

Firestone recalls 6.5 million tyres

Case taken from The International Business Environment, second edition (Palgrave, 2006), by Janet Morrison

Firestone, the US tyre company taken over by Bridgestone of Japan in 1997, announced to US consumers in August, 2000, that it would replace free of charge about 6.5 million tyres, most of them fitted on Ford Explorers, a sports utility vehicle (SUV). The product recall announcement was the culmination of investigations that are continuing into injuries and an estimated 148 deaths that have been linked with the tyres since the late 1990s. At least 100 lawsuits were filed against Firestone, and two national class action lawsuits, in Texas and Florida, were filed. One of the class actions claimed \$50bn. in damages. In one individual case, a child was killed in Florida when the tyre on her mother's Ford Explorer blew out and the vehicle flipped over two and a half times. (SUVs require more reliable tyres than cars, because they are more likely to roll over when they lose a tyre.) It appears that the tyres were inclined to split in hot weather, and the majority of the lawsuits were in southern states. Bridgestone recalled the same tyre in a number of overseas markets in 1999, including the Middle East, Thailand, Malaysia, Venezuela and Columbia, apparently confirming the tyre's weakness in hot climates.

If Firestone and Ford knew of the problems and did nothing, they could face criminal as well as civil legal action. In Venezuela, where there is very little legal scope for consumers to launch civil actions for compensation, government authorities threatened prosecution in 2000, insisting that Bridgestone and Ford shared responsibility. Ford maintained that it did not know of safety problems with the tyres until they managed to extract the information from Firestone. For Firestone, these problems were not new. It had been forced into a large recall in 1978, having denied for over a year that there was a problem. When it was finally compelled to hand over documents, they showed that the company had known about the problems of the Firestone 500 tyre for years and covered them up.

The recent tyre crisis has been more damaging for Firestone than for Ford. In addition to the massive tyre replacement programme, it has faced growing litigation expenses and had to restructure the company, closing its factory in Decatur, Illinois. Civil suits against both Firestone and Ford have come from plaintiffs who made personal injury claims and also many others who claimed economic damage only, for example alleging that the failure risks have lessened the resale value of their cars. This latter group of plaintiffs were granted class action status, but this decision was overturned by a federal appeal court. While this decision seemed to be a victory for the defendant companies, they might have little cause for relief, as they will now face large numbers of individual lawsuits, which could go on for years.

Sources: Bradsher, K., 'Documents portray tire debacle as a story of lost opportunities, New York Times, 11 September 2000; Rohter, L., 'Bridgestone agrees to recall 62 000 tires in Venezuela', New York Times, 5 September 2000; Grimaldi, J., 'Tiremaker moves to settle suits', Washington Post, 10 August 2000; Valkin, V., 'Court overturns Ford/Firestone class-action', Financial Times, 3 May 2002.

Case questions

What are the lessons which should be learnt from the case?

Should the companies involved have handled the situation differently, once the faults emerged?

@ Firestone's consumer tyre business can be found at www.firestonetire.com

@ Ford's corporate website is at <http://corporate.ford.com>