

February 14, 2019

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 – Daimler Vans USA Request for Extension of Priority Group 10 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 Daimler Vans USA, LLC (“DVUSA”), 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 a subset of vehicles in Priority Group (“PG”) 10, as set forth in ¶ 34 of the Third Amended Takata Coordinated Remedy Order (“ACRO”). Under the ACRO, the deadline for launching the remedy for PG 10 is March 31, 2019.

PG 10 is the largest vehicle population of any Takata launch by DVUSA to date, with 71,301 vehicles requiring a driver-side airbag replacement, and 88,388 requiring a passenger-side airbag replacement. DVUSA will launch the remedy for a significant proportion of the vehicles in PG 10, including all MY 2015-2017 Mercedes-Benz and Freightliner Sprinter vehicles requiring replacement of driver airbags (71,301 vehicles) and all MY 2014 Mercedes-Benz and Freightliner Sprinter vehicles requiring replacement of the passenger airbags (24,346 vehicles), at the beginning of March 2019 in advance of the remedy launch deadline under the ACRO. However, DVUSA and DAG recently received information impacting the launch date for the remaining PG 10 vehicles, MY 2015-2017 Mercedes-Benz and Freightliner Sprinter vehicles requiring replacement of the passenger airbags (64,042 vehicles). This request relates to those vehicles.

A. Background

As explained in previous communication, DAG and DVUSA’s preferred approach to the Takata recalls is to replace non-desiccated PSAN inflators with the superior technical solution of [] based inflators. The new [] inflators are being produced by [] and sourced through [].

The inherent design of the affected vehicles, in which the entire airbag module, and not just the inflator, must be replaced, makes the Takata recall particularly challenging for these vehicles. This is a complex task that must address significant design and performance requirements, due to the numerous subcomponents of the airbag module. Carryover of PSAN module components into the new [] based modules is limited, resulting in either tooling modifications or new tools for a large number of components.

DAG and DVUSA have worked with [] and [] to develop a reasonable plan to identify replacement parts, develop and validate those parts, and have a production process in place. As the agency is aware, a number of past supply issues have constrained DVUSA's ability to provide adequate remedy parts, including development process delays, internal [] contractual issues, and supply chain logistical issues. Even as these past problems are resolved, the supply constraints they caused continue to have a downstream impact on later PGs. In addition, new issues have recently emerged that are having an immediate effect on parts availability, as described in the following section.

B. New Issues Impacting Part Supply

On February 11, 2019, DAG received a warning from its supplier [] stating that there is significant risk within the supply of passenger airbag modules. This warning is based primarily on supply constraints from [], and the need for shared production capacity with other manufacturers. [] reported that it cannot yet quantify potential effects on the latest production forecasts.

1. Sub-Supplier Issues

In late 2018, DAG learned that [] airbag material supplier, [], experienced production anomalies leading to reduced production capacity and a three-week interruption in production. These impacts continue. GST is the only approved supplier able to fabricate the bags required for the airbag modules in Sprinter vehicles; there is no alternative supplier in the market. This production disruption is having an ongoing impact on part supply availability.

2. Shared Production Capacity

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. In early 2019 DAG was informed that the [] production capacity allocated for the production of PSAB modules would be impacted by the supply requirements for []. From calendar week 10 (March 4) 2019 onwards, this will lead to an average 23% decrease in the [] production capacity for PSAB allocated to DAG. This shared capacity, and recent allocation of that capacity, further strains [] ability to provide sufficient remedy parts to DVUSA. In light of the fact that PG 10 covers the largest number of vehicles of any DVUSA remedy launch, the limited production capacity is especially problematic.

C. Additional Factors Causing Uncertainty in Parts Availability

In addition to the delays in the supply chain which have already occurred, a number of potential risk factors need to be considered, including logistical issues and possible parts reallocation from the U.S. to Canada. DVUSA also notes that it remains subject to the limitations of the [] production and supply process, as well as that of its sub-suppliers. Additional unforeseen supply issues could further impact future parts availability.

1. Logistical Issues

DAG just learned that [] is closing its U.S. parts distribution facility for Sprinter airbags in [] this month and relocating it to []. This relocation will double the transport time from pickup at [] to the DVUSA parts distribution centers, and will involve the transfer of inspection and U.S. shipping processes and training of new personnel, all of which are likely to adversely impact the flow of part supplies in the U.S.

Further, [] is planning to move its production facility for the inflators in Japan. DAG understands that this move is planned for the March-April 2019 time frame. [] has planned for a stock of inflators to cover the anticipated supply disruption during this shift. However, if this shift of location lasts longer than expected, the prepared safety stock of inflators will not last long enough to bridge the period until the new production ramp up is completed.

2. Parts Shift to Canada

In 2018 parts were shifted from Canada to the U.S. to ensure sufficient supplies for DVUSA's December 2018 PG 8 and 9 launch. Now, in 2019, these part volumes could be needed for Canada again, as Canadian completion rates are increasing. Some of the U.S. supply may have to be diverted to Canada to meet demand in that country. This too would adversely impact supplies in the U.S.

D. Countermeasures

DAG and DVUSA have made considerable efforts to address and alleviate the supply issues described above. As noted, in 2018, parts were shifted from Canada to the U.S. in order to ensure adequate quantities for DVUSA's December 2018 remedy launch for PG 8 and 9. In addition, DAG has had numerous escalation communications with [] already this year, including on January 21 and 23, 2019, to try to improve its parts allocation and secure additional capacity. DAG has stressed with [] the importance of having sufficient part supplies for the upcoming ACRO launch dates, as well as the need to address logistics constraints such as the [] production interruption. As a result of these communications, the supply issues have been escalated to the []. In addition, DAG has made every effort to obtain clear information from [] about the sharing of production capacity with other OEMs. DAG plans to continue working closely with [], to address supply issues.

E. DVUSA's Request

DVUSA proposes to launch a subset of PG 10 vehicles - MY 2015, 2016 and 2017 Mercedes-Benz and Freightliner Sprinter vehicles requiring replacement of the passenger airbags – in two phases. DVUSA plans to launch the MY 2015 vehicles in this group by September 30, 2019, and the MY 2016 and 2017 vehicles in this group by December 31, 2019.

DVUSA respectfully requests an extension of time to comply with the PG 10 launch deadline for MY 2015 Mercedes-Benz and Freightliner Sprinter vehicles requiring replacement of the passenger airbags until September 30, 2019, and an extension for MY 2016 and 2017 vehicles of the same description until December 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 line extending from the end.

R. Latane Montague

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

cc: Stephen Hench, Esq.
Heike Scheuble