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Subject: NSVRP Opinion Letter – NHTSA Recall: **16V128** Manufacturer Recall: **Toyota** Period: **2017-3** No: **2**

NSVRP is pleased to provide a comprehensive review and Opinion Letter for the provided VIN sample. This analysis includes the impact of the most recent NHTSA's third amendment to the Coordinated Remedy Order (CRO) that was issued in December 2016.

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 - ZONE A and Non-ZONE A VIN Identification
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NSVRP Overview

The National Salvage Vehicle Reporting Program (NSVRP) is a leading not-for-profit law enforcement support organization dedicated to reducing auto theft, title fraud and abuse and to helping control criminal activities related to the exportation of stolen and fraudulently obtained vehicles. NSVRP works closely with the U.S. Department of Justice (DOJ), the FBI, U.S. Customs and Border Protection, state governments and other parties to help further our mutual objectives.

NSVRP's board is comprised of representatives of local and national law enforcement organizations. NSVRP is recognized by DOJ as an independent third party voluntary standards body for the National Motor Vehicle Title Information System (NMVTIS), which was created as a result of the Anti-Car Theft Acts of 1992 and 1996. In fulfilling our mission, we have coordinated with the federal government on several matters involving usage of NMVTIS such as the Car Allowance Rebate System (CARS), the Insurance Cost Information Regulation, as well as in matters relating to enforcement and administration of the Odometer Act and Hurricane Sandy-related Odometer Act issues.

NSVRP has been active in encouraging the federal government to address the significant gap that exists in communicating recall information to consumers, especially in alerting consumers of safety recalls for older used vehicles. In addition to supporting an FTC requirement via its Used Car Rule that used car dealers actively confirm if a safety recall exists and repair and clear any notices from the recall database before offering the vehicle for sale and providing comments to NHTSA in support of enhancements proposed in the Department of Transportation's Grow America Act draft language that would prohibit vehicles with open safety recalls from being sold by dealers to the retail public and providing additional recommendations that would further support those protections for the public through better dissemination of recall alerts, NSVRP submitted significant comments regarding the potential limitations and unintended consequences of the RECALL Act

The National Salvage Vehicle Reporting Program (NSVRP) is a not-for-profit 501 (C) (3). The organization was founded to support law enforcement and to promote and support efforts to advance the National Motor Vehicle Title Information System (NMVTIS). NSVRP's mission is to support initiatives to control auto-theft and title abuse. NSVRP's Board of Directors consists of representatives of major law enforcement groups, and is recognized by the Department of Justice as an independent third party voluntary standards body for NMVTIS. NSVRP has been recognized both by the Department of Justice and the FBI for 'Exceptional Service in the Public Interest' for its public policy efforts.



and offered possible modifications to address those concerns. We have also historically worked with the NHTSA on recall issues, and with the American Association of Motor Vehicle Administrators (AAMVA) to provide input into their various Best Practices Working Groups.

NSVRP has at its disposal many specialized databases – some of which are proprietary to NSVRP and all of which are integrated into a working set of tools that provide unique capabilities in tracking and uncovering vehicle transfers and vehicle conditions. As a result of our capabilities and our being recognized by USDOJ in the 2009 NMVTIS Federal Rule as an independent 3rd party voluntary standards body for NMVTIS, we are capable of uncovering significant intelligence on the status of vehicles. We also are capable of providing opinion letters that may be considered having special standing in making determinations regarding the current recall status of some vehicles subject to recall process.

Analysis Background

Consistent with the NSVRP Best Practice Standard for Automotive Recalls, NSVRP processed the VINs against all of the NSVRP databases in order to determine the current status of as many of these vehicles as possible.

As per the NSVRP standard, in order for a vehicle to be identified with certainty, it requires that the information used must determine the status of a vehicle to a high level of confidence before a vehicle can be deemed to be out of service. Only explicit event based identification of a vehicle's condition or status can provide that level of confidence¹ – and NSVRP has previously provided to NHTSA the guidelines we require for making such a determination. These are codified in the best practice standard that NSVRP created at the request of NHTSA, and which has been provided to NHTSA by NSVRP.

Total Removed Descriptions

NSVRP has evaluated the recalled vehicle population for each class of exemption and as stated above has been able to produce a specific identification and count of records for Total Removed classification.

Classes of vehicles that conform to this profile for exemption include:

Vehicles that have been branded by a state with a final branding as a Junked/Crushed/Dismantled/or non-repairable designation²

- 1) Vehicles that have been reported into the National Motor Vehicle Title Information System (NMVTIS) with a status of Crush or Scrap indicating that the vehicle has been reported as already physically decommissioned as an operating vehicle
- 2) Vehicles which have been sold through a salvage auction and where the physical damage is so severe that the vehicle cannot be put back into service
- 3) Vehicles that have been exported outside of the US and its territories regardless of their condition and are not presently subject to recall
- 4) Vehicles known to be presently registered outside of the US
- 5) Vehicles that are presently active stolen vehicles and cannot be located
- 6) For airbag recalls, a review of salvage auction records and auction photos are included to determine when passenger and driver airbags are deployed and will be identified as Total Removed for purposes of that airbag recall.³

¹ A specific event is a documented action such as an export transaction, reporting of a crushed vehicle event. A lack of reporting – such as a non-renewal of registration - does not conclusively identify any specific action but rather a lack of any reporting of a new transaction. This lack of renewed registration can be indicative of some issues, but it is not specific proof that a vehicle is no longer in use with certainty. USDOT studies have documented that significant numbers of unregistered vehicles operate on public roads.

² Only a limited number of state title brands signify 'destroyed vehicle' branding, and these definitions vary by state. According to the 2014 NMVTIS annual report, covering over 980 million current and historic titled vehicles, roughly 100 million vehicles had state title brands of which –as per the NMVTIS annual report –19 million met the criteria of being 'destroyed vehicles' under that state's title branding definitions. Overall, based upon the nearly 1 billion current and historic NMVTIS title data records, roughly 10% of titled vehicles have some form of branding, while only 2% of all titled vehicles have a 'destroyed vehicle' branding categorization.

³ This will enable auto makers the ability to report that the originally installed airbags were already deployed and in the unlikely event where a damaged vehicle were to later be repaired and be involved in a subsequent accident they could provide evidence that the airbag originally installed had been replaced



Classes of vehicles that do not conclusively determine conformance to this profile for exemption:

- 1) Vehicles that have been classified as an insurance total-loss⁴.
- 2) Salvage branded vehicles⁵.
- 3) Vehicles with expired registrations⁶.

In Commercial Transit

NSVRP also can identify vehicles that are no longer in the possession of the last recorded registered owner, and where the vehicle has subsequently been handled by an identified intermediate party who does not have an obligation to re-register the vehicle in their own name. These vehicles are not Total Removed and are capable of resurfacing once they complete the commercial transfer chain and end up with a final buyer or owner. In-commercial transit analysis can provide leads to outreach to current owners even when they are not recorded with a state as the registered owners of the vehicles. Vehicles that are presently in commercial transit will not be reachable through mailing or other outreach efforts to the last prior registered owner and a manufacturer may reasonably consider suspending outreach efforts to that prior owner until such time that a new owner has been identified.

Visual Inspection and Airbag Analysis

When requested, NSVRP can additionally perform a visual inspection of salvage auction photos and records to identify instances of deployed airbags and for vehicles damaged to such an extent that they are incapable of restoration for road use regardless of the nature of the titling and branding of the vehicle. For this analysis a visual inspection of auction photos for extensive damage and deployed airbags was not undertaken.

Active Vehicle Monitoring

NSVRP will perform comprehensive monitoring on all vehicles classified as Active. Only vehicles previously identified as Total Removed, and vehicles indicated as remedied or closed by the manufacturer will be excluded. Active vehicle monitoring resources include any in commercial transit ownership changes, salvage and wholesale auctions, stolen, impound, online sales, export, CBP activity to identify changes in Total Removed or daily transit, police stops.

Identification of Vehicles that are Current ZONE A vehicles

When appropriate - such as analysis of an airbag related recall – NSVRP is able to identify vehicles which while presently registered in a ZONE A area. These vehicles should be considered at an enhanced risk for recall priority.

Identification of Vehicles with Prior Zone A History

When appropriate - such as analysis of an airbag related recall – NSVRP is able to identify vehicles that while presently not registered in a ZONE A area have previously been domiciled in a ZONE A area. These vehicles should be considered at an enhanced risk for recall priority.

prior to a subsequent accident. Each manufacturer will have to determine if such vehicle – in the cases where a subsequent owner restored the vehicle to road use – should be inspected under a recall program for both a proper repair and for replacement of the non-original airbag.

⁴ Insurance total losses are vehicles where an insurance company pays off the claim rather than repairing a vehicle for the insured. This designation should not be confused with title branding. Each state has its own regulations as to how such total loss vehicles are to be branded – or where they are exempted from branding. Many total loss vehicles can have little if any damage – including those stolen vehicles recovered only after the claim has already been paid or with older vehicles having low actual cash values (ACV) and having relatively minor damage.

⁵ Salvage branded vehicles under virtually all state regulations are eligible to be returned to legal road use. When retitled for road use many states will issue a rebuilt salvage title for the vehicle, however in a few states a clear title may be issued. In cases where there is severe damage some – but not all- states offer a special branding classification of a junk/non-repairable or other such title branding, designating the vehicle as non-repairable. In those states a regular salvage title specifically indicates a vehicle that can be restored to road use. Some states offer salvage safety inspection retitling processes, but others just check for stolen parts used in making any repairs.

⁶ Expired registrations are not proof of out of service vehicles. It is well documented – including in USDOT studies - that many older vehicles are routinely operated with expired registrations. This is especially true for vehicles that are no longer able to pass emissions tests, or are owned by lower income or individuals unwilling to document themselves as vehicle owners.

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Vehicles with Long Expired Registrations and No Subsequent Identified Activity

In NHTSA's third coordinated remedy order for Takata recalls, NHTSA has allowed manufacturers to identify vehicles with long expired registrations and lacking subsequent activity to be considered as indicative of a vehicle with a substantially higher likelihood of being permanently out of service. NHTSA allows for use of this classification as an optional method to enhance reporting but places restrictions and additional requirements on its use. Vehicles in this secondary classification grouping are to be labeled as "other" for reporting purposes in the recall statistics. Unlike scrapped, exported, or stolen vehicles where there is a specific documented event that confirms these vehicles to be out of service, and where a vehicle can be permanently removed from consideration for a recall, any vehicles included in this "other reasons" category must be monitored and reconfirmed on a continuing basis by the manufacturer. As part of the continuous monitoring of open vehicles, NSVRP will identify vehicles with long expired registrations and where there has been no subsequent activity and is able to monitor that activity on an on-going basis. NSVRP will include the reporting of this "other" category in its opinion letter to the manufacturer after a monitoring period and after developing a monitoring history and revalidating the title status with the state but leaves it up to the manufacturer to decide whether to include this optional information when the manufacturer reports on recall progress to NHTSA (as per NHTSA's guidance). NSVRP agrees that a significant percentage of these vehicles are permanently out of service, however NSVRP cautions that it is highly likely that some vehicles are operated on the road under long expired registrations as unregistered vehicles so it is important to follow NHTSA's guidance to continually monitor these vehicles for signs of resurfacing for road use in spite of being presently unregistered. NSVRP is able to provide a robust means of monitoring for activity on these vehicles where a manufacturer includes the NHTSA 'other reasons' categorization in their recall reporting.

Outreach Opportunities for Recall Completion Based upon most Recently Re-Titled Vehicles and Current Addresses

NSVRP identifies vehicles that have been retitled in the most recent 6-month period. These vehicles will include some that are in current use on the road and where the manufacturer will be unaware of the current owner. Since the NSVRP recall analysis includes use of current data from the National Motor Vehicle Title Information System (NMVTIS) and direct live access to most state DMV systems, NSVRP is able to include in its analysis results based upon the most current vehicle status. When requested, NSVRP can also support the recall outreach process by providing the current name and address information on many vehicle owners using multiple sources including direct access to state DMV systems under Drivers Privacy Protection Act (DPPA) authorized guidelines.

NHTSA Letter of Support for NSVRP Best Practice Standard for Automotive Recalls and Opinion Letter Process

As part of the NSVRP standards process, NSVRP produced at NHTSA's request a formal standards document for automotive recalls. NSVRP also has provided to NHTSA a draft opinion letter based on previous vehicle samplings provided to us by various OEMs. NHTSA has reviewed the NSVRP standard and opinion letter and has provided written confirmation to NSVRP that NHTSA considers the NSVRP process to be a best practice and that NSVRP is able to uncover vehicles that can be removed from active outreach based upon the NSVRP Total Removed standard as highly unlikely to still be in service. NHTSA also has communicated in writing that NSVRP has been able 'to repeatedly demonstrate' that the NSVRP process is able to identify strong additional outreach candidates.

Potential Impact on Open Vehicle Replacement Parts Requirements

For purposes of replacement parts stocking requirements, "Total Removed" and optionally "other" groupings can be removed from the number of replacement parts needed for stocking in completing a recall. It should also be noted that during the recall period additional vehicles will be removed from service due to normal attrition, so this initial parts quota is likely to suffice to meet the needs for this recall even if some vehicles in the "other" classification group were to resurface over time and be added to the repaired vehicle population.



Analysis Results

Identified: Overall, NSVRP was able to uncover information on vehicles representing out of the population of **39,819** vehicles that were submitted to NSVRP under this recall as follows:

1. **Total Removed:** We have identified **6,364** vehicles to be out of service domestically and could be considered exempt from a recall and classified as Total Removed.
 - a. There are also **37** additional VIN that had both airbags deployed. NSVRP considers these vehicles to be out of domestic circulation and falling under the category of Total Removed. Consistent with the NSVRP standard and guidance provided by NHTSA in a letter to NSVRP we believe these vehicles allow the manufacturer to “move focus from further pursuit of recalls completion on vehicles that data shows are more likely no longer in issue”.
 - b. There were **(178)** additional vehicles were identified as only having their driver front airbag deployed and could also be considered Total Removed for the driver side airbag recall.
 - c. There were **(51)** other vehicles that were identified as only having their passenger front airbag deployed. No supplemental visual inspection of salvage auction photos was included in this analysis to determine deployed airbags or uneconomical to repair damage.
2. **Provisional “Other Reasons”:** An additional **2,840** vehicles were identified which are not identified as out of permanently out-of-service but which have registrations expired for at least 3 years and will undergo a monitoring period to identify other subsequent activity. While these vehicles do not meet the strict definition of a Total Removed vehicle, under NHTSA’s most recent guidance may optionally be considered as provisionally out-of-service under the heading of ‘other reasons’ so long as there is a continuous monitoring process in place to monitor for activity in case the vehicle has been operating as an unregistered vehicle or if it otherwise is determined to be back in service. In order to use this category, the manufacturer must notify NHTSA in advance and provide information on how the process will be implemented.
3. **Active-Previous ZONE A:** An additional **27,360** vehicles which are not identified as out of service and which are either last registered as being in a ZONE A region or previously registered in a ZONE A area. Of this count, **24,541** VINs now show residing in a ZONE A state. These are a higher risk vehicle for airbag recalls and should be prioritized for recall completion. The active-previous Zone A count is **2,819** if the manufacturer recognizes and implements the NHTSA allowed long term expired registration provision ‘Other Reasons’.
4. **Active-In Commercial Transit:** Vehicles which are no longer in the possession of the last registered owner but which are in commercial transit. These vehicles have been transferred or resold and have not yet been acquired by an individual or entity who has subsequently registered the vehicle. NSVRP has identified **322** such vehicles not permanently removed from service by the latest buyer and may still be potentially available for reregistration for road use.
5. **Active-Recent Registration:** Of the VIN population, there are **36,342** vehicles where NSVRP is aware of the most recent state of registration and titling dates for these vehicles. Out of this population of vehicles, there are **1,134** vehicles that were re-titled in the most recent 6-month period.
6. **Remedied Vehicles:** The manufacturer has not provided to NSVRP details on **3,986** vehicles remedied by the manufacturer under this recall or inspected and determined as not needing the recall repair. NSVRP can only report on the recall repair status of vehicles to the extent that the manufacturer has provided the recall repair status information to NSVRP that would then be included in its reporting.

NSVRP’s analysis only extends to the population of VINs submitted to us and we can make no claim as to the status of any vehicles for which the manufacturer did not submit VINs to NSVRP.



Analysis Results

Period: 2017-3

No: 2

NHTSA Recall: 16V128 Mfg.#: Toyota Date Processed: July 28, 2017 VIN Count: 39,819

Immediate Action: For NHTSA Reporting

Total Removed Category	VIN Count	% of Population
• Total Removed w/o Airbags	6,364	15.98%
• Both Airbags Deployed	37	0.09%
Total Removed Vehicles	6,401	16.08%

Immediate Action: For Outreach Awareness and Update

Priority Outreach Total of Active	VIN Count	% of Population
• Current Zone A	24,541	61.63%
• In Commercial Transit	322	0.81%
• Active Recent Registration	1,134	2.85%

Deferred Action: Subsequent to Monitoring Period for Certification

'Other Reason'-Provisional Category	VIN Count	% of Population
• Potential 'Other Reason'	2,840	7.13%

Population Overview	VIN Count	% of Population
Total Population Reviewed	39,819	100.00%
Vehicles without Authoritative Information	862	2.16%
Vehicles with State Title Information	36,342	91.27%
Net Vehicles Available for Analysis	38,957	97.84%

In our analysis of the 39,819 VINs provided, we determined that 6,401 of those VINs were identifiable as being Total Removed vehicles inclusive of any supplemental vehicles based upon deployed airbags for NHTSA reporting. Subsequent to monitoring of active vehicles and ongoing identification of additional Total Removed and Remedied vehicles, NSVRP will certify a count of 'other reasons' vehicles for reporting. Due to ongoing activity, is expected that the initial count of 2,840 provisional 'other reasons' vehicles will materially change prior to NSVRP making a final identification of vehicles for inclusion in the 'other reasons' category.

Best regards,

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