cases before hearing--47 percent were settled in 1989--the consumer's chances of winning at the actual arbitration have continued to narrow to the current level from a high of 66 percent in 1986.

The lemon law requires a manufacturer to refund or replace any new vehicle which remains substantially impaired in use, market value, or safety after it has undergone a reasonable number of repair attempts: three times for the same defect, or 15 business days out of service for any combination of defects; plus one final manufacturer's repair attempt of seven business days. Consumers who do not receive a voluntary refund after these requirements have been met can apply to Walsh's office for arbitration. Arbitration hearings are conducted by the American Arbitration Association, under contract with Consumer Affairs.

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See attached charts.

LEMON INDEX (1989)
(NUMBER OF CASES ACCEPTED COMPARED TO MARKET SHARE)

	<u>LEMON INDEX</u>	<u>MANUFACTURER</u>
HIGHER	+991%	STERLING
COMPLAINT RATE	+396%	YUGO
	+177%	PEUGEOT
	+102%	SAAB
	+55%	GENERAL MOTORS TOTAL
	+55%	VOLKSWAGEN
	+52%	BMW
	+48%	CHRYSLER
	+40%	ISUZU
	+29%	HYUNDAI
	+26%	JAGUAR
	+23%	MITSUBISHI
	0%	'AVERAGE'
	-14%	MAZDA
	-28%	SUBARU
	-51%	FORD
	-51%	MERCEDES BENZ
	-57%	VOLVO
	-72%	TOYOTA
	-74%	NISSAN
	-74%	ACURA
	-91%	HONDA
	-100%	AUDI
	-100%	PORSCHE
LOWER	-100%	SUZUKI
COMPLAINT RATE	-100%	RANGE ROVER

NOTE: The lemon index indicates whether the number of arbitration cases accepted against a manufacturer is greater than or less than its market share of new cars and trucks. A manufacturer which sells 10% of the cars, would be expected to have 10% of the lemon law cases. If however, it had 15% of the lemon law cases, that company's lemon index would be +50%. On the other hand, if the same manufacturer only had 5% of all cases accepted into the arbitration program, its lemon index would be -50%.

A high lemon index may mean that a manufacturer is either producing more than its share of allegedly defective automobiles, or is not settling enough consumer complaints before consumers seek arbitration, or both.

**LEMON LAW ARBITRATION CASELOAD VS. MARKET SHARE (1989)
(NEW CARS AND TRUCKS)**

MANUFACTURER	LEMON MARKET SHARE		CASES ACCEPTED		
	INDEX	#	%	#	%
ALFA ROMEO		50	0.01%	2	0.5%
STERLING	991%	160	0.04%	2	0.5%
YUGO	396%	176	0.05%	1	0.2%
PEUGEOT	177%	315	0.08%	1	0.2%
SAAB	102%	2,588	0.69%	6	1.4%
GEN. MOTORS TOTAL	55%	113,596	30.49%	202	47.3%
VOLKSWAGEN	55%	7,316	1.96%	13	3.0%
BMW	52%	1,719	0.46%	3	0.7%
CHRYSLER	48%	55,407	14.87%	94	22.0%
ISUZU	40%	3,752	1.01%	6	1.4%
HYUNDAI	29%	7,412	1.99%	11	2.6%
JAGUAR	26%	694	0.19%	1	0.2%
MITSUBISHI	23%	2,836	0.76%	4	0.9%
MAZDA	-14%	7,119	1.91%	7	1.6%
SUBARU	-28%	6,087	1.63%	5	1.2%
FORD	-51%	84,013	22.55%	47	11.0%
MERCEDES BENZ	-51%	1,788	0.48%	1	0.2%
VOLVO	-57%	4,056	1.09%	2	0.5%
TOYOTA	-72%	31,369	8.42%	10	2.3%
NISSAN	-74%	16,715	4.49%	5	1.2%
ACURA	-74%	3,385	0.91%	1	0.2%
HONDA	-91%	19,329	5.19%	2	0.5%
AUDI	-100%	1,253	0.34%	0	0.0%
PORSCHE	-100%	233	0.06%	0	0.0%
SUZUKI	-100%	1,007	0.27%	0	0.0%
RANGE ROVER	-100%	147	0.04%	0	0.0%
MISC. DOMESTIC		28	0.01%	0	0.0%
MISC. IMPORTS		15	0.00%	0	0.0%
FERRARI		10	0.00%	0	0.0%
ROLLS ROYCE		7	0.00%	0	0.0%
BENTLEY		4	0.00%	0	0.0%
MASERATI		0	0.00%	1	0.2%
TOTAL		372,586	100.00%	427	100.0%

NOTE: LEMON INDEX IS THE PERCENTAGE OF CASES ACCEPTED DIVIDED BY THE PERCENTAGE OF MARKET SHARE MINUS ONE. THE RESULTING PERCENTAGE INDICATES VARIANCE OF CASELOAD FROM MARKET SHARE.

MARKET SHARE IS BASED ON MASSACHUSETTS REGISTRATIONS OF NEW CARS AND TRUCKS UNDER 10,000 LBS. FROM 1-1-89 TO 12-31-89, ACCORDING TO R.L. POLK & COMPANY. LEMON INDEX CALCULATED ONLY FOR MANUFACTURERS WITH AT LEAST 100 REGISTRATIONS. CASES ACCEPTED INCLUDE SOME CASES RECEIVED IN 1988, AND CAN INCLUDE SOME CARS SOLD PRIOR TO 1989. ONE MOTORCYCLE CASE WAS RECEIVED IN 1989, BUT IS NOT INCLUDED.

**LEMON LAW ARBITRATION CASELOAD VS. MARKET SHARE (1989)
(NEW CARS AND TRUCKS)**

MANUFACTURER	LEMON	MARKET SHARE		CASES ACCEPTED	
	INDEX	#	%	#	%
GM PONTIAC	114%	16,727	4.49%	41	9.6%
GM CHEVROLET	84%	54,646	14.67%	115	26.9%
GM CADILLAC	26%	5,534	1.49%	8	1.9%
GM BUICK	10%	12,733	3.42%	16	3.7%
GM TRUCK & COACH	-5%	7,360	1.98%	8	1.9%
GM OLDSMOBILE	-26%	16,594	4.45%	14	3.3%
GM LOTUS		2	0.00%	0	0.0%
TOTAL		113,596	30.49%	202	47.3%

LEMON LAW ARBITRATION CASE DISPOSITION *
1989

MANUFACTURER	CASE DECISIONS					
	CASES WITHDRAWN		CONSUMERS		MANUFACTURERS	
	#	%	#	%	#	%
ALFA ROMEO	1	50%	1	100%	0	0%
STERLING	2	100%	0	0%	0	0%
YUGO	1	100%	0	0%	0	0%
PEUGEOT	0	0%	1	100%	0	0%
SAAB	3	50%	1	50%	1	50%
GEN. MOTORS TOTAL	106	52%	63	58%	45	42%
VOLKSWAGEN	6	46%	7	100%	0	0%
BMW	1	33%	0	0%	2	100%
CHRYSLER	47	50%	26	46%	30	54%
ISUZU	1	17%	3	60%	2	40%
HYUNDAI	2	18%	2	22%	7	78%
JAGUAR	0	0%	0	0%	1	100%
MITSUBISHI	0	0%	2	50%	2	50%
MAZDA	3	43%	2	50%	2	50%
SUBARU	0	0%	4	80%	1	20%
FORD	25	53%	9	39%	14	61%
MERCEDES BENZ	0	0%	1	100%	0	0%
VOLVO	1	50%	0	0%	1	100%
TOYOTA	3	30%	3	43%	4	57%
NISSAN	0	0%	1	20%	4	80%
ACURA	0	0%	1	100%	0	0%
HONDA	0	0%	1	50%	1	50%
AUDI	0	0%	0	0%	0	0%
PORSCHE	0	0%	0	0%	0	0%
SUZUKI	0	0%	0	0%	0	0%
RANGE ROVER	0	0%	0	0%	0	0%
MISC. DOMESTIC	0	0%	0	0%	0	0%
MISC. IMPORTS	0	0%	0	0%	0	0%
FERRARI	0	0%	0	0%	0	0%
ROLLS ROYCE	0	0%	0	0%	0	0%
BENTLEY	0	0%	0	0%	0	0%
MASERATI	0	0%	0	0%	1	100%
TOTAL	202	47%	128	52%	118	48%

* IN ADDITION TO CASES WITHDRAWN, OTHER CASES ARE AWAITING HEARINGS, ARE INCOMPLETE (AWAITING FURTHER DOCUMENTATION), OR ARE DENIED (INELIGIBLE FOR ARBITRATION). SOME CASES ACCEPTED IN 1988 WERE NOT HEARD UNTIL 1989, BUT ARE REFLECTED IN THE CASE DECISIONS STATISTICS.

LEMON LAW ARBITRATION CASE DISPOSITION
1989

MANUFACTURER	CASES WITHDRAWN		CASE DECISIONS			
	#	%	CONSUMERS		MANUFACTURERS	
	#	%	#	%	#	%
GM PONTIAC	22	54%	11	52%	10	48%
GM CHEVROLET	60	52%	41	63%	24	37%
GM CADILLAC	4	50%	1	25%	3	75%
GM BUICK	10	63%	5	63%	3	38%
GM TRUCK & COACH	1	13%	2	40%	3	60%
GM OLDSMOBILE	9	64%	3	60%	2	40%
GM LOTUS	0	0%	0	0%	0	0%
TOTAL	106	52%	63	58%	45	42%