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U.S. probe targets Firestone HQ

Investigation shifts to Nashville as Bridgestone counts the costs of massive tire recall

Reuters News Agency, Washington

The U.S. House Commerce Committee said yesterday it will send a team of investigators to **Firestone Corp's** headquarters on Monday as part of a probe into the recall of millions of its tires potentially linked to at least 62 deaths.

"In our ongoing search to find the truth, I have arranged for committee staff to travel to Nashville, Tenn., to meet Bridgestone/Firestone personnel," Commerce Committee chairman Thomas Bliley said in a statement.

Firestone, a unit of Japan's **Bridgestone Corp.**, earlier this month recalled its 15-inch ATX and ATXII tires plus 15-inch Wilderness tires made at its Decatur, Ill., plant. They were mostly used on Ford Explorer sport utility vehicles.

The National Highway Traffic Safety Administration is investigating dozens of deaths potentially linked to peeling of the tire treads and blown tires.

The team of investigators were visiting **Ford Motor Co's** headquarters in Dearborn, Mich., yesterday as part of its inquiry.

Meanwhile, in Tokyo yesterday, Bridgestone counted the cost of its massive U.S. recall, reporting a 48.5-per-cent dive in earnings for the first six months of this year.

As a costly airlift of tires from three Japanese plants gathered momentum, Firestone's Japanese parent issued interim results that reflected the financial toll of the debacle.

Bridgestone's charge of ¥37.2-billion (\$347-million U.S.), announced two weeks ago to cover the cost of replacing 6.5 million tires in the United States, drove consolidated profit down to 18.9 billion yen for the six months to June from ¥36.68-billion a year before.

Sales in the period, which ended before news emerged of wide-spread problems with the tires, skidded 4.8 per cent to ¥991.2-billion. Bridgestone blamed this on the strong yen which erodes the value of goods sold abroad by Japanese companies.

It said if not for the strong yen, sales in North America and Europe would have risen, although sales in Japan were down.

Bridgestone, which bought Firestone in 1988, said the overall costs of replacing the

tires would lead to a 24-per-cent drop in earnings this year to ¥67-billion, repeating a forecast it made on Aug. 10.

On Wednesday, it began a massive airlift of tires from Japan in a bid to speed up the recall.

Transportation industry sources in the United States say Firestone's airlift could be costing the company as much as US\$60 a tire.

Firestone expects 2,000 tires will be airlifted the first week, 2,800 in each of the next two weeks and 5,600 a week every week through the end of the year, company officials say.

Some are expected to be shipped by sea.

Investors, fretting about consumers deserting the Firestone brand and costs arising from a potential ballooning of lawsuits, have dumped shares in Bridgestone, sending them down 38 per cent since Aug. 4 when U.S. retailer Sears Roebuck and Co. said it stopped selling certain Firestone tires.

Yesterday, Bridgestone's shares ended at ¥1,516 on the Tokyo Stock Exchange, up ¥2 on the day.

The article EM0007 reprinted above is relevant to Part 11 of the STAT 221 Course Materials.