

June 21, 2018

**CONFIDENTIAL BUSINESS INFORMATION REDACTED**

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 – Mercedes Benz USA Request for Extension of Priority Groups 4 and 5 Sufficient Supply and Remedy Launch Deadline Under ¶ 39 of the Third Amended Coordinated Remedy Order to Address Takata Recalls**

Dear Mr. Morrison:

On behalf of our clients, Daimler AG (“DAG”) and Mercedes Benz USA, LLC (“MBUSA”), and pursuant to ¶ 39 of the Third Amended Coordinated Remedy Order to address the Takata recalls, this letter requests an extension of time in which to comply with the sufficient supply and remedy launch deadlines for certain vehicles in Priority Groups (“PGs”) 4 and 5, as set forth in 33 of the Fifth Amendment to the Takata Coordinated Remedy Order (“Fifth Amended Order”).

Under ¶ 33 of the Fifth Amended Order, the sufficient supply and remedy launch deadline for MBUSA’s PG 4 vehicles was March 31, 2018. MBUSA requested an extension to June 30, 2018 for Priority Group 4 Model Year (“MY”) 2008-09 C-Class (204 platform) vehicles in its March 1, 2018 extension request. Under ¶ 33 of the Fifth Amended Order, the sufficient supply and remedy launch deadline for PG 5 vehicles is June 30, 2018.

As described in prior communications to NHTSA, MBUSA is implementing a recall remedy strategy that involves use of the superior technical solution of [ ] based inflators. These parts are being used for all affected Mercedes-Benz vehicles in the U.S., including the PG 4 and PG 5 vehicles to which this letter relates. MBUSA and DAG have worked closely with [ ] to develop and validate the [ ] replacement parts. Working with [ ], MBUSA and DAG have made every effort to streamline the development and approval process, including [ ]

[ ]. As NHTSA is aware from prior DAG and MBUSA communications, however, MBUSA and DAG remain subject to the limitations and capabilities of the [ ] production and supply process, as well as changes in the global demand for [ ] inflators, which greatly impact all development and supply timelines. As described below, these

limitations and changes are having a significant effect on MBUSA's ability to launch the remedy for the PG 4 C-Class (204) model, as well as other PG 5 models.

Each of these PGs is discussed separately below.

### **A. Priority Group 4 MY 2008-09 C-Class (204 platform)**

As noted in MBUSA's March 1, 2018 extension request for the MY 2008-09 C-Class (204 platform), the validation testing process for this model could not be completed in time to launch the remedy with the other PG 4 vehicles by March 30, 2018. Despite DAG's rigorous efforts to launch the recall of MY 2008-09 C-Class (204 platform) vehicles by June 30, 2018, additional influencing factors, which are outlined below, are forcing DAG to further delay the launch of these vehicles.

#### **1. Contractual Issues**

For previous model platforms within PG 4, [ ] had agreed to pre-produce inflators prior to validation, in order to allow DAG to take advantage of existing supply capacity during the validation process and build up parts supply and expedite the launch dates. Contrary to DAG's experience with other model platforms within the Takata Recall, [ ], did not consent to the pre-production of inflators prior to the formal finalization of the validation process. This significantly affected the initial calculations as to when the sufficient launch supply threshold of [ ] would be reached for the MY 2008-09 C-Class (204 platform) vehicles.

An additional issue outside of DAG's control related to the supply of parts by [ ] is the lack of timely shipments from manufacturing plants to [ ] in the U.S., due to internal contractual negotiations between [ ] and [ ]. To minimize delays in general and expedite shipments, DAG arranged for direct shipment of airbag modules from [ ] to [ ] in the U.S. This measure was initiated in order to avoid any additional delays caused by inbound/outbound handling and transfer of the parts within the DAG Global Logistics Center in Germany, which is normally part of DAG's parts handling process. However, delays in the contractual negotiations relating to [ ], as well as due to [ ] in the U.S., resulted in a temporary freeze on [ ] internal delivery of parts from Germany to the U.S. between January and April 2018. This delay had an adverse impact on the availability of parts in the U.S.

#### **2. Additional Markets**

Recall mandates by the respective governmental authorities in relation to PSAN Takata inflators in other markets have significantly affected the allocation of production capacity. Recall mandates announced in China (December 31, 2017), Taiwan (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. Although DAG continues to prioritize the U.S. market, 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 of [ ] would be reached for the MY2008-09 C-Class (204 platform) vehicles.

Additional markets implementing wide ranging recalls similar to the U.S. recall, including models not sold in the U.S., also impacted the development and validation process for U.S. inflators. The development and validation of these inflators needed to be adapted to address the certification and approval processes of the respective markets in addition to the U.S. requirements. This impacted initial estimates with respect to the development and validation timelines for inflators in the U.S. market.

### 3. Supply Chain Logistical Issues

Additional unforeseen challenges arose due to the limited capacity of [ ] air freight contractors to transfer the airbag modules (which must be shipped as dangerous goods/hazardous materials) by air to [ ] in the U.S. This too negatively affected the availability of parts in the U.S.

### 4. Summary

To remain proactive and as close to its initial launch commitment as practicable, MBUSA's strategy is to launch this PG 4 recall as soon as possible as sufficient percentages of airbags become available to dealers, focusing first on the highest-risk vehicles (e.g., HAH states, then the remainder of Zone A). This first phase of the recall remedy is anticipated to launch by July 31, 2018.

MBUSA currently anticipates that it will have the remainder of the PG 4 airbag supply available by August 31, 2018 as shown below.

PG4				
Make	Platform	Model	Model Years	Launch
Mercedes-Benz	204	C-Class	2008-2009 (HAH)	by July 31, 2018
Mercedes-Benz	204	C-Class	2008-2009 (remainder of zone A)	by August 31, 2018

MBUSA respectfully requests an extension of time to comply with the Priority Group 4 launch deadline for MY 2008-09 C-Class (204 platform) vehicles with a two-tier approach (based on location) to July 31, 2018 for vehicles in the HAH region, followed by the balance of vehicles (the remainder of Zone A) by August 31, 2018.

## B. Priority Group 5

The same issues related to [ ] contracts, new recall mandates in additional markets, and supply chain logistics that are impacting the PG 4 C-Class (204 platform) launch are also impacting MBUSA's ability to launch PG 5. The discussion of these issues is repeated here.

### 1. Contractual Issues

For previous model platforms, [ ] had agreed to pre-produce inflators prior to validation, in order to allow DAG to take advantage of existing supply capacity during the validation process and build up parts supply and expedite the launch dates. Contrary to DAG's experience with

other model platforms, [REDACTED], did not consent to the pre-production of inflators prior to the formal finalization of the validation process. This largely affected the initial calculations as to when the sufficient launch supply threshold of [REDACTED] would be reached for PG 5 vehicles.

An additional issue outside of DAG's control related to supply of parts by [REDACTED] is the lack of timely shipments from manufacturing plants to [REDACTED] in the U.S. To minimize delays in general and expedite shipments, DAG arranged for direct shipment of airbag modules from [REDACTED] to [REDACTED] in the U.S. This measure was initiated in order to avoid any additional delays caused by inbound/outbound handling and transfer of the parts within the DAG Global Logistics Center in Germany, which is normally part of DAG's parts handling process. However, delays in the contractual negotiations relating to [REDACTED], as well as due to [REDACTED] in the U.S., resulted in a temporary freeze on [REDACTED] internal delivery of parts from Germany to the U.S. between January and April 2018. This delay had an adverse impact on the availability of parts in the U.S.

## **2. Additional Markets**

Recall mandates by the respective governmental authorities in relation to PSAN Takata inflators in other markets have significantly affected the allocation of production capacity. Recall mandates announced in China (December 31, 2017), Taiwan (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. Although DAG continues to prioritize the U.S. market, 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 of [REDACTED] would be reached for PG 5 vehicles.

Additional markets implementing wide ranging recalls similar to the U.S. recall, including models not sold in the U.S., also impacted the development and validation process for U.S. inflators. The development and validation of these inflators needed to be adapted to address the certification and approval processes of the respective markets in addition to the U.S. requirements. This impacted initial estimates with respect to the development and validation timelines for inflators in the U.S. market.

## **3. Supply Chain Logistical Issues**

Additional unforeseen challenges arose due to the limited capacity of [REDACTED] air freight contractors to transfer the airbag modules (which must be shipped as dangerous goods/hazardous materials) by air to [REDACTED] in the U.S. This too negatively affected the availability of parts in the U.S.

## **4. Summary**

MBUSA plans to launch the oldest vehicles from PG 5 on time, pursuant to the Fifth Amended Order, by June 30, 2018. These vehicles which will be launched by June 30, 2018 are the MY 2005-2007 C-Class, 203 platform; the MY 2007-2008 SLK, 171 platform; and the MY 2009-2010 ML- and GL-Class, 164 platform.

For the remaining PG 5 vehicles, MBUSA proposes to launch the remedy in phased quarterly intervals, as soon as [REDACTED] of the necessary replacement airbags are available to

dealers. Within the quarterly intervals, MBUSA intends to launch the remedy for these remaining vehicles as soon as sufficient parts become available.

The remaining PG 5 vehicles for which MBUSA is requesting an extension of the June 30, 2018 sufficient supply and remedy launch deadline, and the proposed dates for completing the remedy launch, are:

<b>PG5</b>				
<b>Make</b>	<b>Platform</b>	<b>Model</b>	<b>Model Years</b>	<b>Launch</b>
Mercedes-Benz	171/203	SLK/C-Class	2007-2008/ 2005-2007	Launched in June 2018 (no extension requested)
Mercedes-Benz	164/251	ML-/GL-/R-Class	2009 (Non-A)	partially launched in June 2018
Mercedes-Benz	164/251	ML-/GL-/R-Class	2010 (Zone A)	partially launched in June 2018
Mercedes-Benz	164/251	ML-/GL-/R-Class	2009 (Non-A)	balance by October 31, 2018 (partial launch in June 2018)
Mercedes-Benz	204	C-Class	2008-2009	by October 31, 2018
Mercedes-Benz	X204	GLK-Class	2010	by October 31, 2018
Mercedes-Benz	212	E-Class	2010	by October 31, 2018
Mercedes-Benz	207	E-Class Coupe/Cabriolet	2010	by October 31, 2018
Mercedes-Benz	164/251	ML-/GL-R-Class	2010 (Zone-A)	balance by December 31, 2018 (partial launch in June 2018)
Mercedes-Benz	204	C-Class	2010	by December 31, 2018
Mercedes-Benz	X204	GLK-Class	2011	by December 31, 2018
Mercedes-Benz	212	E-Class	2011	by December 31, 2018
Mercedes-Benz	207	E-Class Coupe/Cabriolet	2011	by December 31, 2018
Mercedes-Benz	164	ML-/GL-Class	2011	by March 31, 2019
Mercedes-Benz	251	R-Class	2011	by March 31, 2019
Mercedes-Benz	204	C-Class	2011	by March 31, 2019
Mercedes-Benz	X204	GLK-Class	2012	by March 31, 2019
Mercedes-Benz	164	ML-/GL-Class	2012	by March 31, 2019
Mercedes-Benz	251	R-Class	2012	by March 31, 2019
Mercedes-Benz	197	SLS-Class Coupe/Roadster	2011-2015	by March 31, 2019

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By executing this strategy, MBUSA will continuously launch the remedy for vehicles within PG 5 in phases, starting immediately, and will have launched the remedy for the last vehicles from PG 5 by March 31, 2019.

MBUSA respectfully requests an extension of time to fully comply with the Priority Group 5 launch deadline to March 31, 2019.

Thank you for your consideration of this request. Please let us know if you need any additional information.

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.

R. Latane Montague

Attachment: Certificate in Support of Notice of Anticipated  
Shortage and Request for Extension

Cc: Stephen Hench, Esq.  
R. Thomas Brunner