

**Please answer the questions given below the case**

### **Ford Pinto Story**

In the late 1960s the US automobile industry's home market was under threat from overseas competitors. Lee Iacocca, then president of Ford, was determined to face the competition head-on, by having a new car, the Ford Pinto, on the market by the 1971 model year. This meant reducing the standard 'concept to production' time of a year and a half, and making changes on the production line rather than the drawing board.

In testing its new design Ford used current and proposed legislation. Crash tests indicated that the petrol tank tended to rupture when it was struck from behind at 20 mph, posing a significant risk to those inside. This contravened proposed national legislation which required that cars be able to withstand an impact at 30 mph without fuel loss. No one informed Iacocca of these findings, for fear of being fired. He was fond of saying 'safety doesn't sell'.

Management had to decide between production deadlines to meet competitive requirements and passenger safety. The engineers costed the design improvements at \$11 per car, and turned to cost/benefit analysis to help quantify the dilemma. Using government figures that estimated the loss to society for every traffic accident at \$200,000, Ford's calculations were:

#### *Benefits of altering design*

Savings: 180 deaths; 180 serious injuries; 2,100 vehicles

Unit cost: \$200,000 per death; \$67,000 per serious injury; \$700 per vehicle

*Total benefit* \$49.5 million

#### *Costs of altering the design*

Sales: 11 million cars; 1.5 million light trucks

Unit cost: \$11 per car; \$11 per truck

*Total cost:* \$137.5 million

From this calculation Ford determined that the costs of altering the design outweighed the benefits, so they would produce the Pinto in its original form. They reasoned that the current design met all the applicable federal regulatory safety standards. While it did not meet proposed future legislation it was as safe as current competing models.

Ford therefore launched the Pinto in 1971. Observers estimate that from 1971 to 1978 between 1,700 and 2,500 people died in fires involving Pintos. In 1977 the proposed fuel tank legislation was adopted. Ford recalled all 1971-6 Pintos to modify their fuel tanks. Civil action was brought against Ford and resulted in a pay-out of \$250 million in damage awards. Many courts concluded that the Pinto's design was legally defective. However, when charged with criminal homicide, Ford was found not guilty in 1980.

Source: based on Shaw (1991) and Birsh and Fielder (1994)

Question 1) What are the ethical and moral issues in The Ford Pinto Story? (20 Marks)

Question 2) Identify the reasons behind those ethical issues and explain how those mistakes could have been avoided. (20 marks)

Question 3) Please discuss your learning from this case. (10 Marks)