

CONFIDENTIAL BUSINESS INFORMATION REDACTED

July 19, 2018

Mr. Jonathan Morrison
Chief Counsel
National Highway Traffic Safety Administration¶
(NCC-111), Room W41-227
1200 New Jersey Avenue, SE
West Building
Washington, DC 20590

RE: Docket No. NHTSA-2015-0055 – Daimler Vans Request for Extension of Priority Group 8 and 9 Launch Deadlines Under ¶ 34 of the Third Amended Coordinated Remedy Order

Dear Mr. Morrison:

On behalf of our client, Daimler Vans USA LLC (DVUSA), this letter requests an additional extension of time in which to comply with the sufficient supply and remedy launch deadlines for Priority Group 8 and 9 vehicles contained in Paragraph 34 of the Third Amended Takata Coordinated Remedy Order (ACRO). The DVUSA vehicles included in Priority Group 8 are Model Year (MY) 2012 Freightliner and Mercedes-Benz Sprinters in Zones A and non-A, for the passenger side airbag. The DVUSA vehicles included in Priority Group 9 are MY 2013 Freightliner and Mercedes-Benz Sprinters in Zones A and non-A, for the passenger side airbag. Under ¶ 34 of the ACRO, the original deadline for launching Priority Group 8 was March 31, 2018, and the original deadline for launching Priority Group 9 was June 30, 2018. DVUSA submitted an extension request on February 14, 2018, requesting that the remedy launch deadline for its Priority Group 8 and 9 vehicles be extended to July 31, 2018.

A. Background

As explained in DVUSA's February 2018 extension request, as well as prior communications with NHTSA, DVUSA's approach to the Takata recalls is to replace non-desiccated PSAN inflators with the superior technical solution [] using ammonium nitrate free propellant. The new [] inflators are being produced by [] and sourced through []. Moreover, from the point at which passenger side inflators become available, Priority Group 8 and 9 vehicles, which still have an open repair on both sides, will be able to receive a non-PSAN solution within the same workshop visit. []

]

DVUSA has worked with [] and [] to develop a reasonable plan to identify replacement parts, develop and validate these parts, and have a production process in place.

According to initial production estimates, the [] inflators were to be available by January 2018, which would have been sufficient time to enable adequate parts supply for launching Priority Group 8 by March 31, 2018 and Priority Group 9 by June 30, 2018. Unforeseen delays in the development process resulted in a new [] availability date of August 2018. DVUSA was able to escalate the issue with [] in late 2017 and early 2018, leading to a new start of production (SOP) date for the [] inflators of April 2018.

As the development process for the [] inflators stalled, there was an additional complication in that [] informed DVUSA that it was phasing out the production of SPI-D inflators by February 2018. This meant that SPI-D inflators would not be available as an interim solution for the vehicles impacted by the [] inflator delay.

B. New Issues Impacting Part Supply

In addition to the delays described above, which were fully explained in DVUSA's February extension request, further recent developments have interfered with DVUSA's plans to launch Priority Groups 8 and 9 by the end of July 2018. These additional developments are discussed below.

1. Delays in Initial Part Supply

[], did not finalize the required contract between its factory in [] on time. This significantly affected the ability of [] to sell parts to the U.S., causing an initial delay of 3-4 weeks in supplying airbag modules intended for the U.S., including those intended for DVUSA Priority Group 8 and 9 vehicles. This situation was rapidly escalated with [] by the Daimler AG (DAG) Global Logistics Center, which successfully pressured [] to correct the problem. Nonetheless, initial part supplies expected to be available at DVUSA in late May are still in transit from JSS and have not yet been received by DVUSA.

An additional issue related to initial part supplies outside of DVUSA's control is the lack of timely shipments of airbag module sub-components from [] sub-supplier []. [] supplies the airbag cushion to [], but limited production capacity at [] resulted in an additional bottleneck to the production of [] airbag modules, further constraining [] ability to supply the required initial amount of [] parts as planned.

2. Shared Production Capacity with Other Manufacturers

The production line at [] is shared with two other manufacturers. These other manufacturers, [], sell similar vehicles [] and have corresponding replacement inflator requirements under the worldwide Takata recalls. As of June 2018, [] and [] of the existing capacity of the production line for PSAB-modules. (Those [] vehicles are mainly intended for [] vehicles which are also subject to the Takata recall in the U.S.) The remaining [] of the line capacity is the main source of supply for Mercedes-Benz and Freightliner Sprinter airbag module parts worldwide. These capacity allocations were only shared by [] in April 2018. Prior to that time DAG was unaware of any significant part demands by [] at this production facility. However, recent recall announcements in markets where the [] is sold (as discussed in the following section)

created a sudden part demand from [REDACTED]. This shared capacity, and recent allocation of that capacity, further strains [REDACTED] ability to provide sufficient remedy parts to DVUSA.

3. Additional Markets

Recall mandates by the respective governmental authorities in relation to Takata PSAN inflators in other markets have significantly affected the allocation of production capacity. Recall mandates announced in China (December 31, 2017), Australia (February 27, 2018), and New Zealand (February 27, 2018) greatly impacted the allocation of the supply capacity for replacement parts for the U.S. market. For example, the [REDACTED] is sold in Australia and New Zealand, which both recently announced recalls, and this vehicle shares production line capacity for its replacement airbag module with the Mercedes-Benz and Freightliner Sprinter sold by DVUSA.

Although DAG has prioritized the U.S. market to the extent possible, the limitations on allocation of the supply capacity for the U.S. market due to recall mandates in other markets impacted the initial calculations as to when the sufficient launch supply threshold would be reached for Priority Group 8 and 9 vehicles. As a consequence of the involvement of additional markets, a “fair share” approach may be necessary to distribute the existing capacity of [REDACTED] modules among the different markets.

Additional markets implementing wide-ranging recalls similar to the U.S. recall, including models not sold in the U.S., also impacted the supply of U.S. inflators. For example, 20% of [REDACTED] dedicated production capacity of [REDACTED] passenger airbags is directed to the Australia/New Zealand market, which utilizes a right-hand drive version of the remedy part that cannot be used in left-hand drive markets such as the U.S. Moreover, switching the production line between right- and left-hand drive versions of the airbag module creates further production delays. These factors further impacted production capacity for the U.S. market and timelines for the accumulation of parts for the DVUSA Priority Group 8 and 9 launch.

4. Supply Chain Logistics

An additional supply chain issue constraining DVUSA’s current part supply situation relates to [REDACTED] sub-supplier [REDACTED]. [REDACTED] supplies the safety cages required for the transport of the replacement parts, and has a generally low production capacity. [REDACTED] production has been [REDACTED] cages per week but it is expected to increase production to [REDACTED] cages per week by early August 2018. [REDACTED] is evaluating technical alternatives, but at the current time no other suppliers are available. Due to the lack of alternatives, this issue will remain a bottleneck to the supply process and a risk for DVUSA’s future parts availability.

5. Summary

The foregoing issues have significantly impacted [REDACTED] ability to supply [REDACTED] airbags to DVUSA for its planned Priority Group 8 and 9 launch. Furthermore, many of the issues appear to present ongoing challenges for [REDACTED] and volatility in the supply chain. Indeed, although [REDACTED] has provided production forecasts for the remainder of 2018, it has been unable to confirm a delivery schedule that would ensure DVUSA sufficient part quantities to enable the launch of Priority Groups 8 and 9 in the near future. In the absence of a confirmed delivery schedule, DVUSA has no choice but to request additional time to launch these Priority Groups.

C. DVUSA’s Request

DVUSA normally launches a recall with [] of replacement parts available to dealers. As stated in DVUSA's prior request for an extension of time to comply with the Priority Group 8 and 9 launch deadlines, based on production capacity data received from [] as of February 1, 2018, DVUSA initially expected to have the requisite [] part supply available by July 31, 2018 for both Priority Groups 8 and 9. However, based on production capacity forecasts received from [] this week for both Priority Groups 8 and 9, as well as ongoing [] supply chain and delivery issues, DVUSA does not anticipate having the requisite [] part supply available until December 31, 2018. As noted above, [] thus far has been unable to confirm a delivery schedule for sufficient parts to launch Priority Groups 8 and 9, but, if sufficient supplies can be established earlier, DVUSA plans to launch Priority Group 8 prior to the proposed date of December 31, 2018, and will consider launching the remedy with less than the requisite [] of replacement parts available to dealers.

DVUSA plans to continue working closely with [] to expedite production of the [] solution and to address remaining supply and production issues. DVUSA already has arranged for direct shipment of airbag modules from [] distribution center in Germany to [] in the U.S., in order to avoid any additional delays that might be caused by the handling and transfer of parts within the DAG Global Logistics Center, which is normally part of the parts handling process. Additionally, DVUSA expects that the end of series production for the current model year in September 2018 will make more parts available and improve the part supply situation.

DVUSA notes that it remains subject to the limitations of the [] production and supply process. [] has only confirmed the supply capacity for DVUSA through the end of 2018, so DVUSA does not yet know the potential impact on the launch of Priority Group 10. DVUSA will continue to seek capacity information and assurances from [], and will keep NHTSA informed as further supply information is obtained, including part supply information for Priority Group 10.

In addition, DVUSA's parts availability estimates are based on the continued steady progress of its previously-launched Priority Groups. Any spikes in completion rates could impact parts planning, since the airbag modules with the []-based inflator will also fit the passenger side in the already-launched Priority Groups.

Finally, additional recall announcements in other markets, as well as further unforeseen supply issues, could also impact part supply plans.

Daimler Vans respectfully requests an extension of time to comply with the Priority Group 8 and 9 launch deadlines to December 31, 2018.

Mr. Jonathan Morrison
July 19, 2018
Page 5

Thank you for your consideration of this request.

Sincerely,

A handwritten signature in black ink, appearing to read "R. Latane Montague". The signature is fluid and cursive, with a long horizontal stroke extending to the right from the end of the name.

R. Latane Montague

Attachments:

Affidavit in Support of Extension Request

Cc: Stephen Hench, Esq.
Michael D. Scott