

*United States Federal Trade
Commission
National Center for Dispute
Settlement
Automobile Warranty Arbitration
Program*

Audit

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Introduction

This 2004 audit of NCDS' Arbitration Process is performed pursuant to the 1975 federal warranty law, the Magnuson-Moss Warranty Federal Trade Commission Improvement Act and Rule on Informal Dispute Settlement Procedures, 16 C.F.R. Part 703 (hereafter referred to as Rule 703).

Claverhouse Associates, a firm specializing in arbitration, mediation, and program auditing, performed the audit, which was conducted under the supervision of Kent S. Wilcox, President and Senior Auditor. The statistical survey was conducted by the Center for Survey Research, a division of the Institute for Public Policy and Social Research at Michigan State University.

Arrangements to conduct the audit were initiated by an invoice submitted in early 2005. Claverhouse Associates coordinated field audits, statistical survey planning, and arbitration training with the program's independent administrator, The National Center for Dispute Settlement (NCDS). This year's report was performed as a review of the National Center for Dispute Settlement as an independent administrator for multiple automobile manufacturers. The manufacturers participating in the NCDS automobile warranty arbitration program included in this national audit are: Toyota, Lexus, DaimlerChrysler, Mitsubishi, and Porsche. There are a few exceptions, wherein our review is manufacturer-specific, such as the requirement for manufacturers to inform consumers of the availability of the dispute resolution program whenever a warranty dispute arises.

Hearings held in Minnesota, North Carolina, and Ohio were included in the on-site field inspections. Visits to these locations were arranged to coordinate with scheduled arbitration hearings. In addition, we audited arbitrator training conducted in Grapevine, Texas, April 29 - May 1, 2005. Thus, field audits of the arbitration hearings and arbitrator training are sometimes conducted in the current calendar year rather than in the audit year but are assumed to reflect operations as they existed in the audit year (2004). Performing the field audits during the actual audit year would require initiating the audit much earlier and using a two-phased format: one commencing during the actual audit period and the other in the following year, after all annual statistics had been compiled. All case files inspected were generated during 2004 as required.

SECTION I

Compliance Summary

This is the second Claverhouse Associates independent annual audit of the National Center for Dispute Settlement (NCDS) national third-party informal dispute resolution mechanism, called

¹ There were, of course, discrepancies in some areas, as we have come to expect, but those we identified are either of no real consequence or are very understandable and without significant regulatory implications. Discrepancies are detailed in the survey section of the report.

² The sample was drawn from a universe of 2,246 cases.

SECTION II

Detailed Findings

This section addresses the requirements set forth in 16 C.F.R. Para 703.7, of Public Law 93-637 (The Magnuson-Moss Warranty Act, 15 U.S. C. 2301. et seq.).

After each regulatory requirement is set forth, the audit's findings are recorded, discrepancies are noted, and recommendations are made where appropriate.

This audit covers the full calendar year 2004. An important component of the audit is the survey of a randomly selected sample of 750³ NCDS' Dispute Settlement Program applicants whose cases were closed in 2004 and found to be within the AWAP's jurisdiction.

We analyzed several NCDS generated statistical reports covering the AWAP operations in the United States. The reports were provided to us by Mr. Brian Dunn, Director of Dispute Settlement Services, National Center for Dispute Settlement, Dallas, Texas.

We performed field audits of the AWAP as it operates in Minnesota, North Carolina, and Ohio. We also examined a random sample of current (i.e., 2004) case files for accuracy and completeness. A random sample of case files was drawn from all case files for the years 2001-2004 and inspected them to ensure that these records are maintained for the required four-year period.⁴ In the areas covered by each region, we surveyed several dealerships to see how effectively they carry out the information dissemination strategy developed by manufacturers to assist them in making customers aware of the AWAP.

In addition, we monitored arbitration hearings in Buffalo, Minnesota; Fayetteville, North Carolina; and , Beavercreek, Ohio, and interviewed arbitrators and AWAP/NCDS administrative personnel.

To assess arbitrator training, we monitored the NCDS-sponsored training session held in Dallas/Ft. Worth, Texas, in April of 2005. In addition to monitoring the training itself, we interviewed the trainees (both before and after the training), the training staff, and reviewed the training materials.

REQUIREMENT: § 703.7 (a) [Audits]

(a) The mechanism shall have an audit condD.001 TI NCDS e

³ Our objective was to complete 300 interviews from our original sample of approximately 750. Experience demonstrates that completing exactly 300 is not likely. The precise sample size is discussed in detail in the Survey Section of this report.

⁴ Some participating manufacturers are relatively new to the NCDS program and therefore do not have case files covering the entire 4-year period.

Records pertaining to the NCDS' AWAP that are required to be maintained by 703. 6 (Record- keeping) are being kept and were made available for our review.

REQUIREMENT: § 703.6 (a) [Recordkeeping]

- (a) The mechanism shall maintain records on each dispute referred to it which shall include:**
- (1) Name, address, telephone number of the consumer;**
 - (2) Name, address, telephone number and contact person of the warrantor;**
 - (3) Brand name and model number of the product involved;**
 - (4) The date of receipt of the dispute and the date of disclosure to the consumer of the decision.**

FINDINGS:

The information referenced in subsections 1 through 4 is available from the staff of the

(b) The mechanism shall maintain an index of each warrantor's disputes grouped under brand name and subgrouped under product model.

FINDINGS:

These indices are maintained by Mr. Brian Dunn, Director of Dispute Settlement Services, housed at the NCDS headquarters in Dallas, Texas.

The audit includes a review and assessment of a data printout for the calendar year 2004.

The *AWAP Statistics* identifies 3,932 AWAP disputes filed for 2004. Of these, 2,448 were eligible for AWAP review, and 1,484 were determined by the AWAP to be out-of-jurisdiction. Of the in-jurisdiction closed cases, NCDS reports that 1,609 were arbitrated⁶ and 437 were mediated.⁷ There were 1,526 arbitrated decisions which were reported as “adverse to the consumer” per § 703.6 (E) representing 94.8% of all arbitrated cases.

Each of the participating manufacturers submitted an index of their disputes grouped under brand name and subgrouped under product model as required.

Indices are complete and consistent with all requirements. Some of the data included in these reports are compared with the findings of our sample survey discussed in the Survey Section of this report.

DISCREPANCIES:

None

REQUIREMENT: § 703.6 (c)

(c) The mechanism shall maintain an index for each warrantor as will show: (1) All disputes in which the warrantor has promised some performance (either by settlement or in response to a mechanism decision) and has failed to comply; and (2) All disputes in which the warrantor has refused to abide by a mechanism decision.

FINDINGS:

AWAP reports that there were no such cases in 2004. Concerning subsection 2, the auditors are advised by NCDS that there is no reported incidence in which an NCDS AWAP participating manufacturer failed or refused to abide by a panel or arbitrator decision. As a matter of general corporate policy, all AWAP participating manufacturers agree to comply with all AWAP decisions. This information is supplied as part of NCDS' Annual FTC -703.6 (c) (1) and (2) Report.

⁶ This number is not aggregated in the statistical reports provided for the audit. We arrived at this number by summing the “decided” items (4-7) listed on the AWAP mandated statistical report.

⁷ The term “mediation” in the AWAP context does not necessarily imply that a neutral third-party assisted the parties in resolving a warranty dispute, but rather that the dispute was settled prior to an arbitrator rendering a decision. The number provided above is not aggregated in the statistical reports provided for the audit. We arrived at this number by summing the “Resolved” items (1-3) listed on the AWAP mandated statistical report.

DISCREPANCIES:

None

REQUIREMENT: § 703.6 (d)

(d) The Mechanism shall maintain an index as will show all disputes delayed beyond 40 days.

FINDINGS:

According to AWAP statistical index reports, as of December 2004, a total of 63 AWAP cases were delayed beyond 40 days. The Director of Dispute Settlement Services provided a comprehensive report of all individual cases delayed beyond 40 days during the 2004 period of the audit. This report includes the customer's name, case file number, and the number of days the case has been in process as of the date of the generation of the report. Our analysis indicates that this report meets the above requirement. Our review, however, is not designed to test the accuracy of the report. We merely determine that the mandated report is being generated. At the same time, we found nothing during our assessment review that calls into question the accuracy of any of the required statistical indexes.

DISCREPANCIES:

None

REQUIREMENT: § 703.6 (e)

(e) The mechanism shall compile semi-annually and maintain statistics which show the number and percent of disputes in each of the following categories:

(1) Resolved by staff of the

NCDS collects and maintains the information required by § 703.6 (e) in the AWAP Statistics Report supplied to us by Mr. Brian Dunn, Director of Dispute Settlement Services.

The information is available for inspection and is complete in all respects.

The figures reported in this index are analyzed in further detail in the Survey Section of this report.

DISCREPANCIES:

None

REQUIREMENT: § 703.6 (f)

THE MECHANISM SHALL RETAIN ALL RECORDS SPECIFIED IN PARAGRAPHS (a) - (e) of this section for at least 4 years after final disposition of the dispute.

FINDINGS:

(a) All of the information listed in the 12 subsections detailed in the previous section [§ 703.6 (e)] is maintained for the required four years. Any inconsistencies found would be addressed in the Survey Section of this report.

We inspected the collection of all case files for each region during our on-site visit to the NCDS headquarters in Dallas, Texas, and inspected and evaluated a random selection of case files from the four-year period for completeness. The files were appropriately maintained and readily available for audit.

(b) The NCDS Director of Dispute Settlement Services provided us with the various 2004 indices and statistical reports required by Rule 703. The corresponding reports for the previous four years are not available from some NCDS participating manufacturers because they did not administer the manufacturer's program during that period. The records are probably available from each of those manufacturers directly.

(c) [The two potential "non-compliance" categories] The information required by subsection (1) is, when applicable, maintained by NCDS. Subsection (2) is not

REQUIREMENT: § 703.7 (b)

Each audit provided for in paragraph (a) of this section shall include at minimum the following (1) evaluation of warrantor's efforts to make consumers aware of the Mechanism's existence as required in 703.2 (d);

(d) The warrantor shall take steps reasonably calculated to make consumers aware of the Mechanism's existence at the time consumers experience warranty disputes.

FINDINGS:

The essential feature of both regulatory requirements cited above is timing. In our review, therefore, we give emphasis to efforts that would inform customers and ensure that they know about the existence of the AWAP at all times, as well as examining the manufacturer's strategies to alert customers to the availability of the AWAP when the customer's disagreement rises to the level that the regulations consider a "dispute."

Regardless of the excellence of a program, it is only effective if the customer knows of its existence and can access it. The "notice" requirement seeks to ensure that the program is actually usable by customers by informing them of its existence and making it readily accessible when they need it.

Like the *Owner's Warranty Information* booklet, it is distributed, in the main, by dealership sales personnel at the point of sale/delivery as part of the glove box kit.

- There is a NCDS pamphlet (one-page tri-fold) published by Toyota that is reasonably informative about the NCDS and how to access it. The pamphlet cross-references the *Owner's Warranty Rights Notification* booklet as one of two sources for obtaining a *Customer Claim Form*.⁸ Those interested in knowing about the program are referred to a toll-free telephone number where they can request a NCDS pamphlet. This one-page document is distributed primarily by the Toyota Customer Assistance Center.

Despite the manufacturer's efforts, there remains a concern about NCDS information dissemination at the dealership level where most warranty disputes arise.

For the 2004 report, we visited three Toyota dealerships.⁹

Voss Toyota
2110 Heller Drive
Beavercreek, Ohio 45434

Airport Toyota
1180 West National Rd.
Vandalia, Ohio 45377

Kerry Toyota of Durham
4513 Chapel Hill Blvd.
Durham, North Carolina 27707

None of the dealership personnel we interviewed during our Toyota dealership visits provided any useful information about the Toyota warranty dispute mechanism in response to our inquiry concerning customer options when the customer is experiencing warranty disputes. One Toyota dealership in Ohio had a framed poster about NCDS arbitration with a contact toll-free telephone number included which is as good a performance as can be expected. At another Toyota dealership, the service department representative said, "we can't provide any information about arbitration if you've already talked to Toyota." The dealers' performance in these two states is mixed. Nevertheless, it is more consistent this year with the underlying intent of federal requirements of Rule 703.

We said in last year's report that:

⁸ The Toyota *Dispute Settlement Program* pamphlet actually refers here to the Toyota *Owner's Manual Supplement*, but it appears they mean the *Owner's Warranty Rights Notification* booklet. It's a mere administrative oversight, but customers could easily be confused. Fortunately the theoretical problem is mitigated by virtue of the second reference to a toll-free telephone number to Toyota's Customer Assistance Center where customers may obtain a *Customer Claim Form*.

⁹ As is the case with several dimensions to the audit we carried out this aspect in the year 2005.

Clearly, one of the principal reasons that the annual independent audit requirement was included in Rule 703 was to ensure that adequate consumer awareness was provided for by sponsoring manufacturers. That the original draft of Rule 703 was modified so as to require this audit was an outcome fostered by manufacturers who complained that the proposed alternatives were too onerous and in fact, "draconian." The Federal Trade Commission declined to mandate the national media campaigns and dealer incentives requirements, opting instead for voluntary efforts by the manufacturers, or their agent dealers, which would then be audited annually to ensure compliance with the stated objective of ensuring consumer awareness of the availability of the program. In any event, it is abundantly clear that no audit findings are complete without an evaluation of this aspect of the arbitration program since it is specifically set forth in the administrative Rule requirements in that section identified as the "Proceedings." This extensive Federal Trade Commission commentary was promulgated as a fundamental part of the Rule, as is the case with all promulgated FTC Rules.

Because of the varied and heavy responsibilities of service managers, they were not always available during our "secret shopper" visits to dealerships. It is predictable that the customers of dealerships whose employees are completely unaware of the NCDS will be less likely to be informed of the availability of NCDS, a situation "at variance" with the regulation's intent.

There is a toll-free phone number to the Toyota Customer Assistance that offers assistance to customers in terms of the "making customers aware" requirement. This office is designed to facilitate an open line of communication between the servicing dealer, Toyota, and the customer. The toll-free line facilitates the NCDS by providing NCDS information to those who specifically request information about arbitration. We contacted the number and were referred to the glove box packet and the specific manual which contains a NCDS application form. The primary objective of the Toyota Customer Assistance Center is to keep the customer and Toyota working together to resolve warranty-related problems. This facet of the program operates consistent with § 703.2(d) which allows:

703.2 (d)... Nothing contained in paragraphs (b), (c), or (d) of this section [notice requirements] shall limit the warrantor's option to encourage consumers to seek redress directly from the warrantor as long as the warrantor does not expressly require consumers to seek redress directly from the warrantor. The warrantor shall proceed fairly and expeditiously to attempt to resolve all disputes submitted directly to the warrantor.

The information dissemination methods employed by Toyota together with the number of applications filed nationally in 2004 (2766) demonstrate that, unquestionably, many Toyota customers were made aware of the program, and for these customers, at least, access is obvious.

On the other hand, our dealer inspections in several parts of the country showed a general lack of knowledge on the part of many dealer service department employees about the NCDS, and in some cases, ignorance of its very existence.

As with most programs, our visits to dealerships suggested that customers who seek assistance from their salespersons are also unlikely to receive any useful information about the NCDS. Few of the salespeople we interviewed appeared to have any knowledge of the NCDS or arbitration options in general.

We feel obligated to reiterate that the party who is in the best position to communicate with customers, at most junctures in the warranty repair context, is the servicing dealer. Unfortunately, dealers who wish to ignore their role in facilitating "fair and expeditious" warranty dispute resolution may do so with regulatory impunity, notwithstanding the efforts of Toyota.

We note here that manufacturer's difficulties in complying with this requirement are related in some respects to uncertainty as to the regulation's intent about when the customer is to be informed. A better information dissemination strategy could be developed if regulators provided manufacturers with an operational definition of the phrase, "**... at the time consumers experience warranty disputes.**"

DISCREPANCIES:

None, with the same qualifier given immediately above.

II. LEXUS:

- Lexus publishes a manual entitled, *2004 Lexus Owner's Manual Supplement*. The manual itself is outdated and lists on page 10 an arbitration program no longer in use by Lexus. To address this, an errata slip is inserted into each manual given to customers at the point of sale and delivery which identifies The National Center for Dispute Settlement (NCDS) as the current organization for Lexus customers to contact regarding arbitration. Included is a toll-free telephone number for NCDS.
- We were provided a copy of the NCDS tri-fold, *Rules & Procedures for the Informal Resolution of Automobile Warranty Disputes* pamphlet, but this document is distributed to Lexus customers after the customer has filed an application.

We note here that manufacturer's difficulties in complying with this requirement are related in some respects to uncertainty as to the regulation's intent about when the customer is to be informed. A better information dissemination strategy could be developed if regulators provided manufacturers with an operational definition of the phrase, "**... at the time consumers experience warranty disputes.**"

In 2005 we did not visit a Lexus dealership for the 2004 audit:

In our 2003 report issued in 2004 we included the following comments as regards Lexus:

For a newly created program this limited information may be provisionally acceptable, but in our view it falls short of what Rule 703 intends as regards informing customers of the availability of the arbitration program at the time a warranty dispute arises. There are, of course, many different strategies for accomplishing this mandated information dissemination program, but a mere passive casual reference to NCDS in an owner's manual is likely to find many customers with a warranty dispute unaware of the availability of arbitration. That was clearly not the intent of the Federal Trade Commission when Rule 703 was promulgated as evidenced by the rule's lengthy discussion in the *Statement of Basis and Purpose*, published and promulgated as part of the rule (see Federal Register, 60215, Dec. 31, 1973). The FTC afforded great flexibility to manufacturers, at their request, as an alternative to far more draconian measures being proposed at the time including the requirement that manufacturers engage in a national media

campaign each year to announce the program's availability. The FTC opted instead to afford manufacturers the opportunity to use their own creative methods to achieve the objective and provided for an annual audit to ensure that manufacturers were carrying out effective strategies for ensuring that their customers were likely to be informed about the programs *at the time a warranty disputes arises* [FTC's emphasis.]

The above commentary is included for historical reference purposes. We met our dealership visit goeir a warrant

educate their employees to provide DRP information to customers making general inquiries about warranty-related dissatisfactions or disputes.

In addressing the concerns we raised in the last paragraph above, Mitsubishi initiated a program described in the communication below which was sent to various Mitsubishi executive employees:

Good Morning Gentlemen, We are pleased to announce the rollout of our Dispute Resolution Process posters. Three 11x17 posters and a cover letter will be shipped to the attention of each Dealer Service Manager in today's weekly drop. I've attached a copy of the cover letter for your review. In addition, we will be shipping 75 posters to each of the Regions so that your AWAPMs have some on hand for dealer visits. There is also a small supply of posters at Standard Register that can be ordered (Form # DR00204).

It's extremely important that each Service Manager displays the posters in areas that are clearly visible to customers who bring in their vehicles for warranty repairs. Please make sure that your DPSMs are checking for the posters when they conduct their dealer visits!

You may be aware that the FTC conducts a yearly audit of our Dispute Resolution Process through NCDS. The audit will be commencing in the next few weeks - and part of the audit includes "mystery shop" visits to retailers. Unfortunately, last year, the majority of dealerships visited by the auditor could not accurately describe the Dispute Resolution Process. Per Joan Smith's email to you dated 1/14/04 please ensure DPSMs are training their dealer personnel on our Dispute Resolution Process.

It is a requirement of the FTC, that if a manufacturer participates in an informal dispute resolution process, the customer must be made aware of how they can go about pursuing arbitration. In addition, to the Dispute Resolution Process booklets in each new owner's glove box - the posters should increase the awareness of the Dispute Resolution Process that is available at the time a customer is not satisfied with repairs completed under warranty.

Claverhouse Associates has not reviewed the actual cover letter sent to each Dealer Service Manager. This e-mail copy, supplied to us by NCDS, strongly suggests that important steps are being taken to bring Mitsubishi into compliance with this aspect of Rule 703. We did not expect to see any significant results during our dealer visits for the 2004 audit, given the normal time delays associated with intra-company communications involving a nation-wide network of dealerships. Nevertheless, we view this innovation as clear evidence of intent for which Mitsubishi should be given credit. We did find, however, one Mitsubishi dealership in Naples, Florida that had an arbitration (NCDS) poster prominently displayed in the service department indicating that the program may be having some positive regulatory impact.

In 2004 and 2005, we visited the following Mitsubishi dealerships for the 2004 audit:

Elkins Mitsubishi
905 Jackie Robinson Drive

Durham, North Carolina 27701

Mitsubishi O'Brien
2625 Davis Blvd.
Naples, Florida

Lokey Team (Mitsubishi)
2339 Gulf-to-Bay Blvd.
Clearwater, Florida, 33765

Our Mitsubishi dealership experience in this regard was mixed. In Naples, Florida, we found a NCDS pamphlet prominently displayed at the cashier window which was an excellent finding. In Clearwater, Florida, there was a poster announcing arbitration availability, but the poster was not prominently displayed. At the North Carolina dealership we visited, however, the personnel we interviewed provided no useful information about the NCDS warranty dispute mechanism in response to our inquiry concerning customer options when the customer is experiencing warranty disputes. Indeed, the service department employee we interviewed said, "Any arbitration is handled by the courts and it takes months." Information that is patently untrue and of no use. This dealer's performance is contrary to the underlying intent of federal requirements of Rule 703.

We said in last year's report that:

Clearly, one of the principal reasons that the annual independent audit requirement was included in Rule 703 was to ensure that adequate consumer awareness was provided for by sponsoring manufacturers. That the original draft of Rule 703 was modified so as to require this audit was an outcome fostered by manufacturers who complained that the proposed alternatives were too onerous and in fact, "draconian." The Federal Trade Commission declined to mandate the national media campaigns and dealer incentives requirements, opting instead for voluntary efforts by the manufacturers, or their agent dealers, which would then be audited annually to ensure compliance with the stated objective of ensuring consumer awareness of the availability of the program. In any event, it is abundantly clear that no audit findings are complete without an evaluation of this aspect of the arbitration program since it is specifically set forth in the administrative Rule requirements in that section identified as the "Proceedings." This extensive Federal Trade Commission commentary was promulgated as a fundamental part of the Rule, as is the case with all promulgated FTC Rules.

Because of the varied and heavy responsibilities of service managers, they were not always available during our "secret shopper" visits to dealerships. It is predictable that the customers of dealerships whose employees are completely unaware of the AWAP will be less likely to be informed of the availability of AWAP, a situation "at variance" with the regulation's intent.

DISCREPANCIES:

None, with the qualifier given immediately above as a caveat.

IV. DAIMLERCHRYSLER:

DaimlerChrysler uses several means by which to meet this important requirement; they are as follows: **[Note: This information only applies in the four states wherein the program is offered.]**

- DaimlerChrysler publishes an 10-page booklet, entitled *Customer Arbitration Process*,¹⁰ that explains the CAP process and how and where to file an application. This pamphlet contains an application form for accessing the CAP program. The pamphlet is distributed in a variety of ways, but the principal method is by way of the dealer. Dealers may provide the brochure as part of the initial information packet given to new customers as well as making them available in the dealership. Dealerships normally have the pamphlet available only upon request. Our random audits of dealerships in the four applicable state areas surrounding the field audit sites found, as in recent prior audits, no consistent and significant commitment by dealers to educate their employees to provide booklets to customers making general inquiries about warranty-related dissatisfactions or disputes. In fact, this year's review suggests that some serious attention needs to be given to this aspect of the program because dealers were unlikely to provide information about the existence of the program and how to contact it even when we specifically asked for information about their arbitration program.
- The *Owner's Manual*, supplied with each new vehicle incorrectly refers to the program as the Customer Arbitration Board. This name only applies to the California-specific program administered by DeMars & Associates. The national program is called the "Customer Arbitration Process" (CAP). The *Owner's Manual* itself does not include a phone number or mailing address of either the CAP or the CAB, but the supplementary manual referenced below provides various addresses and phone numbers as required by state laws. The *Owner's Manual* does inform the reader that an arbitration brochure is included as part of the Glove Box Kit. Unfortunately, this reference repeats the same error alluded to earlier and misstates the national program's name.
- The booklet *Owner's Rights Under State Lemon Laws, Supplement to Owner's & Warranty Manual* is provided with each new vehicle. This booklet does not give the CAP address, but at page four it refers customers with unresolved disputes to the CAP brochure that accompanies the *Owner's Manual* and *Warranty Manual*, which are shipped as part of the Glove Box Kit in the applicable states. It also refers customers to the DaimlerChrysler toll-free customer relat.0012n000e8sT8o.8(s)r the

¹⁰ DaimlerChrysler is a member of the NCDS multi-manufacturer program which in most important ways is identical to the CAP program but no longer operates under the name CAP. The information booklets referenced in this section were still operative in the four applicable states in 2003 but we have received no further information suggesting the policy has been modified.

NONE

NCDS general policies for the AWAP are set forth in the pamphlet provided to each applicant for arbitration. Some additional policies are printed in the arbitrator training manual and appropriately arra

Arbitrators would be greatly aided by continued emphasis at arbitrator training on the appropriate use of independent inspections and technical assistance. The AWAP has developed and implemented a national training program that, of necessity, addresses so many issues in a short period of time that it is understandable why arbitrators often lose sight of some of the trainers' admonitions. *This underscores the importance of an efficient, on-going feedback loop that provides regular reminders from program staff to arbitrators.*

Other areas to be investigated include:

number of repair attempts;

length of repair periods; and

possibility of unreasonable use of the product.

Customers provide some information on these subjects on the AWAP application and the applicable manufacturer provides it on their own forms entitled, *Manufacturer's Response Form*.

The customer application form, unfortunately, does not ask for information about the issue of possible misuse or abuse of the vehicle. Customers should know that the possibility of abuse or misuse of the vehicle may become a significant issue in the arbitrator's decision process so that they can present information accordingly. The company reports may include information on this topic whenever they think it is appropriate, but the customer has no way of knowing that this is a subject they would be well advised to address in the information they present to the board or an individual arbitrator.

In the event that misuse is asserted or suggested as a possibility in the *Manufacturer Response Form*, the customer is able to submit supplemental information challenging or explaining his/her perspective on the issue. Rather than delay the process or put the customer in the position of having to present a response on short notice, customers could be advised at the onset of the process that the issue might come up in the arbitrator(s)/board's deliberations. The fact that customers receive copies of the statements from the company in advance of the hearings, allowing them the opportunity to challenge any such suggestion is not in itself sufficient to address our concern. Unfortunately, not all questions of possible misuse arise in response to the *Manufacturer Response Form*. The subject of abuse or misuse of the product may only emerge during the arbitrator(s)/board's deliberations. Based on our interviews with arbitrators, an arbitrator may suspect the possibility of abuse or misuse without its having been asserted in the paperwork. In such cases, "misuse" may not be the primary or deciding factor but can still be a significant factor. Because of its secondary importance, however, it may not be detailed in the decision and not necessarily reflected in the fairly brief communications announcing the board's or arbitrator's decision. Thus, a customer who may have important rebuttal information on the subject of suspected abuse, would be unlikely to be aware that it had become an issue.

FINDINGS:

The investigation methods used by the AWAP are well known to regulators and appear to be acceptable to them. Moreover, the processes envisioned when Magnuson-Moss was enacted were understood to be substantially abbreviated in comparison to litigation. Ultimately, the question comes down to, "How much investigation is enough?" In our view, more inquiries in the initial phase of the arbitration process would enhance the process, but we are unwilling to assert that this concern threatens compliance.

The methods currently employed by the AWAP clearly result in a useful collection of pertinent information, but it is also clear that there is opportunity to gather significantly more valuable information at virtually no extra cost.

3) **Mediation**¹²

This facet of the arbitration program was historically carried out exclusively by the manufacturer or its dealers. The NCDS process attempts to mediate the case prior to arbitration by having a trained staff person contact the customer and the applicable manufacturer where the facts as they receive them appear to warrant. When mediation fails to result in a settlement, the matter is arbitrated and a decision rendered.

The mediation function envisioned by rule 703 is governed, at least in part, by section 703.2(d) which allows:

... Nothing contained in this subchapter shall limit the warrantor's option to encourage consumers to seek redress directly from the warrantor as long as the warrantor does not expressly require consumers to seek redress directly from the warrantor. The warrantor shall proceed fairly and expeditiously to attempt to resolve all disputes submitted directly to the warrantor.

FINDINGS:

After a case is opened, the manufacturer generally intercedes in an attempt to resolve the dispute to the customer's satisfaction prior to arbitration. Detailed records are kept as required by § 703.6. This information is contained in the case files maintained by NCDS.

This audit assesses the mediation function only in terms of its impact on the requirement to facilitate fair and expeditious resolution of disputes. All indications are that the mediation function meets the minimum requirements for fair and expeditious resolution of disputes. Mediation is voluntary and in no way is intended to impede or delay a customer's access to arbitration. The degree to which performance of mediated resolutions conforms with time limit requirements is reviewed in the survey section of this report.

4) **Follow-up**

¹² Mediation does not necessarily imply the use of a neutral third-party mediator, but rather means the case has been settled prior to the arbitrator rendering a decision.

¹³ Each facet of the AWAP has Automotive Service Excellence (ASE) certified mechanics available to

In the AWAP formats using a documents only board and single arbitrators, hearings are open, as required by Rule 703, to observers, including the disputing parties. The Lexus panel process is not open to observers. We said in last year's report:

It should be noted however, that we audited a Lexus hearing in Houston, Texas as part of the national Rule 703 audit report and discovered that Lexus has elected to have their cases heard by a three-member panel which takes testimony/evidence from each of the parties and then dismisses the parties while they deliberate and decide the case. We believe this approach is inconsistent with the requirements of Federal Trade Commission Rule 703.8 (d) which provides that meetings of the members to hear and decide disputes shall be open to observers on reasonable and nondiscriminatory terms. Further, the Rule's, *Statement of Basis and Purpose* (pp. 60215, Federal Register Vol. 40, no. 251) explains that the one case where they allow for the exclusion of persons to the meeting is limited to non-party observers. The FTC further emphasizes the importance of the parties being present to provide the scrutiny function intended. Lexus and NCDS will need to re-visit this aspect of their program to ensure compliance. [NOTE: NCDS has interpreted the regulatory language differently and administers the program so that actual deliberation is conducted by the arbitrators without the presence of the parties.]

Nothing has changed since we issued last year's report in regards to the Lexus process as regards the open meetings provision [§ 703.8 (d)].

The parties are sent copies of the case files before the board meets and are informed that they may submit additional information if they choose to clarify or contradict information in the file. Any additional info

We have noted continued improvement in awareness of important legal principles and various warranty doctrines among established arbitrators who have been provided arbitrator training. Arbitrators' increased awareness of their scope of authority, the essential components of a decision, and factors that may be important when considering

¹⁴ Currently, NCDS arbitrators are provided a per diem allowance of \$100.00 a hearing plus reimbursement for any mileage expenses incurred.

SECTION III

Field Audit of Three Geographical Areas

¹⁵ These statistics include cases for Toyota, Lexus, Mitsubishi, DaimlerChrysler, and Porsche.

¹⁶ The number of arbitrated cases is determined here by our summing the four categories of statistics that reference the word “Decided” (items 4-7) included in the 2004 statistical report for Minnesota provided to Claverhouse Associates by NCDS.

¹⁷ The number of mediated cases is determined here by our summing the three categories of statistics provided to Claverhouse Associates by NCDS (items 1-3) included in the 2004 statistical report for Minnesota

9) A copy of the disclosure to the parties of the decision.

FINDINGS:

Each applicable case file contained a copy of the decision letter sent to the customer. This letter serves as both the decision and the disclosure of the decision.

10) A statement of the warrantor's intended action(s);

FINDINGS:

The warrantor's intended action(s) and performance are inextricably linked. Thus, we validate this item in terms of performance verification. Performance verification is a function carried out by NCDS. This office sends a survey to the customer following receipt of the customer's acceptance of those decisions mandating some action on the part of the manufacturer to ask, among other things, whether any required performance has taken place. Customers are asked to return the survey to the office of NCDS. As noted elsewhere, we found few returned survey forms in the case files. In the past, we have stated that the absence of performance verification forms in the case file does not constitute a regulatory inconsistency since performance verification information may not be available from the customer. By mailing a performance verification survey

¹⁹ Since some of the participating manufacturers have not been administered by NCDS for four years,

The hearing was not efficiently conducted but, the inefficiencies did not interfere with the regulatory requirements for a fair hearing. The customer was provided with a reasonable opportunity to present her case which she did, repeatedly. The arbitrator appropriately confirmed what the customer was seeking in the form of relief, and then took a test drive prior to concluding the hearing. The test drive, however, was not necessary since the two attending parties (i.e., the dealer and the customer) were in agreement as regards the condition and performance of the vehicle.

ii. Openness of Meeting

The room was adequate to accommodate observers interested in attending the hearing. The arbitrator communicated to the auditor his understanding that the hearings are open and can be attended by observers who agree to abide by the program's rules.

iii. Efficiency of Meeting

The hearing was not efficiently conducted. Rather, the customer was allowed to play an exceedingly lengthy tape recording that provided no useful information. In addition, the customer was allowed to provide redundant and irrelevant testimony repeatedly.

iv. Hearing

This arbitrator appeared to be committed to the fair and expeditious resolution of warranty disputes in the hearing process. He treated the parties equally in every regard. The hearing covered everything the program envisions including a test drive, albeit an unnecessary one.

v. Board/Arbitrator Decisions

We reviewed numerous decisions for this region while conducting our on-site visit to the Dallas, Texas, headquarters of NCDS. In the Compliance Summary (Section I of this report), we discuss and will not reiterate the important issue of boilerplate language. Otherwise, the decisions we reviewed were generally

²⁰ See 16 C.F.R., § 703.6 (f). Since some of the participating manufacturers have not been administered

FINDINGS:

We examined the case files extracted from

9) A copy of the disclosure to the parties of the decision.

FINDINGS:

All files for cases that were arbitrated contained the required information.

10) A statement of the warrantor's intended action(s);

FINDINGS:

The warrantor's intended action(s) and performance are inextricably linked. Thus, we validate this item in terms of performance ve

C. Case File Records (4 yrs. 2001-2004)

§ 703.6 (f)

(f) The Mechanism shall retain all records specified in paragraphs (a) through (e) of this section for at least 4 years after final disposition of the dispute.

A random sample of case numbers from the years 2001-2004 was drawn from NCDS' data base program, and in our field inspection, we checked the sample case files in the NCDS headquarters office to verify that they were being maintained (i.e., stored) per requirement § 703.6(f). In addition, a visual inspection was made of the entire four-year accumulation of case files required by the same section. The closed files are stored aNCDS 15.6m

The meeting began at 4:00 pm as scheduled.

iv. Hearing

The hearing was, in the main, improperly conducted. The arbitrator actually encouraged the customer to engage in mediation prior to taking testimony for arbitrating. In addition, the arbitrator's explanation of the process failed to make clear just what was transpiring after the arbitrator left the room to allow the parties an opportunity to mediate. As a result, the customer appeared to believe they were to give their testimony for arbitration. The mediation understandably failed, necessitating the customer repeating their testimony. After presenting several repair orders, the customer referenced the state lemon law and the arbitrator said, in effect, that she didn't really know what the lemon law provided. The arbitrator then assured the customer that she takes the lemon law into account. A curious statement in light of the fact that she just asserted that she did not know what the lemon law provides. Both parties, however, were afforded an uninterrupted opportunity to present their versions of the case. Following each party's presentation, the other party was given an opportunity to clarify or challenge, as was appropriate.

v. Board/Arbitrator Decisions

We reviewed this case's decision and a sample of decisions for the region while conducting our on-site visit to the Dallas, Texas, headquarters of NCDS. The decision in this case was consistent with the regulatory requirements with the qualifier discussed above. Further, the decision was thorough and complete, setting forth sufficient rationale for her findings.

Conclusion:

The AWAP, as it operates in the North Carolina region, is in "substantial compliance" with Rule 703. The NCDS administrative staff demonstrated a clear commitment to ensuring fair and expeditious resolution of warranty disputes. The administrative staff is clearly dedicated to the program's mission and generally demonstrates a high degree of professionalism. The arbitrator demonstrated a commitment to fair and expeditious resolution of warranty disputes, and the problems with the inartful way in which the arbitrator conducted the hearing was more a concern about form than one of substance.

III. Ohio

A. Case Load and Basic Statistics

Ohio generated 176 cases in 2004 of which 81 (46%) were determined to be "not-in-jurisdiction" cases. The program also reports 14 mediated cases (14.7% of the 95 in-jurisdiction cases) and 72 arbitrated cases (75.7% of the 95 in-jurisdiction cases). The average days for handling a 2004 Ohio case is 35. This compares with an average of 38 days handling nationwide.

The Ohio regional field audit includes a review of a hearing held in Beaver Creek, Ohio, and interviews with the principal people involved in the hearing. In addition, we reviewed a sample of case files for Ohio, which are stored at national headquarters of the National Center for Dispute Settlement (NCDS), in Dallas, Texas.

During our on-site review at the Dallas, Texas, headquarters, we visually inspected the warehousing of all AWAP case files for the required four-year period.²¹ The four-year accumulation of case files was available for inspection per all regulatory requirements. In addition, the staff at NCDS were efficiently housed and provided with up-to-date equipment.

We requested a random sample of 50 cases drawn from all Ohio cases closed during the audit period and examined the cases provided to determine whether they were complete and available for audit. Files were reviewed for accuracy and completeness. The findings of that review are set forth below.

B. Recordkeeping Accuracy and Completeness

§ 703.6 (a)(1-12)

(a) The Mechanism shall maintain records on each dispute referred to it shall include:

- 1) Name, address and telephone number of the consumer;**
- 2) Name, address and telephone number the contact of the warrantor;**

²¹ See 16 C.F.R., § 703.6 (f). Since some of the participating manufacturer's have not been administered by NCDS for four years, we could not render any judgment in that regard. Still, we have seen how those files were maintained in other audits we have conducted, and as a result, we have confidence the files are being stored as required. Moreover, we saw no substantive inconsistency in how NCDS maintains files between manufacturers so we feel comfortable in assuming that what is true in this regard for Toyota, DaimlerChrysler, and Mitsubishi will be seen to also be true for the Porsche and Lexus aspects of the national AWAP.

FINDINGS:

We examined a sample of case files extracted from all "in-jurisdiction" case files closed during the audit period. We reviewed these files for the items enumerated in subsections 1-5 with the following results:

- 1) All case files contained the customer's name, address, and telephone number.
- 2) The requirement is met. The name and address of the warrantor's contact person is included with the initial correspondence that the customer receives

9) A copy of the disclosure to the parties of the decision.

FINDINGS:

All applicable case files contain a letter from the arbitrator announcing his/her decision.²²

10) A statement of the warrantor's intended action(s);

FINDINGS:

The warrantor's intended action(s) and performance are inextricably linked. Thus, we validate this item in terms of performance verification. Performance verification is a function carried out by NCDS. This office sends a survey to the customer following receipt of the customer's acceptance of those decisions mandating some action on the part of the respective manufacturer to ask, among other things, whether any required performance has taken place. Customers are asked to return the survey to the office of NCDS. As noted elsewhere, we found few returned survey forms in the case files. In the past, we have stated that the absence of performance verification forms in the case file does not constitute a regulatory inconsistency since performance verification information may not be available from the customer. By mailing a performance verification survey NCDS goes as far as can be expected in determining whether arbitration decisions are, in fact, being performed. It seems entirely appropriate for the program to assume performance of the decision has taken place when the customer performance survey is not returned. For those who may be skeptical about such important assumptions, it should be remembered that even if a manufacturer engaged in a programmatic attempt to avoid performing arbitration decisions, that fact would, of course, emerge in the context of our national random survey of customers who have used the program. Performance verification status should and does appear in the case file as is indicated by sections 11 and 12 below.

11) Copies of follow-up letters (or summaries of relevant and material portions of follow-up telephone calls) to the consumer and responses thereto; and

12) Any other documents and communications (or summaries of relevant and material portions of oral communications) relating to the dispute.

Section 11 above is not applicable for purposes of the audit because there is no practical means by which to verify the completeness and accuracy of such possible additions to the files. Section 12, however, appears to mandate that a summary form be created whenever the arbitrator receives an oral communication that may have any bearing on the matter in dispute from either party. Of course, most such communications come in the form of oral presentations by the parties at the hearing, in which case the communications are summarized in the arbitrator's decision. All summaries are now included in the case file.

²² Some cases do not result in a decision. The case may end in a mediated settlement that came about after the case had been received by the AWAP but prior to the hearing to decide the matter.

CONCLUSIONS:

The NCDS AWAP record keeping policies and procedures are in substantial compliance with the federal Rule 703.

C. Case File Records (4 yrs. 2001-2004)

§ 703.6 (f)

(f) The Mechanism shall retain all records specified in paragraphs (a) through (e) of this section for at least 4 years after final disposition of the dispute.

The older case files are stored at the NCDS headquarters office in Dallas, Texas. The closed files are stored in a discrete area within the NCDS office and are available for review.

D. Program Records

i. Agendas and Minutes of Arbitration Hearings

The four-year accumulation of case files is kept in one location and was complete and readily available for audit. The AWAP arbitrator completes a separate form for each hearing and a copy of this form is maintained at the NCDS headquarters office. Information included in each case file includes: a) meeting place, date, and time; b) arbitrators' names; c) customer name and case number; and, d) the decisions and reasons.

ii. Arbitrator Biographies

Arbitrator resumes are maintained at the headquarters office of NCDS in Dallas, Texas. The resumes are complete and current. The list of arbitrators also indicates the dates of their appointments.

E. Hearing Process (i.e., Meeting)

The AWAP hearing was held at the Voss Toyota dealership, 2110 Heller Drive, Beavercreek, Ohio, January 28, 2005, at 12:00 am. The meeting room was of reasonably adequate size for accommodating anyone who wished to attend as an observer. The parties included the customer, a Toyota manufacturer's representative, the arbitrator, and the auditor.

i. Physical Description of Hearing

The hearing was conducted in room of adequate size and was reasonably arranged for the purposes of the hearing. Attending were the customer, a customer witness, a Toyota representative, a Toyota dealer representative, the auditor, and the arbitrator.

The hearing was efficiently conducted as far as it went but, the parties agreed during the hearing to attempt to mediate the dispute interrupting, as it were, the arbitration process. The arbitrator excused himself from the room during the mediation/negotiation process. The matter concluded with the parties agreeing to

a settlement the substance of which we evaluated both in-person and in the final written form.

The audit included interviews with the customer and the Toyota representatives either before or after the hearing.

ii. Openness of Meeting

The hearing was open to observers pursuant to the federal and state regulations and program rules.

iii. Efficiency of Meeting

The hearing was efficiently administered as far it went.

iv. Hearing

This arbitrator appeared to be committed to the fair and expeditious resolution of warranty disputes in the hearing process.

v. Board/Arbitrator Decisions

We reviewed numerous decisions for this region while conducting our on-site visit to the Dallas, Texas, headquarters of NCDS. In the Compliance Summary (Section I of this report), we discuss and will not reiterate here the important issue of boilerplate language. Otherwise, the decisions we reviewed were generally quite sound in both form and substance.

We have reviewed the mediated agreement reached in the case we monitored and, it is well stated, and complete.

CONCLUSION:

The AWAP, as it operates in Ohio, is in substantial compliance with Rule 703. while recognizing the important caveat discussed elsewhere regarding the need to clarify and modify the panel hearing policy concerning the open meetings requirement of rule 703. The NCDS administrative staff and the NCDS program demonstrated a clear commitment to ensure fair and expeditious resolution of warranty disputes. The administrative staff is clearly dedicated to the program's mission and demonstrates a high degree of professionalism.

SECTION IV

Arbitration Training

making appropriate disclosures when applicable. Emphasis was given to disclosures that may be important but are not necessarily disqualifying.

Overall, the training appears to have left trainees with an opportunity to develop a good grasp of their responsibilities as arbitrators. As was true at last year's training, trainees were presented with information that makes it clear that customers who purchase a vehicle with a substantial non-conformity that the manufacturer fails to cure in a reasonable number of attempts should probably receive the relief they are entitled to under the terms of the Magnuson-Moss Warranty act or the appropriate state automobile warranty statute.

The invaluable role-playing demonstrations have become a standard feature of NCDS training. Some exercises involve trainees simply observing role-playing by staff, but a major component of training involves trainees themselves in role play exercises.

An important and thorough presentation centered around the Federal Magnuson-Moss Warranty Act²³ and its relationship to the Uniform Commercial Code. Our field experience suggests that some greater emphasis on the arbitrators' scope of authority and the related available remedies under federal law would also be beneficial.

An appropriate degree of emphasis was given to writing decisions and providing adequate underlying rationales for those decisions. This included a careful presentation on leased vehicles and the sometimes complicated differences between providing relief to these cases as opposed to providing relief in cases in which vehicles are purchased outright.

Also discussed was the appropriate use of i

²³ Also addressed was the Act's related administrative rules commonly known as Rule 703.

ARBITRATION TRAINING RATING SYSTEM

- | | |
|---|-----------|
| 1) Adequacy of training materials | VERY GOOD |
| 2) Accuracy of informational materials | VERY GOOD |
| 3) Thoroughness of material | VERY GOOD |
| 4) Quality of presentation | VERY GOOD |
| 5) Apparent understanding and likely comprehension of the information | GOOD |
| 6) Utility of materials for later referencing | EXCELLENT |

SECTION V

Survey and Statistical Index Comparative Analyses

NATIONAL CENTER FOR DISPUTE SETTLEMENT AUTOMOTIVE WARRANTY PROGRAM PROGRAM INDICES

The Federal Trade Commission (FTC) regulates informal dispute resolution programs, such as those operated by the National Center for Dispute Settlement under FTC Rule 703.6(e). The rule mandates disclosure of statistics about the outcomes of warranty disputes and warrantor compliance with settlements and awards. The purpose of this section of this audit is to verify the statistics provided by the company for the year 2004.

A consumer who wants to have a dispute settled by the Automobile Warranty Arbitration Program (AWAP) conducted by the National Center for Dispute Settlement must: (1) be the owner of a vehicle that meets certain specified age and mileage requirements; and, (2) agree to forego any legal action while the case is open with the AWAP. If a customer applies to the program but does not meet these requirements, the case is considered to be “out-of-jurisdiction.” Cases that are “out-of-jurisdiction” are counted as “closed.” A consumer who is not satisfied with the jurisdiction decision of the program can request that the case be reviewed by a three-member arbitrator board.

If a consumer who files with the AWAP is able to reach an agreement with the automaker prior

ABOUT THE STUDY

The Claverhouse study is based on data collected from 400 of the 2,246 users²⁴ of the program nationally in 2004 whose cases were “in jurisdiction” and “closed.” A customer who had filed

²⁴ A total of cases were included in the statistics sent by the AWAP, these included cases that were “out of jurisdiction”, cases that were not yet considered “closed” (“resolved by the staff/members and time for compliance has not yet occurred’), and 3 whose decision was pending. The cases are used in the calculation of some statistics and not in the calculation of others.

²⁵ This is the sampling error when the responses divide roughly 50-50 on a given question and when there are 400 cases, given a 95 percent confidence interval (i.e., there is a 1-in-20 chance that the actual proportion in the population falls outside the range of 50 ± 4.4 percent). The magnitude of the sampling error is determined primarily by sample size (a larger sample size yields a smaller sampling error) and also, to some extent, on how evenly responses are divided among alternative answers. For example, if the responses were divided 75-25 on a given question, the margin of error would be $\pm 4.0\%$.

²⁶ Table does not include the 202 pending cases.

Table 2
Outcomes of Mediated Settlements
Comparison between Claverhouse Survey and AWAP Indices 2004

Mediated Settlements	Claverhouse	AWAP
	Percent (Number)	Percent5AP Indices 2004

²⁷This percentage is a percentage of mediated cases only.
²⁸AWAP indices show 392 cases in which the warrantor has complied, 14 cases in which compliance has not occurred, and 31 cases where time for compliance had not occurred. Because these 31 cases are not considered “closed” they are not included in the comparison of the Claverhouse data.

When asked if they pursued their cases any further 14.7 percent of the respondents indicated that they had done so. Of those who pursued their cases, 43.8 percent recontacted the AWAP, 25.0 percent went back to the dealer or manufact

²⁹ This statistic is based on a total of 16 responses as respondents could indicate more than one source.

INSERT FIG 1

³⁰This includes only cases for which there was no missing data, an award was granted and accepted.

All respondents whose cases were arbitrated were asked whether they had pursued their cases further after the arbitration decision. One quarter (25.0 percent) replied in the affirmative. Table 5 shows by what means they pursued their cases. Note that respondents could pursue their cases by more than one means; thus, the number of responses is greater than the number of respondents (76).

**Table 5
Methods of Pursuing Cases
Claverhouse Survey**

Method	Number	Percent
Contacted a government agency	30	32.6%
Contacted an attorney/legal means	28	30.4%
Worked out a solution with the dealer	18	19.6%
Recontacted the AWAP	16	17.4%
Total responses	92	19.6%

INSERT FIG 2



³¹These figures represent re

INSERT FIG 3

Table 8
Survey Respondents' Ratings of AWAP Staff
Claverhouse Survey

Performance Item	Level of Satisfaction				
	Very Satisfied	Somewhat Satisfied	Neutral	Somewhat Dissatisfied	Very Dissatisfied
Objectivity and fairness	27.4%	9.2%	14.6%	8.7%	40.0%
Promptness in handling your complaint during the process	38.0%	20.8%	21.4%	7.3%	12.5%
Efforts to assist you in resolving your complaint	27.5%	8.3%	14.3%	12.5%	37.4%
Overall rating of the program	27.4%	10.8%	8.7%	11.3%	41.8%

Of the three areas, users of the program gave the highest satisfaction rating in the area of promptness, with 58.8% saying that they were either very satisfied or somewhat satisfied. The lowest satisfaction rating was in the area of effort, with only 35.8 percent reporting some level of satisfaction. Respondents felt the same when it came to rating objectivity and fairness with only 36.6 percent saying they were satisfied with this area of the program (See Figure 4).

When asked to give an overall satisfaction rating, only 38.2 percent gave a satisfied rating (with

INSERT FIG 4

insert fig 5

SECTION VI

Audit Related Regulatory Requirements

REQUIREMENT: § 703.7 (c)(3)(I)

A report of each audit under this section shall be submitted to the Federal Trade Commission, and shall be made available to any person at reasonable cost. The Mechanism may direct its auditor to delete names of parties to disputes, and identity of products involved, from the audit report.

A copy has been supplied to the Federal Trade Commission consistent with this requirement.

REQUIREMENT: § 703.7 (d)

Auditors shall be selected by the Mechanism. No auditor may be involved with the Mechanism as a warrantor, sponsor or member, or employee or agent thereof, other than for purposes of the audit.

The audit was conducted consistent with this requirement.

SECTION VII
Appendix/Codebook