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OCT 10 1975



(1) The Honorable Paul G. Rogers, Chairman  
Subcommittee on Health and the Environment  
Committee on Interstate and Foreign Commerce  
House of Representatives

Dear Mr. Chairman:

As your office requested on April 21, 1975, we have  
1 inquired into claims about Chrysler Corporation's testing  
2 of automobiles provided by the Honda Motor Company Ltd.,  
of Japan. It has been claimed that Honda provided Chrysler  
with three automobiles equipped with CVCC (compound vortex  
controlled combustion) engines for testing, to determine  
whether they meet Federal emission standards, but that  
Chrysler did very little testing of the automobiles but  
instead used them as staff automobiles.

We made our review at Chrysler's corporate head-  
quarters, Highland Park, Michigan, where we interviewed  
corporate officials and reviewed pertinent records,  
including test reports. In addition, we obtained informa-  
tion from Honda's legal counsel in the United States and  
discussed Chrysler's testing of the automobiles with  
officials at the Environmental Protection Agency's Motor  
Vehicle Emission Laboratory, Ann Arbor, Michigan.

We could not verify much of the information we  
obtained during our review, because (1) we could not  
examine the cross-licensing agreement between Chrysler  
and Honda since Chrysler considered it confidential and  
(2) Chrysler did not maintain records on staff use of  
the automobiles.

According to Chrysler officials, Chrysler purchased  
four automobiles as part of a cross-licensing agreement  
with Honda under which it also acquired major rights to  
Honda CVCC technology. Chrysler made a series of emissions  
tests and a performance fuel economy test on each of the  
automobiles which, according to an Environmental Protection  
Agency official, were adequate for the purposes, for which

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they were undertaken. According to Chrysler, the staff that used the automobiles was limited to engineers who were involved in developing emission control systems and who drove the automobiles for familiarization and evaluation, a normal practice which did not interfere with or hinder the tests. We found no evidence that Honda was dissatisfied with the testing.

CHRYSLER-HONDA  
CROSS-LICENSING AGREEMENT

In September 1973, under the cross-licensing agreement, Chrysler purchased from Honda not three but four automobiles equipped with CVCC engines for testing and evaluating--two Honda Civics and two Chevrolet Impalas with Chevrolet V-8 engines modified to include CVCC technology. Chrysler officials told us that the agreement gave Chrysler (1) full access to the technology and the nonexclusive, worldwide right and license to make, use, and sell Honda's CVCC engine system and (2) certain other rights, including

--all CVCC technology that Honda had developed up to September 1973 and

--any improvements that Honda developed within 3 years after September 1973.

Chrysler entered into the agreement to obtain assistance in its own program for developing a 5-cylinder CVCC-type engine. Chrysler's engine emissions and performance chassis engineering manager told us that Chrysler had applied the technology acquired under the agreement to its own engine development program. Chrysler would not allow us to examine the agreement, because it regarded the agreement as confidential. Chrysler said that the amount it paid Honda under the agreement was substantial.

TESTS MADE

Chrysler's chief patent counsel told us, and Honda's legal counsel in the United States confirmed, that the cross-licensing agreement did not specify the kind and number of tests and evaluations that were to be made.

Chrysler records showed that it started testing the automobiles in November 1973--shortly after they were received--and continued testing intermittently to June 1974. Each automobile was given a series of emission tests, which took about 16 hours each. The two Honda Civics underwent 18 and 23 tests; including 6 to 10

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cold-start tests and 10 to 13 hot-start and steady-state tests; each Chevrolet underwent 4 cold-start tests. According to Chrysler, it made fewer tests on the Chevrolets because Honda considered the Chevrolets as still in development with regard to CVCC engine technology; since the Honda Civic's CVCC engines were fully developed, testing them would produce more useful data. Each of the four automobiles was also given a performance fuel economy test (which usually takes 6 days) at the Chrysler proving grounds.

The manager of Chrysler's emission control systems development unit told us that Chrysler had considered making durability tests--high-mileage tests to evaluate how well emission controls hold up over extended use--but elected not to do so. He said that Chrysler believed the tests would not yield useful data because the engine Chrysler was trying to develop was a 6-cylinder engine in contrast to the 4-cylinder Honda and 8-cylinder Chevrolet engines. This official also told us that Chrysler recently had started action to dispose of the four automobiles. He explained that import regulations required that the automobiles either be scrapped or be exported no later than 3 years after the import date, because they had not been built to meet U.S. safety standards and therefore could be driven on the streets only during that 3-year period.

We also talked to the Chief of the Technology Assessment and Evaluation Branch, Emission Control Technology Division at the Motor Vehicle Emission Laboratory. He categorized Chrysler's testing as being adequate to meet the test objectives, which were to confirm Honda's test results.

We also tried to determine whether Honda had been dissatisfied with Chrysler's testing. A Chrysler official told us that the test results were reviewed in 1974 by a Honda engineering team which was in the country from Japan and that the team had not expressed dissatisfaction with either the nature or the extent of the completed testing. Honda's legal counsel told us that Honda had never expressed any dissatisfaction with Chrysler's activities under the cross-licensing agreement either to the Environmental Protection Agency or to congressional committees or subcommittees.

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USE AS STAFF AUTOMOBILES

When Chrysler received the four automobiles, it assigned them to its engineering unit which was responsible for developing emission control systems and which specified the tests to be made. The automobiles, however, were tested by a separate testing group, but the results were given to the emissions control systems unit for evaluation. We were told that the engineering unit normally had on hand for assessment a variety of automobiles made by Chrysler and by its competitors. The unit's manager told us that it was customary and normal for his staff engineers to drive these automobiles on the streets so as to evaluate their characteristics. He said that about 20 of his 40 engineers occasionally drove the automobiles during the workday and that, to evaluate the automobiles, he and about seven of his engineer managers occasionally drove them home after work because they did not have time to drive them during the workday. He explained that the engineers needed to familiarize themselves with each of the automobiles the unit was evaluating. According to the unit manager, driving was done on days when tests were not being made and therefore did not interfere with or hinder the tests.

The series of approximately 16-hour emission tests, which were the largest part of the overall testing, were made in a garage adjacent to the engineering unit's building. On days the tests were not being made, the automobiles were kept in the unit's storage area and were available to staff engineers for evaluation driving.

We could not verify the information on staff use by examining the records. We were told that the responsible unit did not maintain sign-out sheets or logs showing who drove the automobiles. The automobiles were released to individuals on the basis of passes that were destroyed when the automobiles were returned. We were also told that the engineers normally did not keep notes or make written reports on their evaluation driving.

Sincerely yours,



ACTING Comptroller General  
of the United States