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August 9, 2002

OFFICE OF
DEFECTS INVESTIGATION

Mr. Kenneth N. Weinstein
Associate Administrator for Safety Assurance
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION
U.S. Department of Transportation
400 7th Street, SW
Washington, DC 20590

02V-223 ① of ⑤

RE: Owner Notification Campaign – Side Airbag System
MY 1999 323i, 328i

Dear Mr. Weinstein:

This letter is being sent to inform you that BMW will be proceeding with an owner notification campaign that will conform to the applicable provisions of 49 CFR Parts 573 and 577; however, BMW is not admitting under the Vehicle Safety Act that a defect that presents an unreasonable risk to motor vehicle safety exists. BMW has not identified any design or manufacturing flaw in the subject vehicles that constitutes a "defect." Under these circumstances, and because all airbag designs will deploy in circumstances that, in retrospect, did not warrant airbag deployment, BMW cannot agree that a rate of unwanted side airbag deployments can, itself, constitute evidence of a "safety-related defect." Nevertheless, BMW is willing to conduct a campaign to recalibrate the central airbag control module. It is BMW's expectation that this recalibration will reduce the rate of unwanted side airbag deployments; however, it will not eliminate the possibility of deployments in circumstances that, in retrospect, did not warrant airbag deployment.

This recall action will include certain 1999 model year BMW 323i and 328i vehicles. The side airbag systems of the subject vehicles may deploy in certain non-crash impacts with a significant vertical and/or longitudinal component, such as experienced when contacting large potholes or curbs at substantial speed, and without an actual side crash or impact severe enough to cause significant visible damage to the vehicle.

In order to reduce the possibility of such non-crash deployments, BMW is voluntarily conducting this owner notification campaign without a determination of a defect and without any admission of liability under the Act; however, BMW does agree to adhere to all the requirements of Sections 30118 and 30119 of Title 49 U.S.C., Chapter 301, and to be bound by all other sections of Title 49 U.S.C., Chapter 301 and regulations relating to recall campaigns. Further, the mailing of owner letters containing the statements required by 49 CFR Part 577 is not intended, and should not be considered to be an admission that BMW has determined that a safety defect exists in these vehicles.

Company

MW of North America, LLC

BMW Group Company

Office address

One BMW Plaza
Montvale, NJ 07645

Telephone

(201) 573-2068

Fax

(201) 782-0764



The information specified in Section 573.5 of your regulations follows:

1. Manufacturer: Bayerische Motoren Werke AG (BMW AG)

Designated Agent: BMW of North America, LLC
Woodcliff Lake, NJ 07677

2. Make: BMW

<u>Model Year/Model</u>	<u>Inclusive dates of manufacture</u>
1999 323i, 328i	04/1999 - 08/1999

3. The number of vehicles potentially containing the subject side airbags is approximately 20,500.
4. BMW does not know the percentage of vehicles that could experience an unwanted side airbag deployment; therefore, 100% of the vehicles identified in item 3 will be included in the campaign.
5. The side airbag system of the affected vehicles consists of door mounted thorax airbags (rear door airbags are optional), a Head Protection System (HPS) for front occupants, a central electronic safing sensor and diagnostic/control system, left and right satellite impact sensors, and associated wiring. The system level (hardware and software) of these vehicles is designated by BMW as "Bb".

This Bb system on the affected vehicles may deploy in certain non-crash impacts with a significant vertical and/or longitudinal component, such as experienced when contacting large potholes or curbs at substantial speed. This could cause the side airbag and HPS of the vehicle to deploy without an actual side crash or impact severe enough to cause significant visible damage to the vehicle. In addition, the Battery Safety Terminal (BST) would also activate, disconnecting the starter cable from the battery. In this case, the vehicle electrical systems would continue to operate and the engine would continue to run; however, after the engine is turned off, it could not be restarted.

The suppliers of the system components are:

Conti Temic microelectronic GmbH (sensors and electronic control module)
Ringlerstraße 17
D - 85057 Ingolstadt, Germany
Contact person: Mr. Hermann Bauer
Telephone: 0049 / 841 881 2371 Telefax: 0049 / 841 881 2360

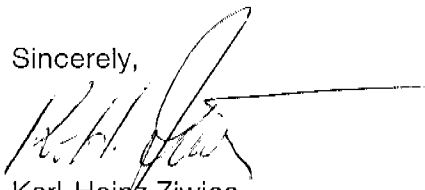
TRW Occupant Restraint Systems GmbH (side thorax airbag)
Industriestrasse 20
D-73553 Alfdorf, Germany
Contact person: Mr. Schubert
Telephone 0049 / 7172 302 1577 Telefax 0049 / 7172 302 1080

Autoliv GmbH (Head Protection System)
Theodor-Heuss-Straße 2
D - 85221 Dachau, Germany
Contact persons: Mr. Peter Teichmann or Mr. Klaus Kompass
Telephone: 0049 / 8131 295 0 Telefax: 0049 / 8131 295 313

6. Field experience with the affected Bb vehicles has caused BMW to decide to recalibrate the side airbag system of those vehicles, in order to reduce the possibility of such non-crash deployments.
7. Not applicable.
8. BMW will conduct an owner notification campaign to recalibrate the side airbag system of the potentially affected vehicles.

BMW expects to begin and complete owner notification by the end of September 2002.
9. A copy of the Service Bulletin will be prepared and submitted when available.
10. A draft copy of the owner notification letter is attached.
11. Not applicable.
12. This campaign affects only certain 1999 323i and 328i vehicles produced for sale in the United States.

Sincerely,



Karl-Heinz Ziwick
General Manager
Environmental Engineering

Attachment

DRAFT

02V-223 ④ of ⑤

September 2002

RECALL CAMPAIGN NO. 02V-XXX

Dear BMW Owner:

This notice is sent to you in accordance with the requirements of the National Traffic and Motor Vehicle Safety Act.

BMW AG has determined that a defect which relates to motor vehicle safety exists in certain 1999 Model Year BMW 323i and 328i 4-door automobiles. Our records indicate that you are the owner of a potentially affected vehicle.

DESCRIPTION OF DEFECT

The side airbag system of your car may deploy in certain non-crash impacts, such as experienced when contacting large potholes or curbs at substantial speed. This could cause the side airbag and Head Protection System to deploy without an actual side crash or impact severe enough to cause significant visible damage to the vehicle.

Unexpected deployment of the side airbag could cause serious injury if the occupant's head is resting near the side airbag.

In addition, the Battery Safety Terminal (BST) would also activate, disconnecting the starter cable from the battery. In this case, vehicle electrical systems would continue to operate and the engine would continue to run but, after the engine is turned off, it could not be restarted.

DESCRIPTION OF REPAIR

The remedy will consist of recalibrating the central airbag control module to reduce the possibility of such a non-crash deployment.

This modification will require approximately one hour and will be performed *free of charge* by your Authorized BMW center. Additional time will probably be required, depending on the BMW center's scheduling and processing.

PRECAUTIONS

1. **CONTACT YOUR AUTHORIZED BMW CENTER TO HAVE THE NECESSARY MODIFICATION PERFORMED AS SOON AS POSSIBLE.**
2. Until the modification is performed, caution should be exercised when encountering rough roads, potholes, curbs, etc. In such conditions, proceed carefully, avoiding excessive speed and severe bumps.
3. All occupants should always be properly restrained (children in child restraint systems appropriate for their age and size; larger children and adults using safety belts) and sitting upright. Never let an occupant's head rest near any side airbag. Do not lean towards or against a door with a side airbag.
4. Refer to the appropriate safety information in your Owner's Manual (see pages 54-60) and the BMW Safety Tips card. Observe the warnings contained in the airbag warning labels on your car.
5. If you are not the sole driver of your car, please advise all other drivers of these possible consequences.

OTHER INFORMATION

If you are no longer the owner of this vehicle, we would appreciate your furnishing us with the name and address of the new owner, using the enclosed return postage-paid card.

Should you have any questions about this campaign, please contact your Authorized BMW center.

We appreciate your confidence in our product, and we wish to do everything we can to retain your confidence. Should you need additional assistance, you may contact BMW Customer Relations at 1-800-831-1117.

If the BMW center is unable to remedy the defect without charge or within a reasonable period of time, you may notify the Administrator of the National Highway Traffic Safety Administration, Washington, DC 20590, or call the toll-free Auto Safety Hotline at 1-888-327-4236.

BMW OF NORTH AMERICA, LLC