

April 7, 2011

Legal Department
600 Corporate Park Drive
St. Louis, MO 63105
314.512.5000 p
314.512.5823 f
enterprise.com

Jennifer T. Timian, Esq.
Chief, Recall Management Division
Office of Defects Investigation
National Highway Traffic Safety Administration
1200 New Jersey Ave., S.E.
Washington, DC 20590

Via FedEx and e-mail

Re: AQ10-001: Rental Vehicle Audit Query

Dear Ms. Timian:

On behalf of Enterprise Holdings, Inc., I am providing this response to your letter of March 17 of this year, concerning the above referenced audit query. Enterprise Holdings is the parent company of 37 subsidiaries operating throughout the United States which rent vehicles to the public under the brand names Enterprise, National and Alamo. The National and Alamo brands were acquired August 1, 2007. Although our operating subsidiaries are responsible for most of their own activities, recall notices are handled under a policy adopted by the parent company and all of our subsidiaries. Accordingly, I am responding on behalf of Enterprise Holdings, Inc., and its subsidiaries. For clarity, I will refer to these entities collectively as "Enterprise."

Enterprise appreciates the opportunity to respond to the questions posed in your letter of March 17 and to assist NHTSA in understanding the manner in which Enterprise responds to recall notices. We are confident that your examination of the facts will lead you to conclude our policy and practices in this area are appropriate. We are also appreciative of the fact that you have agreed to schedule a meeting with us on April 19, 2011. That will enable us to answer any other questions you have and assist you in gaining a complete understanding of how these matters are being addressed by Enterprise.

Similarly, we are hopeful that our responses below will lead to a more accurate understanding among all stakeholders of how Enterprise is handling this important issue.

Question 1 – Does Enterprise have a policy or procedure on having repairs and other remedies pursuant to U.S. Vehicle safety recalls performed on vehicles within its fleet? If so, please describe in detail that policy or procedure and produce a copy of it. To the extent that the policy or

procedure has changed over the past three (3) years, please identify and explain: (a) what changes were made; (b) why they were made; and (c) when the changes were made.

Answer: Enterprise's policy is to have vehicles in its fleet which are subject to a manufacturer's recall notice inspected and/or repaired as recommended by the manufacturer's notice. Our policy also contains the following additional elements:

- a) When we receive a recall notice from a manufacturer, we will not re-rent that vehicle until all repairs are completed. The only exception to this is explained in Section d below.
- b) Further, in any case where a manufacturer recommends that a recalled vehicle not be driven we not only stop renting such vehicles but we also attempt to contact customers already in those vehicles to provide them a replacement as quickly as possible.
- c) Some customers who are "long-term renters" expect to have possession of the vehicle for longer than thirty (30) days. In such instances we notify them in writing and often by telephone and offer a substitute vehicle. We may also instruct them on having the recall work done at an authorized dealer.
- d) A committee of senior executives of the parent company, including the executives responsible for vehicle maintenance and repair, evaluates recall notices. If the committee is confident that we can continue to safely rent the vehicle, we may rent the vehicle prior to the recall work being completed. However, our policy is still to have such work done as quickly as possible. This decision is made on a very conservative basis and in most cases we do not continue to rent such vehicles even though the manufacturer and NHTSA are not advising owners to stop allowing their vehicles to be operated until the recall work is completed. An example of a vehicle we continued to rent pending completion of the recall remedy would be the initial Toyota pedal entrapment recalls. Toyota recalled hundreds of thousands of its cars because of a risk of accelerator pedal entrapment by the driver's floor mat. A procedure and parts to permanently address the problem were not available until months after the problem was identified. In the interim, Toyota advised all owners that the car could be safely operated by removing the floor mat pending a permanent remedy. Toyota also continued to sell all the affected models for months by simply removing the floor mats. Based on Toyota's advice, we removed the floor mats and continued to operate the cars both before and after each model was formally

recalled. Eventually, approximately 25,000 of these vehicles were altered so that the floor mats could be reinstalled.

Enterprise's policy on handling recalled vehicles has evolved over time, often driven by technological advances. For example, a number of the auto manufacturers have upgraded their systems so that recall notices can be delivered to us electronically. Previously, we had to manually process all recall notices. In 2005 we created reporting software that enabled us to track the completion of recall work and more recently we created new recall management software which allows us to alert our regional subsidiaries about recall notices in real-time. In 2007, Enterprise added a network of more than 100 service facilities across the country, where certified technicians are able to supplement local dealers' efforts to quickly complete recalls.

A significant change to our policy was made in the spring of 2010 when we made not renting a vehicle with any open recall our default position (subject to the exceptions described in 1d above) even when the recall notice did not recommend that the owner stop allowing the vehicle to be operated pending completion of the recall remedy.

Previously, we took this step when it was recommended by the manufacturer. We made this policy change following the Toyota recalls in early 2010 and implemented it as quickly as we could develop the necessary system changes. While Toyota directly assured us that the recalled vehicles could be safely operated by our renters, when we questioned Toyota further they told us they would not continue to operate their own rental fleet (in use primarily at Toyota dealers) pending completion of the recall work. This caused us to stop renting those vehicles, and we also took the extra step of notifying persons already renting them and offering to provide a substitute vehicle. This experience led us to decide to stop basing our decisions about continued operation of recalled vehicles entirely on the information provided by the manufacturer, as approved by NHTSA, and instead adopt the more conservative policy described above. We then implemented the processes described above.

Question 2 – Does Enterprise draw distinctions between safety recalls in terms of severity, size of affected population, or other factors? If so, please describe how Enterprise makes those distinctions and describe how, if at all, those factors influence or change whether, or how quickly, Enterprise disseminates information to its rental facilities about a particular safety recall or requires application of the recall remedy to the vehicles affected in its fleet.

Answer: Our intention is first and foremost to ensure that our customers are driving vehicles that are safe to operate and, secondly, to avoid disappointing and inconveniencing our customers. As noted in our response to Question 1, our default position is to not re-rent any vehicle subject to a recall. Nothing about the severity of the recall or size of the affected population affects this policy or how quickly we disseminate the information to our rental facilities. We take this position although recall notices provided by manufacturers, as approved by NHTSA, rarely state a vehicle should not continue to be operated pending completion of the recall work. Additionally, a small group of senior executives reviews the recalls to determine whether the additional step of contacting individuals already renting those vehicles in an attempt to replace them is warranted. This same group reviews the recalls to determine whether we will allow the vehicle to be rented pending completion of the recall. We consider all information from the manufacturer regarding the recall and the experience with the vehicle that led to the recall notice, mitigating steps recommended by the manufacturer, our own experience with such vehicles in our fleet, and any other available information which is helpful in making this evaluation.

Question 3 – Does Enterprise have a policy or procedure for ensuring that vehicles within its fleet have had safety recall remedies applied before Enterprise sells or otherwise transfers ownership of those vehicles? If so, please describe that policy or procedure and produce a copy of it. To the extent that policy or procedure has changed over the past three (3) years, please identify and explain: (a) what changes were made; (b) why they were made; and (c) when the changes were made.

Answer: Enterprise sells vehicles in both its retail car sales operation and as a wholesale seller at auctions and directly to dealers. In its retail car sales operation, Enterprise's policy is that a vehicle will not be sold unless the recall work has been completed before delivery to the customer. That policy has not changed over the past three years. For vehicles sold at wholesale (at auction and to car dealers), Enterprise does not require that recall work be completed before the sale. It is standard industry practice for such vehicles to be sold "as is" to persons knowledgeable in the industry for ultimate resale. In our experience recall work is typically completed by the entity selling the vehicle to a retail consumer.

As a practical matter, most of our vehicles sold at wholesale come from our rental fleet and have already had any necessary recall work completed while in our rental fleet.

Question 4 – How does Enterprise receive and manage safety recall notifications and information from vehicle manufacturers? For example

are those notifications received at one location and then distributed from there or are the notifications sent to multiple locations?

Answer: Enterprise normally receives safety recall notifications from vehicle manufacturers centrally at the parent company headquarters in St. Louis. This information is typically received electronically, although we continue to work with some manufacturers to develop an electronic interface to identify VIN numbers within our fleet subject to the recall. Once notifications are received at the parent company headquarters, the recall information is promptly loaded into our computer system and is visible to all of our locations with access to our computer system.

One complicating factor in our ability to identify recalled vehicles within our fleet is that we do, on occasion, purchase used vehicles for our rental fleet. In such cases we will not ordinarily receive the recall notice from the manufacturer and must rely on other means to determine whether such vehicles are subject to an outstanding recall notice. This process can take several weeks depending on the manufacturer.

Question 5 – How does Enterprise inform and educate its rental locations and other involved Enterprise parties concerning safety recalls to ensure that the affected vehicles are identified and the recall remedy performed on them? Does Enterprise “flag” or otherwise note vehicles subject to safety recall and does Enterprise have a policy for how quickly those vehicles are flagged?

Answer: Our operating subsidiaries conduct training at all levels in their organization which includes training on our procedures for handling recalled vehicles. Furthermore, instructional messages and “flags” are incorporated into the computerized rental screens. Online help features, help desks and periodic messaging are all utilized to train, assist and remind employees about the policy and attendant computerized messaging and rental restrictions. Our computerized rental systems “flag” recalled vehicles held in inventory and notify our employees of new recalls upon vehicle return so that the remedy may be performed. As a safeguard our system broadcasts emails to senior management in each operating subsidiary immediately if a vehicle is inadvertently rented in violation of our policy. This creates an “all hands on deck” approach to retrieving the vehicle from the customer. Also, see responses to question 4.

Question 6 – Please describe how Enterprise enforces its policies or procedures on remedying of its vehicles subject to a safety recall. Please describe, for example, whether there are personnel at Enterprise dedicated to reviewing Enterprise’s performance of safety recalls and identifying

vulnerabilities or weaknesses within Enterprise or its rental locations as to performance of safety recalls on its vehicles.

Answer: Responsibility for enforcing our policies on vehicles subject to recall rests with our vehicle repair and maintenance department. This department is staffed not only at the corporate offices but at every operating subsidiary as well. This department disseminates notice of recalls and also tracks the speed with which our operating subsidiaries perform repairs. When a vehicle is rented in violation of the policy, intentionally or not, an immediate email notification is sent to senior level managers for review. Employees found to have violated our policy are subject to discipline including termination.

Enterprise also has an internal audit department which reviews our performance in this area in order to identify weaknesses in our systems and policies and suggest improvements.

Question 7 – Does Enterprise subscribe to the agency’s recall notification service and have personnel dedicated to receive notifications from that service?

Answer: Enterprise recently began subscribing to NHTSA’s recall notification service. We would be interested in learning how that service can provide us information we do not now already receive directly from manufacturers.

Question 8 – NHTSA understands that Enterprise has, or had, a policy whereby it would not rent vehicles subject to a safety recall if NHTSA or the manufacturer had indicated those vehicles should not be driven, or should be “grounded”. Please confirm whether this is current Enterprise policy and, if the converse is true - - that Enterprise does not “ground” vehicles unless and until NHTSA or the manufacturer instructs that this is appropriate.

Answer: See response to Question 1.

Question 9 – Does Enterprise report safety concerns to NHTSA when and if it learns of those concerns from its rental locations, its renters, or otherwise? If so, please state whether Enterprise has personnel designated to do the reporting or whether the reporting is performed at the discretion of individual Enterprise staff, describe how Enterprise reports those concerns to NHTSA, (e.g., through an owner complaint form available online at www.safercar.gov, by calling NHTSA’s toll-free hotline at 1-888-327-4236, or other means), and state whether it has a policy or procedure for reporting those concerns to NHTSA and, if so, provide a copy of that policy or procedure. In your description, to the extent they exist, identify

and explain any minimum criteria or other factors Enterprise may have for reporting a safety concern to NHTSA (e.g., a certain number of complaints on an issue, Enterprise's assessment of the risk involved, etc.)

Answer: Enterprise does not believe that it has ever reported a safety concern to NHTSA. When we have concerns with the safety of a vehicle in our fleet we address our concerns directly to the manufacturer. We are unaware of any instance in which concerns about the safety of a vehicle have not been addressed by the manufacturer.

Question 10 – Please provide any additional information or documentation that would be helpful to NHTSA's understanding of how Enterprise views, manages, and executes safety recalls affecting its vehicles.

Answer: Enterprise believes its policies and practices with respect to how vehicles subject to recall notices are handled within its fleet are appropriate, conservative, and focused on our goal of renting only vehicles which are safe to operate. We are mindful of the increased interest shown in the media and in certain government circles over the last year as a result of the public commentary surrounding substantial recalls involving Toyota and involving a tragic accident in 2004 in which two young women were killed while operating one of our vehicles which was subject to a recall notice at the time of the accident.¹ There has been no other instance comparable to the California accident in our fleet occurring before or since 2004. Moreover, since 2004 we estimate there have been nearly 3 billion rental days between our company, Hertz and Avis Budget Group without any similar incident occurring to our knowledge. We would note that under our current policies the vehicle involved in the 2004 accident would not be rented pending completion of the recall remedy.

In determining our policies in this area we are also mindful of the following:

1. All vehicle owners including rental car companies receive recall notices. However, vehicle owners are not required by law to have the recommended work actually completed on their vehicle. We understand that NHTSA's own statistics suggest that only about 75 percent of vehicles subject to a recall notice are ever remedied. We believe the performance of our company and our industry is considerably better than that of other classes of vehicle owners, and we believe the statistics concerning our track record over the past year, which we recently provided to NHTSA, demonstrate this fact.

¹ The recall notice for the vehicle in question did not recommend that the vehicle not be operated until after the recommended inspection and, if necessary, repair was completed.

2. The manufacturers are obligated by law to provide in their recall notices “*an evaluation of the risk to motor vehicle safety reasonably related to the defect or non-compliance*” and “*a statement of the precautions, if any, that the owners should take to reduce the chance that the malfunction will occur before the defect or non-compliance is remedied.*” Because manufacturers almost never advise vehicle owners to cease operating their vehicles until they are repaired, we believe our policy very conservatively provides for the safety of our customers. We assume that the manufacturers, guided by NHTSA, would advise owners to cease operating their vehicles if that was the appropriate precaution.
3. If the manufacturers, with the assistance of NHTSA, judge that a vehicle subject to a recall notice should not be operated, we want to know that. However, when manufacturers and NHTSA do not recommend that vehicle owners stop driving their vehicles until recall work is completed, we are forced to take the additional steps noted in this response. For safety’s sake we are willing to disappoint thousands of renters on vacations or business trips by refusing to rent vehicles, when such action is appropriate. However, there are recalls, often involving many thousands of vehicles in rental fleets, for which this does not appear to be necessary. The history and implementation of the Federal Motor Vehicle Safety Act does not suggest that a recall notice was intended to automatically mean “don’t drive.” In fact, we believe that the working assumption in virtually every recall notice (with rare exceptions) is that the vehicle will be driven until the recall work is completed. At a minimum it will be driven to the dealer to have the work done, and it is logical to expect that it will be driven until the owner finds it convenient to make an appointment for the recall work to be completed. NHTSA’s regulations indicate that vehicle owners have the right to have the recall work completed within sixty (60) days of their requesting it from an authorized dealer. This is considered a reasonable time within which to have the work done and presumably the expectation is that the vehicle owner will continue to drive the vehicle during that time. In fact, the statute makes no provision for compensation to an owner for being unable to use a vehicle pending the recall work being completed, despite the fact that manufacturers regularly limit parts availability in a way that extends repair times.
4. Although a new car dealer may not initially sell a vehicle subject to a recall until the work is completed, the Motor Vehicle Safety Act imposes no restrictions on the sale of such a vehicle after the initial sale by a dealer. The majority of recalls in our experience involve

vehicles that have already been sold to customers, and thus there is no legal restriction on those vehicles being sold without having the recall work completed.

5. Some have proposed that rental car companies be prohibited from renting any vehicle subject to a recall notice regardless of the circumstances. We do not believe such an approach would be appropriate based on our experience with the incredible variety of circumstances presented by recalls. However, if the continued operation of any vehicle subject to a recall is considered unsafe to the point that such a prohibition would be warranted, the extent of such a regulation obviously cannot stop with rental car companies. There are many fleet owners including governments at every level and private businesses where the driver of the vehicle is not the owner and will not receive the recall notice. If rental car companies cannot rent such cars then it makes sense that other fleet owners should not be able to continue to assign them to be driven by their employees.

Moreover, even the individual owner who receives the recall notice, and can arguably make his or her own assessment about whether to continue to drive pending the work being done, will have unsuspecting passengers and will possibly come into contact with pedestrians and other drivers on the road. If vehicles are being operated after a recall notice has been issued when they should not be, then the issue is far broader than with just rental cars.

We look forward to our meeting on the 19th and to being able to answer any questions you have and to discussing these issues with you.

Yours truly,



Thomas P. Laffey
Vice President and General Counsel