TAKATA AIRBAG RUPTURES AND RECALLS

HEARING

BEFORE THE

SUBCOMMITTEE ON COMMERCE, MANUFACTURING, AND TRADE

OF THE

COMMITTEE ON ENERGY AND COMMERCE

HOUSE OF REPRESENTATIVES

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CONTENTS

TAKATA AIRBAG RUPTURES AND RECALLS

WEDNESDAY, DECEMBER 3, 2014

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON COMMERCE, MANUFACTURING, AND TRADE,
COMMITTEE ON ENERGY AND COMMERCE,
Washington, DC.

The subcommittee met, pursuant to call, at 10:03 a.m., in room 2123, Rayburn House Office Building, Hon. Lee Terry (chairman of the subcommittee) presiding.

Present: Representatives Terry, Lance, Blackburn, Harper, Guthrie, Olson, McKinley, Kinzinger, Bilirakis, Long, Barton, Upton (ex officio), Schakowsky, Sarbanes, Welch, Yarmuth, Matheson, Barrow, and Waxman (ex officio).

Also Present: Representative Burgess.

Staff Present: Charlotte Baker, Press Secretary; Sean Bonyun, Communications Director; Leighton Brown, Press Assistant; Graham Dufault, Policy Coordinator, CMT; Melissa Froelich, Counsel, CMT; Kirby Howard, Legislative Clerk; Paul Nagle, Chief Counsel, CMT; John Ohly, Professional Staff Member, O&I; Olivia Trusty, Professional Staff Member; Michelle Ash, Minority Chief Counsel, Commerce, Manufacturing and Trade; Jen Berenholz, Minority Chief Clerk; Peter Bodner, Minority Counsel; Stacia Cardille, Minority Chief Counsel; Brian Cohen, Minority Staff Director, Oversight & Investigations, Senior Policy Advisor; Lisa Goldman, Minority Counsel; Debbie Letter, Minority Staff Assistant; Elizabeth Letter, Minority Professional Staff Member; Karen Lightfoot, Minority Communications Director and Senior Policy Advisor; and Nicholas Richter, Minority Assistant Staffer.

OPENING STATEMENT OF HON. LEE TERRY, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEBRASKA

Mr. TERRY. I want to welcome everyone to our hearing today for the Commerce, Manufacturing, and Trade Subcommittee. This is our last hearing of this congressional session, assuming no emergency for next week. So next year, Mr. Burgess, as I understand, is going to take over the gavel for this subcommittee, and so even though he is not currently a member of the subcommittee is joining us today to just kind of get a feel for the importance of this subcommittee, and certainly, the importance of this hearing today.

So the title of this hearing is "Takata Airbag Ruptures and Recalls." Safety recalls are often marked by tragedy; that is what brings it to our attention. But they are even more troubling when the very equipment being recalled is intended to save lives. Now,

this morning we will begin piecing together the history of a safety defect that became known only by what appears to us as fits and starts, and seemingly has several potential causes.

The first known rupture occurred in 2004 in Alabama. Three more ruptures in 2007 led Takata to identify a bad stamp press at a manufacturing facility in Moses Lake, Washington. In 2008, Honda recalled 3,940 cars in the U.S., however, two more airbags ruptured in May and June of 2009, one of which killed the driver. At that point, it appears that Takata believed the airbag inflators were being improperly exposed to moisture during the production process. However, around the same time, Takata confirmed that a stamp press was to blame for the at-risk airbags.

In early 2011, uncertainty about the cause of the continuing ruptures led to another recall. And previous recalls were expanded in late 2012 upon the discovery that Takata's production records were in disarray. NHTSA, Takata, and car manufacturers all indicate that the vehicles with faulty airbags tied to manufacturing or storage issues have been recalled. And yet, several more ruptures subsequently occurred in southern states. This led manufacturers and NHTSA to believe that the prolonged exposure to high absolute humidity levels was a major contributing factor. However, NHTSA recently demanded that manufacturers broaden the current recalls in southern states to the national level.

NHTSA believes that the recent incidents in California and North Carolina indicate the possibility of ruptures in areas with lower absolute humidity. I understand Takata disagrees with NHTSA's assessment, and I look forward to learning more about that, while the OEMs that are before us today have all stated publicly that they are willing to do a national recall.

Now, there are several questions here to address. For example, are the current testing methods adequate? How much testing is enough to determine a cause and how quickly it is being carried out? What is the appropriate level of coordination between NHTSA automakers and their suppliers? What metric should be used to determine whether a recall is necessary? There are also questions about the supply of replacement parts and whether those replacement parts are truly safer than the parts being recalled.

Our highway safety depends on the vigilance of manufacturers as well as NHTSA. Sometimes the regulator is in the best position to defend the defect, and sometimes it is the manufacturer. The time has come to bring the facts together and make sure that the unsafe airbag inflators are off the market. Consumers can get their faulty parts replaced and the future recalls are handled better. The safety of American drivers depend on our collective success.

So I thank the witnesses for being here today and help achieve these goals and put a stop to this deadly problem, and there is 1 minute left of mine.

Marsha, would you like to claim that?

Mrs. BLACKBURN. Yes. Thank you, Mr. Chairman.

Mr. TERRY. Yield to you.

[The prepared statement of Mr. Terry follows:]

PREPARED STATEMENT OF THE HON. LEE TERRY

Safety recalls are often marked by tragedy. But they are even more troubling when the very equipment being recalled is intended to save lives.

This morning we will begin piecing together the history of a safety defect that became known only by fits and starts, and seemingly has several potential causes.

The first known rupture occurred in 2004 in Alabama. Three more ruptures in 2007 led Takata to identify a bad stamp press at a manufacturing facility in Moses Lake, Washington.

In 2008, Honda recalled 3,940 cars in the U.S. However, two more airbags ruptured in May and June 2009, one of which killed the driver.

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And yet several more ruptures subsequently occurred in southern states. This led manufacturers and NHTSA to believe that prolonged exposure to high absolute humidity levels was a major contributing factor.

However, NHTSA recently demanded that manufacturers broaden the current recalls in southern states to the national level. NHTSA believes that recent incidents in California and North Carolina indicate the possibility of ruptures in areas with lower absolute humidity.

I understand Takata disagrees with NHTSA's assessment and I look forward to learning more about that.

So there are several questions to address:

For example, are current testing methods adequate?

How much testing is enough to determine a cause and how quickly is it being carried out?

What is the appropriate level of coordination between NHTSA, auto-makers and their part suppliers?

What metric should be used to determine whether a recall is necessary?

There are also questions about the supply of replacement parts and whether those replacement parts are truly safer than the parts being recalled.

Our highway safety depends on the vigilance of manufacturers as well as NHTSA. Sometimes the regulator is in the best position to find the defect and sometimes it's the manufacturer.

The time has come to bring the facts together and make sure the unsafe airbag inflators are off the market, consumers can get their faulty parts replaced, and future recalls are handled better.

The safety of America's drivers depends on our collective success on those fronts.

Mrs. BLACKBURN. Thank you. And I thank our witnesses also for being here. And as the chairman said, 2004 is the first time we knew of this issue. It was when the first inflator exploded, and then we go through the process of looking at the propellent change and finding out when the change was made going to ammonium nitrate in 2001.

Now, we do hope that this hearing is going to give us an opportunity to talk with you about the decision-making process, who was involved in that, why they made the decisions that they did. We will drill down on that. We are very disappointed in Takata refusing to work with NHTSA on the deadline for a national recall of the driver's side airbags that expired last night. We will want to address that with you.

We welcome our witnesses. And I am finishing right on time, Mr. Chairman. Back to you.

Mr. TERRY. Well done.

Now the chair recognizes the ranking member, the gentlelady from Illinois, for 5 minutes.

OPENING STATEMENT OF HON. JANICE D. SCHAKOWSKY, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ILLINOIS

Ms. SCHAKOWSKY. Thank you, Mr. Chairman, for holding this important hearing today.

Before I turn to today's business, I would like to thank Ranking Member Waxman for his decade of leadership and his service as chairman and ranking member of this committee. He will leave an indelible legacy of achievement when he retires at the end of this year, and I am so proud to have learned from and worked with him on so many issues of great importance to the American people.

And, Mr. Chairman, I would also like to recognize you for your eight terms in the House representing the people of Nebraska. And I have enjoyed working with you during your chairmanship of the subcommittee over the past 2 years. I wish you the best of luck in your future endeavors.

I am deeply saddened that we are here again today to discuss preventable deaths, but I am determined to understand exactly what happened and to respond in a way that improves driver and passenger safety. In 2004, a driver in Alabama was killed by shrapnel ejected by a Takata airbag. Four years later, the company issued the first recall to address airbag ruptures, a recall that expanded over the next 5 years. Earlier this year a new regional recall was initiated to find the root cause of similar ruptures, and last week, NHTSA asked Takata to order a national recall, and yesterday the company rejected NHTSA's request.

Media reports suggest that Takata and Honda knew about the serious risks its airbags posed to drivers and passengers as early as 10 years ago. If prompt action had been taken to investigate the airbag ruptures and truly address the cause, we wouldn't be here today. Because Takata refused NHTSA's request for a recall, auto manufacturers, whose customers are driving vehicles equipped with airbags that could be deadly, now have to determine whether they would recall the airbags on their own while the mandatory recall process moves forward.

I have received letters from constituents who are literally afraid to drive their cars, and this is unacceptable. I want to know why Takata has been so slow and ineffective to respond, in responding to this deadly defect and why it believes a national recall is not warranted. I want to know what commitments Takata and the auto companies represented here today plan to make in the immediate future to protect their customers.

I want to know what more NHTSA needs to do in order to prevent problems like this from continuing to repeat themselves in the future. And I want to know, since the cause of the airbag ruptures is still not certain, whether replacement of these potentially dangerous airbags with very similar products actually eliminates the risk of airbag explosions in the future.

So I look forward to our witness' answers to these questions and more. The incredibly slow response to this problem is just the latest reminder that we need stronger laws to protect drivers and passengers and to hold manufacturers accountable for the cars they sell.

Earlier this year, I introduced H.R. 5654, the Vehicle Safety Information Act, legislation to improve auto safety and the efficacy and efficiency of recalls. That bill would expand and clarify the information manufacturers must provide NHTSA about defects and fatal incidents, increase information about auto defects that NHTSA must share with the public, increase financial penalties and remove the statutory maximum penalty for manufacturers that violate NHTSA reporting requirements, provide an imminent hazard authority so that NHTSA can expedite recalls of potentially deadly cars, limit the resale of cars with this serious defect, unless the problem has been fixed or the buyer has been notified and end regional recalls. I urge the chairman to bring this bill up for consideration in this subcommittee or to ask House leadership to put it on the suspension calendar without delay.

And with that, I yield back the balance of my time.

Mr. TERRY. Chair now recognizes full committee chair, Mr. Upton.

OPENING STATEMENT OF HON. FRED UPTON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MICHIGAN

Mr. UPTON. Well, thank you, Mr. Chairman, and I appreciate your leadership the last number of years and we also will miss Mr. Waxman, and I think we will have, at some point, a formal recognition of both of your service.

So I am from the auto state. I am sorry to say that it has been a bad year for auto safety. The latest danger for drivers malfunctioning airbags that, in fact, can shoot shrapnel through the air and make a bad accident even worse. Drivers are being told that their vehicle is being subject to a recall, but there are not enough parts to fix it, and if they do get a replacement that airbag maybe subject to the same safety failure in the future because we still don't know if the root problem has been addressed.

There are still lots of questions surrounding these airbag defects and recalls, and today we all want some answers. American people deserve to have confidence that the cars that they drive are safe and that the industry and the government are doing everything that they can do to improve safety. The first question that has to be determined is whether or not it is a design flaw for the airbag or is it a manufacturing issue? Until that question is answered, you are not going to be able to resolve the issue.

Unfortunately, deadly auto defects and massive recalls are not new subjects for this committee. I have listened to and led multiple recall hearings ranging from the Ford Firestone crisis to the Toyota floor mat problem, obviously to the GM ignition switch debacle earlier this year. And over a decade ago, I authored the bipartisan TREAD Act so that we could help catch and then fix defects sooner and avoid the kind of disaster that we are facing today. Yet, here we are again.

TREAD Act was very simple: Requiring manufacturers to report the information needed to help NHTSA quickly identify vehicle defects and remove flawed cars from the road right away. Our goal was to prevent injuries and save lives, but we need industry and NHTSA to do their part. Cars are safer today but not because a

company hires lawyers and consultants to avoid reporting safety incidents.

I am going to ask some tough questions regarding what we have read and heard about Honda manipulating the system to report as little as possible. Companies need to know that there isn't anything safe about shorting safety. We need more automakers to make safety a priority and institute safety incentives. In the case of GM, they acknowledged their safety failure, their CEO volunteered to testify, and they hired a new safety officer to implement company-wide culture changes. I would like to see that same level of urgency, that same admission of mistakes, and that same commitment to do better today.

Complex safety technology can lead to complex problems, and the Takata airbag issues are indeed complex. There were manufacturing issues and there were handling issues. And as soon as one problem was identified, it seemed like another sprang up, sort of like Whac-a-Mole. And now we are waiting to find out if humidity is the issue or if there are other manufacturing concerns.

In the meantime, testing is slow, and we are short on replacement parts. What is worse, no one can say for sure that the replacement parts are any safer than the originals. We may be right back here after the replacement parts have reached their humidity half-life. But complexity is not an excuse for incompetence. We need to make sure that companies and regulators can keep pace with innovation. We need a regulatory agency that breeds confidence and offers solutions, not one that is often part of the problem.

For our witnesses, I pose this question: What should I say to the mom in Michigan who asked me if she and her family are safe behind the wheel? Families across the country expect safety devices in their vehicles to work. They expect them to provide life-saving protection that they can count on in the event of an accident, and they expect that problems from earlier models be reported and fixed, and they expect to be able to get their defect repaired when they find out about it; but sadly, I don't think I can give that assurance right now. One thing is for sure, we have got a lot of issues to resolve.

I want to again thank Chairman Terry for calling this hearing to start the process. I want to thank him from the bottom of my heart for his service as a leader of this subcommittee and wish him well in the future, and yield back my time.

[The prepared statement of Mr. Upton follows:]

PREPARED STATEMENT OF HON. FRED UPTON

I'm from the auto state and, I'm sorry to say it's been a bad year for auto safety. The latest danger for drivers? Malfunctioning air bags that can shoot shrapnel through the air and make a bad accident worse. Drivers are being told their vehicle is subject to a recall but there are not enough parts to fix it, and if they do get a replacement, that airbag may be subject to the same safety failure in the future because we still don't know if the root problem has been addressed. There are still a lot of questions surrounding these airbag defects and recalls, and today I want some answers. The American people deserve to have confidence that the cars they drive are safe and that industry and the government are doing everything they can to improve safety. I don't understand after all these years whether it is a design flaw or a manufacturing issue. You can't fix the problem until that basic question is answered.

Unfortunately, deadly auto defects and massive recalls are not new subjects for this committee. I've listened to and led multiple recall hearings, ranging from the Ford/Firestone crisis, to the Toyota floor mats problem, to the GM ignition switch debacle earlier this year. Over a decade ago, I authored the bipartisan TREAD Act so we could help catch and fix defects sooner and avoid the kind of disaster we are facing today. Yet, here we are.

The TREAD Act is simple—require manufacturers to report the information needed to help NHTSA quickly identify vehicle defects and remove flawed cars from the road immediately. Our goal was to prevent injuries and save lives, but we need industry and NHTSA to do their part.

Cars are safer today, but not because a company hires lawyers and consultants to avoid reporting safety incidents. I am going to ask some tough questions today about what we have read and heard about Honda manipulating the system to report as little as possible. Companies need to know that there isn't anything safe about shorting safety. We need more automakers to make safety a priority and institute safety incentives. In the case of GM, they acknowledged their safety failure, their CEO volunteered to testify, and they hired a new safety officer to implement company-wide culture changes. I'd like to see that same level of urgency, that same admission of mistakes, and that same commitment to do better today.

Complex safety technology can lead to complex problems, and the Takata airbag issues are complex. There were manufacturing issues and there were handling issues. As soon as one problem was identified another one sprang up. Now we are waiting to find out if humidity is the issue or if there are other manufacturing concerns. In the meantime, testing is slow and we are short on the replacement parts. What is worse, no one can say for sure that the replacement parts are any safer than the originals. We may be right back here after the replacements have reached their humidity half-life.

But complexity is not an excuse for incompetence. We need to make sure that companies and regulators can keep pace with innovation. And we need a regulatory agency that breeds confidence and offers solutions, not one that is too often part of the problem.

To our witnesses, I pose this question: What should I say to the mom in Michigan who asks me if she and her family are safe behind the wheel? Families all across the country expect the safety devices in their vehicles to work; they expect them to provide lifesaving protection they can count on in the event of an accident. They expect problems from earlier models to be reported and fixed, and they expect to be able to get a defect repaired when they find out about it. But sadly, I can't give those assurances right now. One thing is for sure—we have a lot of issues to resolve. I thank Chairman Terry for calling this hearing to start the process, and I want to thank him for his service as a leader of this Subcommittee and wish him well in his next endeavor.

Mr. TERRY. Thank you, Mr. Chairman. That is much appreciated. Now it is time to introduce our panel and——

Mr. WAXMAN. Mr. Chairman.

Mr. TERRY. Oh, I am sorry. Getting ahead of myself. Gentleman from California is recognized for 5 minutes.

OPENING STATEMENT OF HON. HENRY A. WAXMAN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Mr. WAXMAN. Thank you very much, Mr. Chairman. Neither you nor I have left the committee yet, which we will do at the end of this year. And I thank our colleague, Ms. Schakowsky, for her kind words.

Here is what we know so far about the Takata airbag recalls. We know that there has been a series of airbag recalls affecting millions of vehicles dating back to 2008, and we know that at least five people are dead and dozens have been injured by these defective airbags. There are questions about the Takata airbags that remain unanswered. We do not know exactly what Takata and auto

manufacturers knew about these defective airbags and when they knew it.

We do not know, and it appears that the National Highway Traffic Safety Administration, Takata, and the auto manufacturers do not know either the root cause of all these exploding airbags. So we have questions about whether the replacement airbag inflators are safe.

New documents provided to the committee reveal new questions. The National Highway Traffic Safety Administration, known as NHTSA, recently requested a national recall of all defective airbags on the driver's side of the car, but has limited its action to regional recalls of passenger side airbags. But data we have received is raising new questions about the safety of passenger side airbags and the scope of recalls.

Takata has tested over 2,500 driver and passenger side airbags for ruptures. None of the driver's side airbags ruptured in these tests. But Takata has observed over 60 passenger side airbag ruptures. Given these testing results, we need to understand why NHTSA has requested a broader recall for driver's side airbags but has not made the same request for passenger side airbags.

Mr. Chairman, I have some documents that I have referred to showing these test results, and I would ask unanimous consent to put them in the hearing record.

Mr. TERRY. Without objection, so ordered.

[The information appears at the conclusion of the hearing.]

Mr. WAXMAN. We need to find answers to these questions, and I hope the committee will continue its investigation even after the time you and I, Mr. Chairman, will be gone. But we know enough now to begin our legislative work.

Mr. Chairman, last April, I joined Representative Schakowsky to introduce H.R. 4364, the Motor Vehicle Safety Act of 2014. There are many important provisions in this legislation that would address problems that the committee found in our investigations of Takata's exploding airbags and the GM ignition switch failure. In both cases, auto manufacturers and auto parts manufacturers failed to provide key information to the Federal agency, NHTSA, in a timely fashion.

And we learned last week of another major auto safety failure. For over a decade, Honda failed to report to the NHTSA more than 1,700 claims of injuries or deaths caused by accidents in its vehicles. Our legislation improves the early warning reporting system by making more reported information public and ensuring that NHTSA receives significantly more information for manufacturers on any fatal incident involving a safety defect.

Additional data and greater transparency will help NHTSA identify deadly safety defects sooner. In both the GM and Takata cases, NHTSA has been criticized for failing to recognize and act quickly enough as evidence mounted of deadly auto defects. Our bill provides more resources to give them the additional enforcement authority and increases the fines for manufacturers that violate vehicle safety laws.

Mr. Chairman, today we will learn of other needed fixes to the current system. I think our legislation is a good place to start.

While I have very short time left, I would like to yield to the gentleman from Vermont the balance of my time.

Mr. YARMUTH. Thank you very much.

The two concerns that I have that I hoped are addressed in this is, one, public safety. Obviously, automobiles are extremely important but can be dangerous with the defect; and number two, public confidence. When a serious incident happens that threatens a life, costs us a life, it raises immense public insecurity around the driving public. And obviously, in my view, the burden has to be on the manufacturer and our governmental agencies to take the appropriate steps to revive and restore public confidence.

Thank you.

Mr. TERRY. Thank you.

Now it is the appropriate time to introduce the panel. I will introduce the panel as a whole and then we will start with Takata as the first speaking witness. So today our first panel representing Takata is Hiroshi Shimizu; from Honda; Rick Schostek, from BMW, Craig Westbrook; from Toyota, Abbas Saadat. I appreciate all of you being here. We will go from my left, your right and start with Mr. Shimizu.

But before I ask you to start, I want to recognize that you are appearing with a translator because English is not Mr. Shimizu's first language. And while the committee will allow Mr. Shimizu to confer with the translator for the purpose of clarification, you will be required to answer the committee's questions in his own voice and in English. We have already discussed that, and I appreciate your acceptance of that.

So Mr. Shimizu, you are now recognized for 5 minutes.

STATEMENTS OF HIROSHI SHIMIZU, SENIOR VICE PRESIDENT FOR GLOBAL QUALITY ASSURANCE, TAKATA CORPORATION; RICK SCHOSTEK, EXECUTIVE VICE PRESIDENT, HONDA NORTH AMERICA; CRAIG WESTBROOK, VICE PRESIDENT, AFTERSALES, BMW OF NORTH AMERICA; AND ABBAS SAADAT, NORTH AMERICAN REGIONAL PRODUCT SAFETY EXECUTIVE, VICE PRESIDENT, VEHICLE SAFETY AND COMPLIANCE LIAISON OFFICE, TOYOTA

STATEMENT OF HIROSHI SHIMIZU

Mr. SHIMIZU. Thank you. Chairman Terry and Ranking Member Schakowsky, and distinguished members of the subcommittee, I am honored to be here on behalf of Takata Corporation.

Mr. Chairman, Takata is dedicated to making products that save lives. Millions of Takata airbags have inflated properly preventing thousands of deaths and avoiding serious injuries in hundreds of thousands of accidents around the world. But any fear of even one airbag to perform as designed in an automobile accident is incompatible with Takata's mission. All of us at Takata know that the airbag inflator ruptures that has been the subject of recent recalls involve serious issues of public safety. We are deeply sorry about each case where Takata airbag has not performed as designed and the driver or passenger has suffered personal injuries or death.

Takata is working closely with the automakers and NHTSA to support the ongoing recalls and field actions and to address the po-

tential for inflator rupturing. We are increasing our production quality replacement kits to fulfill the automakers' orders. We are also devoting extensive efforts and attention to answering requests for information about these models from NHTSA and other investigators. We are committed to being fully transparent with the government.

One important function of the regional field action is to retrieve inflators for testing and analysis. In the past several months, we have tested thousands of returned inflators in our Michigan facilities, and we are increasing our testing capacity. We regularly share all of these test results with the automakers and the NHTSA. Based on the data currently available and our best engineering judgment, Takata continues to believe that the public safety is best served if the area of high absolute humidity remains a priority for the replacement of suspect inflators.

But make no mistake, we will take all actions necessary to advance the goal of safety for the driving public, including working to produce additional replacement units to support any further recalls that may be announced by automakers. Takata is also prepared to collaborate where feasible with other inflator producers to create additional production capacity for replacement units over the long term.

We are confident that the inflators we are producing today are safe because we have confidence in the integrity of our engineering and our current manufacturing processes here in the United States and across the world. We believe that property manufactured and installed, the inflators we are producing today would work as designed to save lives for the expected life of the automobiles.

To provided added quality assurance for the public and the automakers, Takata is forming an independent quality assurance panel to audit and prepare an independent report regarding our current manufacturing processes for the production of safe inflators, including inflator propellent. Upon completion, the panel's report will be made public.

Thank you, Mr. Chairman.

Mr. TERRY. Thank you.

[The prepared statement of Mr. Shimizu follows:]

TESTIMONY OF

HIROSHI SHIMIZU

SENIOR VICE PRESIDENT FOR GLOBAL QUALITY ASSURANCE
TAKATA CORPORATION

Before the

HOUSE COMMITTEE ON ENERGY AND COMMERCE
SUBCOMMITTEE ON COMMERCE, MANUFACTURING, AND TRADE

Hearing on

"Takata Airbag Ruptures and Recalls"

December 3, 2014

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"Takata Airbag Ruptures and Recalls"

December 3, 2014

Chairman Terry, Ranking Member Schakowsky, and distinguished Members of the Committee, my name is Hiroshi Shimizu, and I am Senior Vice President for Global Quality Assurance for Takata Corporation. I am honored to appear before this Committee to offer the perspective of Takata Corporation on the important issues under examination at today's hearing.

Takata's mission is to make products that save lives and prevent serious injuries. Whenever one of our products does not perform as expected, it is our first priority to understand the root causes of the issue. If we identify a problem in our product design, production, or installation, we do not hesitate to take the necessary steps to ensure that the problem is addressed properly and promptly.

All of us at Takata know that the airbag inflator ruptures that have been the subject of recent recalls involve very important issues of public safety. Even though millions of Takata airbags have inflated properly, saving lives and avoiding serious injuries in hundreds of thousands of accidents, any failure of an airbag to perform as designed in an automobile accident is incompatible with Takata's standards for highest quality assurance.

We are deeply sorry and anguished about each of the reported instances in which a Takata airbag has not performed as designed and a driver or passenger has suffered personal injuries or death. Our sincerest apologies and condolences go out to all those who have suffered in these accidents and to their families.

Takata is working closely with the automakers and the National Highway Traffic Safety Administration ("NHTSA") to support the ongoing recalls and field actions, and we have devoted extra resources to producing quality replacement kits on the schedule

necessary to fulfill all of the automakers' orders. We are also devoting extensive efforts and attention to answering requests for information about these matters from NHTSA and other investigators. We are committed to being fully transparent with regulators and investigators.

As historical background, in response to reports of accidents involving ruptured airbag inflators, the automakers have announced various recalls and field actions in the United States involving vehicles equipped with different types of Takata airbag inflators. These actions have involved different root-cause analyses and have occurred in several phases over time:

The first phase of recalls began in 2008 when Honda, in consultation with Takata, initiated a series of national recalls of Honda vehicles equipped with Takata driver-side airbag inflators following reports of three incidents of inflator ruptures in 2007. These recalls involved inflators manufactured exclusively for Honda in 2000 and 2001. From 2007 to 2010, Takata worked with Honda to conduct numerous tests of inflators returned from the field and to review our entire inflator manufacturing process, and these efforts led to the expansion of the initial Honda recalls to additional vehicles. These nationwide recalls of Honda vehicles focused on specific manufacturing issues we had identified with the early production of driver-side inflators for Honda relating to the pressing of propellant wafers at our production facility at Moses Lake, Washington. We have taken steps to address the specific production issues identified in connection with these earlier Honda recalls.

Second, from 2009 to 2012, there were a limited number of reports of inflator ruptures involving passenger-side airbags manufactured from 2000 to 2002. Those reports resulted in a 2010 recall of certain vehicles, primarily vehicles sold in Asia. Separately, several automakers announced global recalls of vehicles equipped with certain types of Takata airbag inflators beginning in 2013. The root-cause analyses supporting these recalls also focused on specific manufacturing and product-handling issues involving inflator propellant, including issues relating to humidity in the manufacturing process.

The earlier recalls described above relating to inflator propellant were national in scope in the United States, and all involved inflators manufactured before 2004. (There have been other limited recalls involving Takata inflators that were not related to propellant issues.)

Third, in 2013 and 2014, there have been several additional incidents of inflator ruptures involving both driver-side and passenger-side airbag inflators that were manufactured after 2002 and that were not covered by the earlier recalls. Almost all of these incidents have involved vehicles that spent their lives mostly in areas of high

absolute humidity, such as Puerto Rico and South Florida, and that were at least six years old at the time of the accident.

Our best current judgment is that the root causes of the most recent inflator ruptures likely involve a combination of three factors: (1) the age of the unit; (2) persistent exposure over an extended period of time to conditions of high absolute humidity; and (3) potential production issues, which we are working to identify and address.

Based on this evolving engineering analysis, and at NHTSA's suggestion, in June 2014, ten automakers announced that they would conduct regional field actions focused on areas of the United States that experience higher levels of heat and absolute humidity. Several automakers have recently converted these field actions into regional recalls. These ongoing regional actions and recalls are targeted at vehicles sold or registered in Puerto Rico, Hawaii, Florida, and the U.S. Virgin Islands. Several automakers have expanded these actions to additional areas along the Gulf Coast and other coastal areas, including California.

One important function of these regional actions is to retrieve inflators from the field for purposes of data gathering, testing, and further analysis. In the past several months, we have tested and analyzed thousands of returned airbag inflators, both from within the areas of high absolute humidity and from outside those areas, and we are working to increase our capacity for testing. We are regularly sharing the results of this ongoing testing and analysis with the automakers and NHTSA. So far, these ongoing tests have not shown any ruptures in inflators retrieved from vehicles outside the areas of high absolute humidity and no ruptures at all in driver-side inflators. The tests have resulted in some failures of passenger-side inflators retrieved from within the high humidity areas. We are continuing to analyze these results and to learn from them.

Most recently, NHTSA has urged the automakers to expand the regional actions to a national recall of vehicles equipped with certain types of Takata driver-side airbag inflators manufactured from 2002 to 2008. And it has called on Takata to declare these inflators defective.

In response to these developments, Takata remains committed to cooperating closely with our automaker customers, with NHTSA, and with government regulators in Japan and around the world to address the potential for inflator rupturing. We will take all actions needed to advance the goal of safety for the driving public, including working to produce additional replacement units to support any further recalls that may be announced by our customers. Based on the data currently available and our best engineering judgment, Takata continues to believe that the public safety is best served if the identified areas of high absolute humidity remain the priority for the replacement of

suspect inflators. If an expanded recall or field action were determined to be justified in light of continuing testing and analysis, any such expanded action should be conducted in a phased manner to ensure that the supply of replacement units continues to be directed first where they are needed most—to vehicles in the areas of high absolute humidity.

Takata has added new production capacity to meet the demand from automakers for airbag replacement kits needed in response to the ongoing field actions and recalls. We are currently producing approximately 350,000 replacement kits per month and will be increasing those production levels to at least 450,000 per month beginning in January. We believe we will be able to meet the demand currently expected from automakers for these replacement units. If the current recalls and field actions are expanded significantly, Takata is prepared to collaborate as may be necessary and feasible with other producers of airbag inflators to create additional production capacity in order to supply even more replacement units over the long term.

We are confident that the inflators Takata is producing today, including the replacements for recalled units, are safe. We have confidence in the integrity of our engineering and our current manufacturing processes. We believe that, properly manufactured and installed, the inflators we are producing today will work as designed to save lives for the expected life of the automobile. To provide added quality assurance for the public and our customers, Takata is forming an independent *Quality Assurance Panel* to audit and prepare an independent report regarding our current manufacturing procedures for best practices in the production of safe inflators, including inflator propellant. Upon completion, the report produced by this independent Quality Assurance Panel will be made public.

While each instance of an inflator rupture is terrible and unacceptable to Takata, it is also important to remember that Takata airbags have deployed and continue to deploy properly as they were designed to do in real-world accidents, and our airbags are helping to save lives and prevent injuries on the road every day. More than 200 million cars and light trucks are registered in the United States, and NHTSA has estimated that around half of one percent of these vehicles experience an airbag deployment each year. Many of those airbags are Takata products. That means that Takata airbags help to save hundreds of lives and prevent thousands of serious injuries every year in the United States.

Thank you, Mr. Chairman. I am pleased to answer questions from the Committee.

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Mr. TERRY. Now, the gentleman from Honda, Mr. Rick Schostek, you are recognized for your 5 minutes.

STATEMENT OF RICK SCHOSTEK

Mr. SCHOSTEK. Mr. Chairman, Ranking Member Schakowsky and members of the subcommittee, thank you for this opportunity to testify. My name is Rick Schostek. I am executive vice president with Honda North America.

I want to begin by expressing our deepest sympathies to those individuals and families who have been affected by these tragic incidents. We offer our sincere apologies to the families of those who have died, who have been injured, or who have been, in any way, inconvenienced due to the defects in the Takata airbags in our vehicles. Airbags save thousands of lives each year, but we recognize that even one customer who is injured or loses their life when an airbag does not perform as intended is one too many, and it is completely unacceptable.

On November 17, NHTSA called for a nationwide recall of the driver airbag inflators that have been included in the regional safety improvement campaign undertaken in four states and territories with consistently high absolute humidity. We understand that Takata has not identified or acknowledged any defect of the driver airbag inflators, and thus far, Takata has not announced plans to follow NHTSA's request for a national recall. We want to inform you that Honda is going to expand our existing regional safety improvement campaign on affected driver airbag inflators to a national campaign. Why are we doing this? Because our customers have concerns and we want to address them.

We believe this expansion and acceleration of current action, we believe there will be a part shortage that may occur, despite Takata's efforts to increase the supply of inflators. To further increase the parts supply, we have been in discussions with Takata and two other suppliers, Autoliv and Daicel, about expanding the production of replacement inflators. These talks have been encouraging, and we believe will ultimately reduce the duration of any shortage; however, until those parts are available, we will continue to discuss with NHTSA and Takata how to best manage the supply issue.

Based on the information from them, we believe it is best to prioritize the replacement of driver airbag inflators in what are considered to be the highest risk areas in the country. In addition, Honda believes that all stakeholders would benefit from expert third-party testing of Takata airbag inflators that was announced yesterday as an industry-wide program. By coming together as an industry and sharing information and testing, and with Takata's continued cooperation, we believe we can achieve greater results more quickly.

Let me briefly summarize how we got to this point. Between 2008 to 2014, Honda has conducted seven national recalls related to specific Takata manufacturing defects. Since June of 2014, Honda, along with other automakers, has been supporting NHTSA's request to conduct regional safety improvement campaigns in States and territories with high absolute humidity.

We understand the urgency of the current situation, and we have been taking proactive steps to address the needs of our customers. In addition to the required first-class mail notification, we have made hundreds of thousands of phone calls, used overnight mail delivery, and routinely sent letters in both English and Spanish. We have also hired a search firm to help us locate hard-to-find customers in some circumstances. And importantly, for customers whose vehicles cannot be immediately repaired, Honda has instructed our dealers to provide loaner or rental cars at no cost to the customer.

To summarize, we are going to expand the safety improvement campaign on affected driver bag inflators nationwide, prioritizing the high-risk areas. We are working with multiple suppliers to increase parts availability and we are participating in the joint industry research effort. Our entire company is operating with the greatest energy and focus to quickly address our customers' needs and concerns. In the days ahead, with every action of our company, we are dedicating ourselves to honor the relationship we have with our customers.

Thank you.

Mr. TERRY. Thank you.

[The prepared statement of Mr. Schostek follows:]

Summary of Testimony of Rick Schostek
Honda North America, Inc.

I want to begin by expressing our deepest and heartfelt sympathies to those individuals and families who have been affected by these tragic incidents. We offer our sincere apologies to the families of those who have died, to those who have been injured and to those who have been in any way inconvenienced due to the defects in Takata airbags in our vehicles.

We understand the urgency of the current situation, and are taking proactive steps to encourage Honda and Acura owners to get their vehicles repaired at an authorized dealership.

We have taken, and continue to take action to address the needs and concerns of our customers related to the series of recalls in our vehicles with Takata airbag inflators, including working aggressively to notify and encourage owners to have their vehicles repaired and providing loaner or leased vehicles where needed.

We provided our performance requirements and Takata designed the airbag components to those criteria. Beginning with the 2001 model year, Takata began to supply Honda with a new generation of airbag components. From November 2008 through June 2014, Honda conducted seven recalls – all national in scope – for driver and passenger airbag inflators. The cause of the defects in each of these cases was connected to Takata manufacturing issues.

On June 19 of this year, this issue took on an additional dimension. Honda informed NHTSA that we were supporting their request that several automakers conduct regional safety improvement campaigns, or SICs, to collect parts from vehicles for the purpose of engineering analysis in four high absolute humidity states and territories. Honda expanded its focus to vehicles in more states than those requested by NHTSA. On November 3, in consultation with Takata and NHTSA, Honda transitioned from the SIC to a formal recall of the passenger airbag inflators, in those states and territories that experience consistently high absolute humidity. To date, Takata has not identified a cause for the ruptures in these states.

Unlike the passenger airbag inflators in the SIC, the testing of driver airbag inflators that have been collected to date through the SIC have not shown any ruptures. Nonetheless, Honda is seriously considering a nationwide action on those driver airbag inflators.

Should there be an expansion to a nationwide action, we believe that a parts shortage may occur despite Takata's efforts to increase the supply of inflators. We believe it is best to prioritize the repair of vehicles in what are considered to be the highest risk areas of the country, based on the information from NHTSA and Takata.

Statement of Rick Schostek, Executive Vice President,
Honda North America, Inc.
before the
U.S. House of Representatives Energy and Commerce Committee
Subcommittee on Commerce, Manufacturing and Trade
December 3, 2014

Thank you, Mr. Chairman, Ranking Member Schakowsky and members of the subcommittee. My name is Rick Schostek. I'm an executive vice president with Honda North America – a company that works in support of all Honda companies in North America – and I'm based in Ohio. On behalf of the more than 28,000 associates working for Honda in the United States, thank you for this opportunity to share our perspectives on this very serious automotive safety issue.

I want to begin by expressing our deepest and heartfelt sympathies to those individuals and families who have been affected by these tragic incidents. It is truly heartbreaking to all of us at Honda. We offer our sincere apologies to the families of those who have died, to those who have been injured and to those who have been in any way inconvenienced due to the defects in Takata airbags in our vehicles.

Airbags save thousands of lives each year. But we recognize that even one customer who is injured or loses their life when an airbag does not perform as intended, is one too many, and is completely unacceptable.

Regarding the multiple recalls we have conducted, let me first say that Honda is a company built upon a commitment to providing satisfaction to our customers. We take great pride in the quality of our products, the vast majority of which are built here in North America. And we stand behind the safety of these products.

We understand the urgency of the current situation, and are taking proactive steps to encourage Honda and Acura owners to get their vehicles repaired at an authorized dealership.

We have a well-respected service division dedicated to supporting our dealers in meeting the needs of each customer throughout the lifetime of vehicle ownership. And I want to update you on what we are experiencing at our dealerships. In general, owners of affected vehicles are coming in, they are getting their cars fixed, and our customers have been very understanding and we sincerely appreciate that. If our dealers can't perform the repair immediately and the customer needs a vehicle, they are providing loaner vehicles and rental cars free of charge.

In order to meet the needs of our customers related to the airbag recalls, we are doing the following:

- It has been our longstanding policy for dealers to check each vehicle coming to the dealership for service for an open recall campaign and then to

complete the campaign before returning the vehicle to the customer. We have reinforced this through dealer communications and through our field staff working directly with dealers.
- We have posted written messages prominently on our websites to reassure our customers that we have procedures in place to address their individual needs.
- And we are working within our own service parts division and with our dealer network to ensure that our existing inventory of replacement airbag inflators is available when and where they are needed.

So, we have taken, and continue to take action to address the needs and concerns of our customers related to the series of recalls in our vehicles with Takata airbag inflators.

Like many automakers, Honda partnered with Takata for the supply of airbag components because Takata was an internationally-recognized safety systems supplier. As the manufacturer of the complete vehicle, we relied on Takata for its expertise in this specific area of technology. We provided our performance requirements and Takata designed the airbag components to those criteria.

Beginning with the 2001 model year, Takata began to supply Honda with a new generation of airbag components. Our first recall was in 2008 based on a safety investigation of Takata airbag inflators, which began in 2007. Honda expanded that recall several times through 2011. Each of those recalls involved driver's airbag inflator ruptures due to root causes identified by Takata as manufacturing issues. Similarly, in 2013, Honda recalled passenger side airbags, also due to Takata manufacturing defects. That recall was expanded in 2014. To summarize, from November 2008 through June 2014, Honda conducted seven recalls – all national in scope – for driver and passenger airbag inflators. The cause of the defects in each of these cases was connected to Takata manufacturing issues.

The next chapter began on June 19 of this year, when Honda informed NHTSA that we were supporting their request that several automakers conduct regional safety improvement campaigns, or SICs, to collect parts from vehicles for the purpose of engineering analysis in four high absolute humidity states and territories. Honda took the additional step of voluntarily adding vehicles that had been sold in or ever registered in those locations, as well as additional states. We took the initiative to expand the scope of the SIC in an effort to capture other potential areas that may have conditions of high absolute humidity over extended periods of time.

On November 3, in consultation with Takata and NHTSA, we transitioned from the SIC to a formal recall of the passenger airbag inflators, again, in those states and territories that experience consistently high absolute humidity. This was based on the results of testing passenger airbag inflators that were returned

through the safety improvement campaign. While the investigation continues, Takata has not yet determined why these inflators are susceptible to rupture. However, in recognition of the elevated risk in areas with high absolute humidity, we are concentrating our efforts on replacing inflators in these markets at this time. We are not aware of any claimed injuries or fatalities that have been confirmed in the identified population of our vehicles related to this recall.

The replacement of the passenger front airbag inflator for vehicles in this recall will be conducted just as in the prior SIC, free of charge. Vehicles that already received a replacement passenger airbag inflator under the prior SIC do not need to be repaired a second time.

Unlike the passenger airbag inflators in the SIC, the testing of driver airbag inflators that have been collected to date through the SIC have not shown any ruptures. Nonetheless, Honda is seriously considering nationwide action on those driver airbag inflators.

Should there be an expansion to a nationwide action, we believe that a parts shortage may occur despite Takata's efforts to increase the supply of inflators. To further increase parts supply, we are in discussion with Takata about the use of substitute inflators manufactured by other inflator suppliers as replacement parts for this market action. In the meantime, we are discussing with Takata how to best manage the supply issue. We believe it is best to prioritize the repair of vehicles in what are considered to be the highest risk areas of the country, based on the information from NHTSA and Takata.

Regarding our effort to reach out to these customers, it is our practice to actively communicate with our customers who own an affected vehicle in order to get them to take immediate action to have their vehicle repaired. Over and above the required first class mail notification, we provide multiple notices in English and Spanish, as well as other means of reaching customers, both directly and indirectly. We will continue these activities for all recalls.

We also have employed other communications techniques in an effort to increase the completion rate for our recalls. We consulted with the U.S. Postal Service to try new methods to get people to open their recall mailings. We also have used overnight delivery. We learned that recall rates are improved if the recall letter is supported by a telephone call to the customer advising them that the notice is being sent. We have called more than 700,000 hard-to-reach customers by phone, using our customer relations staff, our dealers, and automated calls.

Based on our efforts, we have experienced completion rates that are considered high for the recall of older model vehicles. Still, we are concerned when multiple recall notices go unheeded by some registered owners. We want our customers to complete each and every recall.

Honda will continue to work to alert owners about recalls and to encourage owners with an affected vehicle to take immediate action to have their vehicle serviced at their authorized dealership. Toward this goal, we would like to offer a suggestion for consideration that we believe would greatly improve the response rate to recall notices.

Many states require owners to obtain a tailpipe emissions test before a vehicle can be registered, and certain states decline vehicle registration renewals until outstanding emissions recall repairs have been completed. In a similar way, as the Department of Transportation's Inspector General commented in October 2011, if each state required that open recalls related to safety issues be addressed, if parts are available, before allowing the vehicle to be registered, this simple step would greatly reduce the risk of injuries related to unrepaired older model vehicles. Further, all dealerships and independent repair facilities could be required to check for, and notify the customer of, any open recalls before returning a vehicle to the customer. This is something we already require all of our dealers to do.

Before closing, I want to briefly address our response last week to the Special Order issued by NHTSA regarding our TREAD Act reporting. You may know that Honda commissioned a third party audit in September of this year, and that we provided the results of this audit to NHTSA last week. I know it is difficult to comprehend how over a 10-year period we could have 1,729 errors in our Early Warning Reporting. Honestly, it is difficult for me to understand as well.

I also appreciate skepticism about attributing these issues to data entry and computer coding errors. But I can tell you that we have studied the third party audit and verified these issues to be true. It is unfortunate and, yes, inexcusable. But we view this as a management responsibility, and we are taking actions to ensure that it doesn't happen again.

Importantly, the audit did not identify any cases of Takata inflator ruptures that NHTSA was not already fully aware of.

At Honda, the founding principle of our company places the highest priority on the quality of our products and the satisfaction of our customers. Now, our entire company is operating with the greatest energy and focus to quickly address our customers' needs and concerns. With every action of our company, we are dedicating ourselves to honor the relationship we have with our customers.

Again, I very much appreciate the opportunity to appear before the committee today, and now I will be happy to address your questions. Thank you.

Mr. TERRY. And now Mr. Westbrook, you are now recognized for 5 minutes.

STATEMENT OF CRAIG WESTBROOK

Mr. WESTBROOK. Thank you, Chairman Terry, Ranking Member Schakowsky, and members of the subcommittee for your invitation to participate in today's hearing. My name is Craig Westbrook, vice president of BMW of North America. I am here on behalf of our company representing the 70,000 people who have jobs provided and supported by the BMW group in the United States.

In total, the BMW Group's presence is represented in 48 States, this includes our North American headquarters in New Jersey, our financial services in Ohio, and our manufacturing facility in Spartanburg, South Carolina, just to name a few locations. In fact, BMW Group's South Carolina production site is the largest single exporter of vehicles by value in the United States of America.

The BMW Group has been in the United States for nearly four decades. We have worked hard to become part of the fabric of the communities in which we are present. Central to our investments and commitment to the United States has been a focus on earning our reputation for delivering on our word, and building trust with customers and communities alike. Vehicle safety is fundamental to the BMW Group. Because of this, I highly appreciate the opportunity to appear today before this subcommittee.

I will share a brief timeline of BMW North America's activities related to Takata airbag recalls. In May of 2013, after Takata informed BMW North America of production issues with certain inflators, we initiated a voluntary national safety recall. This involved the passenger front airbag on approximately 42,000 model year 2000 to 2003 BMW vehicles. In May of 2014, NHTSA met with Takata to discuss consumer-reported issues with certain passenger and driver airbag inflators.

In mid-June, after follow-up calls with Takata, NHTSA opened a preliminary evaluation. In an unprecedented approach to determine the root cause and the potential safety risk NHTSA held a conference call with all affected automakers. During this call, automakers were asked for their support to conduct a voluntary parts collection campaign in specific high-humidity regions. BMW North America promptly agreed to participate in this campaign.

In July of 2014, out of an abundance of caution, BMW North America expanded its voluntary campaign and previous 2013 recall of passenger front airbags. On July 15, 2014, BMW North America notified NHTSA of the voluntary nationwide recall of an additional 574,000 vehicles. The next day, July 16, 2014, BMW dealers were notified of the recall after notification to NHTSA.

Standard practice for notifying customers involves an auto company preparing a draft customer notification letter for NHTSA's review. In late August, NHTSA approved our letter. BMW of North America mailed its notification letters to our customers in mid-September using first-class mail as required by NHTSA regulation.

Another way customers are informed of recalls is at our dealerships. When a customer visits a dealership, the service advisor at every BMW dealer conducts a vehicle inquiry for outstanding recalls. Once the VIN is identified, the service advisor cross-ref-

erences the VIN against our recall database. If applicable, customers are informed that their vehicle is subject to a recall. Repairs are either taken care of on the spot or an appointment is scheduled as soon as possible.

We have also made the recall information available on our consumer site, BMWUSA.Com. Additionally, the information is also available on the NHTSA site, www.SaferCar.gov. On either side, customers have the ability to access recall information just by entering their VIN. We even issued a press release regarding the Takata's airbag recall for BMW. In total, this voluntary nationwide recall affects approximately 616,000 model year 2000 to 2006 3 Series vehicles. NHTSA estimates over 7.8 million vehicles industry-wide are currently affected bring the Takata airbag recall and parts collection campaign in the United States.

BMW of North America is also currently conducting a voluntary regional parts collection campaign in certain states. This campaign affects the driver's front airbag on approximately 11,600 model year 2004 to model year 2006 BMW 3 Series vehicles.

We are significantly increasing our loaner fleet to provide any BMW customer who needs a loaner, rental vehicle, or alternative transportation of the customer's wish. I can assure the subcommittee that BMW of North America will continue working with NHTSA and Takata on a these issues. We will remain vigilant in identifying safety issues and proactive in addressing them.

Thank you for your time and attention.

Mr. TERRY. Thank you, Mr. Westbrook.

[The prepared statement of Mr. Westbrook follows:]

Statement of Craig Westbrook, Vice President, Aftersales
BMW of North America, LLC
December 3, 2014
The Committee on Energy and Commerce
Sub-Committee on
Commerce, Manufacturing & Trade

Thank you, Chairman Terry and Ranking Member Schakowsky, and members of the Subcommittee for your invitation to participate in today's hearing.

My name is Craig Westbrook, Vice President of Aftersales at BMW of North America. I am here on behalf of our company and I represent the 70,000 people who have jobs provided and supported by the BMW Group in the United States.

In total, the BMW Group's presence is represented in 48 states of our country. This includes 635 dealerships nationwide, our headquarters in New Jersey, design studio in California, BMW Bank in Utah, a Financial Services center in Ohio, a carbon fiber manufacturing facility in Washington State, and BMW Manufacturing in South Carolina.

In fact, BMW Group's South Carolina production site is the largest single exporter of vehicles by value in the United States. Since construction began in 1992, we have invested over 6.5 billion dollars in the BMW Group's South Carolina operations alone. Earlier this year, we committed another billion dollars by 2016 which will make our South Carolina plant the largest single production site for our company world–wide. Over the nearly four decades the BMW Group has been in the United States, our company has worked hard to become part of the fabric of the communities in which we are present.

One central aspect of our investments in, and commitment to the United States has been a focus on earning our reputation for delivering on our word and building trust with customers and communities alike. This takes unwavering desire and dedication to technology, design and performance.

Of course, fundamental to the BMW Group's business is vehicle safety. Because of this, I appreciate the opportunity to appear today before with this subcommittee and share a brief timeline of BMW of North America's activities related to Takata airbag recalls.

In May of 2013, after BMW was informed by Takata of production issues with certain inflators, BMW of North America initiated a voluntary, national safety recall. This involved the passenger front airbag on approximately 42,000 Model Year 2002 – 2003 BMW vehicles.

In May 2014, NHTSA met with Takata to discuss consumer-reported issues with certain passenger and driver airbag inflators. In mid-June, after follow-up calls with Takata, NHTSA opened a Preliminary Evaluation (PE14-016) and, in an unprecedented approach to determine the root cause and the safety risk, held a conference call with all affected automakers asking for their support to conduct a voluntary parts collection campaign in specific high humidity regions. BMW of North America promptly agreed to participate in this campaign.

In July of 2014, out of an abundance of caution, BMW of North America expanded its voluntary regional parts collection campaign and earlier 2013 voluntary recall of airbag inflator modules for the front passenger-side airbags. On July 15, 2014, BMW notified NHTSA of the voluntary, nationwide recall on an additional 574,000 vehicles. The next day, July 16, 2014, BMW dealers were notified of the recall, after notification to NHTSA.

Standard practice for notifying customers involves an auto company preparing a draft customer notification letter for NHTSA's review. In late August, NHTSA approved our letter. BMW of North America mailed notification letters to our customers in mid-September, using First Class mail as required by NHTSA regulation, based upon the most accurate and up-to-date vehicle registration information available.

Another way customers are informed of recalls is via the dealership. Regardless of the reason for a customer's service appointment, it is standard practice at every BMW dealer for the service advisor or reservationist to conduct a vehicle inquiry for outstanding recalls or service actions. Once the VIN is identified, the service advisor or reservationist cross references the VIN against our recall database. Customers are informed if their vehicle is subject to a recall and repairs are either taken care of on the spot or an appointment is scheduled as soon as possible.

We have also made this recall information available on our consumer site, www.bmwusa.com. Additionally, the information is available on the NHTSA web site, www.safercar.gov. On either site, customers have the ability to access recall information by entering their Vehicle Identification Number, or VIN.

In September of 2014, BMW of North America sent a recall notice to all BMW dealers regarding the passenger front airbag replacement process, including claims and parts return information.

In total, this voluntary, nationwide recall affects approximately 616,000 Model Year 2000 to 2006 3 Series vehicles. It is my understanding that NHTSA estimates that over 7.8 million vehicles industry-wide are currently affected by the Takata airbag recall and parts collection campaign in the US.

BMW of North America is also currently conducting a voluntary regional parts collection campaign in certain states. This campaign affects the driver's front airbag on approximately 11,600 Model Year 2004-2006 BMW 3 Series vehicles produced after January 2004.

We are significantly increasing our loaner vehicle fleet to provide any BMW customer who needs alternative transportation with either a loaner or a rental vehicle.

I can assure this subcommittee that BMW of North America will continue working with NHTSA and Takata on these issues and will remain vigilant in identifying safety issues

and work to proactively address them as quickly as possible. Thank you for your time and attention.

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Mr. TERRY. Now, Mr. Saadat, you are recognized for your 5 minutes.

STATEMENT OF ABBAS SAADAT

Mr. SAADAT. Chairman Terry, Ranking Member Schakowsky, and member of the committee, thank you for inviting me here today. My name is Abbas Saadat, and I am the regional product safety executive and the vice president at Toyota North America. I am a senior executive in the United States responsible for Toyota's interaction with NHTSA and currently have oversight responsibility for field action in the U.S. regarding the Takata airbag inflator recalls. I am an engineer by training and function.

First, Toyota shares your goals of helping those affected by these recalls and keeping them safe. We are committed to resolve this issue for our customers as quickly, conveniently, and safely as possible. We believe the actions we have taken reflect this commitment. From the beginning, Toyota has responded to defect information from Takata, coordinated with NHTSA, and supported Takata and NHTSA in their ongoing investigation.

In April of 2013, Toyota launched a nationwide recall for front passenger airbag inflators. This recall is still in effect today. In June of this year, we expanded the remedy for this recall to replace all affected Takata inflators. Also in June, in response to NHTSA's request to the industry, we were among the first automakers to recover airbag inflators for testing by Takata. In October, Takata provided testing data to Toyota and NHTSA that suggested the safety risk was highest in the area of consistently high absolute humidity. In response, we intensified our effort to reach customers in those humid areas, which was publicized nationwide.

Throughout these recalls we have worked to alert customers and get them the information they need. Beyond our initial national outreach, we have mailed more than 300,000 notification letters to known owners in the designated humid region. We also have made it easier for customers to find recall information on Toyota's Web site. In addition, we have started a secondary customer outreach program in humid areas that include telephone calls, email, and direct mail, and we are staffing our call centers to handle any increase in Takata-related inquiries.

At the same time, we are working to get replacement parts to Toyota dealers, and this effort is going well in humid regions. If parts are unavailable, we have empowered dealers to meet our customers' needs and minimize their inconvenience. For example, in humid areas, dealers can disable the front passenger airbag and affix a prominent glove box label that warns against using that seat until a replacement inflator is installed. Dealers are also making loaner vehicles available and towing affected vehicles for customers, if necessary.

To this point, the faster we get replacement parts, the faster we can fix our customers' vehicles. Takata estimates that its supply will increase significantly starting this month. Like you, we want additional assurances about integrity and quality of Takata's manufacturing processes, particularly in the light of previous experiences. For instance, in 2010, Toyota had to recall certain Takata

inflator in Japan to address a different manufacturing problem not involving U.S. vehicles.

In terms of testing, we have conducted and continued to conduct some testing on Takata inflators, and we have also inspected Takata production facilities. Additionally, we have retained an independent engineering firm to evaluate affected Takata inflators and replacement parts. Separately, Toyota is inviting all affected automakers to participate in a joint industry-wide initiative to conduct independent testing of Takata airbag inflators.

Toyota will further address the issue of testing in our response to NHTSA's recent general order and ongoing communications with the agency. Again, our nationwide recall remains in effect, and we plan to replace all involved inflators as parts become available. In closing, Toyota is taking this issue very seriously. We will continue to respond promptly to new development and do what is best for our customers.

Thank you, and I am happy to answer your questions.

Mr. TERRY. Thank you, Mr. Saadat.

[The prepared statement of Mr. Saadat follows:]

TESTIMONY OF ABBAS SAADAT
REGIONAL PRODUCT SAFETY EXECUTIVE, TOYOTA NORTH AMERICA, AND
VICE PRESIDENT, TOYOTA MOTOR ENGINEERING & MANUFACTURING,
NORTH AMERICA, INC.

HOUSE ENERGY & COMMERCE COMMITTEE,
SUBCOMMITTEE ON COMMERCE, MANUFACTURING & TRADE
DECEMBER 3, 2014

Chairman Terry, Ranking Member Schakowsky, members of the Committee, thank you for inviting me here today. My name is Abbas Saadat, and I am the Regional Product Safety Executive and a Vice President at Toyota North America. I am a senior executive in the United States responsible for Toyota's interaction with NHTSA and currently have oversight responsibility for field actions in the U.S. regarding the Takata air bag inflator recalls. I am an engineer by training and function.

First, Toyota shares your goals of helping those affected by these recalls and keeping them safe. We are committed to resolve this issue for our customers as quickly, conveniently and safely as possible.

We believe the actions we have taken reflect this commitment. From the beginning, Toyota has responded to defect information from Takata, coordinated with NHTSA, and supported Takata and NHTSA in their ongoing investigation.

- In April 2013, Toyota launched a nationwide recall for front passenger Takata airbag inflators. This recall is still in effect today for customers across the U.S. In June of this year, we expanded the remedy for this recall to replace all affected Takata inflators.

- Also in June, in response to NHTSA's request to the industry, we were among the first automakers to recover airbag inflators for testing by Takata.

- In October, Takata provided testing data to Toyota and NHTSA that suggested the safety risk was highest in areas of consistently high absolute humidity. In response, we intensified our recall efforts to reach customers in those humid areas, which was publicized nationwide.

Throughout these recalls, we have worked to alert customers and get them the information they need. Beyond our initial national outreach, we have mailed more than 300,000 notification letters to known owners in designated humid regions. We also have made it easier for customers to find recall information on Toyota's website.

In addition, we have started a secondary outreach program to customers in humid areas that includes telephone calls, email and direct mail. And we are staffing our call centers to handle any increase in Takata-related inquiries.

At the same time, we are working to get replacement parts to Toyota dealers, and this effort is going well in humid regions. If parts are unavailable, we have empowered dealers to meet our customers' needs and minimize their inconvenience. For example, in humid areas dealers can disable the front passenger airbag and affix a prominent glove box label that warns against using that seat until a replacement inflator is installed. Dealers also are making loaner vehicles available and even towing affected vehicles for customers, if necessary.

To this point, the faster we can get replacement parts, the faster we can fix our customers' vehicles. We have requested increased supply on an expedited basis, and Takata estimates that its supply will increase significantly starting this month.

Like you, we want additional assurances about the integrity and quality of Takata's manufacturing processes, particularly in light of previous experiences. For instance, in 2010 Toyota had to recall certain Takata inflators in Japan to address a different manufacturing problem not involving U.S. vehicles.

In terms of testing, we have conducted and continue to conduct some testing on Takata inflators, and we have also inspected Takata production facilities. Additionally, we have retained an independent engineering firm to evaluate affected Takata inflators and replacement parts.

Toyota will further address the issue of testing in our response to NHTSA's recent General Order and in ongoing communications with the agency.

Again, our nationwide recall remains in effect, and we plan to replace all involved inflators as parts become available.

In closing, Toyota is taking this issue very seriously. We will continue to respond promptly to new developments and do what is best for our customers.

Thank you. I am happy to answer your questions.

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Mr. TERRY. At this time, we are now to the question-and-answer period, and I have the opportunity to ask the first questions.

Mr. Shimizu, following NHTSA's June, I think it was 19, 2014, request to Takata and 10 vehicle manufacturers to participate in a regional field action, how many passenger side and driver's side airbag inflators have been tested to this date? So June 14 to today.

Mr. SHIMIZU. To my knowledge, up to today, we complete the test around 4,000 pieces.

Mr. TERRY. Now, the 4,000 tests, are they evenly divided between passenger and driver's side?

Mr. SHIMIZU. Most of the product is the passenger side. And I think for driver's side, quantity is about, I believe, around 400.

Mr. TERRY. 400?

Mr. SHIMIZU. Yes, 400.

Mr. TERRY. So 3,600 of the tests were on the passenger side?

Mr. SHIMIZU. Yes.

Mr. TERRY. So out of the 3,600 on the passenger side airbags, how many ruptures have occurred?

Mr. SHIMIZU. I don't have an accurate number, but I believe around, a little bit less than 60.

Mr. TERRY. Less than 60, OK. How about on the driver's side of the 400 that were tested?

Mr. SHIMIZU. Zero at this moment.

Mr. TERRY. Zero. How many tests are you doing currently, per day?

Mr. SHIMIZU. Currently, we are testing about 100 inflators per day.

Mr. TERRY. One hundred what per day?

Mr. SHIMIZU. One hundred pieces per day.

Mr. TERRY. Pieces. Are those all passenger, or again, is it both?

Mr. SHIMIZU. It is sometimes only passenger side, sometimes only driver's side, or mix. It depends on what kind of inflator we collected from the region.

Mr. TERRY. Very good. Then with your continued stance on opposing a national recall, what about Takata's test results leads you to believe that a national recall of all driver's side airbags is not needed or appropriate?

Mr. SHIMIZU. Based on the data we are collecting from the inflator from the region and also other regions, the data still support that we should remain focused on the region with high temperature and high humidity.

Mr. TERRY. OK. Now, the crashes in California and North Carolina led NHTSA to believe that the Takata airbag inflators pose a risk outside of the States with high absolute humidity. So why do you disagree with NHTSA's conclusion here?

Mr. SHIMIZU. First, let me just state what I mentioned in opening statement. We are not opposing NHTSA's direction. We will commit to take any action necessary to advance the goal of safety for the driving public, that also includes working to produce the additional replacement kits to support the further recall that was announced by automakers. So once automakers decided to expand or change their range of recalls, we support it.

And regarding your question about California event and North Carolina event, the California event, the vehicles are covered by

current regional recall, but also I want to explain that we do some investigation about that event but it is not completed yet and still under investigation. And regarding the event in North Carolina, at this time, we have no chance to check the vehicles and action materials. We only have the production, the serial number information, and the pictures. So we will inspect the actual vehicles later together with NHTSA and automakers and Takata.

Mr. TERRY. Very good. Well, I only have 28 seconds left, so I will yield back my time and recognize the ranking member from Illinois for 5 minutes.

Ms. SCHAKOWSKY. Thank you, Mr. Chairman.

Mr. Shimizu, am I saying it correctly?

Mr. SHIMIZU. Yes.

Ms. SCHAKOWSKY. In the letter Takata sent to NHTSA yesterday, the company rejected a national recall. Your director of product safety wrote that "Under the NHTSA statute, only manufacturers of motor vehicles and replacement equipment are required to decide in good faith whether their products contained a safety-related defect, and if so, to conduct a recall."

And Mr. Chairman, I would like to submit this letter for the record.

Mr. TERRY. Without objection, so ordered.

[The information appears at the conclusion of the hearing.]

Ms. SCHAKOWSKY. Mr. Shimizu, let me ask you, do you agree with the conclusions in the letter sent by your company yesterday?

Mr. SHIMIZU. Yes, Congresswoman.

Ms. SCHAKOWSKY. So Mr. Shimizu, do you agree that Takata is not required to decide in good faith whether your products contain a safety-related defect?

Mr. SHIMIZU. Congresswoman, I agree with that statement. It is the best data we have, that doesn't support the change from regional recall to national recall at this moment.

Ms. SCHAKOWSKY. So are you telling us that your company has no legal responsibility to determine if airbags are defective and to recall them?

Mr. SHIMIZU. If our products are defective and supported by scientific data, we are responsible for that.

Ms. SCHAKOWSKY. So you believe that you are responsible for that if they are found to be defective, but it is really up to you to decide that?

Mr. SHIMIZU. Yes. We need extensive research of the products involved in the incident or whatever. So once we determine that it is defective, yes, it is our responsibility.

Ms. SCHAKOWSKY. So moving forward, Takata will be producing millions of replacement airbags. Are the replacement airbags that you are having installed as a result of the recall safe?

Mr. SHIMIZU. Yes. It is true that we have issued in the past, and we identified the root of cause and addressed all issues we had in the past and took care of this. And currently, products including replacement kits we are producing from well-controlled manufacturing processes and should perform a design and I consider is safe.

Ms. SCHAKOWSKY. So you believe that you have, in fact, discovered the root cause of the ruptures?

Mr. SHIMIZU. Excuse me?

Ms. SCHAKOWSKY. Are you sure and certain that you have discovered, Takata has discovered the root cause of the airbag ruptures?

Mr. SHIMIZU. Yes, we identified the root cause of the issues of the products we did a recall in the past. However, we still continue the investigation for the incident that happened in an area with high humidity and high temperature. So we need to continue to investigate these inflators collected from these regions.

Ms. SCHAKOWSKY. So are you saying that it is only in high humidity areas that this is a problem, that that is the root cause?

Mr. SHIMIZU. We considered it a main contribution to the problem is the high temperature and absolute humidity, together with age of the products and probably maybe a combination with manufacturing issues. That is why we collect inflators from these regions with support from all the vehicles at NHTSA and then continue to analyze these inflators.

Ms. SCHAKOWSKY. Interesting.

So who is the highest ranking Takata official that has actually signed off on production of the airbags that are now being recalled? The ones that are being recalled, who is the highest ranking official that has actually signed off on that?

Mr. SHIMIZU. Any court-related issue and statement from a company, I usually sign.

Ms. SCHAKOWSKY. You sign it, OK.

And who is the highest ranking Takata official with oversight over the production approval process?

Mr. SHIMIZU. Production approval is usually signed by head of operation, and also production, which means I sign.

Ms. SCHAKOWSKY. And let me just ask each of the manufacturers—oh, and one more question for you, Mr. Shimizu: Have any of these individuals, including yourself, been held accountable for these decisions?

Mr. SHIMIZU. Excuse me, can I ask my interpreter?

Ms. SCHAKOWSKY. Yes.

[Confers with interpreter.]

Ms. SCHAKOWSKY. Have there been consequences?

Mr. SHIMIZU. We are more focused on collecting problems and we are not addressing that area yet.

Ms. SCHAKOWSKY. OK. But let me quickly, could I ask just yes or no, are Toyota, Honda, and BMW cars on the road right now nationally both for drivers and passengers with Takata airbag safe? The real question is, would you tell your children and spouses there is no danger of this type of rupture, so keep on driving? Mr. Schostek and then——

Mr. SCHOSTEK. Congresswoman, we want our customers to be safe and to feel safe in our cars. As you have heard, there are national recalls in effect. What we want our customers to do is, first, understand whether their car is subject to a recall. They can do that either by checking our Web site, by calling us, or by visiting their local dealer and finding out if they are subject to a recall. If they are, we want that car, we want to replace that part. If they are not subject to a recall, we believe they are safe in those cars.

Ms. SCHAKOWSKY. Mr. Westbrook.

Mr. WESTBROOK. Yes.

Ms. SCHAKOWSKY. Mr. Saadat.

Mr. SAADAT. Please keep in mind, for Toyota vehicles, the problematic inflators are all on the passenger side, not driver's side. I just want to make that clear for Toyota vehicles. But in terms of——

Ms. SCHAKOWSKY. How do you know that all the deaths were on the driver's side? All the deaths, not necessarily in Toyota, but all the deaths——

Mr. SAADAT. No, I understand.

Mr. TERRY. Gentlelady's time has expired.

Ms. SCHAKOWSKY. Thank you.

Mr. TERRY. Chair now recognizes the full committee chair, Mr. Upton.

Mr. UPTON. Thank you, Mr. Chairman.

And I want to go back to my opening statement where this committee has been very involved in auto safety, rightly so, for a lot of years. And I can remember rolling a flawed tire down this very dais about 10 years ago, really seeking action. And we did it. We worked at the end of the session, we significantly raised the fines, and we added criminal sanctions for violations: Jail. It was tough to get through, but we got it done. And I want to say it was certainly bipartisan, and it was pretty close to unanimous in terms of what we did.

And what that TREAD Act did was really forcing the manufacturers to share details with the regulator to make sure that consumers, us, got the information and felt safe behind the wheel. Now, there is a report that came out this morning, I have not read it, just literally within the last half hour or so. But it says, "Reuters is reporting today that Takata ran an investigation into an airbag inflator that ruptured in a BMW as early as 2003, and is that additional testing for airbag inflator defects was done in 2004, 10 years ago." That was the time when we were passing the TREAD Act. "Both of these revelations would indicate that Takata was investigating this hazard well before it has been previously disclosed."

Can you comment, Mr. Shimizu, on the 2003 and 2004 investigations? Are they related to the current recall?

Mr. SHIMIZU. Congressman, my answer is no.

Mr. UPTON. You can use the mic.

Mr. SHIMIZU. Excuse me, can you hear me now? OK. My answer is no. Regarding the BMW incident in 2003, to my knowledge, it happened in Europe, I believe Switzerland, and that the cause of the problem is not the inflator propellent issue we are talking about right now. That was manufacturing issues that caused that problem, so it is not same as the problems we are discussing right now.

Mr. UPTON. So they are not related, is what you are saying?

Mr. SHIMIZU. Not related to the current issues.

Mr. UPTON. So do you know whether the issue today is manufacturing-related, or is it a design flaw in the inflator itself? Do you know the answer to that question? Yes or no?

Mr. SHIMIZU. In my knowledge, the current issue is most likely manufacturing-related, not design-related.

Mr. UPTON. It is not manufacturer related?

Mr. SHIMIZU. It is manufacturer related.

Mr. UPTON. It is manufacturer-related, OK. Thank you.

Mr. Schostek, in 2011, a Honda associate recognized an issue related to the recording of a verbal date code in a legal file management system that could have affected the accuracy of the early warning reports. And additionally, in 2012, NHTSA made Honda aware that it was underreporting claims. Why didn't Honda follow up with the issue in 2011, and why didn't Honda take conclusive action in 2012?

Mr. SCHOSTEK. Chairman Upton, thank you very much for that question. And I understand your involvement in the establishment of the TREAD Act more than 10 years ago, and I can understand the disappointment that you feel by the shortcomings that have been evidenced by our company. And I want to explain to you what happened. The problem that we had with underreporting in the TREAD Act is a systematic problem that began at the outset of the TREAD Act. As you know, it went into effect in 2003. Our staff at the time did not properly program computers and set up systems that would accurately let data flow and feed into TREAD reports.

It is difficult for me to say, sir, but that setup continued unchecked until 2011, 2012. You are right that an internal Honda associate did mention a concern as well as a discussion with NHTSA. They asked about the omission of certain incidents in our TREAD reporting. We did look into that, sir, in early 2012. We did not look into it effectively. We found one of what eventually we came to know would be three problems. We found one problem and took substantial action to address that one problem, but, sir, it did not complete our compliance requirements.

Mr. UPTON. Can I just have an additional minute? So what was——

Mr. TERRY. Without objection.

Mr. UPTON. And we are going to be asking NHTSA, who is filing, what was NHTSA's response when—you did correct it with NHTSA; is that not right? I mean, you did fess up, in essence, to NHTSA, right?

Mr. SCHOSTEK. In 2012, sir, we had a problem about converting oral claims into written claims. We made what we call a countermeasure internally to report those written claims.

Mr. Chairman, we did not close the loop with NHTSA, and we did not act with the urgency we needed to.

Mr. UPTON. Did NHTSA come back and say, what happened? Was there any dialogue? What was NHTSA's response? I mean, did——

Mr. SCHOSTEK. As you know, sir, we engaged a third party to do an audit in September of this year, and we had a dialogue with NHTSA in October of this year about the preliminary findings of that audit. They actually found—I am glad that we used an outside third party to do that audit because they found two more instances of our noncompliance.

So, based on that, we had discussed that with NHTSA, our preliminary findings, in mid-October of this year. As you know, we just submitted our information to NHTSA on Monday, and we are waiting for their response.

But I think what we have done in the meantime, sir, is to begin to fix the computer programs, to provide training, to augment the staffing, but, most importantly, to establish accountability within our organization. There are many functions that feed information for TREAD, and we did not designate a single responsible person, and that is our failing, sir.

Mr. UPTON. OK.

I yield back.

Mr. TERRY. Thank you.

Now the chair recognizes the full committee ranking member, Mr. Waxman.

Mr. WAXMAN. Thank you very much, Mr. Chairman.

On November 18, NHTSA announced its intention to expand the regional recall of driver-side airbags to a nationwide recall. And on November 26, NHTSA formally requested that Takata expand to a national recall. But yesterday Takata responded that, quote, "the currently available reliable information does not support a nationwide determination of a safety defect," end quote.

Mr. Shimizu, why does Takata believe that there is not enough evidence to support a national driver-side airbag recall?

Mr. SHIMIZU. Yes, Congressman. As you know, we were collecting the data from the inflator we collected for the regional recalls. And according to the data we have, there is actually zero anomaly from driver side. And then we have some anomaly found in the passenger side, but all of them come from Florida and Puerto Rico.

So, based on these datas, we consider that still we should stay focused on this area. And, at this moment, there is not enough scientific evidence to change from regional recall to national recall. That is the background.

Mr. WAXMAN. Do you recall the same thing is true for the regional recalls of passenger-side airbags?

Mr. SHIMIZU. As I said, Congressman, all anomalies found in the passenger-side inflator came from Florida and Puerto Rico.

Mr. WAXMAN. OK.

Now, let me see if I can understand this decision a bit more from the consumer prospective. In the continental United States, the recall only covers cars in Florida; isn't that right?

Mr. SHIMIZU. Are you talking about regional recalls?

Mr. WAXMAN. Yes.

Mr. SHIMIZU. Yes. The regional recalls covered Florida, Puerto Rico and Hawaii and Virgin Islands, and some automakers covered even more around the Gulf Coast.

Mr. WAXMAN. But if I have a car with a Takata airbag in Yulee, Florida, just south of the Georgia line, it is an urgent matter that I bring it in for a recall. But if I instead live 15 minutes north of that line in Kingsland, Georgia, I gather the position is that my car is perfectly safe. Is that a correct assumption?

Mr. SHIMIZU. Based on the data we collected, temperature and humidity and also what we call the dew point, and that is the background about how we can determine the area which we focus on that. So that is covered quite a wide area. And if it is a vehicle used or registered outside the area, we consider it safe and no concern at this moment.

Mr. WAXMAN. OK.

Mr. Schostek, does that make sense to you? Fifteen minutes north, you are OK, but if you are in Florida just below the line, you have to go in and get a replacement?

Mr. SCHOSTEK. Right, Congressman Waxman. I think it is also important, as we talk about this, to distinguish the recalls regarding the manufacturing defects from this more recent regional recalls. I just want to make sure that the committee understands that the recalls that we conducted from 2008 through 2014 that were related to specific Takata manufacturing defects, those were national in scope. So, for those recalls, we believe we understand the cause of the problem—that is, Takata's manufacturing defects. And those cars are being recalled no matter where they are.

What we are talking about now is from 2014 to the present, so approximately the last 5 months. And all of us in the industry have been asked by NHTSA to do a safety improvement campaign to gather information and recall or bring back the inflators that are in those high-humidity States. I know when we looked at that, we included contiguous counties, and we expanded beyond what NHTSA asked us to do, but——

Mr. WAXMAN. But the idea is that if you are in certain areas the heat and humidity would require you to comply with a regional recall, but—let me just ask a different question.

If I live in, say, Houston, Texas, it is slightly less humid there, but not by much, than Jacksonville, Florida. Can we be certain that my car won't develop the same defect but perhaps 2 or 3 years later?

Mr. SCHOSTEK. That is a good question, Congressman, and we asked that question ourselves. And that is why we expanded our regional recall to include Texas.

Mr. WAXMAN. Yes.

And, Mr. Shimizu, do you still not know the root cause of these airbag failures?

Mr. SHIMIZU. Congressman, if the question is asking about regional recalls, these are——

Mr. WAXMAN. But I am just asking, do you know the root cause of this problem?

Mr. SHIMIZU. At this moment, we don't have the root cause. We know the factors may contribute to this problems, so that is why we are still researching these inflators collected from regions.

Mr. WAXMAN. Well, the confusing, contrary, uncertain, and sometimes purely nonsensical information that comes from Takata is confusing to drivers. They don't know whether their cars are safe.

This confusion is exacerbated by the different ways that auto manufacturers are handling the situation. For example, until this morning, Honda had chosen to expand its regional action to 13 high-humidity states and territories. This morning, we learned that Honda will be expanding to a national recall of driver-side airbags.

Mr. Schostek, when and why did Honda decide to expand its recall to the 13 States and territories?

Mr. SCHOSTEK. Congressman Waxman, we have heard this morning about NHTSA's request to Takata and the answer that Takata gave yesterday. We have been seriously considering, as Honda, expanding the safety improvement campaign nationally so we can gather more data nationally. Once we understood that answer yes-

terday from Takata, we decided to take action. We want to take care of all of our customers on a nationwide basis.

However, sir, as I said in my opening statement, we still believe that the highest risk is in the southern areas, those high-humid areas, and that those should be prioritized with respect to replacement parts.

But we believe that our customers have concerns, and our job is to satisfy our customers. So we want to expand the recall—the safety improvement campaign to include all areas of the country, again, keeping a priority on those regional areas.

Mr. WAXMAN. OK. Thank you very much.

Thanks, Mr. Chairman.

Mr. TERRY. The gentleman's time has expired.

The chair recognizes the gentlelady from Tennessee, the vice chair of the full committee.

Mrs. BLACKBURN. Thank you, Mr. Chairman. And I thank you for your good work on this.

And I thank our witnesses for being willing to answer these questions, because we are trying to get to the root cause of this—Mr. Waxman just mentioned that term.

And, Mr. Shimizu, I want to go that direction with you. Let's go specifically to the November 19th New York Times article that tries to give a framework, a timeline, a chronology to this.

We can solve this problem, and, by and large, we have talked about what we are doing about this, what you all are doing about it. But let's go back to how we got into this mess in the first place and why we got into this mess in the first place. And that is covered in some part in this New York Times article.

And, Mr. Chairman, I would like to submit this for the record. I think it speaks to both Mr. Waxman's question and to mine.

Mr. TERRY. You said "this." Would you please——

Mrs. BLACKBURN. New York Times article.

Mr. TERRY. Without objection, so ordered.

Mrs. BLACKBURN. OK. Thank you, Mr. Chairman.

[The information appears at the conclusion of the hearing.]

Mrs. BLACKBURN. Mr. Shimizu, I want to read to you from the article. It says, "By 1999, Takata researchers in Michigan, pressured by executives, developed a propellant based on ammonium nitrate," he said, "but the engineering team in the Moses Lake plant raised objections to basing a propellant on such a risky compound."

Now, let's talk about that for a minute, because I also found Michael Britton, a Takata chemical engineer, stated the following: "It was a question that came up. Ammonium nitrate propellant, won't that blow up?", a question he asked. And, number two, Mark Lillie, a former senior engineer with Takata: "It is a basic design flaw that predisposes this propellant to break apart and, therefore, risk catastrophic failure in an inflator."

And these all were before you all made this decision. You made the decision anyway to move forward with this. Now, that is a problem for us and for the American consumer and for the individuals that have lost their lives or have lost their eyesight or have been hurt by this.

So what was Takata's response to the concerns raised by Mr. Britton and Mr. Lillie?

Mr. SHIMIZU. Congresswoman, let me explain about materials, ammonium nitrate we are using. And, first, that material itself is safe and stable. And I am not aware of——

Mrs. BLACKBURN. Mr. Shimizu——

Mr. SHIMIZU. Yes.

Mrs. BLACKBURN. I am sorry to interrupt you. That is not the response that I am asking you for. I understand what ammonium nitrate is. I know very well what it is.

I am asking you: You had two people, a senior engineer and a chemical engineer, that brought it to your attention that this was not a wise choice. I am asking you, sir, when they brought this to your attention, what did you and your team at Takata say in response to these engineers? Did you blow it off and say, it doesn't matter, it costs less? Did you say, we think we can get by with this because it is an aggressive propellant? I want to know what your response was to them.

Mr. SHIMIZU. Congresswoman, I was not involved at that time. However, I know it has been a lot of discussion about the selecting materials for a new type of inflator, and we considered the chemical properties and also combustion characteristic of the materials, both advantages and disadvantages. And we decided that we can control—that we are—some weak area and we can——

Mrs. BLACKBURN. Mr. Shimizu, you are avoiding the question, so let's move on.

What was your first date of employment with Takata? When did you start to work for them?

Mr. SHIMIZU. With Takata?

Mrs. BLACKBURN. Yes.

Mr. SHIMIZU. Since 1978.

Mrs. BLACKBURN. Since—oh, so you were around.

Mr. SHIMIZU. Yes.

Mrs. BLACKBURN. So we established that you were around during that time in 1999 when this decision was made. So let me ask this another way. Did any other Takata employees or outside parties warn Takata about using ammonium nitrate propellant in its airbags, yes or no? Anybody else—did you or anybody else warn them?

Mr. SHIMIZU. I am not aware of that.

Mrs. BLACKBURN. You are not aware of that. So you don't know if anybody else other than these two engineers warned them that this was a really bad idea. You don't know that.

Mr. SHIMIZU. No.

Mrs. BLACKBURN. Were concerns about using an ammonium nitrate propellant relayed to executives at Takata, yes or no? And do you know who or when?

Mr. TERRY. Go ahead and answer the question.

Mr. SHIMIZU. Can I confirm your question, please?

Mrs. BLACKBURN. OK. Were the concerns about using ammonium nitrate as a propellant relayed to executives at Takata? Do you know if it made it up the food chain to the C Suite?

Mr. SHIMIZU. I don't know about that.

Mrs. BLACKBURN. You don't know. OK. Well, you have a good team with you. We will allow you to respond.

My time has expired. Let's see. I have five other questions. I will submit these in writing, and we would like an answer before the end of the year.

Yield back.

Mr. SHIMIZU. Yes.

Mr. TERRY. Thank you.

The chair now recognizes the gentleman from Maryland. Mr. Sarbanes, you are recognized for 5 minutes.

Mr. SARBANES. Thank you.

Mr. Shimizu, Takata, as I understand, has agreed to the recall, at its expense, with respect to both driver-side and passenger-side airbags within the regions where there is high absolute humidity. Is that correct?

Mr. SHIMIZU. Yes.

Mr. SARBANES. OK.

And you said to Congressman Waxman a moment ago that you do not yet know the root cause of the defect or the problem with the deployment of those airbags with respect to that regional recall. Is that correct?

Mr. SHIMIZU. Congressman, we haven't identified the root cause yet. That is why——

Mr. SARBANES. OK.

Mr. SHIMIZU [continuing]. We continue collecting the inflator. But we have a strong opinion of what will contribute to this defect.

Mr. SARBANES. OK.

Mr. SHIMIZU. Which is high humidity and temperature and the life of the product.

Mr. SARBANES. Mr. Chairman, I am good to take more time than you want to give me, but the timer is not running. So I just thought I—that was a courtesy. I will get that back later sometime.

Mr. TERRY. That is nice of you.

Mr. SARBANES. Appreciate it.

My question is, if you don't know the root cause, how do you know that the replacement part that you are providing solves the problem? Is it different enough in its design that you have confidence that the replacement doesn't continue to have the same problem?

Do you understand——

Mr. SHIMIZU. Yes.

Mr. SARBANES [continuing]. My question?

Mr. SHIMIZU. Congressman, the current product we are producing right now is produced from the most recent line, which is all countermeasure and the lessons learned from the previous issues was built into that. So I am quite confident that products produced from the current production line, including replacement kits, should work as designed and are safe.

Mr. SARBANES. OK. So the production line—the issue is that you can't yet quite identify the root cause that was part of the prior production line that created this problem, but you have confidence that, as a result of the new production line, whatever that problem might have been is now solved going forward——

Mr. SHIMIZU. Yes.

Mr. SARBANES [continuing]. With respect to the replacement vehicles.

Mr. Schostek, you implied the idea that, not withstanding Takata's decision to resist a national recall, that to the extent the auto manufacturers on their own initiative decide to expand a recall nationally that, as a practical matter, we could end up having a national recall. Although I guess there are some differences of opinion by the manufacturers as to the scope of that, and I am going to ask Mr. Westbrook about that in a moment.

I take it that if you on your own initiative decide to expand the recall beyond what Takatais agreeing to, you are making a decision to, at least on the front end, incur the expense of getting that replacement airbag in place and then you will, I guess, down the road try to recover that? Is that how it works? As opposed to where they have agreed to the recall, the expense is absorbed on the front end by Takata; is that right?

Mr. SCHOSTEK. Congressman Sarbanes, for us, we start and end with our customers, what is right for our customers. And that is the action we are trying to take here.

It is true that, as an industry, with regard to what have been regional recalls up to this—regional safety improvement campaigns up to this point in time, and now we are going to make it for our vehicles a national safety improvement campaign, it is true that we have theories but we don't know the cause. So our interest is getting as much information as possible.

It is also why, as was announced yesterday—and we appreciate Toyota's leadership on this issue—that we as manufacturers have decided we need to share—we need to, first of all, engage an expert outside third party. Takata will continue to do their tests, and we will continue to receive that information from them. But I think, as an industry, as an auto industry, we are saying it is going to be better for all of us if we can gather information more quickly. And it is in all of our interests, Congressman, to find the cause and then to be able to reassure all of our customers and reassure the public of safety on the roads.

Mr. SARBANES. Thank you.

Let me just—Mr. Westbrook, let me ask you, because I have just 1 minute, I understand that Honda supports a national recall on the driver-side airbags. And on the passenger side—which, by the way, on the driver side, Takata does not support that, and Takata does not support it on the passenger side.

But BMW does support it on the passenger side, although not on the driver side, right? And that that may be because BMWis concluding that there may be some other problem specific to the passenger-side airbags that you think goes beyond or is separate from this other issue we have been talking about.

Can you just briefly—you have 15 seconds—explain this discrepancy?

Mr. WESTBROOK. Thank you.

We have a unique design on the passenger side that might not be known to the committee. Our passenger-side airbag is unique in its design and its manufacturer.

From Takata, in 2013, we had our first indicator through production processes that the parts were out of specification. In 2014, they gave us another indication that, due to high-absolute-humidity areas, we might have a risk. And we took, then, the third indicator

that our unique design could create the risk of additional airbag-related injuries—not related to a ruptured inflator, because as of today we have never seen one single ruptured inflator.

So we are simply trying to cover our risk and look after our customers. We think they deserve that.

In terms of the national campaign, we are complying with what NHTSA has sanctioned, which is—excuse me, the local campaign or the regional campaign. That was what we are working on right now.

And we will begin independent testing. We are under contract with a well-known European testing organization that actually specializes in propulsion and airbag safety. This is underway, and we expect to get results. We will share those results. We will collaborate. We will make everything—as we have always tried to get ahead of this thing and just do the right thing.

Mr. SARBANES. All right.

Thank you.

Mr. TERRY. Thank you.

The gentleman's time has expired.

The chair now recognizes the chairman emeritus. The gentleman from Texas is recognized for your 5 minutes.

Mr. BARTON. Well, thank you, Mr. Chairman.

You know, here we go again. I wasn't here for the opening statements, but it seems like every few years we have a hearing with some automobile manufacturer that they have had some sort of a defective part and they treated it as more of a manufacturing quality-control issue and not as a serious safety issue.

It is ironic, in this case, that the part is something that is supposed to protect the driver or the passenger, and it turned out that the airbag or the deflator or something in the airbag was defective.

None of us—I mean, we have some people that are technically trained on the committee, but we are not automotive engineers or safety experts. So, we ask questions of you folks and then later on of NHTSA, and then we kind of cross our fingers.

I am just puzzled and disappointed that, here we go again.

So my most serious questions will be reserved for the NHTSA witness in the second panel, but I would ask Mr. Shimizu if—and I may not be pronouncing your name correctly—in the short term, the old saying is "don't dig the hole any deeper." I am told by my friends at General Motors that there is a shortage of repair kits to do the replacements. And there are a couple of GM products that were using the Takata airbags.

How soon will you have enough good kits available so that we can go ahead and do the recalls for the cars that we have already recalled?

Mr. SHIMIZU. Congressman, regarding our capacity of the replacement kits, we are now boost up to 350,000 pieces per month, and it is going to increase to 450,000 pieces per month the January by adding 2 more lines.

And we continue to work on—are discussing with automakers to increase the capacity. And as Mr. Schostek mentioned, that is we also are taking option to evaluate our competitors' inflator if it is feasible.

So we would take every action necessary to support to speed up the replacement of the——

Mr. BARTON. OK. Well, now, I am just an old Aggie engineer, so I am—but there are about 7 million cars, I think, that have, all in all, been recalled. At 450,000 kits a month, that is a year and a half or longer. Do you think that is acceptable?

Mr. SHIMIZU. It is not speedy enough. We understand the issues. So that is why we are discussing to add the capacity of the productions, but it takes a month to be ready for that. But we do everything we can do at this moment.

Mr. BARTON. Well, what does the driver do with a vehicle that is in a recall that is not going to be repaired for another year and a half or 2 years? Do you just disconnect the airbag? Just hope you don't have——

Mr. SHIMIZU. Not on the driver side. No, it is impossible. I understand the situation, so that is why——

Mr. BARTON. I mean, I am not trying to be rude about it, but——

Mr. SHIMIZU. So, actually, one, the data shows that still we should focus on regional area. In that case, we can supply to fulfill the demand of our carmakers at this moment, if we focus on that area first as a priority. Or if we do a phase, taking a phase, that is, by adding production capacity, we can catch up the supply-ability to the demand.

Mr. BARTON. Well, my time is about to expire.

Are there other manufacturers that manufacture an equivalent airbag product that you could substitute for your airbag and repair these cars that have already been recalled? Or is that just not, technically and engineering-wise, feasible?

Mr. SHIMIZU. It requires some validation tests, but is a certain competitor's inflator could be used to replace——

Mr. BARTON. I would suggest that you look at that.

Mr. SHIMIZU. Yes, Congressman.

Mr. BARTON. Because the sooner the cars that have already been identified are repaired, the better off you are going to be, in my opinion.

With that, Mr. Chairman, I yield back.

Mr. LANCE. [Presiding.] Thank you very much, Mr. Barton.

The chair recognizes the gentleman from Kentucky, Mr. Yarmuth.

Mr. YARMUTH. Thank you, Mr. Chairman.

And I thank the witnesses for their testimony today.

You know, I wish I could say I felt better about this situation now than I did when I talked about into the room, but I think I feel a little bit more uncertain than I wish I did.

I have a little bit of a personal history with this issue because I was a young Senate staffer on the Commerce Committee in the early 1970s when Ralph Nader came to the Congress and urged the mandatory airbag legislation. And so I know we have been putting airbags in cars for a long time.

Mr. Schostek—I would like to hear from all the manufacturers how long you have been putting airbags in your vehicles.

Mr. SCHOSTEK. Congressman, it is since the 1990s, I am pretty sure, the 1990s.

Mr. YARMUTH. Early 1990s.

Toyota?

Mr. WESTBROOK. I am not quite so sure, but I think it was the late 1980s that we started. Could have been early 1990s.

Mr. YARMUTH. And BMW?

Mr. SAADAT. Same.

Mr. YARMUTH. Same thing.

And while I know that historically there have been incidents involving spontaneous deployment of airbags and so forth, but correct me if I am wrong, the issue we are dealing with today, these inflator ruptures, did not happen before this era that we are talking about, within the last 10 years; is that correct? Are you aware of any instances of an inflator rupture that occurred before the turn of the century?

Mr. WESTBROOK. No.

Mr. YARMUTH. All right.

And I assume that there was no relevance of humidity in any of the prior instances of malfunction of airbags prior to the turn of the century, essentially, this 10-year period.

So I am getting at this issue of the root cause.

And, Mr. Shimizu, what possibly changed other than the change in propellant that you used from before this time period when you actually changed propellents? Is there anything else that changed in the technology that you could reasonably identify as a potential cause of this inflator rupture prior to this period?

Mr. SHIMIZU. We understand it is the characteristic of the materials we use, which is ammonium nitrate, and we considered moisture have to be controlled during the operation, and we do it. And unfortunately we have some issues in the past of the equipment and the moisture control, but we believe that with real control we will manage the environment of the operation.

Mr. YARMUTH. But what I am getting at is I think we have pretty much excluded any other potential root cause other than the propellant that is being used. Nothing else changed in technology. None of these occurrences happened before the change in propellant.

So, regardless of whether it is humidity-related, temperature-related, the propellant seems to be the only variable that could be responsible for these kinds of malfunctions. Is that correct or not?

I mean, if nothing else changed and we never saw it before you changed propellents, wouldn't you say that it is reasonable to assume that the propellant is the root cause?

Mr. SHIMIZU. Congressman, this rupture case happened because of either abnormal chemical reaction inside the inflator or weakness of the inflator body. So either, if the balance was not there, then a rupture may happen.

So we are focused on the materials also now, but also one of the factor we can consider is the body side. But at this moment, according to our investigation, we didn't see any abnormality on the body side. That is why we focus on the materials.

Mr. YARMUTH. OK.

Going a little bit further—and this is expanding on Mr. Sarbane's question—you filed a 573 Safety Recall Report just a month or so ago involving a defect in the airbags produced in Mexico. Is that correct?

Mr. SHIMIZU. Yes, the airbag was produced in Mexico for——

Mr. YARMUTH. Right. So you are actually still producing airbags that have defects in them. And I don't know what the nature of that defect was, but, again, it goes to the question of—and I know we don't have too much time—it goes to the question of whether we can be confident that even the replacements that are being provided are safe.

And I guess any of the manufacturing representatives who are here might want to respond. How can you be confident that the replacement parts you are putting in or that the airbags you are putting in today are safe if you are still buying them from Takata?

Mr. SHIMIZU. Congressman, that specific issue happened in Mexico, but it is not currently—many years ago. And if my understanding is correct, that plant is already closed and moved to Mexico.

And, as I said, all lessons learned from previous issues, we addressed to—we identified the problems and addressed to the production process and are taken care of. So the current production is, as I said, capable to produce the quality parts, and I am very confident that the quality is there.

Mr. YARMUTH. All right.

I would like to submit, Mr. Chairman, that question and have the manufacturers respond to the committee as to how we can be confident that the equipment that they are using today is safe.

Mr. TERRY [presiding]. Absolutely.

Mr. YARMUTH. Thank you very much. I yield back.

Mr. TERRY. The chair recognizes the vice chair of the subcommittee, the gentleman from New Jersey, Mr. Lance.

Mr. LANCE. Thank you, Mr. Chairman.

Mr. Saadat, are Toyotas on the road in the United States today safe, regarding the airbag issue?

Mr. SAADAT. Sir, every time there is a safety recall——

Mr. LANCE. Yes.

Mr. SAADAT [continuing]. And the vehicle has yet to be repaired——

Mr. LANCE. Yes.

Mr. SAADAT [continuing]. There is always a risk.

Mr. LANCE. Yes.

Mr. SAADAT. OK. In the case of people residing in the area of high humidity, we are urging our customers to please follow the instructions of the letters that we have sent to them. And as long as they do that, they can operate the vehicle safely.

Mr. LANCE. And if that is done, there are enough airbags available so that that can be accomplished immediately?

Mr. SAADAT. Takata has indicated they have significantly increased the production starting from this month, and I think we have a good amount of inflators that we should be——

Mr. LANCE. Thank you.

Mr. Westbrook, the same question to you, regarding BMWs.

Mr. WESTBROOK. Would you repeat, please? I am sorry. Are they safe?

Mr. LANCE. Yes. Are BMWs safe for the driving public in the United States of America today?

Mr. WESTBROOK. We believe they are. We have no knowledge of any inflator rupture, to this date, on any BMW on any airbag on any side of the car.

Mr. LANCE. Same question to you, Mr. Schostek, regarding Hondas.

Mr. SCHOSTEK. Yes, Mr. Vice Chairman. There are recalls in effect for Honda vehicles from the past, and we are urging those customers to get their vehicles fixed. If there is not a recall, then I think we do believe that those customers are safe.

I do want to address the situation——

Mr. LANCE. And there are enough airbags so that for those that are being recalled the problem can be fixed immediately?

Mr. SCHOSTEK. That is where I was going, sir. Yes, at the present time, we have seen the supply of replacement parts is adequate to match the demand.

We appreciate the attention on this issue. It is actually causing more customers to come forward and to get their vehicles repaired. These are usually older vehicles, and getting a high completion rate on recalls is difficult to do.

Mr. LANCE. And you are confident that the recalls you have suggested are inclusive of all of the problems?

Mr. SCHOSTEK. Yes, sir.

Mr. LANCE. And that there is not likely to be further recalls of Hondas?

Mr. SCHOSTEK. There is a safety information campaign where Takata has not yet identified the defect or cause of that. We are participating, as are other industry members, with that. We are going to expand that to a national campaign, as we talked about this morning. And there may be, sir, a time when replacement parts become a little short.

That is why we are working with not only Takata but two other manufacturers, Autoliv and Daicel. And we believe, based on recent discussions with those others companies, that there are good prospects to reduce the shortage.

There is not a shortage right now, sir. We expect there may be a shortage in the foreseeable future but that we are trying to do our best to——

Mr. LANCE. Thank you. Thank you.

Mr. Shimizu, I have in front of me the letter that Takata sent in response to the request of the government. The letter is dated yesterday. It is from Mike Rains, the director of product safety.

Does he work for you?

Mr. SHIMIZU. Yes.

Mr. LANCE. And he is director of product safety in this country or throughout the entire system?

Mr. SHIMIZU. Mainly focused on this country.

Mr. LANCE. This country. Thank you.

I find the response tendentious, argumentative, and not particularly helpful.

For example, Takata complains that you have only had 2 working days to respond, given the intervening Thanksgiving holiday. How long has Takata known about this problem? Certainly more than 2 working days.

Mr. SHIMIZU. Excuse me. Could you repeat the question again?

Mr. LANCE. I find the response—and we will be asking NHTSA about this later, because NHTSA is our next witness. I find the letter very unhelpful and extremely tendentious.

"Takata's current view, based upon reliable information, does not support a nationwide determination of a safety defect in all vehicles equipped with the subject driver-side inflators."

That is not the view of the agency at the Federal Government that protects the American people. And so you are dramatically and diametrically in opposition to the view of NHTSA. Is that accurate?

Mr. SHIMIZU. Can I confirm the question?

Mr. LANCE. Certainly.

Mr. SHIMIZU. Excuse me.

[Confers with interpreter.]

Mr. SHIMIZU. Congressman, sorry to take so long.

Mr. LANCE. Certainly. You have every right to confer with your colleague.

Mr. SHIMIZU. Yes. Correct. That is our statement.

Mr. LANCE. Thank you.

In conclusion—and we will be asking this of NHTSA later in the hearing—on November 26, NHTSA demanded a national recall of driver-side frontal airbags in writing, with a deadline of December 2nd. You have responded in the negative. If the company fails to act, NHTSA will continue the statutorily required process needed to force Takata to act. And, certainly, my line of questioning this afternoon will be related to that.

I think that we have to work more closely together to make sure that the American people are safe.

Thank you, Mr. Chairman.

Mr. TERRY. Thank you.

And the chair recognizes the gentleman from Mississippi, Mr. Harper, for 5 minutes.

Mr. HARPER. Thank you, Mr. Chairman.

Thank each of you for being here today.

Mr. Shimizu, this is a matter of safety and concern for everyone who is a driver and families, children, those that might be impacted.

Can I ask you, the propellant that is used, the ammonium nitrate-based propellant that is used now, when was the decision made to—and when did you stop using tetrazole and move to the ammonium nitrate-based propellant?

Mr. SHIMIZU. I am not sure, Congressman, exactly which year, but I believe it was added to them 2003 or—let me confirm the exact date, so I will get back to you.

Mr. HARPER. It has been at least more than 10 years ago, correct?

Mr. SHIMIZU. Yes.

Mr. HARPER. Maybe late 1990s, early 2000?

What is the cost difference between the propellant tetrazole versus what is used now? How much does that affect the price of an airbag?

Mr. SHIMIZU. According to my knowledge, there is not much difference, but I don't know the actual cost.

Mr. HARPER. OK. But isn't tetrazole much more expensive as a propellant?

Mr. SHIMIZU. Only I can guess, is ammonium nitrate is not more expensive than tetrazole.

Mr. HARPER. Well, why was the decision made to switch from one to the other but for cost?

Mr. SHIMIZU. No, the reason to change—the reason to change to ammonium nitrate is not the cost. It is because of the—there are many other reasons why we choose ammonium nitrate.

Mr. HARPER. What is the propellant for the replacement airbags that you are manufacturing as we speak?

Mr. SHIMIZU. Excuse me?

Mr. HARPER. What propellant is used on the replacement airbags, the ones that you are manufacturing now?

Mr. SHIMIZU. Yes, it is the same propellant we used before.

Mr. HARPER. Do you foresee changing the propellant as you move forward with ramping up your production of those to approximately 450,000 per month?

Mr. SHIMIZU. If we have to change the materials to replace parts for the recalls, then it is—because of characteristics of the inflator itself is different. So we have to go through the validation test. That is the main reason we continue to use the same inflator. And of course that would come from the current production line, so it is considered safe.

And one more thing, sir, if I can. We have second-generation inflator also, which we use for another type of models, and we continue to work on improving the performance of the propellant or inflator.

Mr. HARPER. Do you believe that the cause of the ruptures or the early deployment of these airbags or the ineffectiveness of that, is that due to the propellant, or do you believe that it is some other cause?

Mr. SHIMIZU. My understanding is this cause of the problems is not materials we use. It is because of the manufacturing processes and the humidity control in the plant.

Mr. HARPER. I certainly want to—I would like to ask Mr. Saadat some questions, if I may, with Toyota on the approach that you have had. How many vehicles, Toyota vehicles, are impacted by the recall?

Mr. SAADAT. Approximately 878,000.

Mr. HARPER. OK. And it is my understanding that Toyota was the first to initiate a nationwide recall. Is that correct?

Mr. SAADAT. Our nationwide recall has been in effect since 2013, April of 2013.

Mr. HARPER. And just as a matter of convenience, are you providing loaner vehicles to the customers who come in? Are you giving them a vehicle, a loaner or a rental?

Mr. SAADAT. Yes, if that is what they—if that is what they desire, yes.

Mr. HARPER. OK.

Mr. Westbrook, is that something that BMW is doing?

Mr. WESTBROOK. That is what we are doing, yes.

Mr. HARPER. OK.

And Honda?

Mr. SCHOSTEK. Yes, Congressman. Right now, as I said, parts are in adequate supply right now, but if a customer needs a loaner vehicle or a rental car, we provide that to them at no charge.

Mr. HARPER. Mr. Saadat, if I may ask, you mentioned earlier, and I know you covered it, but you said there are not any driver-side airbag issues for Toyota. Why is that?

Mr. SAADAT. The problematic inflators that Takata has identified, they are not installed in our driver side in the U.S.

Mr. HARPER. Different supplier for your driver-side airbag?

Mr. SAADAT. Yes.

Mr. HARPER. OK.

What prompted you, Mr. Saadat, to start supplying inflators to Takata for testing?

Mr. SAADAT. There was a preliminary evaluation that was open by NHTSA in June of this year and requested all automakers to send parts that they have collected——

Mr. HARPER. OK.

Mr. SAADAT [continuing]. And send them to Takata for testing. And that is what prompted us.

Mr. HARPER. What about independent testing? What are we doing there?

Mr. SAADAT. In terms of independent testing, we have retained the service of an independent engineering firm to be able to help us and give us more assurances on the root cause of this issue.

Mr. HARPER. OK.

Mr. Westbrook, any independent testing that BMWis engaging in yet?

Mr. WESTBROOK. We are under contract to begin engaging in that. We are collecting the airbags under, you know, this regional campaign, and we will start that shortly and make those results available.

Mr. HARPER. Thank you very much.

My time has expired. I yield back.

Mr. TERRY. The chair recognizes the gentleman from Missouri, Mr. Long, for 5 minutes.

Mr. LONG. Thank you, Mr. Chairman.

Mr. Shimizu, how many people would need to die before you would be willing to do a nationwide recall?

Mr. SHIMIZU. Five people died from the incident.

Mr. LONG. That is what have died now, but my question is, how many more would need to die before you do what NHTSA recommends, which is a nationwide recall?

Mr. SHIMIZU. I don't think——

Mr. LONG. Do you have a litmus test? I mean——

Mr. SHIMIZU. Again, we are still doing regional recalls for researching purpose, and we didn't identify the root cause of this problem yet. But such an incident, serious incident, a chance to have such an incident in outside region is minimal, according to the data we have.

Mr. LONG. It is my understanding that the airbag, when it explodes, it is metal projectile, shrapnel, so to speak, that has cut veins and led to some of these deaths. Is that correct?

Mr. SHIMIZU. Once it has happened, that is the phenomenon, yes.

Mr. LONG. So it is sort of tantamount to driving down the highway with possibly a shotgun aimed at you behind the steering wheel or behind the glove box, I guess, and not knowing which airbag is going to explode at what time and act as a shotgun would, such as shrapnel.

Mr. SHIMIZU. Congressman, in the past, 2 million times the airbag deployed as designed and saved the people lives and also saved the peoples from the serious injury from the accident. And, yes, we have some issues, and we have to address that, as we did in the past.

So we considered products we are making right now today is safe, and also we have some concerns on the region, which is with the high temperature, the high humidity. That is why we are continuing to investigate to identify the root cause right now.

Mr. LONG. You are confident the ones you are making now are safe, but we all know that the ones that are on the road now, there is a possibility they are not safe, correct, that would be covered with a nationwide recall?

Mr. SHIMIZU. Excuse me. Let me confirm the question.

Mr. LONG. Sure.

[Confers with interpreter.]

Mr. SHIMIZU. Congressman, sorry to take time.

For the area outside regional recall, all data we have doesn't support such a risk at this moment. So we consider it safe.

Mr. LONG. I don't know that I understood the answer.

Mr. SHIMIZU. Yes, OK. I——

Mr. LONG. My question is, the ones that are being manufactured today you are confident are safe, but the ones that are out there on the road now that will be not be recalled because you are not willing to do a nationwide recall, those are not safe, perhaps, correct?

Mr. SHIMIZU. We considered it safe——

Mr. LONG. You think they are safe.

Mr. SHIMIZU. Pardon?

Mr. LONG. You think they are safe?

Mr. SHIMIZU. Yes.

Mr. LONG. OK.

And you are confident—from the testimony I have heard today, I am given to understand that you think that it is a humidity and a heat—function of heat and humidity. Is that a one-time situation, or is it a compound situation?

And let me give you an example. If I live in Cheyenne, Wyoming, low humidity, and I want to go a wedding in Jacksonville, Florida, in my Honda that has a Takata airbag, should I make that trip? Am I OK to go down there? I am only going to be there a few days in the heat and humidity. Would that be a safe trip to take or not?

Mr. SHIMIZU. Congressman, I consider it is a kind of compound situation, which is the vehicles or products have to be extensive period of time under a high-temperature, high-humidity condition.

Mr. LONG. OK. So if I was going to move from Cheyenne, Wyoming, to take a job in Jacksonville, Florida, and I was going to there, then you would recommend that I get my airbag replaced, correct? If I was going to live there year-round and there was going

to be heat and humidity year-round, you would recommend I get the airbag replaced.

Mr. SHIMIZU. There are many——

Mr. LONG. I want to keep my family safe.

Mr. SHIMIZU. I consider it safe, but that is why—we still didn't identify root cause yet, so that is why we continue to test. Sorry, it is hard to answer to the question.

Mr. LONG. Let me ask the gentleman from Honda.

Mr. "Schostek"—is that correct?

Mr. SCHOSTEK. "Schostek." That is right, sir.

Mr. LONG. Same question to you. I live in Cheyenne, Wyoming, and I want to go to Jacksonville, Florida, take the family down there for a wedding. Are you confident I am safe in a Honda to do that, or is it a compound effect on the heat and humidity? Should people not travel to high heat and humidity areas with Takata airbags for short trips?

Mr. SCHOSTEK. Again, we have had national recalls related to Takata manufacturing defects——

Mr. LONG. That is not my question. I appreciate you have done that.

Mr. SCHOSTEK. OK.

Mr. LONG. I mean, that is what I think Takata should do, is a national recall. And I appreciate that Honda has done that.

My question is, if someone was going to make a trip and had not done the recall process——

Mr. SCHOSTEK. Yes, Congressman Long, the phenomena of inflator ruptures that we have seen over the years is occurring in vehicles that are fairly old vehicles—8 years old, 10 years old, 12 years old. It seems to be some function of time——

Mr. LONG. So the five deaths in Hondas have been in older cars?

Mr. SCHOSTEK. Yes. And I think the discussion about heat and humidity, the theory about that is it is over a prolonged period of time of that heat and humidity cycle potentially affecting the propellant.

Mr. LONG. What is the newest car someone has deceased in in a Honda? What is the latest year model?

Mr. SCHOSTEK. Sir, I believe it was a 2004, but I would have to check.

Mr. LONG. And that would have been what year that the tragedy occurred?

Mr. SCHOSTEK. The most recent one occurred this year, sir, but in a 2004 model.

You know, there have been four fatalities in Honda vehicles. All——

Mr. LONG. I thought there had been five, so——

Mr. SCHOSTEK. I am sorry. Four in the U.S. and one in Malaysia. So there have been four fatalities in the U.S. In Honda vehicles. All of those vehicles were subject to that national recall. One was——

Mr. LONG. Right. No, no, and I appreciate Honda doing that. I appreciate that, but——

Mr. SCHOSTEK. And, sir, we wish that we had gotten——

Mr. LONG [continuing]. I just think Takata should do that.

Mr. TERRY. The gentleman's time has expired.

Mr. LONG. I don't have any time, but I would yield it back if I did. Thank you.

Mr. TERRY. The gentleman from Illinois is recognized for 5 minutes.

Mr. KINZINGER. Thank you, Mr. Chairman.

We are going to miss you. You have been a fantastic chairman, a good friend. And I know you have some great chapters ahead, but congratulations on the work you have done on this committee.

To all of you, thank you for being out here.

Just a couple of quick questions. I may not even take all my 5 minutes. We will make up for Billy Long there.

Sorry, Billy.

To the three of you, I will just ask generally: Do you believe there is currently sufficient data available to support NHTSA's call for a national safety recall for all Takata driver-side airbags?

Mr. WESTBROOK. No.

Mr. KINZINGER. OK. We will just ask down the line for you guys. Go ahead.

Mr. SAADAT. In reference to driver side, as I stated, we don't have any of those problematic inflators on our driver side.

Mr. KINZINGER. OK. So you haven't seen that.

Mr. SCHOSTEK. And as we informed the committee today, we are taking the action to expand our safety improvement campaign for driver-side recalls from regional to national. We want to get more information to help others in the industry, as well as Takata and ourselves, to understand what the defect is, if there is a defect, and to determine the cause.

I think it is important to understand from the customer's viewpoint, Congressman, that we use these words, "safety improvement campaign" and "recall," and I know it can be confusing to customers, and we are certainly sympathetic and empathetic toward that. The notice that arrives in the customer's mailbox, whether it is one or the other, says, "Your vehicle is subject to recall. Please bring it in."

So we have really focused our attention on, OK, what is happening in the field, what is happening with our customers, how do they understand what is going on here. And we are really trying to redouble our efforts to make sure that they understand that we want them to bring that vehicle in so that we can replace the inflator.

And then we need to do testing. Takata needs to do testing. We, as OEMs, need to do testing. We have talked about engaging a third-party expert engineering firm to do testing.

Mr. KINZINGER. OK.

Mr. SCHOSTEK. Because there is still engineering work to do. We are all engineering companies here.

Mr. KINZINGER. Yes, I got you.

Mr. SCHOSTEK. We want to find the answer to this.

Mr. KINZINGER. I am going to——

Mr. SCHOSTEK. In the meantime, I think our focus has to be on what we can do to our customers.

Mr. KINZINGER. OK.

Mr. SCHOSTEK. And just——

Mr. KINZINGER. I got you.

Mr. SCHOSTEK. OK.

Mr. KINZINGER. Yes. I appreciate it.

I am going to shift gears. There has been a significant discussion about regional recalls and the movement of recalled vehicles from high-humidity States to other States outside of those regions.

I believe an area that needs focus by automakers is the commerce of recycled original equipment manufacturer parts. Each day, over a half-million recycled OEM parts, the very same parts designed by your companies to meet your fit, finish, and durability standards, are sold by professional automotive recyclers. These parts play an important part in the automotive supply chain and are readily sold from one State or region of the country to another.

Recently, GM reached out to professional automotive recyclers offering to buy back or purchase recalled GM ignition switches. To accomplish this, GM provided specific OEM part numbers for the ignition switches that were critical to ensure that automotive recyclers could identify the specific recalled parts in their companies' inventories.

To those representing the car companies, do you agree that sharing OEM part numbers and other identifiable information with the professional automotive recycling industry would increase safety?

And—yes. So we will start with that.

Mr. SCHOSTEK. Congressman, I myself am not familiar with the GM action that you described, and I will gladly check into it and get back to you on that.

But I would bring up another point. Counterfeit airbags are a problem in this country, as well. And we have been working hard to, state by state, try to stop the use of counterfeit airbags. That is a big danger to consumers. We think it is a big danger to our customers.

Mr. KINZINGER. All right.

Mr. SCHOSTEK. We have had some success in some states.

But on the recyclers, sir, I would like to check and get back to you.

Mr. KINZINGER. And you two?

Mr. WESTBROOK. We have a process called the Automated Parts Return. And any component, like an airbag, is subject to this process. As far as I know, whether it is a recall or not, those go back to us. If a company like a recycler wants our mirror caps, they can have them.

Mr. SAADAT. Sir, I am an engineer, and I can't really comment on legislative issues, but I will be happy to provide a response to you later.

Mr. KINZINGER. OK. And would sharing that information, would that assist your companies in tracking recalled parts?

Mr. WESTBROOK. Sharing what information, please?

Mr. KINZINGER. The OEM part numbers with recyclers.

Mr. WESTBROOK. I can't say that.

Mr. KINZINGER. OK. All right.

Do Honda, Toyota, and BMW currently have a similar buyback problem in place with professional automotive recyclers? You guys might have already addressed that.

Mr. SCHOSTEK. I am sorry, Congressman. I am not aware of that. I will be happy to check and get back to you.

Mr. KINZINGER. OK. Great. Thanks.

And, Mr. Chairman, I will yield back 10 seconds.

Mr. TERRY. Thank you.

And now the chair recognizes the gentleman from Florida, Mr. Bilirakis, for 5 minutes.

Mr. BILIRAKIS. Thank you, Mr. Chairman. I appreciate all your good work on this committee and in Congress as a whole, and we are going to miss you.

This is a fundamental issue of safety, and Americans must be able to trust that the cars they drive are safe. I am sure you will agree with that. Instead, millions of Americans have been driving cars with potentially deadly airbags.

The area that I represent, of course, has an increased risk because this defect has generally been in parts of the country with high humidity, and that has been stated. Florida has many residents that are transient. I know you know that, too.

Mr. Saadat, Mr. Schostek, and Mr. Westbrook, the question is for you: What measures are you taking to correctly identify customers whose vehicles have been in high-humidity areas for prolonged periods? How are you contacting them?

We will start with Mr. Saadat.

Mr. SAADAT. First of all, in terms of region, what we have is we basically look at the latest registration, number one. We are also looking at snowbirds. If a vehicle is transferred and brought to the region. And, in general, if there is a regional recall, we contact our customers outside of a region who had their vehicles in the region or vice versa. So that is——

Mr. BILIRAKIS. What about if somebody buys a used car? How would you address that?

Mr. SAADAT. We look at the latest registration.

Mr. BILIRAKIS. Yes.

Mr. SAADAT. And based on that, we get information, we will contact them.

Mr. BILIRAKIS. OK. Mr. Schostek.

Mr. SCHOSTEK. Yes, thank you, Congressman. Thank you for asking that question. Florida has been the site of 17 of the incidents that involve Honda vehicles, by far the most of any state and by far our biggest concern. In fact, there was an article, I think, in late September in one of the newspapers that inaccurately reported that Honda was asking dealers not to contact customers. They were misconstruing a message that we had sent to our dealers.

In fact, what had happened at that very same time, sir, in the State of Florida, we had begun 93,000 calls, sent out 125,000 emails, and sent out 76,000 postcards. We believe the risk is highest in your State, and we are putting extra effort into locating customers in your State and having some success with that, sir.

Mr. BILIRAKIS. OK. Next, I would like to hear from Mr. Westbrook.

Mr. WESTBROOK. We have maybe half of it covered. We have a way to track the car that was bought in Florida because it would be subject to the recall and that is linked to the VIN by our database. I do not have an answer to how we would have a way to track a car. Maybe it was bought in Michigan and spent the other half of the year in Florida, but I would like to get back on that.

Mr. BILIRAKIS. Well, please, work on that, and I would like to hear from you.

Mr. WESTBROOK. I will.

Mr. BILIRAKIS. OK. Again, for the entire panel, would you let a family member drive a car with a Takata airbag? I would like for you to answer that. Would you let a family member drive a car with a Takata airbag?

Mr. SCHOSTEK. If the car was subject to recall, I would advise that family member to get it in as soon as possible and get it fixed. If the car is not subject to a recall, yes, I would let my family member. I would drive a car with a Takata airbag.

Mr. BILIRAKIS. I would like to hear from the entire panel.

Mr. SHIMIZU. Yes, I do. I would drive the car with our airbag.

Mr. BILIRAKIS. Mr. Westbrook.

Mr. WESTBROOK. I would drive a BMW with the passenger recall in place.

Mr. SAADAT. If a family member lives in the high-risk area, I urge them to take the vehicle, and actually—first of all, follow the instruction, the letters that we have sent to them and they can operate it safely and take the vehicle. We will try to take care of them.

Mr. BILIRAKIS. Would you let them drive it after they went through that? Or in other words, would you allow them to drive it, or would you prefer that they drive it?

Mr. SAADAT. After the remedy is done, based on the information that Takata has indicated, that they have addressed the root cause, yes. But——

Mr. BILIRAKIS. And you would trust Takata?

Mr. SAADAT. As I said before, we have retained the service of an independent engineering firm to give us more assurances, sir.

Mr. BILIRAKIS. OK. Next question. I know I don't have much time. Mr. Shimizu, Takata has known there were potentially issues with its airbags as far back as 2004. A decade has passed by, a full decade. Why hasn't your company been able to fix this life-threatening defect since then?

Mr. SHIMIZU. Congressman, every time we recognize the incident or issues, we immediately jump on to the problems and try to find root cause of the issues and as soon as we identify the root cause, we took care of that. We addressed the issues and we take care of the problems.

Mr. BILIRAKIS. Yes, but, sir, I mean, it has been a full decade. Ten years.

Mr. SHIMIZU. It is a series of——

Mr. BILIRAKIS. I don't think there is any excuse for not solving the problem.

Mr. SHIMIZU. It is every time we found problems and we immediately take action; however, it is true that we have series of recalls and different timing and we have some different cause of the problems. So it is not the same problems all the time.

Mr. BILIRAKIS. OK. Thank you. I yield back, Mr. Chairman.

Mr. LEE. Thank you.

Gentleman from West Virginia is recognized for 5 minutes.

Mr. MCKINLEY. Thank you, Mr. Chairman.

Let me try to focus a little bit on the recall notices, because we are not going to have success with this unless people bring their cars in and get this thing taken care of. And we also know that traditionally, 30 to 40 percent of people ignore their recall notice. And if you think back a little bit about when Moses came down from the mountain, he came down with Ten Commandments. He didn't come down with 10 good ideas.

So I am concerned about how much of an emphasis is in that notice that you better get your car back in. Because I have got two notices on my car. I have got a Chevy Cruze and I haven't done anything with it yet, because I don't know yet whether or not it is a life-threatening situation in my car and I have ignored it. So I know that 30 to 40 percent of people ignore them. How effective is the notice that you all are giving that this car could provide, as Mr. Long said, a shotgun flashing at you. I am just curious, what is the content of your notice? Is it just a good idea to bring it in, or if you don't bring it in, we are going to come after it?

Mr. SAADAT. If I may answer first. We have recently implemented a second-day outreach program, and one, in particular, is contacting each customer by phone, e-mails, and follow-up mail to urge them to bring their vehicle in. If they don't feel safe, we ask them—we will tow the vehicles to the dealership. And so that is the second-day outreach program. We have improved our——

Mr. MCKINLEY. Could you share with us a notice that you put out? You are doing the telephone call as well, with it. I don't know what BMW or anything—I mean, we have got 10, 12 manufacturers are using these. I am just curious, could you send our office just a typical notice when you put out a recall? I am just curious to see what value is it. You really—do you scare them? Is this a commandment or is this just a good idea?

Mr. SCHOSTEK. I think, Congressman, you are hitting on a fundamental problem. It is a very important question, because we need to reach our customers. We have to convince our customers to get these recalls. We are talking about older vehicles here. We will send you, sir, both the notice that we send with regard to a recall and the notice we send with regard to a safety improvement campaign. I have looked at both of them. The letter is pretty strong. The request is pretty strong. Please bring——

Mr. MCKINLEY. If you just send that to me, I would appreciate it very much.

Let me go to another step with this recall notice. CARFAX apparently doesn't tell you where your car is. So if I am going to buy a used car, I don't know—and maybe you can inform me or educate me about it—but I don't know, I don't believe CARFAX says that car came from Florida. But now I own a car that has been in Florida for 12 years, and I buy the car in West Virginia. Am I going to get a notice that there is a recall?

Mr. SCHOSTEK. If that car is recalled, sir, we are checking our VIN numbers with——

Mr. MCKINLEY. It is a yes-or-no answer. Thank you.

Mr. SCHOSTEK. Yes, you should. If a car has ever been registered in one of those states——

Mr. MCKINLEY. I guess if you go by the VIN number it will say——

Mr. SCHOSTEK. Yes.

Mr. MCKINLEY [continuing]. That you know that car. Because let's just say I bought a car in West Virginia so it is registered in West Virginia, but then I take it to Florida and then I use it in Florida for 12 years and then I bring it back to West Virginia, or however.

Mr. SCHOSTEK. Right.

Mr. MCKINLEY. Who knows where that car really is?

Mr. SCHOSTEK. It is a very good question, and, obviously, we can't sit here and provide you with 100-percent assurance that we are able to track a car. We do check registration information in the various States, so we do know it that way, but it is an area that we need to work harder at, sir.

Mr. MCKINLEY. That is Honda. What about BMW? What about Toyota? What are you all doing? I am just curious from a pure mechanical standpoint, how are we checking this?

Mr. WESTBROOK. This is similar to the answer that I gave to Congressman Bilirakis from Florida. I think we have it in the car going the one ways. In other words, if the car is registered in Florida and we have a campaign in Florida, it is going to be cross-linked to that vehicle identification number. The other way around is more difficult to figure out, and as committed earlier, we will try to get to the bottom of that.

Mr. MCKINLEY. OK. Let me ask, the final question with this, is that if I have a concern about my car, and I have not received a recall notice and I take it to a dealer and I say, I am just uncomfortable. I see across the Nation there have been deaths reported of this, and I would like to have my airbag replaced. What does a dealer do? He says, sure, I will take care of it next week? Or does he say, you don't fit the profile, therefore we are not going to replace it? If that is the case, if he says no, where is the liability then?

Mr. SCHOSTEK. Congressman, we have instructed our dealers that we want our customers to be taken care of and want them to feel comfortable. If they are concerned about their car, we have loaner cars available, we have rental cars available if a part is not available to be—and just this week, Congressman, I requested our service division to contact each and every dealer we have in the United States. We have more than 1,300 Honda and Acura dealers, to contact them individually and ensure that the treatment that the customers are receiving and the respect that the customers are receiving with regard to these inflator issues is up to our expectations. We expect our dealers to accommodate our customers' individual needs.

Mr. MCKINLEY. Even though they have not been recall noticed, they are going to be taken at no cost to the owner?

Mr. SCHOSTEK. At no cost to the owner.

Mr. MCKINLEY. Thank you very much. I yield back my time.

Mr. LEE. Chair recognizes the gentleman from Ohio for 5 minutes.

Mr. JOHNSON. Thank you, Mr. Chairman. And I would like to also add my thoughts to you as you make this transition. It has been great serving with you on this committee, and I wish you the absolute best.

Mr. Shimizu, I want to get a little bit into the manufacturing. Prior to coming to Congress, I worked for an automotive supplier. We made electronic components. Some of the plants were located near where some of your plants are located. We understand that there are five inflator types that have been subjected to these recalls. In terms of producing replacement kits for those that have to be replaced, can Takata simultaneously produce new inflators for each type as well as replacement kits for each type simultaneously?

Mr. SHIMIZU. Congressman, most of the case, each type of inflator has their own exclusive line, so the answer is yes, we can do it.

Mr. JOHNSON. You can do replacements and new? OK.

Mr. SHIMIZU. Yes.

Mr. JOHNSON. Along these same lines, are passenger and driver airbag inflators produced on the same line or on separate lines?

Mr. SHIMIZU. Passenger inflator and driver inflator would produce a completely different line but from the same plant.

Mr. JOHNSON. Same plant but different line?

Mr. SHIMIZU. Yes.

Mr. JOHNSON. OK. Does an increase in the production of replacement parts, driver's side replacement parts, affect your ability to produce passenger airbag inflators?

Mr. SHIMIZU. Could you repeat your question again?

Mr. JOHNSON. Does an increase in the production of driver's side airbags, does that affect your ability to produce passenger sides bags? Since they are on separate lines, I think the answer to that is no, correct?

Mr. SHIMIZU. Correct.

Mr. JOHNSON. OK. All right. For our folks at Honda, what analysis, and I saw the press release about the analysis that you are going to be doing, I think, if I have got it right here. "Honda today called for a coordinated industry-wide, third-party testing of Takata airbag inflators with the goal of ensuring that all of the inflators that require replacement are accurately identified and fixed as quickly as possible."

What analysis did Honda undergo, if any, and have you done any independent analysis to date to determine if a recall of the airbags are necessary—or the inflators, rather?

Mr. SCHOSTEK. Thank you, Congressman. I think we need to separate the recall decision versus testing. So the recall decision that we make is based on information that we receive, for example, from Takata with regard to manufacturing defects, they told us what those manufacturing defects were. We did not simply blindly accept their analysis, but our engineers looked at it and was it reasonable, and therefore, based on that, we have effected recalls over time.

With regard to the current problem, which is trying to understand is there a defect and what could be the contributing causes, for example, heat, humidity, we began some independent testing very recently, but we were really appreciative that others in the auto industry, and especially with Toyota's leadership that we were able to announce yesterday that many of us are coming together to share information about testing.

So we still have high expectations of Takata to continue to do their testing, but I think I can speak for Honda, I can't speak for the other OEMs, but I can speak for Honda that we feel a need to validate that and see what else we can come up with using an expert third-party engineering firm.

Mr. JOHNSON. Just real quick, we know that at least some of the data has indicated that humidity, temperature, climate has had an effect on these inflators. Are you folks doing testing on virtually every climate scenario in America, the different regions of the country, and seasonal? Because it changes from season to season and from region to region of our country. So are you looking at things other than humidity, like dryness, whatever?

Mr. SCHOSTEK. A very good question. And I can't go as far as to say every climactic condition in the country, because that would be going a little too far, I think, but we are testing from the humid areas but also from other areas of the country. The purpose of a good engineering study is to have different samples to look at.

Mr. JOHNSON. Yes.

Mr. SCHOSTEK. And that is what we are doing.

Mr. JOHNSON. Mr. Chairman, I am prepared to yield back, but let me just make this statement. Again, coming from an automotive supplier myself, and I appreciate your candor, but I think it is a little bit shortsighted to say that we can't test for all the different climate conditions in the country. If we already know these inflators are affected by humidity, for God sakes, we don't know what other climate situations affect the inflators as well, and I think we need to get to the bottom of that as well.

So with that, Mr. Chairman, I yield back, and thank you.

Mr. LEE. Thank you.

Does the gentleman from Texas, Dr. Burgess, have any questions?

Mr. BURGESS. Thank you, Mr. Chairman, for letting me be here. I will not seek time from this panel. I am anxious to hear from our next witness.

Mr. LEE. Thank you.

There has been a request from the full committee chair, therefore, by my set of rules, he is recognized for 5 minutes.

Mr. UPTON. Just to pose another question. And there has been a number of different articles that have been written over the last number of weeks regarding secret tests, and I am looking at—we will give you this for the record—this is a CNBC story. And it reads, "The Japanese manufacturer at Takata secretly conducted tests on 50 airbags that it retrieved from scrap yards, according to two former employees involved in the test, one of whom was a senior member of its testing lab. Results were so startling that engineers began designing possible fixes in preparation for a recall, but instead of alerting Federal safety regulators to possible danger, Takata executives discounted the results and ordered the lab technicians to delete the testing data from that their computers and dispose of the airbag inflators in the trash, they said." It goes on, and USA Today, other publications have reported similar stories.

This particular story indicates that a Honda spokesman, this must have been last week, on Thursday, Chris Martin from Honda said in a statement, "This is a serious allegation about actions

taken by Takata. It is our intention to determine whether anyone at Honda has any evidence that these claims are credible," so I am anxious just to get a quick response. But more disturbing, of course, is that a Takata spokesperson, Alby Berman, declined to comment on the disclosure of the testing.

[The information appears at the conclusion of the hearing.]

Mr. UPTON. So if I could just hear from Takata and Honda briefly, if you would like to respond in writing, you can. But I am truly troubled by these stories, which is what helped lead us to this hearing today, and will be asking similar questions of NHTSA who follows you now. But I ask for the indulgence of the committee to get a response and maybe we will hear——

Mr. SCHOSTEK. Congressman Upton, you mentioned Mr. Martin, a Honda representative quoted in there. We are continuing to look and to see if we have any reason to add any credibility to that. Up to this point, sir, as I sit here, I cannot add any credibility to that. We will continue to look, but I don't know of any Honda awareness of that testing in 2004, sir.

Mr. UPTON. And this story indicates that testing was done in Auburn Hill, that is in Michigan. And, of course, this was about the time that we were doing the TREAD Act, which was a pretty big story in Michigan.

Mr. SHIMIZU. Congressman, my answer to your question is, first, we don't conduct any secret test during 2004. However, according to our record, we conducted a series of tests in 2004 because of the cushion issues. And we have some cushion tear issues that happened, and after NHTSA, the one is found during the test, and then NHTSA informed automakers and then end up to request us to do a series of tests within a limited time.

So we conduct a series of tests because of cushion tear problems, not inflators. And we don't use any inflators from junk yards either. So I think that article is not accurate. But the fact is, we did conduct a series of tests because of cushion issues, and actually NHTSA knows about it because it is an original request from NHTSA. And then after we finished the test, we found the root of cause, which is the abrasion between seat cover and the cushions that weaken the cushion and end up to cause the cushion tears, which it was reported back to automakers and NHTSA, and automakers end up to do the actual recall later in 2004.

Mr. UPTON. When was it reported to NHTSA?

Mr. SHIMIZU. I believe it was during 2004. Before NHTSA back, I believe it is from automakers because they have to do the recall and I believe November 2004.

Mr. UPTON. Well, if you could confirm that in writing before the end of the week, we would certainly appreciate it.

Mr. SHIMIZU. Yes. We can get back to the subcommittee by the end of this week, yes.

Mr. UPTON. Yield back.

Mr. LEE. Thank you, Mr. Chairman.

Now the ranking member has one additional question as well.

Ms. SCHAKOWSKY. Mr. Schostek, another news report from November in The New York Times reported that after a 2004 airbag rupture in a Honda vehicle, your company reached a nonpublic settlement agreement with the injured party and also reported that

you reached nonpublic settlement agreements after three airbag ruptures in 2007. So I am just wondering how many settlements like that there are, and if the company feels itself required to inform NHTSA or the public about these nonpublic settlements?

Mr. SCHOSTEK. Thank you, Congresswoman, for the question. There certainly are settlements in lawsuits; that is not unusual in our legal system. But with regard to these airbag inflators, we have made NHTSA aware of every inflator rupture that has occurred in a Honda vehicle. So we do not intend to—the confidentiality of legal settlements is part of our system here, but that is not to us a reason that is going to cover up any safety information. We are providing the safety information regarding inflators to NHTSA.

Ms. SCHAKOWSKY. So in all of these particular cases, you did also give NHTSA the information?

Mr. SCHOSTEK. We provided NHTSA with information about all inflator ruptures, yes, Congresswoman.

Ms. SCHAKOWSKY. OK. And in a timely way, 2004, 2007?

Mr. SCHOSTEK. So let me just be clear, because there is two ways. We have been sharing with NHTSA all information about inflators. We have fallen short on our TREAD obligations, as I mentioned before. There were eight of them, eight out of the 1,700 related to Takata airbag inflator ruptures. Did we report those on our TREAD report? The answer to that is no, Congresswoman. But NHTSA had that information on the basis of our other communications with them, so it did not, in our view, hinder the process of continuing to investigate, as we have been, since 2007, these Takata airbag inflator ruptures.

Ms. SCHAKOWSKY. So these legal settlements have nothing to do, you are saying, with the actual reporting of the problem for which the lawsuit arose?

Mr. SCHOSTEK. Congresswoman, what I am saying is that we have shared information about Takata inflator ruptures with NHTSA.

Ms. SCHAKOWSKY. OK. Thank you. I yield back.

Mr. LEE. Thank you, and that does conclude the questions for our first panel. As discussed throughout, there was mentions of written questions, QFRs. We want to let the panel know that it is likely you will have written questions submitted to you. We will do our best to get those to you in a timely manner, which always means a couple of weeks. And if you could, likewise, then answer them within a couple of weeks, we would greatly appreciate them and get them back to us.

So this panel, thank you for your contribution in helping us better understand. Obviously, this committee is dedicated to making sure that the people that are driving vehicles are as safe as they can possibly be. I think you share that as well. So appreciate your time here today. You are dismissed.

All right. I think it looks like we are set. Acting Administrator, Mr. Friedman, I appreciate you being here. I hope you enjoyed the last couple hours of their testimony. And now you are recognized for your 5 minutes, and welcome.

STATEMENT OF DAVID J. FRIEDMAN, DEPUTY ADMINISTRATOR, NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION

Mr. FRIEDMAN. Thank you, Mr. Chairman, ranking member, and members of the subcommittee. Thank you for inviting me to testify about the serious issues of safety defects in Takata airbags. Over 10 million vehicles across ten automakers have been recalled because of inflators that can rupture when airbags deploy. More than half of these are part of older recalls associated with known manufacturing problems and four related deaths that have occurred in the United States.

Many of these vehicles have already been repaired, but many have not. That is why NHTSA alerted consumers this year to bring their vehicles in for repairs. Recalls are serious safety issues and vehicle recall completion rates remain far too low. I encourage all owners to go to SaferCar.Gov/vinlookup to find out if their vehicle needs to be repaired under these or any existing recalls.

In addition to NHTSA's efforts to help consumers, industry must step up. Automakers must do a better job to aggressively reach out to consumers to get their vehicles repaired, and they must report all information required under the TREAD Act. Dealers have to check VIN numbers for open recalls every time a vehicle is brought in for service. And, as the administration proposes in the Grow America Act, rental car companies and used car dealers should never be allowed to rent or sell vehicles without fixing them first. Congress can also provide help to States to implement programs directly linking vehicle regulation to the repair of open recalls.

Now I want to address the latest airbag recalls. NHTSA moved to open an investigation based on three consumer complaints about airbags from three different manufacturers. We connected the dots. Takata was the common supplier and all were from Florida and Puerto Rico. We reached out to Takata and the manufacturers, discovered three additional ruptures, and the airbags with these or similar inflators are used by several more manufacturers.

Initial data suggested that the defects in the driver and passenger airbags were related to prolonged exposure to high heat and humidity, and so NHTSA acted quickly. And within days of opening investigation, obtained recalls in areas of demonstrated risk from manufacturers with the same or similar inflators. Automakers responded to our call and declared defects based on a handful of incidents, and, thankfully, no reported deaths.

Our policy is clear: Vehicle recalls are nationwide, and we have denied and will continue to deny requests for regional recalls unless the manufacturer provides solid information indicating that the risk is regionally limited. The data we had at the time on the regional nature of the problem was compelling, and we wanted the manufacturers to quickly recall the vehicles of those that demonstrated risk. But that was far from the end of our efforts.

We are actively looking into other claims of injury or death to determine if they could be related. And while we continued those efforts, we refused to wait until someone else got hurt. We had Takata begin testing airbags from vehicles across the country. The tests so far have provided data supportive of the regional recall approach for passenger side airbags, as you can see in this chart.

But when we quickly connected a more recent driver's side injury in North Carolina to one in California, as you can see in this chart, and others that did happen in Florida, we acted. And I called on Takata and the vehicle manufacturers with driver's side airbags with the same or similar inflators to expand the driver's side recall nationwide.

Mr. Chairman, it is time again for industry to step up and put safety first. But we learned last night that Takata has refused to issue a nationwide notice of a defect in these driver's side airbags. Until they and automakers act, affected drivers won't be protected. We are now engaged in a detailed review of Takata's response to our demand and special order and will follow up with all appropriate steps to ensure Takata and automakers protect the driving public nationwide.

Takata must also increase their testing to provide us with more data to determine the extent and full nature of the defects. I was encouraged by Toyota, Honda, and Ford's agreement to engage in coordinated, independent testing in response to our general order and expect all automakers to step up. In addition, Takata and the manufacturers must quickly ramp up production of replacement parts and make these remedies available to vehicle owners, including by working with other airbag suppliers.

Finally, if our continued investigation or added testing show that the passenger side airbag defects are not limited to regions of high heat and humidity, we will act quickly. Until then, we want to ensure that the limited supply of passenger side replacement parts are made available to those that demonstrated risk.

Mr. Chairman, each day more than 90 Americans lose their lives due to drunk driving, not wearing a seat belt, and the many other causes of traffic fatalities. Each hour more than 200 Americans are injured in traffic crashes. As we work each day at NHTSA, these are tragic reminders of the importance of our efforts and how we must build on our many successes and continue to work hard and even harder to protect the American public.

The case of defective Takata airbags is no different, and so let me be clear to you: We will continue our aggressive efforts to protect Americans from defective Takata airbags. We have acted swiftly and based on the evidence and we will continue to do so. And if we find any evidence of wrongdoing, those responsible will be held accountable. Thank you.

Mr. LEE. Thank you for your testimony.

[The prepared statement of Mr. Friedman follows:]

STATEMENT OF
DAVID J. FRIEDMAN
DEPUTY ADMINISTRATOR
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION
U.S. DEPARTMENT OF TRANSPORTATION
Before the
COMMITTEE ON ENERGY AND COMMERCE
SUBCOMMITTEE ON COMMERCE, MANUFACTURING, AND TRADE
U.S. HOUSE OF REPRESENTATIVES
Hearing on
"Takata Airbag Ruptures and Recalls."
December 3, 2014

ONE PAGE SUMMARY

The Takata air bag recall story is more complicated than most recalls because, to date, there have been multiple issues leading to three different categories of recalls involving 10 auto manufacturers and over 10 million vehicles since 2008, more than 8 million of which remained unrepaired as of October 2014.

The first category is national recalls, along with their expansions, associated with identified manufacturing defects. These recalls were national in scope because there was no reason to believe that they were related to factors found only in certain geographic regions.

The second is recent passenger side frontal air bag regional recalls—initiated by NHTSA as soon as the problem appeared—that preliminary data indicate were associated with prolonged exposure of some Takata air bags to regions of high absolute humidity (the combination of high temperatures and high relative humidity), which may be related to a manufacturing, design, or other defect not yet identified.

The third is the recent driver side frontal air bag regional recalls that NHTSA has demanded become national recalls because the data no longer indicate the problem is limited exclusively to regions of high absolute humidity.

The regional recalls of vehicles with defective Takata passenger side air bags ensure that the limited supply of replacement parts goes to vehicles in areas of demonstrated risk – Florida, the Gulf Coast and other areas of high absolute humidity.

On November 26, NHTSA demanded a national recall of driver side frontal air bags in writing, with a deadline of December 2nd for action on the part of Takata. If the company fails to act, NHTSA will continue the statutorily required process needed to force Takata to act. NHTSA has also called several manufacturers to initiate a national recall for specific driver's side frontal air bags made by Takata. This decision was based on our evaluation of a recent driver's side air bag failure in a Ford vehicle outside the area of high absolute humidity and its relationship to five previous air bag ruptures of the same or similar design.

While a national recall of all Takata air bags is not supported by the data as we now understand it, we will continue to follow the field and testing data wherever they may lead. Let me be clear to you, Mr. Chairman, and to the Subcommittee and the American people. As we find evidence supporting the need to expand the regional recalls or to move to a national recall of all Takata air bags, we will use all of our authority as necessary to ensure that such a recall takes place.

Thank you again for this opportunity to testify, and I am happy to answer your questions.

STATEMENT OF
DAVID J. FRIEDMAN
DEPUTY ADMINISTRATOR
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION
U.S. DEPARTMENT OF TRANSPORTATION

Before the

COMMITTEE ON ENERGY AND COMMERCE
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Hearing on

"Takata Airbag Ruptures and Recalls."

December 3, 2014

Mr. Chairman and members of the Subcommittee, thank you for the opportunity to testify today about Takata air bag recalls. The Takata air bag defects involve a series of recalls spanning back to 2008 with multiple causes of the serious safety issue of fragmenting air bag modules. Understandably, people are concerned. I share that concern, which is why we acted quickly this year when we received new evidence of defective airbags. I welcome the opportunity to clarify the facts surrounding the different recalls of these air bags and to reassure you and the motoring public that NHTSA is pursuing its recalls and investigation of defective Takata air bags aggressively.

NHTSA's mission is safety, and we have helped reduce roadway fatalities to record lows by fighting dangerous behaviors such as impaired and distracted driving, pushing industry to make safer cars, and forcing recalls of approximately 100 million defective vehicles and items of motor vehicle equipment in the past 10 years. This year alone, we forced the largest child seat recall ever and fined automakers more than $55 million for mishandling recall requirements—bringing the total to over $160 million in the past six years.

The Takata air bag recall story is more complicated than most recalls because, to date, there have been multiple issues leading to recalls involving 10 auto manufacturers and over 10 million vehicles since 2008, more than 8 million of these vehicles remained unrepaired as of October 2014. These recalls can be broken down into three categories. The first are national recalls, along with their expansions, associated with identified manufacturing defects. The second are recent passenger side frontal air bag regional recalls—initiated by NHTSA as soon as the problem appeared—that preliminary data indicate were associated with prolonged exposure of some Takata air bags to regions of high absolute humidity (the combination of high temperatures and high relative humidity), which may be related to a manufacturing, design, or other defect not yet identified. The third are the recent driver side frontal air bag regional recalls that NHTSA has demanded become national recalls because the data no longer indicate the problem is limited exclusively to regions of high absolute humidity.

2008-2013 National Recalls

Between 2008 and 2013, Honda, along with Toyota, BMW, Nissan and Mazda, took action to recall defective Takata air bags with manufacturing problems relating to fragmenting driver's or passenger's side inflators rather than face NHTSA enforcement.[1] In 2014, Chevrolet recalled vehicles to address a newly discovered manufacturing problem. These recalls were national in scope because there was no reason to believe that they were related to factors found only in certain geographic regions. Based on our present knowledge, the defects occurred in the manufacturing process of air bags that had been installed in an identifiable pool of vehicles sold

[1] In calendar years 2008 through 2011, Honda conducted a series of recalls to address a manufacturing defect concerning driver's bag inflator ruptures on various MY 2001 through 2004 vehicles. In calendar year 2013, Honda, along with Toyota, BMW, Nissan and Mazda, initiated recalls to address a manufacturing defect concerning passenger bag ruptures in certain MY 2001 through 2004 models.

nationwide. The four deaths in the United States that have been widely reported as attributable to rupturing Takata air bags, all involving air bags associated with the national recalls that occurred prior to 2014. We are also actively looking into other claims of injury or death to determine whether they could be related to a defective air bag, either associated with these previous recalls or those in 2014.

Tragically, in at least some of the known fatalities linked to previous recalls, the air bag in the vehicle was not repaired even though the recall had begun. This loss of life is unacceptable and that is why we continue to expand our outreach to vehicle consumers through information tools like the VIN look up, recall alert smartphone applications and red letter envelope direct mailings. In addition to NHTSA's work, industry and their dealers must step up to more aggressively reach out to consumers to help them get their vehicles repaired to keep them safe. For example, NHTSA has been pushing both the automobile and child seat manufacturers to take greater steps to alert and even incentivize owners to bring in their defective products. And, as the Administration proposes in the GROW AMERICA Act, rental car companies and used cars dealers should not be allowed to rent or sell vehicles without first fixing defects.

Given our present knowledge, the recalls cited above are different from the air bag issues NHTSA identified, forced regional recalls on, and has been investigating this year. In 2014, soon after opening our investigation, NHTSA demanded, and obtained, the recall of more than four million vehicles because of evidence that air bag inflators were rupturing during crashes in geographic regions that have high levels of absolute humidity. Our concern about the threat of serious injury or worse compelled us to act very quickly.

NHTSA began looking into this issue after connecting three separate consumer complaints of air bag ruptures from three different automakers. NHTSA staff identified that these three had a common supplier and common climatic conditions, and reached out to the supplier and automakers. This helped us identify three additional incidents and two other affected automakers. All six crashes that led to the initial regional recalls occurred in Florida or Puerto Rico between August of 2013 and May 2014.

NHTSA's calls for recalls in 2014 by Honda, Toyota, Nissan, Mazda, Mitsubishi, Subaru, Chrysler, Ford, BMW, and General Motors are based on real data and a clear objective to protect those at demonstrated risk. Because of that risk and because of their use of the same or similar air bag inflators, we persuaded those 10 auto manufacturers—including some that had no field incidents—to conduct recalls of passenger-side air bags based on early, limited information to save lives and prevent injuries. We are aggressively seeking out more data to protect the public by testing the replaced air bags to see whether they rupture.

At our insistence, Takata is quadrupling testing of returned air bags, including those outside of hot and humid regions, to assist our effort to determine the full scope of the problem. We have also pressed the auto manufacturers to conduct their own testing of returned air bags. In addition, we are looking very carefully at any unusual air bag deployment incident we find that occurs in or outside of the present regions to determine whether it may involve the same, a similar, or a different defect. Finally, we are working to bring in outside expertise and secure appropriate testing facilities so we can expand the volume of and validate testing being done by the supplier and manufacturers.

The initial data related to the current regional recalls indicate that vehicles with certain Takata air bags in regions prone to long-term, high humidity and temperatures pose a risk. At this time, we are evaluating evidence to determine whether or not the same can be said for other regions or in cases where people travel to these regions. We are also evaluating the differences in the data between driver's and passenger's front air bags. Our investigation is far from over and we continue to seek and push for more information and we will take additional action as warranted.

Based on the results of testing and on field data we continue to gather, NHTSA has expanded, and will continue to expand, the geographic scope and vehicles involved in these recalls as appropriate. In fact, on Monday, November 17, 2014, my staff contacted Takata, and then followed up with Honda, Ford, BMW, Chrysler, and Mazda, to call on them to initiate a national recall for specific driver's side frontal air bags made by Takata. This decision was based on our evaluation of a recent driver's side air bag failure in a Ford vehicle outside the area of high absolute humidity and its relationship to five previous air bag ruptures of the same or similar design. On November 26, NHTSA demanded a national recall of driver side frontal air bags in writing, with a deadline of December 2nd for action on the part of Takata. If the company fails to act, NHTSA will continue the statutorially required process needed to force Takata to act.

Some have called to expand the geographic area of all the vehicles currently subject to the regional recalls. We share a deep concern for those with vehicles outside the regions of high absolute humidity, which is why we have expanded the recalls based on the data and directed Takata to work with the manufacturers to get and test air bags from other parts of the country. To date, there have been no ruptures in those tests for passenger's side front air bags, but we are pushing Takata and the manufacturers to accelerate efforts to get even more tests done around the nation, and we are evaluating field incidents as we are made aware of them. And, given the

current limitations on the supply of replacement parts, NHTSA called on Takata to speed up the production of replacement parts. In response, Takata agreed to add two production lines early next year. NHTSA has also been in communication with other air bag inflator manufacturers to assess what, if any, capability those companies have to fill the demand for replacement parts.

The regional recalls of vehicles with defective Takata passenger side air bags ensure that the limited supply of replacement parts goes to vehicles in areas of demonstrated risk – Florida, the Gulf Coast and other areas of high absolute humidity. At this point, a national recall of all Takata air bags would divert replacement air bags from areas where they are clearly needed, putting lives at risk. While a national recall of all Takata air bags is not supported by the data as we now understand it, we will continue to follow the field and testing data wherever they may lead. Let me be clear to you, Mr. Chairman, and to the Subcommittee and the American people. As we find evidence supporting the need to expand the regional recalls or to move to a national recall of all Takata air bags, we will use all of our authority as necessary to ensure that such a recall takes place.

Finally, in addition to requiring these recalls, NHTSA has taken quick and aggressive action as needed to compel the information we need from industry to protect motorists. We have issued Special Orders, which are equivalent to subpoenas under our statute, to Takata and Honda to produce documents and provide answers to our questions. We have also written Chrysler to push them to accelerate their efforts and cover the appropriate regions of high absolute humidity in their passenger side air bag recall. As our investigation advances, we will continue to use every tool available to the agency to identify the cause and scope of the malfunctioning air bags and protect the motoring public. And, if we find evidence of wrongdoing, those responsible will be

held accountable to the full extent of the authority Congress has provided to us, including but not limited to maximum civil penalties and agency orders.

Thank you again for this opportunity to testify, and I am happy to answer your questions.

Mr. LEE. Now I will recognize myself for 5 minutes to start the questions. So bluntly: Does NHTSA believe that humidity is the problem?

Mr. FRIEDMAN. It is clear that humidity is one of the factors and clearly is a major factor when it comes to passenger side airbags. When it comes to driver's side airbags, we have to follow the evidence, and the evidence is clear that the problem is not limited to areas of very high absolute humidity.

Mr. LEE. All right. So Takata believes that a national recall of driver's side airbags is unnecessary. Can you explain with some level of specificity why NHTSA now disagrees, especially in light of the fact that NHTSA had initially called for a regional action?

Mr. FRIEDMAN. Mr. Chairman, first of all, I was deeply disappointed by Takata's response and Takata's failure to take responsibility for the defects in their products. The fundamental explanation is we have followed the data. Initially, all of the incidents that occurred in the real world, with both passenger and driver's side airbags, all occurred exclusively in Florida and Puerto Rico. When we expanded the testing and pushed Takata to do the testing, the same held true for the testing of all passenger airbags, as you can see in this chart over here.

However, when we saw real-world incidents on the driver's side, one in California, we pushed Honda to make sure that their recall covered that region. Then, very recently, we became aware of a driver's side incident in North Carolina. With six total incidents, two of which are outside that region, we can no longer support a regional recall.

Our policy is clear: Recalls must be nationwide unless the manufacturers can demonstrate that they are regional. With the new data, it is clear, they can no longer demonstrate that the region that was used before was appropriate for driver's side airbags.

Mr. LEE. Specifically, the cars that you referenced, North Carolina, and the California, Santa Monica area, what is the level of absolute humidity there, and is it so different that you can say, backing up what you are saying is that it needs to go to a more national level?

Mr. FRIEDMAN. If we could put up chart D over here. What chart D is, is data from NOAA indicating the median annual dew point temperature. And dew point dumper is basically the measure of the total amount of water in the air or the absolute humidity.

As you can see, the brown areas are where we saw initially all the incidents. Then we started to see some passenger incidents in the red areas. The new incidents in California and in North Carolina are roughly around the edge of the yellow and green areas, clearly indicating that they are outside of the areas of the regional recalls and in areas of lower humidity.

Mr. LEE. This is why this issue is particularly difficult to get my mind around. So if the issue is the absolute humidity, what caused the defect in California and North Carolina autos?

Mr. FRIEDMAN. Mr. Chairman, you are asking the exact same questions we are asking. One of the most frustrating parts about this is that neither the automakers nor Takata have been able to get to the bottom of the root cause on this. We have been pushing them to do so. We are also working and hope to within a week hire

outside expertise and begin standing up our own testing capabilities so that we can supplement the work that they are doing.

But they are responsible legally for getting to the bottom of this, and we have pushed them to do so including requiring answers to questions under oath to force them to do so. But between the fact that the root cause on the driver's side is not clear, now that it is clear that it is outside of those areas of high temperature and high humidity, and the fact that we now have six total incidents, it is clear to us that a regional recall is no longer appropriate for the driver's side airbags.

Mr. LEE. Very good. I appreciate that. So in regard to the humidity aspect, the three automakers testify that they believe humidity is the root cause. I don't have the level of confidence in that, but they have said they are going to hire a third-party independent inspection of whether it is related to the humidity or something else. So my question—very quickly answer—do you believe that as well, that a third-party independent inspector is absolutely necessary?

Mr. FRIEDMAN. I believe we need to put all resources forward to address this issue. But also, let me be clear: A root cause is not required for a recall. All that is required for a recall is an unreasonable risk to safety, and that is clear on the driver's side that there is an unreasonable risk to safety outside of the areas of the highest humidity and temperature.

Mr. LEE. I agree with that latter part, but the reality is for the consumer is if the root cause isn't identified, how can you have confidence that they have solved the problem by putting in a new airbag?

Mr. FRIEDMAN. And we share your concern and we will evaluate the adequacy of the remedy to make sure that the American public is safe.

Mr. LEE. Thank you.

Mr. FRIEDMAN. Thank you.

Mr. LEE. Recognize the ranking member, Jan Schakowsky.

Ms. SCHAKOWSKY. Thank you, Mr. Chairman.

On November 26, NHTSA issued a recall request letter to Takata acknowledging that, as you have just said, that there is a safety-related defect regarding the driver's side airbags. I wanted to know why did this request go to Takata alone, either instead of or in addition to the manufacturers? Why hasn't NHTSA issued recall request letters to the automakers demanding that they expand the recalls of the driver's side airbags?

Mr. FRIEDMAN. Ranking member, on November 17, I called on Takata and then followed up the next day and called on all the involved manufacturers to recall these vehicles. So I made a verbal demand to them. The reason why we put a written demand to Takata is because once Takata does the right thing and agrees to this, it doesn't matter what the automakers do. There is a clear statement of a defect and all the automakers must recall those vehicles. So what we are looking to do is to get these vehicles recalled as quickly as possible.

Ms. SCHAKOWSKY. No, I understand that, but Takata has said no to you.

Mr. FRIEDMAN. Absolutely.

Ms. SCHAKOWSKY. And so it would seem to me, since that was their option, that it would make sense to go to the automakers as well.

Mr. FRIEDMAN. So we are evaluating Takata's response, and in our next steps, we will work to push Takata and the automakers to recall these vehicles nationwide. I noted the action by Honda today——

Ms. SCHAKOWSKY. Correct.

Mr. FRIEDMAN [continuing]. Which is a clear and promising action, but clearly also not enough. Much more needs to be done and we will push and use all the extent of our authority to push Takata and the manufacturers to address the safety——

Ms. SCHAKOWSKY. Well, what is the authority now that Takata has said——

Mr. FRIEDMAN. Well, our authority under the Safety Act is, our next step could be to issue an initial decision of a defect and then we would hold a public hearing giving Takata the opportunity to provide any evidence they have. So far they have not provided any compelling evidence. We would give the same opportunity to the automakers. After that hearing, we would weigh all the evidence and make a final determination.

Ms. SCHAKOWSKY. And how long would that take?

Mr. FRIEDMAN. I cannot tell you yet because we just got the materials——

Ms. SCHAKOWSKY. Frame of reference. Order of magnitude. How long?

Mr. FRIEDMAN. Order of magnitude before a hearing could be certainly multiple weeks and likely multiple months.

Ms. SCHAKOWSKY. OK. Let me also ask you a question about your climate map. The darkest part—well, there is Florida, but then there is also Texas. And yet, on the original regional recall, you didn't include any part of Texas. Why is that?

Mr. FRIEDMAN. So all of the original incidents occurred in Florida or Puerto Rico, and so Florida and Puerto Rico were included in those regions. This chart doesn't show all the gradations in humidity levels. That said, we have pushed all of the automakers involved to cover the same region, at least the same region, not just in Florida and Puerto Rico, but all around the Gulf Coast to ensure not just that the darkest color is included, that there is a significant buffer zone outside of the darkest area and the red area.

Ms. SCHAKOWSKY. No, I understand. It is just curious to me, if you think that at least humidity is a key factor, why the first choices wouldn't be those areas of highest humidity in your initial recall?

Mr. FRIEDMAN. Well, it was because all of the data pointed to incidents in initially kind of the more southern parts of Florida and Puerto Rico. So we went with the initial data, but as we got more data, we acted quickly to make sure that the recalls were expanded. That was one of the benefits of the testing that we pushed Takata to do is that we started seeing failures outside of that area and that made clear to us that the evidence was pointing to the need for a broader recall. Every time the evidence has pointed to the need for a broader recall, we have pushed industry to act on that evidence.

Ms. SCHAKOWSKY. OK. I want to go to another topic. You know that our ranking member of the full committee, Waxman, and I, had introduced new auto safety legislation this year, which, among other things, would improve the early warning reporting system by requiring manufacturers to provide more information making more information public. Could you—let's see, maybe I will just put this in writing. If you could briefly describe how the early warning reporting system currently works. If you could provide us that information, that would be great.

Mr. FRIEDMAN. We will do so. Thank you.

Ms. SCHAKOWSKY. OK. Thank you.

Mr. LEE. Thank you.

The chair now recognizes the full committee chairman, Mr. Upton for 5 minutes.

Mr. UPTON. Thank you, Mr. Chairman.

And welcome back, Mr. Friedman. So you have seen these reports——

Mr. FRIEDMAN. Yes.

Mr. UPTON [continuing]. The one that I cited earlier and USA Today. I think you might have actually written a response to that in terms of the editorial, as I recall, a number of weeks ago. So as you try to connect the dots, since these stories have emerged, what have you done as it relates to going back to Takata and seeing whether or not do they really do these? I mean, were they really off hours and weekends, and what do they do with the evidence, and how does that comply?

I don't know if there is enough evidence—I am not a lawyer—enough evidence to go back to the TREAD Act and see if, A, they were true, if there is actually someone as liable for criminal sanctions. I mean, what is your response behind the scenes to what has been reported publicly?

Mr. FRIEDMAN. Mr. Chairman, we took two steps: First of all, we looked into all of our information; but second of all, we issued special order to Takata compelling them under oath to provide us with all information on any testing that they have done related to the use of the bags.

Mr. UPTON. And have they done that? Have they reported back yet?

Mr. FRIEDMAN. They have. They provided their submission as of December 1, and my team is now pouring through the voluminous data to get to the bottom of this. I share your concerns. When we saw those reports, we acted quickly to ensure that we could get to the bottom of this.

Mr. UPTON. So since they only reported back Monday, will you be able to share with us what they submitted?

Mr. FRIEDMAN. We will dig into all that information, and we will be more than happy to brief you and the committee on what we find.

Mr. UPTON. What has been your response to the the reports and the underreporting, the 1,700-some cases by Honda as relates to how you-all are supposed to function?

Mr. FRIEDMAN. My personal response was shock and frustration that Honda has failed so significantly to follow the TREAD Act. Again, we issued a special order to Honda to get to the bottom of

this and to push them to discover not only about the 1,700 failures, but what other failures are associated with their reporting of early-warning data and information. Our team has gotten back that information, also just recently. We are digging through that information and to determine—they have already basically admitted their guilt. Now the question that we are trying to determine is how many different ways did they fail, and how many different ways might we have to consider fining them to the full extent of the law?

Mr. UPTON. And have you communicated with the other auto companies, all of them, in terms of what Honda did and to make sure that, in fact, the other companies have not followed that same type of pattern?

Mr. FRIEDMAN. So we have two steps along those lines. One, and my expectation is, you would have asked me that exact same question, and so today I am calling on each and every automaker to do an audit of their early-warning reporting and provide that information to us to ensure that they are fully following the TREAD Act and can demonstrate that to us.

We are looking at other measures, potentially compelling them to provide such information. But I think every automaker should take the responsible step right now of doing their own audit to determine and ensure that they are appropriately following the TREAD Act, and, if they are not, report that information to us and fix the problem immediately.

Mr. UPTON. Now, you indicated in your testimony that you have been responsible for Takata quadrupling their testing. Have you determined that by quadrupling that rate, would that be sufficient to generate the needed data to understand the current problems?

Mr. FRIEDMAN. No. In fact, I was very encouraged to hear—well, first of all, we continue to push Takata to do more; second, I was very encouraged to hear Toyota, Ford, and Honda agree to do additional testing; further, we issued a general order to each and every automaker involved to require them to provide us with all the information they have on testing. We are trying to push the entire industry to ramp up their testing. We are also working to stand up some test facilities of our own so that we can verify the work that they are doing.

Mr. UPTON. Appreciate it. I yield back.

Mr. LEE. Chair recognizes the full committee ranking member, Mr. Waxman.

Mr. WAXMAN. Thank you very much, Mr. Chairman.

On November 18, NHTSA announced that it was calling on Takata and automakers to expand the current regional recall of defective driver's side airbags to a national recall. NHTSA based this decision to expand the recall on airbag failures that occurred outside of the high-humidity areas covered by the regional recall.

Mr. Friedman, have you determined that humidity is no longer a key factor or contributing factor to ruptures in these airbags, and have you determined that consumers outside of high-humidity regions are potentially in danger from ruptures?

Mr. FRIEDMAN. Regarding passenger side airbags, all the data continues to point to an issue associated with high temperatures and high humidity over long periods of time. On the driver's side airbag, while humidity may still be a contributing factor, it is now

clear based on the evidence, that that is not simply the dominant factor, which is why we have called on them and made clear to them that while we accept regional recalls where the evidence supports it, the evidence no longer supports a recall limited to those previous areas.

Mr. WAXMAN. Yes. In September, Ranking Member Schakowsky introduced a bill that requires that all recalls occur on a national basis. Mr. Friedman, cars are mobile and often moved from state to state. Can you commit to reevaluate the procedure that allows for regional recalls based on climate or environmental conditions?

Mr. FRIEDMAN. Ranking member, each and every day we are looking at how we can do more and do better for the American public. This issue has certainly caused us to continue to look into this issue.

Mr. WAXMAN. Yes. Mr. Friedman, the committee has received Takata's testing results from over 2,500 airbags that were collected as part of the regional recalls or safety improvement campaigns. These results are a bit perplexing. They show no ruptures from the driver's side airbags but they show more than 60 ruptures of passenger side airbags. In the case of one auto manufacturer with one type of airbag, one of every eight airbags from southern Florida vehicles ruptured during tests.

Can you help us understand why NHTSA has asked for a national recall on the driver side airbags but has not done so with the passenger side airbags, even though Takata test results seem to show higher risk for those airbags?

Mr. FRIEDMAN. So if you look at chart A, the red dots are multiple cases during the testing of where there have been failures in passenger side airbags. Each and every one of the failures in the real world and in testing have all happened in areas of high temperature, high humidity, consistent exposure to those areas. In this case, we must follow the data, and the data on the passenger side clearly indicates that the problem is in those areas.

That said, our investigation is far from over. We are pushing for additional testing. And if we receive any evidence indicating that the problem is broader, we will act and we will act quickly to protect the American public.

Mr. WAXMAN. Is the issue with the driver's side airbags a different issue than with the passenger side airbags? What is the difference that makes you confident in calling for a national recall only on the driver's side airbag?

Mr. FRIEDMAN. We are following the data and that is the basis for our decision. We do know that there are design differences between passenger side and driver side airbags. But let me be clear: As Takata and the automakers indicated, they have not yet gotten to the bottom of the root cause of this issue. That is a critical step that we are pushing for and we are involved in because getting to the root cause will help dramatically clarify things for consumers, for automakers, for suppliers, and for the actions that each and every one must take.

That is a critical step, and we will continue to push ourselves and industry to get to the bottom of this. That is one of the reasons why we are now looking to get under contract hopefully within about a week and expert in propellents and airbag production and

design so that we can have added expertise on top of the experts we already have to get to the bottom of this as quickly as possible. We will leave no stone unturned in our efforts.

Mr. WAXMAN. Honda failed to report 1,729 serious accidents resulting in injuries or deaths to NHTSA between 2003 and 2014. Eight of these incidents involved Takata airbags. Can you explain how this information could have been used by NHTSA if Honda had reported it like it was supposed to, and can NHTSA penalize Honda for this failure to report? And in your view, would increasing the penalties help ensure that manufacturers report the information they are supposed to do?

Mr. FRIEDMAN. Ranking member, the way we would use and the way we use all of the early-warning information is to spot trends the spot cases where there are potential defects. Anytime an automaker fails to provide that information to us, it leaves us more hamstrung in our ability to find these problems quicker and to get these problems fixed sooner.

One of the things that we are determining right now, based both on Honda's admission of their failure and on the information they have provided, is to what degree penalties are appropriate, but I can assure you we will hold them accountable to the full extent of the law. That said, as you indicate, our maximum penalty for any single incident is only $35 million. Sadly, for too many car companies, that is pocket change. That needs to change.

And under the Grow America Act, the President and the Secretary have called for the maximum penalty to be increased to at least $300 million so that it will send a much clearer message. We have worked over the last 6 years and have fined automakers more than $160 million using our authority, more than any administration ever has before, but it is clear to us that we need a bigger stick.

Mr. WAXMAN. Thank you. Thank you, Mr. Chairman.

Mr. TERRY. Thank you, Mr. Waxman.

Now recognize the vice chairman, Mr. Lance, for 5 minutes.

Mr. LANCE. Thank you very much. Mr. Chairman.

I am interested in the time frame moving forward.

In answer to Congresswoman Schakowsky's question, you said it might be weeks or months. I would like a little more specifics on that.

Your November 26 letter—well, there was a response on December 2nd, a response with which you fundamentally disagree, and I would imagine I disagree as well.

What is your next step, Mr. Friedman?

Mr. FRIEDMAN. Thank you, vice chairman.

Our next step—in fact, my team already began, once we received that—the information from Takata both on Monday in response to our special order and yesterday in response to our recall demand, we are digging into that data. We are evaluating their arguments. We are marshaling our evidence.

Mr. LANCE. Is their argument in the three-page response that they gave you? Because——

Mr. FRIEDMAN. That is the extent of their argument.

Mr. LANCE. Rather weak, weak tea, in my judgment.

Mr. FRIEDMAN. I would agree.

Mr. LANCE. So what is the timeframe? Because the American people need to be assured that their automobiles are safe, and what is your next step and when will that occur?

Mr. FRIEDMAN. Our next step after evaluating all that information would be to issue an initial determination—initial decision of a defect to Takata and the automakers. After that we would hold a public hearing.

Mr. LANCE. And how soon can you initiate that?

Mr. FRIEDMAN. As soon as humanly possible. Vice chairman, the key—because we want to protect the American public, we need to make sure that we build the strongest case possible because at the end of the day, if Takata and the automakers continue to refuse to act, we are going to have to take them to court, and we want to make sure that we have a case prepared that we will win in that circumstance.

Mr. LANCE. You can build a court case over time. So can you estimate for the committee and through the committee to the American people when your next step will be taken?

Mr. FRIEDMAN. We have already begun our next step of diving into the data.

Mr. LANCE. That doesn't answer my question, Mr. Friedman. The next legal step, not just diving into the data, when will you next do something officially regarding Takata and the automakers?

Mr. FRIEDMAN. Vice chairman, I apologize, but at this point because there is voluminous data from Takata, I can't give you an exact estimate. My team is working furiously and as a quickly as possible, and as I indicated earlier, it could be weeks, it could be months, but it certainly won't be many months if it is. I could see something happening——

Mr. LANCE. And then if that were to occur, let's say it occurs by the 1st of February, and I would hope sooner than that, and then what happens?

Mr. FRIEDMAN. We will hold the hearing if they refuse——

Mr. LANCE. And the hearing has to be held within what time frame?

Mr. FRIEDMAN. The Safety Act does not establish a specific——

Mr. LANCE. Does not 45 days or 30 days or——

Mr. FRIEDMAN. Right. The Safety Act does not establish that. We will move to have that——

Mr. LANCE. So from our perspective, I think it should be time of the essence?

Mr. FRIEDMAN. I agree.

Mr. LANCE. And then what happens after that?

Mr. FRIEDMAN. And then after that we will—if the evidence still points to the need for a broader recall, we will issue a final determination that will compel Takata and the automakers to act. If they fail to act, then we will have to work with the Justice Department to bring them to court and force that action.

Mr. LANCE. And it is the Justice Department that brings Takata, potentially, and the manufacturers to court.

Mr. FRIEDMAN. I would have to get back to you on the exact process, but my understanding is yes, that we would work with the Justice Department.

Mr. LANCE. And this is a civil action?

Mr. FRIEDMAN. I belive that is the case, yes.

Mr. LANCE. And then do you refer situations for criminal prosecution?

Mr. FRIEDMAN. Under certain circumstances, the law does allow us to do that.

Mr. LANCE. And, for example, Honda's significant underreporting under the TREAD Act, is that then referred to DOJ for civil action or for criminal action or for both?

Mr. FRIEDMAN. Well, we have the authority, and we expect Honda, frankly, to come in and agree to a significant penalty associated with that. So——

Mr. LANCE. That would be a civil penalty.

Mr. FRIEDMAN. Yes, that we won't have to move to the Justice Department on that specific matter.

Mr. LANCE. Thank you, Mr. Chairman. I yield back the balance of my time.

Mr. TERRY. Thank you.

The chair recognizes the gentleman from Mississippi, Mr. Harper, for 5 minutes.

Mr. HARPER. Thank you, Mr. Chairman.

And, Mr. Friedman, what is a reasonable period of time to notify someone?

Mr. FRIEDMAN. Automakers are required by law to notify NHTSA within 5 days of either determining a defect or 5 days of when they should have known that there was a defect. Then under regulation, they have no more than 60 days to get a letter like this into the hands of consumers notifying them that this is an important safety recall and that they must take action.

That said, even that 60 days, to me, is longer than I would like to see, which is why we have a VIN look-up tool that every American can go to at safercar.gov/vinlookup, and even before you receive these recall notices, you will be alerted of whether or not there is an open recall for your vehicle. You can also sign up for added alerts from our app.

Mr. HARPER. Sure. Because it is important for the public, the driving public and passengers in those vehicles, to know when there is a safety issue. Correct?

Mr. FRIEDMAN. It is critically important. Any recall is an unreasonable risk to safety. Automakers must act quickly to inform consumers, and consumers should act quickly to get their vehicles repaired.

Mr. HARPER. Well, explain to me how it is that NHTSA knew that Honda had underreported back in 2012, yet delayed on doing anything about that?

Mr. FRIEDMAN. Well, in 2012, we became aware of a limited number of unreporting and——

Mr. HARPER. A limited—1,700, right?

Mr. FRIEDMAN. At the time we were only——

Mr. HARPER. Is that a limited number? Why wasn't something—if we are talking about timeliness being important, NHTSA didn't meet your own standard.

Mr. FRIEDMAN. At the time, we were only aware of eight. It was only recently that we became aware of these 1,700 problems. Based on those eight, we pushed Honda to follow standard process, which

is to update their records. Once we found out that the problem was bigger, we went after Honda. We forced them under oath to provide us extensive information, and we will hold them accountable for their failings.

Mr. HARPER. But nothing was really done on those eight at that point, and those 8 were important to the eight incidents that were involved, obviously. Were they not?

Mr. FRIEDMAN. They were important, and we made sure once we discovered this, that Honda reported that information to us so that we could act on it. At the end of the day, the safety of the American public is always our top priority, and making sure we had that information was critical to us.

Mr. HARPER. Well, it sounds good, but it doesn't seem that that was exactly the case back in 2012, but I will move on and ask you, Mr. Friedman, at the November 20th Senate Commerce Committee hearing, you said NHTSA acknowledged a plan authorizing dealers to disable potentially defective passenger side airbags where replacement parts were unavailable as long as they also tell consumers not to put someone in that passenger seat.

Is NHTSA's acknowledgement of this approach an endorsement and should it be an opinion for all manufacturers of vehicles with passenger side airbags subject to recall?

Mr. FRIEDMAN. Congressman, the first and foremost priority should be getting those passenger airbags fixed.

Mr. HARPER. I understand, but is this an acknowledgement that this is the appropriate plan until you can get a replacement?

Mr. FRIEDMAN. If the parts aren't available and if the vehicle doesn't have an occupancy set, sir, that would disable those airbags, then yes, it is clearly an appropriate step to take in the interest of safety.

Mr. HARPER. Can I ask this. As the Nation's top highway safety traffic official, can you tell this subcommittee that you will put into writing the legal and policy basis supporting the disabling of recalled airbags until replacement parts are variable, or is that already in writing?

Mr. FRIEDMAN. Well, this is—so it has been part of our standard process, one, if a part is broken, then an automaker can disable it without facing any legal penalties, and we have made that clear to the automakers involved.

Mr. HARPER. So is that a written formal policy of NHTSA?

Mr. FRIEDMAN. No.

Mr. HARPER. Will it become one?

Mr. FRIEDMAN. We will investigate that.

Mr. HARPER. OK. Let me ask you, you were in here for the testimony on the first panel. Correct?

Mr. FRIEDMAN. Yes.

Mr. HARPER. Did you hear when Mr. Shimizu at Takata discussed manufacturing versus design and he classified this as a manufacturing issue? Do you believe it is a manufacturing problem or design problem, or do you just not know at this point?

Mr. FRIEDMAN. Well, I would argue his testimony was inconsistent because he was clear that the industry is not clear yet on the root cause of the problem, which is why we are pushing to get to the bottom of this.

Mr. HARPER. And I know we don't know yet, but do you view the propellent as the prime suspect right now?

Mr. FRIEDMAN. It is clear that the propellent is involved. That said, we know that other manufacturers in the 1990s used the same propellents. We are looking to determine whether or not there have been any ruptures associated with those. So far we have not found it. If there are no ruptures with those, it is an indication that if you have a good design and good manufacturing, the propellent may on its own be safe to use, but clearly no matter what, if you don't have the appropriate design and you don't have the appropriate manufacturing, you have failed to live up to your responsibilities.

Mr. HARPER. Even some previous Takata scientists have indicated early that using an ammonium nitrate-based propellent was not a safe or good idea. Do you agree with that or disagree with that?

Mr. FRIEDMAN. We are asking the exact same questions, which is why we have compelled under oath all information from Takata on all the changes that they have made to the propellent and why we are bringing in outside expertise who has actually had experience with these propellents.

Mr. HARPER. Thank you, Mr. Friedman. My time is expired and I yield back.

Mr. FRIEDMAN. Thank you.

Mr. TERRY. Does Dr. Burgess wish to ask any questions?

Mr. BURGESS. Yes. Thank you, Mr. Chairman, I would appreciate the ability to ask questions of our witness.

Mr. TERRY. You are recognized for 5 minutes.

Mr. BURGESS. I thank the chairman for the courtesy of the recognition.

And, Administrator Friedman, thank you for being here. Obviously we have had a chance to interact on other subcommittees in other roles, particularly with the Cobalt ignition problem earlier this year.

Let me ask you a question. Mr. Yarmuth of Kentucky posed a question to Takata, and then he posed it generally to the manufacturers, but his time was running short. So he said he is going to request an answer in writing, and his question basically was how can we be confident that the replacement airbags are safe. So let me pose that question to you. Thereis a recall going on. Various manufacturers are providing replacement parts. To the extent—can the public be reassured that these replacement parts are indeed safe?

Mr. FRIEDMAN. We believe that the replacement parts, for example, on the passenger side are safer than the ones that are in the vehicles. The data points to a median time of over 10 years before the failures have occurred. That said, we are looking into the adequacy of this remedy, and if we determine that it is not adequate and it doesn't ensure the safety of the American public, we will push them to take other steps. This ties in part back to the root cause question. Getting to the root cause is part of the key of determining the appropriateness and the effectiveness of this remedy.

Mr. BURGESS. I would just point out there is more than a semantic difference between safe and safer.

Mr. FRIEDMAN. I agree, and I use that term intentionally because we are still looking into the adequacy of this remedy. That said, our job is to protect the American public, and if the American public can be provided with airbags that are safer, I truly believe that is the right step because that can save lives.

Mr. BURGESS. Well, let me ask you a question, because, I mean, you just dealt with the propellent a bit, and that has come up several times this morning, and the fact is the propellent did change from the '90s to the last decade. Currently are there ongoing studies to look at the type of propellent, and, in fact, are there safer 21st Century propellents that ought to be considered?

Mr. FRIEDMAN. Certainly we are aware of the industry looking at a variety of different propellents. Different manufacturers use different propellents. Takata themselves has evolved the formulation of their propellent, and that is one of the reasons why, as we learn more about that, we have compelled them to provide all the information under oath of those changes. We have also been reaching out and been——

Mr. BURGESS. Can I stop you there for a second?

Mr. FRIEDMAN. Yes. Absolutely.

Mr. BURGESS. And it is just—I don't want to project, but in many ways, the answers today provided by Takata seemed less than forthcoming, and I don't know whether that is just me that picked up on that, but do you have similar concerns?

Mr. FRIEDMAN. I share your concerns, and that is why, one, we have required them to answer questions under oath because now it is not just their word that is at stake. It is much more, because we can penalize them or ultimately they can be held much more broadly responsible if they lie under oath.

Second, we are not simply trusting Takata. We are in conversations with multiple other airbag suppliers, and we are bringing in outside expertise on this propellent, because we agree with you. We cannot simply trust the information that Takata gives us. We need to make sure that we are covering all our bases to get to the bottom of this for the safety of the American public.

Mr. BURGESS. Well, let me go back to something I think both Mr. Lance and Mr. Waxman brought this up. Many, many years ago when not this sub committee but our committee in Energy and Commerce was doing an investigation into uncommanded accelerations in vehicles in 2009, ultimately there was—and you, in response to Mr. Waxman, your—the amount that you can fine someone is capped at $35 million, but in that instance, there was, over and above that fine, there was an action by the Department of Justice. At this point, are you contemplating additional referral to the Department of Justice on anything that you have uncovered in this investigation?

Mr. FRIEDMAN. We have actually been working and cooperating with the Department of Justice and helping them in their efforts since September.

Mr. BURGESS. So that is—that is on the table as far as a future action would be concerned?

Mr. FRIEDMAN. My understanding is the Department of Justice is looking into this matter. I would direct you to them for additional comment.

Mr. BURGESS. Well, I appreciate that, but it—certainly when that occurred in response to the uncommanded acceleration issue, while I might agree that your ability to fine is limited, certainly the past seems to be a fairly significant legal stick that you had at your disposal and another tool that might be useful in compelling cooperation.

Mr. FRIEDMAN. Well, fundamentally, it was discovered that Toyota lied to us. Despite their lies, we got to the bottom of that problem, determined the problem, and got those vehicles recalled.

That said, we fined them not just once but multiple times because of their failings, and in that case, we also worked very closely with the Justice Department in efforts that ultimately led to their fine of more than a billion dollars, so we——

Mr. BURGESS. For the record, I did not mention a manufacturer, you did. I want that to be clear.

Mr. Chairman, I appreciate the time and I will yield back.

Mr. TERRY. Thank you.

Recognize the gentleman from Maryland for 5 minutes.

Mr. SARBANES. Thank you, Mr. Chairman.

I just have a question about your capacity as an agency and whether you feel that you have the resources you need to do the job, and, you know, what your capacity currently is in terms of reinforcing public disclosure and encouraging greater transparency, and looking at this particular incident that we are investigating or that we are having testimony on today; would enhanced capacity, additional staff dedicated to the Office of Defect Investigations to the early warning reporting and so forth, would that have assisted your agency in this instance? And then more broadly, if you could speak to your capacity. That would be helpful.

Mr. FRIEDMAN. If mean, the simple and straightforward answer is yes. I mean, we are a small agency that I would argue punches well above our weight. Over the last decade, our efforts have led to the recall of nearly one million vehicles, but it is also clear when you have a fleet of over 260 million vehicles and multiple manufacturers, multiple potential safety issues, that we need more resources to ensure that we can do everything we can to keep the American public safe. The President's budget has continued to request additional resources both for our Office of Defects investigation, but also for the rest of our agency.

Congressman, 33,561 people died in 2012. 33,561 tragic lives lost because of issues such as drunk driving, people not wearing their seat belts, vehicles that could have had more technology on board to keep them safer. There is no doubt in my mind that with more resources, we can do more to address the epidemic that faces Americans in terms of fatalities and injuries every year on our roads.

Mr. SARBANES. I would imagine that those resources would help you both kind of chase information on the front end, it would get you to a place of, you know, pushing for solutions as well as not having to maybe triage or prioritize in ways once you have got the information in because you have the capacity to address a number of these things simultaneously.

So I appreciate your providing that testimony, and with that, Mr. Chairman, I yield back.

Mr. TERRY. Thank you. Having no other members requesting time that then concludes your testimony and questions, and this committee, as you know, we can submit written questions to you. I would expect that. We will try to be timely, and request that your office be timely in their providing us responses to those questions.

Thank you. You were very informative. We like charts. So nice job with the visual aids.

Now, have any other closing?

A quick note before we adjourn here is that this subcommittee and full committee bipartisanly have concerns about the role NHTSA plays in continuing these—continuing large-scale recalls, and I hope that NHTSA will fully cooperate with the GAO as GAO carries out the bipartisan request to look at NHTSA's internal procedures and processes.

Mr. FRIEDMAN. Mr. Chairman, we will definitely cooperate, and I look forward to working with the committee on ways that NHTSA can get additional resources, additional people, additional computer tools so that we can do the very best job for the American public.

Mr. TERRY. Very good.

Mr. SARBANES. Mr. Chairman, could you acknowledge me for——

Mr. TERRY. Yes. Gentleman from Maryland.

Mr. SARBANES. Just wanted to take the occasion to thank the chairman for his service on this committee and in this House. We have appreciated his leadership and wish him well.

Mr. TERRY. Thank you. I appreciate that.

So we are adjourned.

[Whereupon, at 1:19 p.m., the subcommittee was adjourned.]

[Material submitted for inclusion in the record follows:]

11/17/2014

US Regional Recall Data - Driver

Region	PSDI	PSDI-4 OEM A	PSDI-4 OEM B	Total
Southern Florida	0/50	0/53	0/47	0/150
Northern Florida	0/1	0/75	0/4	0/80
Other US States	0/50	0/80	No Test	0/130
Total	0/101	0/208	0/51	0/360

Numerator shows number of inflator ruptures
Denominator shows number of total test samples to date

11/17/2014

US Regional Recall Data – Passenger PSPI

Region	PSPI OEM A	PSPI OEM B	PSPI OEM C	PSPI OEM D	PSPI OEM E	PSPI OEM F	Total
Southern Florida	0/153	2/22	0/42	0/6	0/12	0/52	2/287
Northern Florida	0/308	0/28	0/55	0/7	0/39	0/24	0/461
Other US States	0/22	0/264	0/3	0/48	No Test	No Test	0/337
Total	0/483	2/314	0/100	0/61	0/51	0/76	2/1085

Numerator shows number of inflator ruptures
Denominator shows number of total test samples to date

11/17/2014

US Regional Recall Data – Passenger SPI

Region	SPI OEM A	SPI OEM B	SPI OEM C	SPI OEM D	SPI OEM E	Total
Southern Florida	0/54	0/24	No Test	0/15	1/5	1/98
Northern Florida	2/55	0/70	0/1	1/32	0/5	3/163
Other US States	0/8	0/2	No Test	No Test	0/2	0/12
Total	2/117	0/96	0/1	1/47	1/12	4/273

Numerator shows number of inflator ruptures
Denominator shows number of total test samples to date

11/17/2014

US Regional Recall Data – Passenger PSPI-L

Region	PSPI-L OEM A	PSPI-L OEM B	PSPI-L OEM C	Total
Southern Florida	41/329	0/1	0/11	41/341
Northern Florida	8/138	0/3	0/26	8/167
Puerto Rico	8/100	No Test	No Test	8/100
Other US States	0/173	0/323	No Test	0/496
Total	57/740	0/327	0/37	57/1104

Numerator shows number of inflator ruptures
Denominator shows number of total test samples to date

TK Holdings Inc.
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December 2, 2014

Mr. Frank S. Borris II
Director
Office of Defects Investigation
National Highway Traffic Safety Administration
1200 New Jersey Avenue, SE
Washington, DC 20950

Re: PE14-016; Response to Recall Request Letter

Dear Mr. Borris:

I am writing on behalf of Takata in response to the recall request letter ("RRL") that you sent to TK Holdings Inc. ("Takata") on November 26, 2014.

Before addressing the substance of the RRL, I note that Takata was very surprised to receive such a letter. Under the procedures normally followed by the Office of Defects Investigation ("ODI"), ODI does not send a RRL until after its defect investigation is concluded. Here, to the contrary, at the time your letter was sent, ODI had not even received, much less analyzed, Takata's December 1, 2014 initial response to the Special Order issued to the Company on October 30, 2014. And the responses to the Second Special Order issued to Takata and to the General Order issued to Takata and to ten vehicle manufacturers are not due until December 5, 2014.

Second, as far as Takata is aware, ODI has never before sent a RRL to a manufacturer of original equipment, such as Takata. Under the NHTSA statute, only manufacturers of motor vehicles and replacement equipment are required to decide in good faith whether their products contain a safety-related defect and, if so, to conduct a recall. *See* 49 U.S.C. § 30118(c). Similarly, the Agency's authority to issue an Initial Decision that a safety-related defect exists, as referred to in the last paragraph of your letter, applies only to manufacturers of motor vehicles and replacement equipment, and not to manufacturers of original equipment. *See* 49 U.S.C. § 30118(a) and (b).

In addition, we were surprised by your demand for a response to your letter by December 2, 2014. From what Takata understands, ODI has always allowed manufacturers a minimum of ten working days to respond to a RRL, but you allowed Takata only two working days to respond, given the intervening Thanksgiving holiday. In that short period of time, Takata has not been able to prepare a comprehensive response to your letter; however, we do wish to state the following:

First, Takata wants to emphasize that, as a Company whose primary goal is to enhance the safety of the driving public, we have fully supported, and we will continue to support, appropriate recalls by vehicle manufacturers to remedy all safety defects in our products that are identified to exist on the basis of available information and data. This has long been Takata's practice and policy, and it is fully consistent with the response that the Company made to ODI's November 17 oral request as well as today's statement from the Company's Chairman.

However, it is Takata's current view that the currently available, reliable information does not support a nationwide determination of a safety defect in all "vehicles equipped with the subject driver-side inflators."[1] You base your request for an expansion of the currently pending campaigns on two reported incidents from outside of the four States[2] that were initially identified in June 2014 as high absolute humidity ("HAH") areas for purposes of the regional field actions announced at that time.[3]

With respect to the first of those incidents, involving a model year 2005 Honda Accord from Southern California that was equipped with a PSDI-4 inflator, Honda's pending regional field action already covers all such vehicles equipped with that type of inflator in California, so an expansion of that campaign would not be necessary to cover such vehicles. And with respect to the second incident referred to in your letter, involving a model year 2007 Ford Mustang from North Carolina that was reportedly equipped with a PSDI-4 inflator, neither Takata nor NHTSA has been able to examine the inflator from that vehicle.[4] Therefore, there is no way to ascertain what actually occurred during the incident, whether any inflator ruptured, and whether any inflator rupture that may have occurred was related to the incidents that led to the current regional campaigns. For these reasons, these two incidents do not provide evidence that a nationwide recall of vehicles equipped with PSDI-4 inflators is warranted, and there is absolutely no evidence supporting an expanded recall of vehicles equipped with PSDI inflators.

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[1] Although your letter is not specific, Takata assumes, based on the November 17 oral request conveyed by members of your staff, that the "subject" inflators are all PSDI inflators manufactured from SOP though December 31, 2006 (not already recalled) and PSDI-4 driver-side inflators manufactured by Takata between January 1, 2004 and December 31, 2008.

[2] Florida, Puerto, Rico, Hawaii, and the U.S. Virgin Islands.

[3] In its December 1, 2014 response to NHTSA's October 30, 2014 Special Order, Takata has provided information regarding claims associated with other reported and unsubstantiated inflator incidents. We continue to evaluate and examine reported incidents.

[4] It is our understanding that the vehicle in question has already been repaired and the inflator was discarded during those repairs.

In view of the fact that the requested nationwide recall would add more than eight million vehicles to the vehicles that are already being campaigned, there certainly has been no showing of the "significant number of failures" which Takata understands is required under the *Wheels* case cited in your letter. *United States v. General Motors,* 518 F.2d 420, 427 (D.C. Cir. 1975). As the D.C. Circuit held in that case, to establish the existence of a defect under the Safety Act, the Government must demonstrate that there has been more than a "*de minimus* number" of failures. *Id.* at 438. Here, you have relied on two reported incidents outside of the HAH areas (one of which involved a model of vehicle and a location that is already covered by a pending campaign). That translates to a failure rate of approximately 0.000006 failures per air bag deployment,[5] which is far below the failure rate in the vast majority of the thousands of recalls that have been conducted under the Safety Act, and orders of magnitude below the failure rate at issue in the *Wheels* case.

On the other hand, contrary to the assertion on page 2 of your letter, Takata had provided NHTSA with "new information" to support its position that the current campaigns are sufficient to address the identified safety risks associated with potential inflator ruptures. Although its testing and analysis is still ongoing, Takata has been providing NHTSA with the results of its testing of inflators that have been returned from the field in connection with the pending recalls and field actions. As of November 30, 2014, we have tested a total of 1057 inflators, both passenger and driver, from locations outside the four identified States without a single rupture. The testing has included 665 PSDI and PSDI-4 inflators without rupture regardless of location. Takata will continue to provide the agency with updated test information as it becomes available.

As Takata informed you in its response to ODI's November 17 oral request, the Company remains committed to addressing all safety issues promptly and agrees that the current field actions should be expanded if appropriate and necessary to respond to a demonstrated safety risk. Shigehisa Takada, the Company's Chairman of the Board, in a statement released today, confirmed the Company's commitment to taking all actions needed to advance the goal of safety for the driving public, including working to produce additional replacement units to support any further recalls that may be announced by our customers.

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[5] This rate is estimated based upon a recall expansion of 8 million PSDI and PSDI-4 units, an average life of 8 years from time of manufacture, and an estimated air bag deployment rate of 0.5% of the population annually, divided into the two incidents referred to in your letter. In fact, since the incident in California involved a vehicle that is already covered by a Honda campaign, the actual rate for the inflators that would be covered by your requested expansion is half of that.

Takata firmly believes that the currently available information and data do not support a nationwide recall of vehicles equipped with the subject inflators. Takata will continue, and indeed will expand, its efforts to provide replacement kits for vehicles in the HAH regions of concern, and it will expand its testing and analysis efforts as well. If those testing efforts, or data from other sources, indicate the existence of a safety defect beyond the scope of the current campaigns, Takata will promptly take appropriate action.

In closing, Takata looks forward to working with NHTSA and the vehicle manufacturers to identify and address safety risks to the public.

Sincerely,

M. Rains

Mike Rains
Director of Product Safety

cc: Kenneth N. Weinstein
Steven G. Bradbury

The New York Times http://nyti.ms/1yr2uHb

BUSINESS DAY

Takata's Switch to Cheaper Airbag Propellant Is at Center of Crisis

By HIROKO TABUCHI NOV. 19, 2014

The new airbag propellant was supposed to be the next big thing for Takata in 1998. An engineer for the company, Paresh Khandhadia, declared it "the new technological edge" in an interview with a trade magazine then.

Based on a compound called tetrazole, it was seen as a reliable and effective compound for inflating airbags. Yet despite the fanfare, by 2001 Takata had switched to an alternative formula, ammonium nitrate, and started sending the airbags to automakers, including Honda.

That compound, according to experts, is highly sensitive to temperature changes and moisture, and it breaks down over time. And when it breaks down, it can combust violently, experts say.

"It shouldn't be used in airbags," said Paul Worsey, an expert in explosives engineering at the Missouri University of Science and Technology. The compound, he said, is more suitable for large demolitions in mining and construction. "But it's cheap, unbelievably cheap," he added.

More than a decade later, that compound is at the center of a safety crisis involving Takata and its airbags. More than 14 million vehicles with the Takata-made airbags have been recalled worldwide over concern that they can

Takata's struggle with propellant stretches back to 1991, when the Tokyo-based supplier first started to manufacture airbag inflaters in the United States.

Like other airbag manufacturers at the time, Takata based its airbag propellant on a toxic compound called sodium azide. But that compound is volatile and could release toxic fumes into the car, causing chemical burns or breathing problems when the airbags deployed.

Takata then turned to tetrazole, which it promoted to automakers at the time as a safer, more environmentally friendly alternative. Takata introduced the propellant, marketed as "Envirosure," to automakers in the mid-1990s for inclusion on 1998-model vehicles.

"I said, 'Wow! This is the break!' " Mr. Khandhadia, Takata's lead propellant engineer, told the industry publication Automotive News at the time, describing the moment tests showed the new propellant worked.

But tetrazole, which is produced in limited quantities and can be expensive, started to squeeze margins at Takata, especially as the airbag market became more competitive, Mr. Lillie said.

By 1999, Takata researchers in Michigan, pressured by executives, developed a propellant based on ammonium nitrate, he said.

But the engineering team in the Moses Lake plant raised objections to basing a propellant on such a risky compound. To bolster its case, the team pointed to explosives manuals warning that the compound "tended to disintegrate on storage under widely varying temperature conditions" with "irregular ballistic" consequences, Mr. Lillie said.

Ammonium nitrate cycles through five solid states. As the vehicle goes from receiving the heat of sunshine to the cold overnight, the temperature swing is large enough for the ammonium nitrate to change from one phase to

ammonium nitrate in its replacement airbags.

In addition to the Senate hearing, Takata is facing mounting legal challenges. Takata said this month that it had received a subpoena for documents related to the defects from a federal grand jury in the Southern District of New York. The company confirmed that it hired Andrew Levander, a well-known defense lawyer based in New York, as it prepares for a criminal investigation.

Rachel Abrams contributed reporting, and Kitty Bennett contributed research.

A version of this article appears in print on November 20, 2014, on page B2 of the New York edition with the headline: Takata's Switch to Cheaper Airbag Propellant Is at Center of Crisis.

PRODUCT RECALLS

Airbag Maker Takata Saw and Hid Risk in 2004, Former Workers Say

Hiroko Tabuchi
Friday, 7 Nov 2014 | 6:16 AM ET

Alarmed by a report a decade ago that one of its airbags had ruptured and spewed metal debris at a driver in Alabama, the Japanese manufacturer Takata secretly conducted tests on 50 airbags it retrieved from scrapyards, according to two former employees involved in the tests, one of whom was a senior member of its testing lab.

The steel inflaters in two of the airbags cracked during the tests, a condition that can lead to rupture, the former employees said. The result was so startling that engineers began designing possible fixes in preparation for a recall, the former employees said.

But instead of alerting federal safety regulators to the possible danger, Takata executives discounted the results and ordered the lab technicians to delete the testing data from their computers and dispose of the airbag inflaters in the trash, they said.

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The secret tests, which have not been previously disclosed, were performed after normal work hours and on weekends and holidays during summer 2004 at Takata's American headquarters in Auburn Hills, Mich., the former employees said.

intention to determine whether anyone at Honda has any evidence that these claims are credible."

Takata airbag recall: Why it matters

Thursday, 23 October 2014 | 9:47 EDT | 01:29

Karl Brauer, Senior Analyst at Kelley Blue Book, says the incident could be an opportunity for other airbag makers. He later discusses the scrutiny over product recalls in the automobile sector.

Separately, materials reviewed by The New York Times cast doubt on Takata's claims to federal regulators that it had resolved manufacturing and quality control problems with its airbag propellant in the early 2000s. Takata has said, in regulatory filings, that by November 2002, it had ensured that there was "proper handling" of the propellants at a factory in Moses Lake, Wash., where it had traced problems with the rupturing airbags.

But as recently as April 2009, Takata engineers scrambled to repair a flaw in a machine at another factory in Monclova, Mexico, that made the airbag propellant more volatile, according to materials from a company presentation given that year.

Two former quality-control managers at the company's main distribution center in Texas, moreover, described in interviews a series of quality problems that arose as the company raced to meet a surge in demand for its airbags.

The Times reviewed internal Takata documents, emails, photos, videos and regulatory filings. Emails show workers raising concerns that airbag units were being delivered to automakers wet or damaged because of transportation mishaps. Closed-circuit television footage shows forklifts dropping stacks of the airbag units.

The dropped airbags were not always properly inspected for damage, especially in the early 2000s, according to the former quality-control managers who said they later pushed for stricter controls at the facility. The two spoke on the condition of anonymity because of fear of retribution.

Takata is facing renewed scrutiny for its handling of the defective airbags, which The Times reported in September had been the subject of a short-lived investigation by the National Highway Traffic Safety Administration that was closed in 2010 without any enforcement action. The federal agency has now reopened its investigation into Takata, a House committee has asked the Government Accountability Office to conduct its own investigation, and federal prosecutors in Manhattan have also taken an interest.

Behind the scenes, however, the former Takata lab employees said, the manufacturer wanted to know more. The tests on the 50 airbags were supervised by Al Bernat, then Takata's vice president for engineering, they said, and were unknown to all but a small group of people, that included lab technicians, fabricators and engineers. The employees said that they did not know under whose authority Mr. Bernat was operating.

The tests' results worried the technicians: Two of the airbag inflaters Takata had retrieved from the junkyards showed cracks and the start of "rapid disassembly" during the tests, Takata's preferred term for explosion, according to the two people. They said Takata engineers at the time theorized that a problem with the welding of the inflater's canister, intended to hold the airbag's explosives, made its structure vulnerable to splitting and rupturing. The two people said engineers designed prototypes for possible fixes, including a second canister to strengthen the unit.

But after three months, they said, the testing was ordered halted. The lab employees were also instructed that all data, including video and computer backups, be destroyed. Inflaters and prototypes of fixes were also to be disassembled and disposed of in a scrap-metal Dumpster, the senior lab employee said. No explanation was offered, the employee said, though the order was not considered surprising given the secret nature of the testing.

Read More › Audi recalls nearly 102,000 vehicles to fix air bag

As for the two problematic airbag inflaters, Mr. Bernat, the supervisor, told people at the time that they were not significant because they had been retrieved from cars with cracked windshields and were likely "corrupted by weather," according to the two former employees.

Reached at his home in Rochester Hills, Mich., Mr. Bernat declined to comment and referred questions to his former employer. Takata also declined to comment.

As automakers have recalled the airbags in recent years, Takata has suggested that weather plays a significant role in making its airbags prone to rupture. Takata said humidity could hurt the stability of the airbag's explosives.

In explaining the efect, the company has also pointed to manufacturing flaws involving the airbags' explosive, or propellant, including improper exposure to moisture, and problems with a machine that presses propellant powder into tablets. Takata has said both troubles were corrected in the early 2000s.

But the internal documents suggest Takata engineers scrambled as late as 2009 to repair a machine at its Monclova plant that pressed explosive propellant powder into pellets after "inflaters tested from multiple propellant lots showed aggressive ballistics," according to the internal presentation in June 2009.

The internal materials and interviews with the former quality-control

"That put a lot of pressure and incentive on us to never miss a shipment," said one of the former managers. "I'd argue, 'what if my daughter bought the car with the bad airbag?' But the plant would tell us, 'Just ship it.' "

FRED UPTON, MICHIGAN
CHAIRMAN

HENRY A. WAXMAN, CALIFORNIA
RANKING MEMBER

ONE HUNDRED THIRTEENTH CONGRESS

Congress of the United States

House of Representatives

COMMITTEE ON ENERGY AND COMMERCE
2125 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, DC 20515–6115
Majority (202) 225–2927
Minority (202) 225–3641

December 15, 2014

Mr. Hiroshi Shimizu
Senior Vice President
Global Quality Assurance
Takata Corporation
2500 Takata Drive
Auburn Hills, MI 48326

Dear Mr. Shimizu,

Thank you for appearing before the Subcommittee on Commerce, Manufacturing, and Trade on Wednesday, December, 2014 to testify at the hearing entitled "Takata Airbag Ruptures and Recalls."

Pursuant to the Rules of the Committee on Energy and Commerce, the hearing record remains open for ten business days to permit Members to submit additional questions for the record, which are attached. The format of your responses to these questions should be as follows: (1) the name of the Member whose question you are addressing, (2) the complete text of the question you are addressing in bold, and (3) your answer to that question in plain text.

To facilitate the printing of the hearing record, please respond to these questions by the close of business on Tuesday, December 30, 2014. Your responses should be e-mailed to the Legislative Clerk in Word format at **Kirby.Howard@mail.house.gov** and mailed to Kirby Howard, Legislative Clerk, Committee on Energy and Commerce, 2125 Rayburn House Office Building, Washington, D.C. 20515.

Thank you again for your time and effort preparing and delivering testimony before the Subcommittee.

Sincerely,

Lee Terry
Chairman
Subcommittee on Commerce,
Manufacturing, and Trade

cc: Jan Schakowsky, Ranking Member, Subcommittee on Commerce, Manufacturing, and Trade
Attachment

Confidential Treatment Requested
January 9, 2015

RESPONSES OF TK HOLDINGS INC. ("TAKATA")
TO QUESTIONS FOR THE RECORD FROM THE
HOUSE ENERGY AND COMMERCE COMMITTEE
SUBCOMMITTEE ON COMMERCE, MANUFACTURING, AND TRADE

Takata is pleased to provide responses to the additional questions for the record issued on December 15, 2014, by the House Energy and Commerce Committee's Subcommittee on Commerce, Manufacturing, and Trade (the "Committee").

The following responses are based on information gathered to-date as part of Takata's ongoing review of facts and documents relating to airbag inflator ruptures undertaken in response to the Special Order of the National Highway Traffic Safety Administration ("NHTSA") of October 30, 2014, and subsequent orders from NHTSA. Takata is in the process of collecting a large volume of data and materials in response to NHTSA's orders, and Takata's review of the facts and records relevant to the Committee's questions is not yet complete. In light of the short time available to respond and the ongoing status of Takata's review and document collection efforts, the following responses to the Committee's questions are necessarily limited. In answering these questions, Takata has provided descriptions of general practices and has not attempted to address each variation from or exception to those general practices. Takata is providing answers based on its current understanding of information and records that are subject to ongoing review. If, upon further review, Takata learns of any records or information inconsistent with the answers or materials provided in response to the following questions, Takata will promptly bring such records or information to the attention of the Committee.

As discussed with the Committee's legal counsel, the information that appears in bold brackets below constitutes sensitive and confidential business information of Takata or of its customers (or, in certain instances, personal information), all of which would be protected from disclosure by executive agencies under 5 U.S.C. § 552b. This designated information has either been granted confidential treatment and protection by NHTSA pursuant to 49 CFR § 512 or is information that Takata will request be granted such treatment and protection by NHTSA. Takata has identified such confidential information to the Committee and is submitting it for the internal use of the Committee in connection with its examination of airbag inflator issues. The Committee, through its legal counsel, has expressly assured Takata that the information designated as confidential by Takata will be treated and maintained as confidential in accordance with procedures followed by the Committee in connection with previous inquiries involving similar business matters. Under those procedures, the information designated as confidential will not be shared or disclosed outside the Committee, including in a public hearing, without a prior opportunity for Takata to identify particular information that Takata may request be redacted

before it is disclosed by the Committee. Takata is submitting the designated information to the Committee in good faith reliance on these assurances.

Responses to Questions of Representative Terry

1. ***Mr. Shimizu acknowledged warnings were issued by Takata engineers about the use of ammonium nitrate in Takata airbag inflators but testified that Takata believed it could control the chemical. What specific controls did Takata implement to manage ammonium nitrate and mitigate concerns about its stability?***

Response:

THE FOLLOWING ANSWER CONTAINS CONFIDENTIAL INFORMATION:

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2. ***What changes has Takata made in the composition of the propellant used in any of the makes and models that have been recalled for inflator issues? When were those changes made? Is Takata aware of any vehicle makes and models that use the same propellant compound that haven't had recall issues?***

Response:

The inflators that are currently the subject of the campaigns related to inflator ruptures use either the 2004 or 2004L propellant.

THE REMAINDER OF THIS ANSWER CONTAINS CONFIDENTIAL INFORMATION:

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To Takata's knowledge, automobile makes and models equipped with inflator designs PSDI-5, PSDI-X, PSPI-6, PSPI-2, PSPI-X, SPI-2, SPI-X, SDI-X 1.7, SSI-20, and PDP have not experienced inflator ruptures, and these vehicle makes and models are not subject to any recalls related to inflator ruptures.[1] Some of these inflator designs use the 2004 propellant formulation and some use the 2004L propellant.

3. ***Do airbag inflators or propellant wafers have an expiration date? If so, please specify how long airbag inflators and/or propellant wafers are guaranteed to function properly in the event of an airbag deployment. If not, please confirm that airbag inflators and propellant wafers are guaranteed to perform properly throughout the "life" of a vehicle. Please include a discussion of how the "life" of a vehicle is determined.***

[1] The SDI-X inflator was the subject of a limited recall in 2014 because a certain number of inflators were manufactured with an incorrect component that could potentially lead to a ruptured inflator. The propellant in that inflator was not the cause of the recall. The PDP inflators were also the subject of a limited recall in 2013 (13V-315) due to a weld concern.

Response:

In certain instances, airbag manufacturers have produced airbags with expiration dates. More typically, airbag inflators are generally intended to function for the expected life of the vehicle. Some industry testing specifications use 15 years as the benchmark for the expected performance life of an inflator (*see, e.g.*, USCAR-24-3.1.1); however, it is not industry practice for the airbag manufacturer to guarantee the performance of the airbag for such periods of time. Rather, under typical specifications used by automobile manufacturers, certain specified tests are performed on inflator designs as a means to simulate the predicted performance of the inflator over time. The testing specifications used to simulate predicted performance over time are developed by the automobile manufacturers.

4. ***Age has been indicated as a contributing factor in the ruptures. Specifically, what effect does age have on the propellant material that contributes to the ruptures?***

Response:

Propellant aging can entail a change in the physical properties of the 2004 propellant. Specifically, over time, the 2004 propellant may become less dense, and a reduction in the density of the propellant may result, upon ignition, in a surface area progression that differs from what is intended. A progression in surface area, in turn, may result in the deployment of the inflator with higher than expected internal inflator pressures. These changes in the propellant's physical properties may be exacerbated by the introduction of moisture into the system.

5. ***Is there a way to recreate the effect of time in a laboratory in a much shorter period to understand how these inflators will operate in the future?***

Response:

THE FOLLOWING ANSWER CONTAINS CONFIDENTIAL INFORMATION:

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[redacted]

6. ***How is Takata certain that over time more inflators won't be affected?***

Response:

Takata is not certain that over time more inflators will not be affected by the issues that have caused certain inflators to rupture, nor has it represented as much. The goal of Takata's ongoing field recovery and testing is to gain information to understand and address the issues and to help determine whether additional inflators will be affected by those issues. Takata is committed to working cooperatively with regulators and automobile manufacturers to take all actions necessary to assure that its inflators are as safe as possible.

7. ***Please describe in detail what changes Takata has made between 2000 and today in the manufacturing process for inflators subject to a recall. Please identify which changes are most responsible for ensuring that replacement inflators are safe, and, separately, why the replacement inflators are not susceptible to deterioration over time.***

Response:

THE FOLLOWING ANSWER CONTAINS CONFIDENTIAL INFORMATION:

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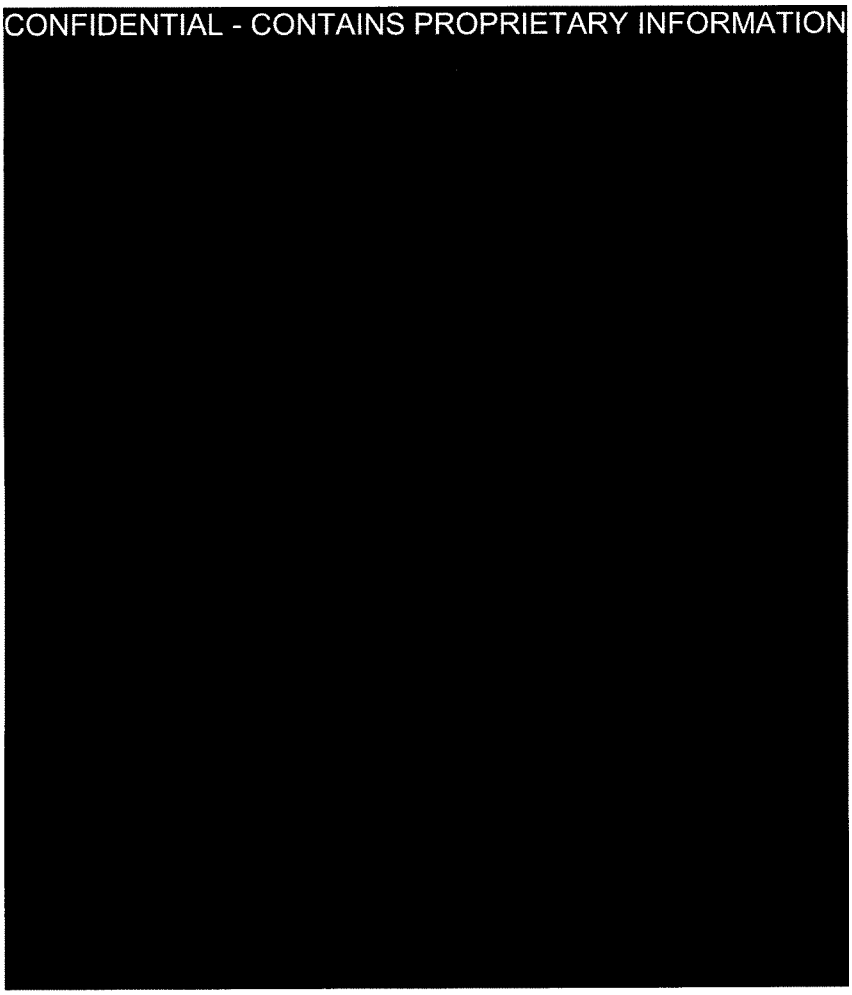
[redacted]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8. ***Mr. Shimizu's testimony states that to Takata's best current judgment the root cause of the most recent inflator ruptures involves a combination of three factors: the age of the unit, the persistent exposure to high absolute humidity, and potential manufacturing issues.***

    a. What does Takata consider to be persistent exposure to conditions of high absolute humidity?

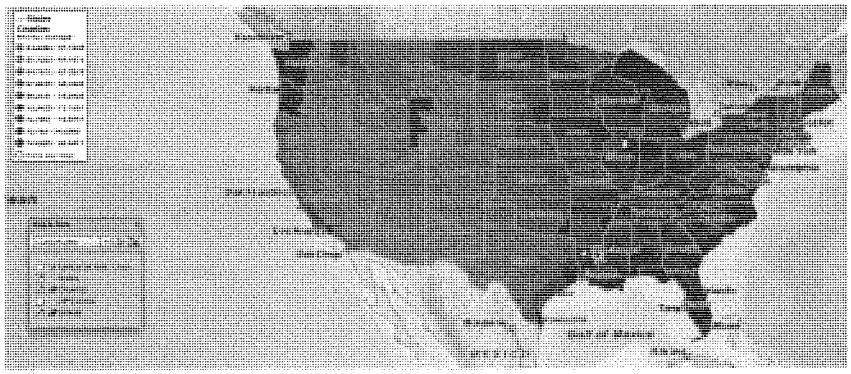
Response:

Current testing of inflators retrieved from the field suggests that exposure of at least seven years in regions of the United States experiencing the highest levels of average absolute humidity may be a contributing factor to inflator ruptures.

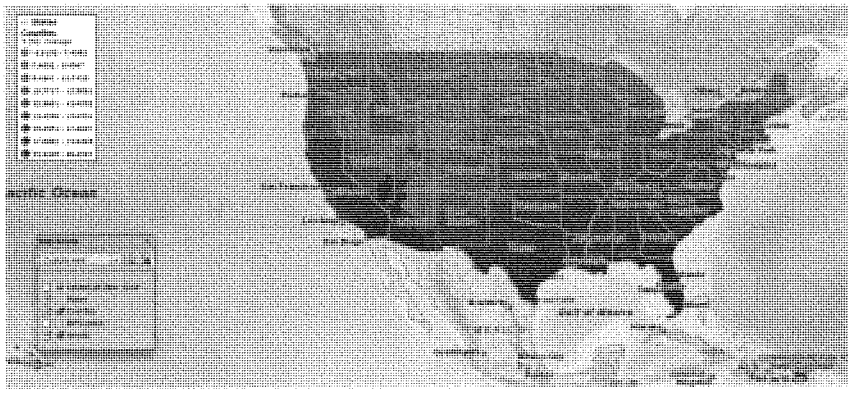
b. How did Takata make the determination that high absolute humidity is a potential root cause in the most recent inflator ruptures?

Response:

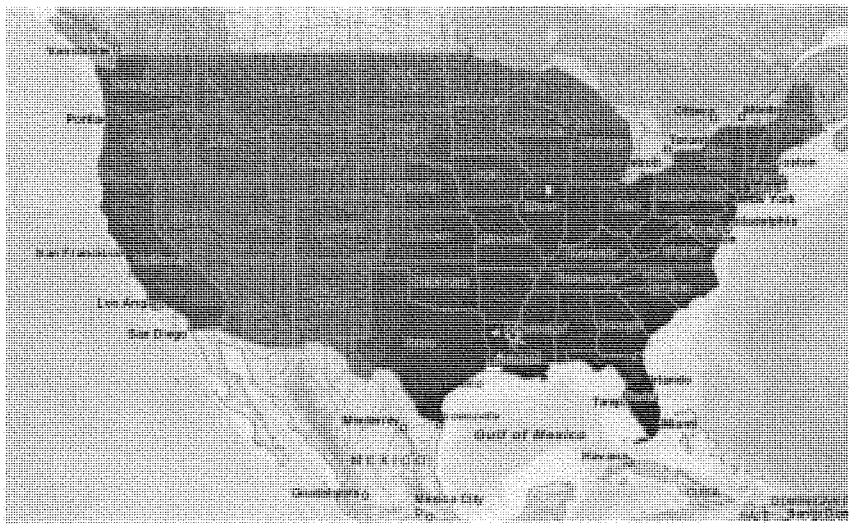
Takata's initial determination that high absolute humidity is a potential root cause in the most recent inflator ruptures was based on the observation that the early "Beta" rupture incidents (those not associated with prior recalls involving specific manufacturing issues) did not follow a relative humidity or average temperature bias, but strongly followed an absolute humidity bias. Below is a relative humidity map of the continental United States:



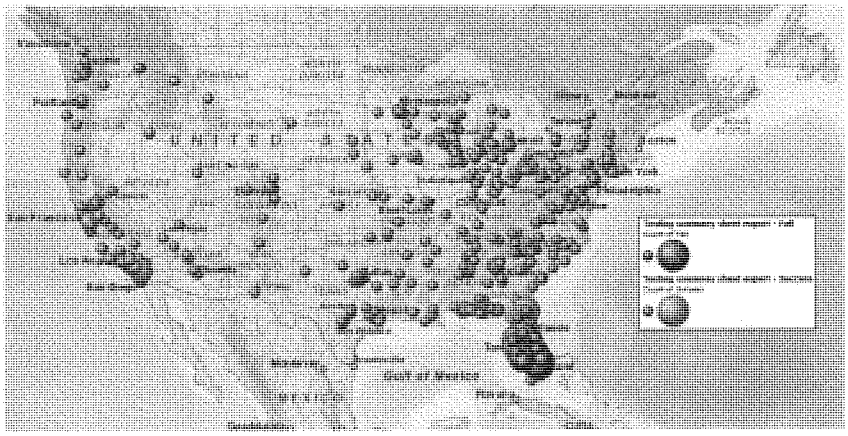
Below is an average temperature map of the continental United States:



Below is an absolute humidity map of the United States:



When the absolute humidity map, above, is compared to the map below of rupture events observed in Takata testing, which follow the patterns observed in the early Beta events, the correlation to the high absolute humidity map is striking:



*c. **How does extended exposure to high humidity and moisture affect the airbag inflator?***

Response:

In certain circumstances, exposure to conditions of high absolute humidity over an extended period of several years may result in the migration of moisture into the inflator, which in turn may degrade the propellant. Such conditions may alter the propellant's physical properties. *See also* Response to Question No. 4, *supra*.

*9. **Mr. Shimizu testified that the manufacturing of the inflators, and not the materials, was the cause of the ruptures occurring in high absolute humidity climates. How did Takata make that determination? Has Takata identified which manufacturing issues could potentially be problematic? If so, please identify them.***

Response:

The national recalls of vehicles in the United States equipped with certain Takata inflators that were initiated prior to October 2014 involved specific, identified manufacturing issues. Honda vehicles equipped with certain PSDI driver-side inflators were recalled between 2008 and 2012 because a propellant wafer pressing machine may have failed adequately to press wafers to the proper density. Recalls of vehicles equipped with various passenger-side inflators, including the SPI, PSPI, and PSPI-L designs, that were initiated in 2013 and expanded in 2014 were based on the identification of two manufacturing factors. First, Takata determined that controls for compression force measurement may not have been adequately monitored, potentially allowing propellant wafers pressed to below-specification force levels to be used for inflator assembly. Second, Takata identified the potential for material handling issues in the inflator assembly plant in Monclova, Mexico, which could have allowed propellant to be exposed to moisture for an excessive time period.

Although it is possible that additional undetermined manufacturing issues may exist in the population of inflators in the United States that were not covered by the aforementioned recalls (the so called "Beta" inflators), Takata is not currently aware of any such specific manufacturing issues that could potentially be the cause of the ruptures occurring in high absolute humidity climates. Based upon currently-available information, Takata believes that the relatively low frequency of field events even in the highest absolute humidity regions and even among older inflator units supports the theory that only a very limited number of unrecalled inflators are at risk.

10. ***Has Takata found any evidence in its testing that the vehicle itself is a possible contributor to the inflator ruptures? Has Takata found any evidence in its testing that the way in which the airbag module is installed in the vehicle is a possible contributor to the inflator ruptures?***

Response:

Takata's testing of inflators retrieved from the field has revealed significant differences in the rupture frequency for similar inflators depending on the vehicle make and model in which the inflators are installed. For instance, the testing results reveal that certain automobile make and model combinations appear to be at a greater risk of inflator rupture than others with similar inflator configurations. These results support the view that the automobile environment is a more important factor than previously suspected. Takata's investigation regarding the potential role of these factors in inflator performance is ongoing. Takata believes that further research into automobile design and environment differences could help explain the observations.

11. ***Please provide updated numbers/results for all inflator testing done by year up to the current date and starting with 2000.***

Response:

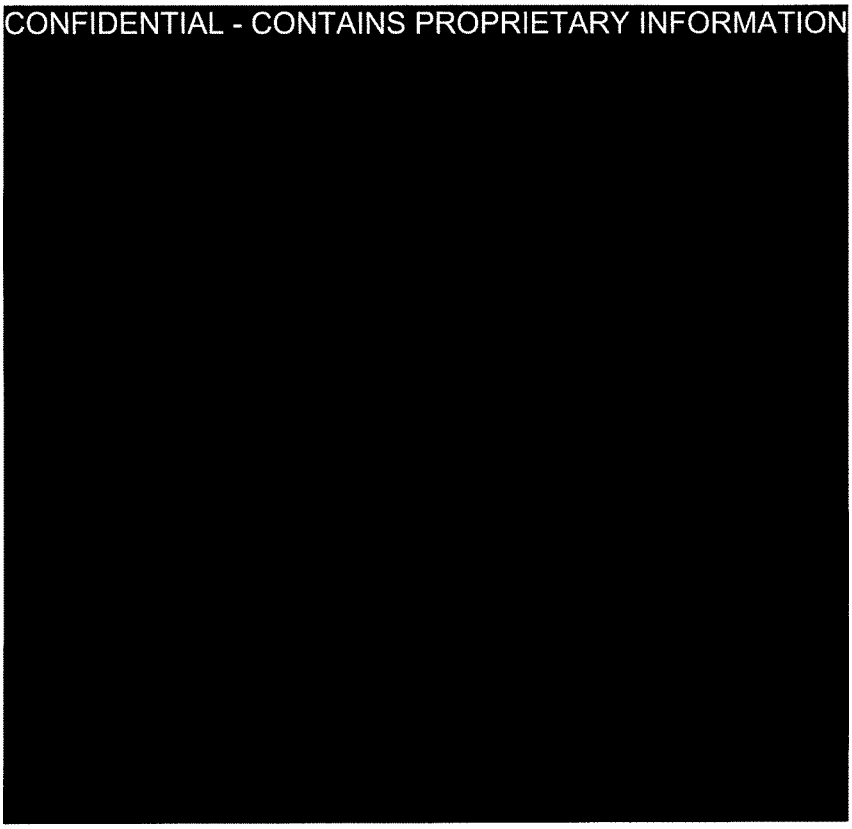
Attached hereto as Bates number TKH-HE&C00001313-1329 is a summary of the results, as of January 4, 2015, of testing conducted by Takata on inflators that have been retrieved from the field either as part of a campaign.

12. ***Please provide the exact number of replacement inflators manufactured in 2014 by design number and how many of each has been provided to each OEM to date.***

Response:

The chart below reflects the approximate number of replacement inflator kits manufactured and provided to automobile manufacturers between January 1 and December 23, 2014:

THE REMAINDER OF THIS ANSWER CONTAINS CONFIDENTIAL INFORMATION:



*13. **How does Takata determine the provision of replacement parts to each OEM?***

Response:

To date, Takata has had adequate capacity for production of replacement inflator kits to fill the monthly demand schedules provided by all automobile manufacturers. With the recent

expansions of the campaigns to include vehicles throughout the nation that were equipped with certain driver-side airbags, demand will likely exceed Takata's capacity at some point in the near future. Takata has explained to NHTSA and automobile manufacturers that its plan for the provision of replacement inflator units is to allocate supply based upon the percentage that each automobile manufacturer represents of the total demand. This proposal has been discussed with, and agreed to by, NHTSA and the automobile manufacturers. NHTSA has also agreed to assign a point person to assist in the allocation of capacity and production commitments going forward.

14. ***Based on Takata's testing and analyses, are there certain inflators that are more at risk than others in high absolute humidity areas? If so, please identify which inflators are more susceptible to a rupture in high absolute humidity areas.***

Response:

Takata's testing of inflators retrieved from the field has indicated that certain types of inflators are more at risk of rupture than others in high absolute humidity areas. Specifically, the PSPI-L inflator in the "FD" configuration appears to present a higher risk of rupture than other passenger inflators. As indicated in response to Question No. 10, Takata is still in the process of determining the contributing factors, if any, that may cause certain inflator types or certain automobile models to present more or less risk of rupturing.

15. ***NHTSA identified four high absolute humidity regions in its June 2014 regional field action request – Florida, Hawaii, Puerto Rico, and the U.S. Virgin Islands. Does Takata support NHTSA's identification of high absolute humidity areas in the United States?***

Response:

During a meeting with NHTSA in early summer 2014, when NHTSA initially asked Takata to support regional field actions to retrieve potentially problematic inflators from areas of high absolute humidity, NHTSA referred solely to automobiles originally sold in or registered in Florida and Puerto Rico. Takata and NHTSA noted that the field actions should also cover Hawaii and the U.S. Virgin Islands, based on the fact that the average absolute humidity in

Hawaii and the U.S. Virgin Islands is higher than that in Florida. Since that time, NHTSA has urged automobile manufacturers to revise the covered areas for regional campaigns involving passenger-side inflators to include certain areas in Southern Georgia, coastal areas of Alabama, Mississippi, Louisiana, Texas, Guam, American Samoa, and Saipan, all of which have high levels of absolute humidity. Takata fully supports those expansions.

a. Does Takata think more states should be included in the designated high absolute humidity region? If so, which states?

Response:

As discussed above, Takata supports the automobile manufacturers' expansion of the areas covered by the regional campaigns involving certain passenger inflators. Based on the testing and analysis conducted thus far, Takata does not believe that any further expansion of the region to include additional States is warranted at the present time. Nor does Takata believe that the testing and analysis to date support an expansion of the regional campaigns with respect to driver-side inflators. Nevertheless, Takata will support the automobile manufacturers' decisions to honor NHTSA's request for national campaigns covering certain driver-side inflators and will work to supply the necessary replacement kits as quickly as possible.

b. Please describe the method Takata utilized to determine areas of high absolute humidity in the United States if Takata disagrees with NHTSA's identification of high absolute humidity areas in the United States.

Response:

Takata does not disagree with NHTSA's identification of areas of high absolute humidity in the United States.

16. In the summer of 2004, Takata reported that it conducted an experiment on airbags at its Auburn Hills, Michigan facility to investigate an accident involving an airbag cushion tear. Takata claimed that the abrasion on the inside cover of the cushion was unrelated to an inflator rupture. How did Takata make the determination that the tear was unrelated to an inflator rupture? What caused the abrasion? Please explain.

Response:

The experiments conducted at Takata's Auburn Hills, Michigan, facility in 2004 were not in response to an accident involving an airbag cushion tear. Rather, they were conducted to address a cushion-tearing issue that had occurred during a compatibility crash test conducted by NHTSA in early 2004. Takata determined that the cushion-tearing issue was unrelated to an inflator rupture because the inflator used in the compatibility crash test in which the cushion tearing was observed did not rupture.

17. ***In September 2007, Takata presented a propellant exposure theory to Honda which concluded that "elevated moisture and thermal cycling compromised the propellant." Can you please explain this theory? Is it related to airbag inflator ruptures?***

Response:

This theory was related to ruptures of Takata's PSDI inflator. At the time, Takata did not have any intact inflators returned from the field for evaluation and testing. The theory was based on the observation that certain conditions may have existed during propellant and inflator manufacturing that could have introduced moisture into the system. No other manufacturing conditions were identified at the time that coincided with the known ruptures. However, after Takata was able to analyze inflators retrieved from the field, it determined that the likely cause of the ruptures was an abnormal propellant press condition and not excessive exposure to moisture in the manufacturing environment.

18. ***In the 2013 recalls affecting passenger's side airbag inflators, Takata attributed part of the defect to the "auto-reject" function on a machine at its Moses Lake, Washington facility. Takata stated in an April 11, 2013 filing to NHTSA that the auto-reject feature is supposed to identify and reject propellant wafers with inadequate compression. When the auto-reject is on and properly functioning, what is the average percentage of propellant wafers this feature rejects?***

Response:

THE FOLLOWING ANSWER CONTAINS CONFIDENTIAL INFORMATION:

CONFIDENTIAL - CONTAINS PROPRIETARY INFORMATION

19. ***Mr. Shimizu testified that the reported 2003 airbag inflator rupture incident in a BMW vehicle in Switzerland was not related to the current issues regarding inflators. What caused the inflator to rupture in that 2003 incident?***

Response:

The suspected root cause of the inflator rupture incident in 2003 involving a BMW automobile in Switzerland was propellant overload of the inflator's secondary chamber. Takata concluded that it was likely that the number of "batwing" propellant wafers included in that inflator did not conform to specification.

*a. **Mr. Shimizu testified that a manufacturing process problem was involved with the 2003 rupture in Switzerland. What specifically was the manufacturing process problem and how was it resolved?***

Response:

Takata identified two manufacturing process problems related to this incident. First, an operator apparently put too many wafers in the inflator. Second, a height-check device designed to verify that the proper quantity of wafers had been put in the inflator was not properly functioning, resulting in the possibility that the device may have failed to detect an overload.

*b. **Is the manufacturing issue from the 2003 rupture a possible cause of the ruptures occurring in either driver or passenger airbag inflators in the United States since 2003? Is Takata examining the possibility that the 2003 rupture has the same, or a similar, cause to the rupture events occurring after that time in the United States?***

Response:

Takata does not believe that the propellant overload issue identified in connection with the 2003 BMW rupture is a root cause explanation for the current "Beta" ruptures in the United

States. It is possible, however, that propellant overload may be a contributing factor in a particular case.

20. According to a December 3, 2014 Reuters article, Takata stated that the cause of the 2003 inflator rupture was due to an "overloaded inflator." What is an "overloaded inflator" and how does that occur? What processes did Takata put in place to remedy that particular inflator issue?

Response:

The incident referred to in the *Reuters* article is the same incident referred to in Question No. 19. The 2003 incident involved a PSDI-4 inflator manufactured on December 11, 2001, and Takata determined that the inflator likely was overloaded, meaning that the number of batwing propellant wafers inserted into the inflator likely exceeded specification.

THE REMAINDER OF THIS ANSWER CONTAINS CONFIDENTIAL INFORMATION:

CONFIDENTIAL - CONTAINS PROPRIETARY INFORMATION

[redacted]

a. What exact elements of the manufacturing process may cause an "overloaded inflator"?

Response:

Please see response to Question No. 19(a).

b. What exact elements of the manufacturing process caused the "overloaded inflator" in the 2003 case?

Response:

Please see response to Question No. 19(a).

21. How long will the Quality Assurance Panel's audit take to be completed? What Takata facilities will the Panel audit? What manufacturing procedures will the Panel audit? Will Takata make public any and all findings produced by the Panel's audit? If so, please identify which findings will be made public. Will the findings of the Panel's audit be

shared with Takata's vehicle manufacturer customers? Will the findings of the Panel be shared with any regulatory agencies, including but not limited to NHTSA?

Response:

The Quality Assurance Panel will be independent and will be chaired by former Secretary of Transportation Samuel K. Skinner. The Panel will audit and assess Takata's current policies, practices, procedures, structure, and personnel to ensure that the Company's current manufacturing meets best practices for the production of safe inflators, including inflator propellant. The Panel will commence work in the coming weeks and will have the time and access to the information it needs to fulfill its mandate thoroughly and independently. Upon completion, the report produced by the Panel will be made public.

Responses to Questions of Representative Blackburn

1. ***A November 19th New York Times article noted that two Takata employees at your Moses Lake, Washington facility questioned the use of an ammonium nitrate propellant in your airbags.***

   (1) Michael Britton, a Takata chemical engineer, stated the following: "It was a question that came up: Ammonium nitrate propellant, won't that blow up?"

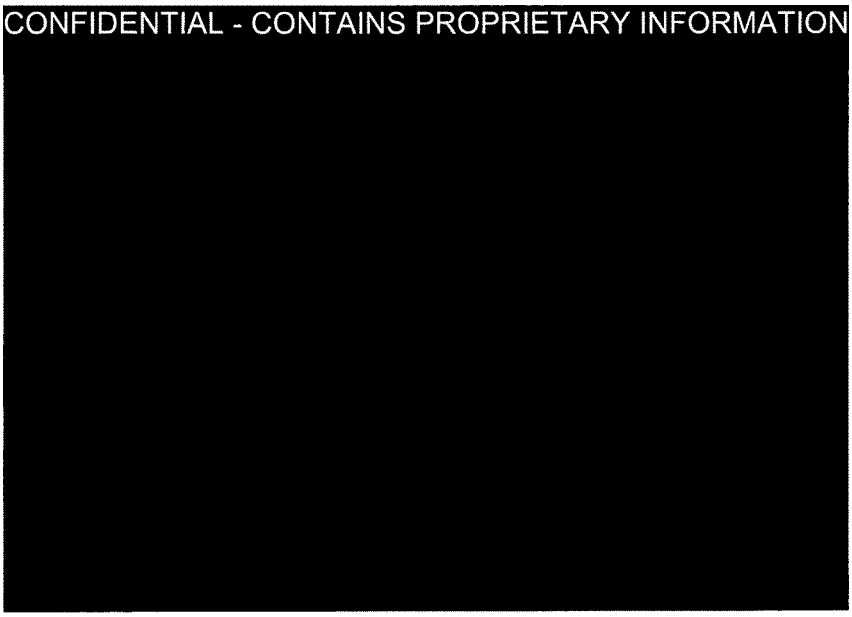
   (2) Mark Lillie, a former senior engineer with Takata, said "It's a basic design flaw that predisposes this propellant to break apart, and therefore risk catastrophic failure in an inflator."

      a. What was Takata's response to the concerns raised by Mr. Britton and Mr. Lillie?

Response:

Takata is currently reviewing whether Messrs. Britton and Lillie raised the concerns attributed to them in the *New York Times* article and, if so, whether and how Takata responded to those concerns.

THE REMAINDER OF THIS ANSWER CONTAINS CONFIDENTIAL INFORMATION:



b. Did any other Takata employees, or outside parties, warn Takata about using an ammonium nitrate propellant in its airbags?

Response:

Takata is currently reviewing whether any other warnings or concerns were raised regarding the use of ammonium nitrate in its inflators. However, Takata believes that, as with most technical development projects, it is likely that competing views were offered regarding the use of phase-stabilized ammonium nitrate propellants in airbag inflators. As is typical, such views would have been considered by internal experts and company management, and Takata's customers were aware of the relevant issues. In the end, Takata believed that the product demonstrated an ability to perform properly under a wide range of conditions.

c. Were concerns about using an ammonium nitrate propellant relayed to executives at Takata? Who? When?

Response:

Takata is currently reviewing whether concerns regarding the use of an ammonium nitrate propellant were raised with Takata executives, but it is currently unaware of any written record reflecting that such concerns were so relayed. Takata notes that significant concerns are generally raised verbally with Takata executives throughout the design review process.

d. Why did Takata decide to use an ammonium nitrate propellant as opposed to Tetrazole? Who at the company oversaw that decision making process?

Response:

THE FOLLOWING ANSWER CONTAINS CONFIDENTIAL INFORMATION:

CONFIDENTIAL - CONTAINS PROPRIETARY AND PERSONAL INFORMATION

e. Yes or no . . . was there a costs savings to using ammonium nitrate as opposed to Tetrazole in Takata air bags? What was the cost savings per airbag?

Response:

THE FOLLOWING ANSWER CONTAINS CONFIDENTIAL INFORMATION:

CONFIDENTIAL - CONTAINS PROPRIETARY INFORMATION

CONFIDENTIAL - CONTAINS PROPRIETARY INFORMATION

2. ***Did Takata have possession of any reports or studies, internal or otherwise, relating to the long term storage of ammonium nitrate as a propellant in airbags, or long-term storage in general, prior to making its decision to switch in 2001?***

Response:

Yes. Prior to deciding to use phase stabilized ammonium nitrate in its inflators in 2000, Takata had in its possession literature and research regarding the long-term storage of ammonium nitrate generally and as a propellant in airbags.

3. ***Did Takata perform any safety testing regarding ammonium nitrate propellant prior to authorizing its use in Takata airbags?***

Response:

Yes. Takata conducted safety testing regarding phase stabilized ammonium nitrate propellant prior to its use in airbags, as is the industry standard.

THE REMAINDER OF THIS ANSWER CONTAINS CONFIDENTIAL INFORMATION:

CONFIDENTIAL - CONTAINS PROPRIETARY INFORMATION

4. ***What was the level of training and experience of the Takata engineers involved in analyzing the use and granting approval to use ammonium nitrate propellant in airbags?***

Response:

Individuals who were involved in analyzing the use of, and granting the approval to use, ammonium nitrate in Takata airbags included B.S., M.S. and Ph.D. level engineers and chemists well-versed in pyrotechnic chemistry.

Responses to Questions of Representative Schakowsky

1. ***Takata filed a Part 573 Safety Recall Report on October 29, 2014, about a manufacturing issue at the Monclova, Mexico plant that was not previously disclosed during meetings with Committee staff. According to this 573 Report "[c]ertain air bag inflators installed in frontal driver-side air bag modules built with an incorrect component manufactured at Takata's Monclova, Mexico plant during the period from June 16th, 2008 through June 20th, 2014."***

    a. ***Was Takata producing defective airbags as recently as six months ago, even after it had recalled millions of vehicles?***

Response:

As stated in the Takata Part 573 Safety Recall Report 14E-071,[2] Takata did produce a certain number of inflators (driver-inflator type SDI-X) with an incorrect component that could lead to a ruptured inflator. This recall is unrelated to the rupture issues that Takata is currently investigating since it did not relate to ruptures potentially caused by moisture exposure and aging in high absolute humidity environments.

    b. ***How many airbags were built with "incorrect components" between June 1 and June 20, 2014?***

Response:

The exact number of SDI-X inflators built with an incorrect component is not known. General Motors and Nissan both conducted recalls in the United States in 2014 to address this manufacturing problem. General Motors recalled approximately 30,000 automobiles and Nissan approximately 2,000 automobiles. The number of automobiles recalled by General Motors and Nissan includes a safety margin regarding the suspect population with potentially incorrect components, and it is likely that fewer than that number of inflators actually were built with the incorrect component.

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[2] *Available at* www-odi.nhtsa.dot.gov/acms/cs/jaxrs/download/doc/UCM465672/RCLRPT-14E071-0392.PDF.

c. What was the manufacturing defect you identified in this October 29 report? How did this defect affect the functionality of the airbags?

Response:

As stated in the "Description of the Defect" section of the Part 573 Report:

> Some airbags may contain an inflator that was built with an incorrect outer baffle component that could cause excessive internal pressure inside of the inflator that can lead to a rupture during a deployment. In a vehicle crash event, this may cause inflator components to separate and potentially be propelled toward the interior of the vehicle.

d. How is this manufacturing-related defect different from the manufacturing defect Takata previously identified that occurred at the Monclova plant in 2002?

Response:

The defect Takata identified with respect to the production of inflators in the Monclova assembly plant in 2002 related to the handling of propellant wafers. Takata determined that propellant wafers could have been left in work stations during a prolonged shutdown of the assembly line, exposing them to humidity inside the plant for a prolonged period of time. The defect described in the October 29, 2014 Part 573 Report described above is entirely unrelated to the 2002 Monclova defect.

2. *Please provide all recent results of Takata's testing (in the same format as previously provided to the Committee), from November 17, 2014 to the present.*

Response:

Please see the charts provided in response to Representative Terry's Question No. 11.

3. *At the Subcommittee hearing on December 3, 2014, Takata testified that the replacement airbag inflators were produced from the most recent production line, which takes into account all countermeasures learned from previous issues. But in meetings with Committee staff, Takata's representatives said that most of the recalled inflators were being placed with "like" inflators, with the exception of one car manufacturer that elected to use a different inflator for the replacements.*

a. How has the design or manufacturing process changed from the production of the original inflators to the "most recent line" you discussed at the Subcommittee hearing?

Response:

THE FOLLOWING ANSWER CONTAINS CONFIDENTIAL INFORMATION:

CONFIDENTIAL - CONTAINS PROPRIETARY INFORMATION

b. Are the replacement inflators different in any way from the original inflators installed in the vehicles?

Response:

THE FOLLOWING ANSWER CONTAINS CONFIDENTIAL INFORMATION:

CONFIDENTIAL - CONTAINS PROPRIETARY INFORMATION

c. Please describe all modifications or changes in the design, material composition, manufacturing, or quality control of the inflators that were made from 2000-2014.

Response:

Please see the response to Question No. 3(a) above and Representative Terry's Question No. 7.

d. Takata, NHTSA, and the automakers testified at the Subcommittee hearing on December 3, 2014, that the root cause of the airbag ruptures is still unknown. Takata claims that high humidity, high temperature, and the age of the vehicle are factors contributing to the ruptures. What is Takata doing to ensure that the new airbags currently being installed into cars in Florida will not have the same problems in five or ten years?

Response:

As explained in response to Question No. 3(a) above and Representative Terry's Question No. 7, Takata has made numerous improvements to its manufacturing processes. As

the question recognizes, Takata's analysis of the possible root cause(s) of the "Beta" inflator ruptures is still ongoing. Until the analysis is complete, it is not possible for Takata to know with certainty whether inflators produced today will need to be replaced at some point in the future.

4. ***At the Subcommittee hearing on December 3, 2014, you testified that testing of airbags that occurred in 2004 was not related to the current inflator recalls. In a follow-up written response to Chairman Upton's question, the airbag testing that Takata conducted in 2004 was instead related to airbag cushion tearing identified by NHTSA that year.***

    a. ***Please describe with specificity the testing protocols that Takata used to test airbags for tearing in 2004.***

Response:

The cushion-tearing issue was first observed during vehicle-to-vehicle compatibility crash tests conducted by NHTSA. Takata's tests in 2004 were designed to replicate and study the cushion-tearing phenomena, and these experiments included sled tests, inflator-only ballistic tests, static module tests, and pendulum tests.

    b. ***Please describe with specificity the results of Takata's testing of airbag tearing in 2004, including information on the number of airbags tested, the number of tested airbags with cushion tearing, and the number of tested airbags with other problems (including a description of those problems).***

Response:

Takata tested approximately 192 airbags in connection with the cushion-tearing experiments conducted in 2004. Approximately 34 tested airbags tore as part of the experiments and approximately 3 airbags experienced pin holes. Takata is aware of a single inflator rupture in connection with those tests, but that inflator was not a production-manufactured inflator and was specifically manufactured in the engineering lab with the intent of producing an abnormally high output through propellant overload. Takata determined that the root cause of the cushion tearing observed by NHTSA was likely the potential for abrasion of the airbag cushion on the inside of the airbag cover upon deployment of the airbag during conditions of unusual acceleration, such

as those produced by the compatibility crash tests.

c. Did Takata's testing of airbags for tearing in 2004 result in any ruptures of airbag inflators, or any indication that airbags could potentially rupture?

Response:

Please see the response to Question No. 4(b) above.

d. Did Takata conduct any other testing of airbags in 2004 in the normal course of business? If so, did any such testing result in ruptures of airbag inflators, or any indication that airbags could potentially rupture?

Response:

Takata is continuing to review its records concerning the testing of inflators. However, other than routine quality assurance and quality control testing of inflators as part of the manufacturing process, Takata does not currently believe that its engineers in the U.S. conducted tests of inflators in 2004 relating to the potential for rupturing.

5. ***Many members of the armed forces serve at bases in located in the high absolute humidity regions, and may be stationed there or deployed from there for years, but are allowed to register their cars in their home states. In these or other cases, the vehicle may be operated in Florida for many years but never registered in Florida. In working with the vehicle manufacturers to identify vehicles for recall, how is Takata accounting for these and other vehicles that have been operated in high-humidity regions for years but have never been registered in those regions?***

Response:

Takata has identified the inflators – and the air bag modules associated with those inflators – that were produced during the relevant periods. It is up to the automobile manufacturers to decide which vehicle owners are notified and given the opportunity to obtain a replacement inflator. Takata believes that Honda and possibly other manufacturers have also made arrangements to replace airbags in other circumstances where requested by owners who are concerned about the potential for inflator ruptures. With respect to driver-side inflators, all of the affected automobile manufacturers have now agreed to conduct nationwide campaigns.

Takata continues to work with automobile manufacturers to provide the necessary replacement units in response to these actions.

6. ***According to a Reuters article on December 4, 2014, titled "Toyota Expands Takata Air Bag Recall in Japan, China," Toyota announced that it would recall 185,000 vehicles across 19 models in Japan and 5,000 vehicles in China. Japan's transport ministry said that it instructed other automakers to check whether their vehicles could be affected by the same inflator problem.***

    a. ***Has Takata conducted, or is Takata planning to conduct, any recalls in Japan or China with regard to Takata airbag inflator ruptures?***

Response:

Takata, as a supplier of original equipment, does not conduct vehicle recalls. However, Toyota, Honda, Nissan, and Mitsubishi are conducting recalls in Japan and/or China of vehicles equipped with certain Takata inflators. Takata, as always, supports the actions of automobile manufacturers to promote vehicle safety.

    b. ***If so, are the recalls in Japan or China conducted pursuant to laws or regulations in those countries? What laws or regulations?***

Response:

Recalls in Japan are regulated by the Japan Ministry of Land, Infrastructure, Transport and Tourism (JMLIT). Recalls in China are regulated by the Administration of Quality Supervision, Inspection and Quarantine (AQSIQ).

    c. ***Please list the make, model, and model years of each vehicle that was recalled in Japan and China in relation to Takata airbag inflator ruptures.***

Response:

The following table lists the automobiles that have been recalled in Japan in connection with recalls referenced in the *Reuters* article:

Recall Date	Inflator Type	Make	Model(s)	Automobile Production Period	No. of Affected Units
12/4/14	SPI	Toyota	Corolla, Corolla Runx, Alex, Corolla Fielder, Alphard G, Alphard V, Ipsum, Opa, Gaia, Noa, Voxy, Brevis, Probox, Succeed, Mark II, Verossa, Mark II Britt, WiLL Cypha, WiLL VS	9/24/02-12/25/03	185,093
12/11/14	SPI	Nissan	Presage, X-Trail, Teana, Blue Bird Sylphy, Liberty, Caravan, Safari, Isuzu Como	1/10/03-1/14/04	82,951
12/11/14	SPI	Honda	Stream, Fit, Civic Felio, Civic HHybrid, CR-V, Mobilio, Mobilio Spike, That's, Accord, Accord Wagon	1/6/03-12/27/03	175,111
12/11/14	SPI	Honda	Element	5/19/03-2/6/04	1,741

The following table lists the automobiles that have been recalled in China in connection with the recalls referenced in the *Reuters* article:

Recall Date	Inflator Type	Make	Model(s)	Automobile Production Period	No. of Affected Units
12/5/14	SPI	Toyota	Vios	4/16/03-12/31/03	5,361
12/16/14 & 12/19/14	SPI	Honda	Fit Saloon, Stream, CR-V, Civic	10/30/02-12/30/03	19,128
12/17/14	SPI	Nissan	Paladin, Patrol, Extrail	1/1/03-12/31/03	6,313

Takata Inflator Test Summary

Testing Through January 4, 2015

Beta Incidents (U.S.)

No	Takata Notified	Model Year	Event Date	Infl Type	Infl DOB	Location	Field Action Status
1	Sep-13	2005	8/6/13	PSDI Driver	1/18/2005	Florida	Included in 4 state Driver Regional Action
2	Dec-13	2006	9/7/13	PSDI-4 Driver	6/8/2006	Florida	Included in 4 state Driver Regional Action
3	Mar-14	2003	3/2/14	PSPI-L Pass.	5/1/2002	Puerto Rico	Included in 2014 Expansion of National Recall
4	Apr-14	2002	5/12/13	PSPI-L Pass.	7/31/2002	Puerto Rico	Included in 2014 Expansion of National Recall
5	Apr-14	2004	1/2/14	SPI Pass.	6/27/2003	Puerto Rico	Included in 4 state Passenger Regional Action
6	Apr-14	2005	4/26/14	PSDI-4 Driver	5/17/2005	Florida	Included in 4 state Driver Regional Action
7	Jun-14	2005	5/31/14	PSDI-4 Driver	4/27/2005	California	Included in 11 state Driver Regional Action
8	Jun-14	2002	7/7/14	PSDI Driver	6/3/2002	Florida	Included in 11 state Driver Regional Action
9	Aug-14	2004	5/20/14	SPI Pass.	6/16/2003	Florida	Included in 4 state Passenger Regional Action
10	Nov-14	2007	8/17/14	PSDI-4 Driver	2/19/2007	N. Carolina	Evidence limited to photos of an inflator fragment
11	Nov-14	2003	N/A	PSPI-L Pass.	1/29/2003	Texas	Included in Coastal Passenger Regional Action
12	Nov-14	2003	10/7/14	PSPI-L Pass.	2/21/2003	Puerto Rico	Included in 4 state Passenger Regional Action

ALPHA TESTS SUMMARY

Passenger PSPI-L
ALPHA TESTS SUMMARY

Region	PSPI-L		PSPI-L		PSPI-L		PSPI-L		PSPI-L Total	
	I.R.	Tests	I.R.	Tests	I.R.	Tests	I.R.	Tests	I.R.	Tests
Southern Florida	13	124	1	8	0	3	0	0	14	135
Northern Florida	0	63	0	16	0	0	0	0	0	79
Puerto Rico	6	46	0	0	0	0	0	0	6	46
Outside Florida/ Puerto Rico	0	2	0	49	0	23	0	0	0	74
Total	19	235	1	73	0	26	0	0	20	334

I.R.=Inflator Rupture

Passenger PSPI

ALPHA TESTS SUMMARY

Region	PSPI		[illegible]		PSPI		[illegible]		PSPI		[illegible]		PSPI		PSPI		[illegible]	
	I.R.	Tests	I.R.	Tests	I.R.	Tests	I.R.	Tests	I.R.	Tests	I.R.	Tests	I.R.	Tests	I.R.	Tests	I.R.	Tests
Southern Florida	0	56	4	34	0	1	0	16	0	1	0	11	0	0	0	0	4	119
Northern Florida	0	102	0	1	0	3	0	4	0	5	0	24	0	0	0	0	0	139
Hawaii	0	15	0	0	1	26	0	0	0	0	0	0	0	0	0	0	1	41
Other State	0	22	0	10	0	78	0	34	0	338	0	285	0	0	0	0	0	767
Total	0	195	4	45	1	108	0	54	0	344	0	320	0	0	0	0	5	1066

I.R.=Inflator Rupture

TKH-HE&C00001317

Passenger SPI
ALPHA TESTS SUMMARY

Region	SPI		SPI		SPI		SPI		SPI		SPI		SPI		[illegible]		SPI Total	
	I.R.	Tests	I.R.	Tests	I.R.	Tests	I.R.	Tests	I.R.	Tests	I.R.	Tests	I.R.	Tests	I.R.	Tests	I.R.	Tests
Southern Florida	0	3	0	14	0	0	0	2	0	0	0	0	0	0	0	0	0	19
Northern Florida	1	7	0	43	0	0	1	9	0	0	0	0	0	0	0	0	2	59
Hawaii	2	90	0	0	0	0	0	0	0	0	0	0	0	0	0	0	2	90
Other State	0	45	0	2	0	0	2	418	0	0	0	0	0	0	0	0	2	465
Total	3	145	0	59	0	0	3	429	0	0	0	0	0	0	0	0	6	633

I.R.=Inflator Rupture

Driver

ALPHA TESTS SUMMARY

Region	PSDI		[illegible]		PSDI-4K		[illegible]		PSDI-4		[illegible]		SDI		Driver Total	
	I.R.	Tests	I.R.	Tests	I.R.	Tests	I.R.	Tests	I.R.	Tests	I.R.	Tests	I.R.	Tests	I.R.	Tests
Southern Florida	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Northern Florida	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Outside Florida/ Puerto Rico	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

I.R.=Inflator Rupture

TKH-HE&C00001319

BETA TESTS SUMMARY

Passenger PSPI-L
BETA TESTS SUMMARY

Region	PSPI-L		PSPI-L		PSPI-L		PSPI-L		PSPI-L Total	
	I.R.	Tests	I.R.	Tests	I.R.	Tests	I.R.	Tests	I.R.	Tests
Southern Florida	44	295	0	0	0	110	0	16	44	421
Northern Florida	8	94	0	3	0	3	0	46	8	146
Puerto Rico	2	54	0	0	0	0	0	0	2	54
Outside Florida/ Puerto Rico	0	174	0	10	0	300	0	4	0	488
Total	54	617	0	13	0	413	0	66	54	1109

I.R.=Inflator Rupture

Passenger PSPI

BETA TESTS SUMMARY

Region	PSPI		PSPI		PSPI		PSPI		PSPI		PSPI		PSPI		PSPI		PSPI Total	
	I.R.	Tests	I.R.	Tests	I.R.	Tests	I.R.	Tests	I.R.	Tests	I.R.	Tests	I.R.	Tests	I.R.	Tests	I.R.	Tests
Southern Florida	0	126	3	118	0	42	0	14	0	21	0	65	0	17	0	0	3	403
Northern Florida	0	223	0	27	0	127	0	3	0	99	0	121	0	14	0	1	0	615
Hawaii	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other State	0	58	0	294	0	15	0	14	0	103	0	69	0	0	0	0	0	553
Total	0	407	3	439	0	184	0	31	0	223	0	255	0	31	0	1	3	1571

I.R.=Inflator Rupture

Passenger SPI
BETA TESTS SUMMARY

Region	25		50		75		90		95		99		95 Rear		95 Front	
	I.R.	Tests	I.R.	Tests	I.R.	Tests	I.R.	Tests	I.R.	Tests	I.R.	Tests	I.R.	Tests	I.R.	Tests
Southern Florida	0	55	0	12	0	0	0	15	1	12	0	3	0	2	0	0	1	99
Northern Florida	5	240	0	40	0	1	0	58	0	11	0	0	0	0	0	14	5	364
Hawaii	0	2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	2
Other State	0	8	0	0	0	0	0	43	0	3	0	0	0	0	0	0	0	54
Total	5	305	0	52	0	1	0	116	1	26	0	3	0	2	0	14	6	519

I.R.=Inflator Rupture

Driver

BETA TESTS SUMMARY

Region	PSDI		PSDI-4		PSDI-4K		PSDI-5		[illegible]		[illegible]		SDI		Driver Total	
	I.R.	Tests	I.R.	Tests	I.R.	Tests	I.R.	Tests	I.R.	Tests	I.R.	Tests	I.R.	Tests	I.R.	Tests
Southern Florida	0	50	0	333	1	248	0	141	0	17	0	51	0	1	1	841
Northern Florida	0	1	0	142	1	65	0	217	0	14	0	148	0	0	1	587
Outside Florida/ Puerto Rico	0	126	0	457	0	322	0	83	0	1	0	22	0	0	0	1011
Total	0	177	0	932	2	635	0	441	0	32	0	221	0	1	2	2439

I.R.=Inflator Rupture

TOTAL TESTS SUMMARY

Passenger PSPI-L
TOTAL TESTS SUMMARY

Region	PSPI-L		PSPI-L		PSPI-L		PSPI-L		PSPI-L Total	
	I.R.	Tests	I.R.	Tests	I.R.	Tests	I.R.	Tests	I.R.	Tests
Southern Florida	57	419	1	8	0	113	0	16	58	556
Northern Florida	8	157	0	19	0	3	0	46	8	225
Puerto Rico	8	100	0	0	0	0	0	0	8	100
Outside Florida/ Puerto Rico	0	176	0	59	0	323	0	4	0	562
Total	73	852	1	86	0	439	0	66	74	1443

I.R.=Inflator Rupture

Passenger PSPI

TOTAL TESTS SUMMARY

Region	PSPI		PSPI		PSPI		PSPI		PSPI		PSPI		PSPI		PSPI		PSPI Total	
	I.R.	Tests	I.R.	Tests	I.R.	Tests	I.R.	Tests	I.R.	Tests	I.R.	Tests	I.R.	Tests	I.R.	Tests	I.R.	Tests
Southern Florida	0	182	7	152	0	43	0	30	0	22	0	76	0	17	0	0	7	522
Northern Florida	0	325	0	28	0	130	0	7	0	104	0	145	0	14	0	1	0	754
Hawaii	0	15	0	0	1	26	0	0	0	0	0	0	0	0	0	0	1	41
Other State	0	80	0	304	0	93	0	48	0	441	0	354	0	0	0	0	0	1320
Total	0	602	7	484	1	292	0	85	0	567	0	575	0	31	0	1	8	2637

I.R.=Inflator Rupture

Passenger SPI

TOTAL TESTS SUMMARY

Region	[illegible]		[illegible]		[illegible]		[illegible]		[illegible]		[illegible]		[illegible]		[illegible]		SPI Total	
	I.R.	Tests	I.R.	Tests	I.R.	Tests	I.R.	Tests	I.R.	Tests	I.R.	Tests	I.R.	Tests	I.R.	Tests	I.R.	Tests
Southern Florida	0	58	0	26	0	0	0	17	1	12	0	3	0	2	0	0	1	118
Northern Florida	6	247	0	83	0	1	1	67	0	11	0	0	0	0	0	14	7	423
Hawaii	2	92	0	0	0	0	0	0	0	0	0	0	0	0	0	0	2	92
Other State	0	53	0	2	0	0	2	461	0	3	0	0	0	0	0	0	2	519
Total	8	450	0	111	0	1	3	545	1	26	0	3	0	2	0	14	12	1152

I.R.=Inflator Rupture

Driver

TOTAL TESTS SUMMARY

Region	2001		2002		2003		2004		2005		2006		2007		2008		Total	
	I.R.	Tests	I.R.	Tests	I.R.	Tests	I.R.	Tests	I.R.	Tests	I.R.	Tests	I.R.	Tests	I.R.	Tests	I.R.	Tests
Southern Florida	0	50	0	333	1	248	0	141	0	17	0	51	0	1	1	841		
Northern Florida	0	1	0	142	1	65	0	217	0	14	0	148	0	0	1	587		
Outside Florida/ Puerto Rico	0	126	0	457	0	322	0	83	0	1	0	22	0	0	0	1011		
Total	0	177	0	932	2	635	0	441	0	32	0	221	0	1	2	2439		

I.R.=Inflator Rupture

FRED UPTON, MICHIGAN
CHAIRMAN

HENRY A. WAXMAN, CALIFORNIA
RANKING MEMBER

ONE HUNDRED THIRTEENTH CONGRESS

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House of Representatives
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December 15, 2014

Mr. Rick Schostek
Executive Vice President
Honda North America
24000 Honda Parkway
Marysville, OH 43040

Dear Mr. Schostek,

Thank you for appearing before the Subcommittee on Commerce, Manufacturing, and Trade on Wednesday, December, 2014 to testify at the hearing entitled "Takata Airbag Ruptures and Recalls."

Pursuant to the Rules of the Committee on Energy and Commerce, the hearing record remains open for ten business days to permit Members to submit additional questions for the record, which are attached. The format of your responses to these questions should be as follows: (1) the name of the Member whose question you are addressing, (2) the complete text of the question you are addressing in bold, and (3) your answer to that question in plain text.

To facilitate the printing of the hearing record, please respond to these questions by the close of business on Tuesday, December 30, 2014. Your responses should be e-mailed to the Legislative Clerk in Word format at **Kirby.Howard@mail.house.gov** and mailed to Kirby Howard, Legislative Clerk, Committee on Energy and Commerce, 2125 Rayburn House Office Building, Washington, D.C. 20515.

Thank you again for your time and effort preparing and delivering testimony before the Subcommittee.

Sincerely,

Lee Terry
Chairman
Subcommittee on Commerce,
Manufacturing, and Trade

cc: Jan Schakowsky, Ranking Member, Subcommittee on Commerce, Manufacturing, and Trade
Attachment

HONDA

Honda North America, Inc.
1001 G Street, N.W Suite 950
Washington, D.C 20001
Phone (202) 661-4400

January 8, 2015

Hon. Michael C. Burgess, Chairman
Subcommittee on Commerce, Manufacturing and Trade
Committee on Energy and Commerce
2125 Rayburn House Office Building
Washington, D.C. 20515-6115

Dear Mr. Chairman:

Attached please find my responses to the written questions that the Subcommittee submitted with respect to my testimony on December 3, 2014, at the hearing entitled "Takata Airbag Ruptures and Recalls."

I appreciate the opportunity to have testified before the Subcommittee.

Sincerely,

Rick Schostek
Executive Vice President

cc: Hon. Jan Schakowsky, Ranking Member

Additional Questions for the Record

The Honorable Lee Terry

1. *If given a serial number for a defective inflator, can Honda currently identify the specific car in which the defective inflator was installed? How long does the identification process take? What are the methods Honda is using to complete the identification?*

   Response:

   Yes, in most instances American Honda can identify the specific vehicle into which a defective inflator was installed after contacting the supplier of the airbag assembly (airbag, airbag inflator, and related parts) to identify which original equipment airbag assembly or airbag assembly service part contained the defective inflator.

   During vehicle manufacture, when the airbag assembly is installed into the vehicle, the airbag assembly serial number and vehicle identification numbers (VIN) are scanned and the linked information is stored in Honda's data base (the airbag assembly serial number is different from the component inflator serial number)..

   Similarly, when an American Honda authorized dealer orders a replacement airbag assembly to repair a vehicle, American Honda asks the dealer for the vehicle identification number of the vehicle in which the airbag assembly service part is to be installed. When American Honda ships the airbag assembly service part to the dealer, American Honda scans the serial number of the service part packaging, links it to the VIN provided by the dealer, and stores this information in a data base. (Because the airbag assembly is packaged by the supplier, American Honda does not have access to the serial number of an airbag assembly service part, and instead must capture the service part packaging serial number. Like the airbag assembly serial number, the service part packaging serial number is different from the component inflator serial number.)

   Thus, if given a serial number for a defective inflator, American Honda must provide the inflator serial number to the supplier. In return, it will receive back from the supplier the serial number of the airbag assembly that included the inflator and, if applicable, the service part packing serial number if the airbag assembly was supplied as a service part. (American Honda may also receive the identity of the factory to which an original equipment airbag assembly was supplied.) The applicable serial number can then be looked up in an American Honda data base and the matched VIN determined. This process can take up to one week.

   Note, however, that if a dealer provides American Honda with a vehicle identification number that differs from the vehicle identification number for the vehicle into which an airbag assembly service part eventually is installed, American Honda will not be able to link a defective inflator to a specific vehicle.

2. *Takata reported that it first received photographs involving a 2004 rupture incident in mid-2005. In a September 16, 2009 filing with NHTSA, Honda reported that it had discovered an unusual deployment that occurred in May 2004. In that filing, Honda noted that the event*

was reported to Honda in 2004 and information related to the incident was shared with Takata "at that time."[1] Is this the same 2004 incident that was reviewed by Takata in 2005? Please confirm when Honda sent photographs, or any other information, to Takata regarding unusual airbag ruptures that occurred in 2004. If they were sent in 2005, please explain why the photographs were not sent to Takata directly after Honda learned about the incident. Did Honda also report the 2004 incident to NHTSA? If so, when? What was NHTSA's response?

Response:

At the end of May 2004, American Honda learned of an allegation that a driver's airbag inflator had ruptured in early May 2004. This incident was first reported to NHTSA through TREAD Early Warning Reporting in the Quarter 2, 2004 report, submitted in August 2004. The incident was the first allegation Honda had received involving the rupture of this generation of the driver's airbag inflator.

After Honda obtained the vehicle owner's consent, Honda inspected the vehicle and photographs were taken. Those photographs were shared with Takata sometime in the first half of 2005, apparently around the time that Honda settled the claim with the owner. We have been unable to further reconstruct the circumstances surrounding Honda's investigation of this incident to determine why the information was not shared with Takata any sooner; however, this timing does not reflect our current business practices of obtaining the affected components and contacting the supplier to determine the cause of a failure.

Beyond the TREAD Early Warning Report provided in August 2004, more detailed information about this incident was shared with NHTSA's Office of Defects Investigation on September 16, 2009 in a document submitted in response to an August 19, 2009, information request, and again in subsequent updates to that response. NHTSA responded to the September 16, 2009 submission by closing the subsequently opened recall query (RQ 09-004) on May 6, 2010, stating that, "The timeliness and scope of the involved recalls has been determined to be appropriate."

3. *Takata reported that it conducted a visual inspection of the photographs and determined that the rupture was an anomaly and that moisture had gotten into the unit. Did Takata report that finding to Honda? If so, when? Was Honda satisfied with that determination? Did Honda request that Takata do any physical testing on the inflator part? Was any testing conducted on the inflator to determine the cause of the rupture?*

Response:

As noted, Honda provided Takata with photographs of the inflator components of the 2004 rupture incident in mid-2005. Honda did not recover any pieces of the actual inflator from

[1] See http://www.autosafety.org/sites/default/files/imce_staff_uploads/09V-259%20Why%20Not%20in%2008V593%20Response%209-16-09.pdf

that vehicle, and it is not aware that Takata recovered any parts from the vehicle. Therefore, it was impossible for Honda or Takata to conduct any physical testing of the inflator. Honda was informed by Takata, as a part of the investigation beginning in 2007, that the 2004 rupture was an anomaly. Honda was satisfied with Takata's finding and the evidence presented at that time. Takata ultimately conducted extensive analysis of the 2004 event and presented those results to Honda.

4. *Takata reported that it received three accident reports from Honda involving ruptured airbag inflators between May to August of 2007. Did Honda report those incidents to NHTSA? If so, what was NHTSA's response? Did NHTSA request any follow up action from Honda? If so, please describe what action NHTSA requested of Honda and how Honda followed through with that request.*

Response:

Honda first reported one of those incidents to NHTSA in a TREAD Early Warning Reporting for Quarter 3, 2007, which was submitted in November 2007. All three incidents were reported to NHTSA in September 2009, along with several other known Takata rupture incidents, in connection with the August 19, 2009 NHTSA information. NHTSA responded to the September 2009 submission by opening the RQ09-004 timeliness investigation on November 2, 2009. NHTSA ultimately closed RQ09-004 on May 6, 2010, noting that "The timeliness and scope of the involved recalls has been determined to be appropriate."

5. *During the 2008-2011 recalls, did Honda ask Takata if the passenger side airbags were suspected of containing any defects? If so, what specific questions did Honda ask Takata about the passenger airbags and what was Takata's response?*

Response:

During the time period of the 2008-2011 recalls, and the decisions preceding those recalls, Takata informed Honda that, after studying the possible sources of the inflator ruptures and identifying the recall populations, the defect was attributable to the handling of the propellant during inflator assembly that could increase moisture levels. The increased moisture levels, when coupled with thermal cycling over time, could lead to reduced propellant density and overly-aggressive combustion during air bag deployment. Honda was informed that this issue was applicable to driver's side airbag inflators only and issued safety recall 08V-593 accordingly. Subsequently, Takata discovered with further review of inflators returned from this recall campaign – some of which fell outside the manufacturing range when Takata suspected the propellant was exposed to elevated moisture – that the source of the defect was more likely due to problems with a specific propellant compression press (a Stokes press) used to form the inflator's propellant. As a result, Honda conducted a second recall for potentially affected driver's airbag inflators, 09V-259, which was essentially an expansion of the first recall. This information is contained in the ODI Closing Resume for RQ 09-004, opened on November 02, 2009 and closed on May 6, 2010.

At the time of the 2008-2011 driver airbag inflator recalls, Honda's understanding of the root cause analysis for issue was that it only related to the driver's airbag inflators. Honda was not (and is not) aware of any analysis in that time frame that indicated passenger airbag inflators may also be subject to the same problem. Honda understood that the driver and passenger side inflators were manufactured on separate presses, and that the affected press (Stokes) was only used for the driver's side inflators. Honda has not found any records that indicate that during the 2008-2011 recall period Honda asked Takata whether passenger side airbag inflators were susceptible to the same problems that resulted in the driver side recalls.

6. *On December 3, 2014, Autoliv, Inc. stated that it would supply replacement airbag inflators to Honda in support of the ongoing field action initiatives in the United States. When will the first Autoliv replacement part be available? What will be Autoliv's capacity for production of replacement inflators per month? Will Autoliv produce both driver and passenger airbags? For which Honda model and model year vehicles will Autoliv produce airbag inflator replacements?*

Response:

Autoliv will begin shipping driver airbag inflator assembly parts in March 2015. They will not produce passenger airbag inflator parts. The Autoliv airbag inflators will be applied to all models under the driver's airbag inflator recall and Safety Improvement Campaigns (SICs). The Autoliv-supplied parts will require a wire harness and fasteners to be attached, which will be undertaken by Takata Mexico. As a result, the final packaging will be completed by Takata Mexico, after which the complete driver airbag inflators will be shipped to American Honda. It is estimated it will take two weeks from Autoliv's date of production to arrival at American Honda.

Autoliv's manufacturing capacity is not yet finalized, but Autoliv inflators will start to be applied to the market from March. Its production will be increased after May 2015, when a new production line will be in operation.

7. *How many Honda employees have safety in their title?*

Response:

This is difficult to answer in the form in which the question is asked. Entire departments within Honda's research entities are responsible for safety-related work. Further, while some of the staff in Honda's Product Regulatory Office in the United States have the word "safety" in their titles, others do not, even though they work on safety issues. On the other hand, there are associates with the word "safety" in their titles who are involved in occupational, facility, transportation or logistical safety – but who do not specifically deal with vehicle or product safety.

8. *Who is the most senior person within Honda solely responsible for safety? How many people would such a person have above them in an organization chart before reaching the CEO?*

Response:

Honda does not have any personnel who are "solely" responsible for safety. As noted above, there are many people within Honda with safety responsibilities.

9. *Please provide an organization chart for all people who are responsible for any Honda reporting to NHTSA or for anyone within Honda who interacts with NHTSA personnel.*

Response:
In responding to this question, we presume the question relates to reporting to NHTSA on safety defect or safety non-compliance issues, or TREAD reports. The responsibility for communicating this information and these reports to NHTSA is in the Product Regulatory Office, and the current designated agent for NHTSA communications is Jay Joseph, an Assistant Vice President in the Product Regulatory Office. Numerous other Honda associates "interact" with NHTSA on an array of technical issues, industry committees, research and development, consumer information, fuel economy issues, certification issues, etc. The requested organization chart is enclosed.

The Honorable Adam Kinzinger

1. *There has been significant discussion about regional recalls and the movement of recalled vehicles from high humidity states to other states outside of those regions. I believe an area that needs focus by automakers is the commerce of recycled original equipment manufacturer (OEM) parts. Each day, over a half million recycled OEM parts - the very same parts designed by your companies to meet your fit, finish and durability standards - are sold by professional automotive recyclers. These parts play an important part in the automotive supply chain and are readily sold from one state or region of the country to another.*

   Recently, General Motors reached out to professional automotive recyclers offering to buyback or purchase recalled GM ignition switches. To accomplish this, General Motors provided specific Original Equipment Manufacturer (OEM) part numbers for the ignition switches that were critical to ensure that automotive recyclers could identify the specific recalled parts in their company's inventories.

   a. *Do you agree that sharing OEM part numbers and other identifiable information with the professional automotive recycling industry would increase safety?*

   Response:

   Honda recommends that only new Honda or Acura airbag system components designed and designated for use in the specific Honda or Acura vehicle being repaired be installed in that vehicle. Accordingly, Honda does agree that sharing part numbers and other pertinent information with recyclers is beneficial. As a general matter, the necessary part numbers are available to the recycling industry today. Specifically, American Honda

publishes part numbers, model applicability and background information for all recalls and campaigns in a publication named 'Service Bulletin.' In addition to dealer distribution, American Honda makes our Service Bulletins and all other service information available via subscription. Information may be found online at https://techinfo.honda.com. To ensure awareness of this information within the automotive recycling industry, American Honda will share full details of how to access and retrieve recall and campaign information with the Automotive Recycling Association (A.R.A.).

b. *Do you agree this would assist in tracking recalled parts, such as the Takata Airbags?*

Response:

Because Honda recommends the use of only new genuine Honda and Acura airbags, we do not believe that provision of the part numbers and other information will assist in tracking parts from recalled vehicles. More particularly, in order to track salvaged parts, the serial numbers of the salvaged parts, the vehicle identification numbers (VINs) of the vehicles from which they were collected, and the VINs of the vehicles into which the parts were installed all would be needed in order to track parts salvaged from vehicles that are subject to recall.

c. *Does Honda currently have a similar buy-back program in place with the professional automotive recyclers? If not, why not?*

Response:

We do not currently have a buy-back program similar to General Motor's plan, in part because Honda generally recalls vehicles and not parts. (The exception to this would involve the sale and recall of accessories by Honda.) That said, Honda is intrigued by the concept of removing parts that were taken from recalled vehicles from the replacement supply chain. Once it is understood that the part were salvaged from recalled vehicles, the parts have limited commercial value and we know that reputable recyclers have no desire to sell them for re-use. Unlike the GM ignition switches, retrieval of airbags from recyclers involves an additional regulatory complexity due to the hazardous material classification assigned to the inflators by the U.S. Department of Transportation and the U.S. Environmental Protection Agency.

Honda has initiated a prompt feasibility study of the mechanisms required to purchase, transport, record and store inflators salvaged from recalled vehicles. Assuming we receive the expected cooperation from both the recycling industry and from NHTSA, we commit to making this happen.

The Honorable Jan Schakowsky

1. *Last week, Honda released the results of the third-party audit of its Early Warning reporting under the TREAD Act, which showed that Honda failed to report to NHTSA a total of 1,729 written claims or notices concerning injuries or deaths over a period of about decade.*

   a. *Honda reported that the third party audit was prompted by inconsistencies identified in reporting. Why did it take more than 10 years to identify those inconsistencies?*

   Response:

   Between 2003 and 2012, Honda was not aware of any reason to suspect any anomalies in Honda's TREAD system. Nonetheless, Honda acknowledges a lack of urgency in identifying and responding to these inconsistencies thereafter.

   b. *Did NHTSA inform Honda of possible discrepancies in January 2012?*

   Response:

   Yes. NHTSA identified possible discrepancies to Honda in January 2012.

   c. *What action did Honda take in response to this NHTSA report? Why did Honda not take action as soon as NHTSA informed Honda of the discrepancies?*

   Response:

   Honda promptly initiated an internal review of the potential discrepancies, and initiated a remedy for the one problem it had identified (i.e. Honda remedied the failure to update the information about the date the written claim or notice was received) immediately after NHTSA informed Honda of the discrepancies. However, Honda did not follow up with NHTSA to report on this remedy, nor was Honda able to identify at that time other Early Warning Reporting (EWR) compliance discrepancies that it later discovered through the audit process.

   d. *Honda provided the results of the independent audit to NHTSA in response to NHTSA's Special Order. Has Honda been in contact with NHTSA about what happens next? Do you have any indication of whether Honda will be sanctioned for its failure to comply with the TREAD Act?*

   Response:

   Honda and NHTSA have entered into a Consent Order related to the discrepancies in its EWR reporting. Honda and NHTSA have also agreed that Honda will pay civil penalties in the amount of $70,000,000 for two violations of its EWR reporting obligations.

   e. *Eight of the unreported claims related to Takata airbag ruptures, representing a pattern of problems with the Takata airbags. Please provide a written list of other problems, and how many of each, that appeared in the 1,721 other unreported claims.*

Response:

A summary of the components involved in the other unreported incidents is below. Please note that this list includes incidents whether or not the allegation was confirmed. Therefore, Honda does not agree that every incident on this list is a "problem" or indicative of a "defect."

Moreover, a number of the 1,721 incidents involve allegations concerning multiple components of the given vehicle; where that is the case, so as to avoid double-counting, any particular incident reported here is listed according to the first allegation category associated with the incident in Honda's file.

Component Category	Number of claims
Accessories	3
Airbag (general/unspecific)	6
Airbag (front, abnormal Deployment)	71
Airbag (front, airbag-induced injury) [The eight Takata airbag ruptures would be in this category but are excluded from this tally]	82
Airbag (front, failed to deploy)	957
Airbag (front, failed to protect)	3
Airbag (front, inadvertent deployment)	25
Airbag (side torso, abnormal deployment)	1
Airbag (side torso, airbag-induced injury)	3
Airbag (side torso, failed to deploy)	44
Airbag (side torso, failed to protect)	1
Airbag (side torso, inadvertent deployment)	5
Airbag (side curtain, airbag-induced injury)	2
Airbag (side curtain, failed to deploy)	17
Airbag (side curtain, inadvertent deployment)	9
Axle (broken)	4
Belts	44
Body	14
Brakes	78
Chain	1
Crashworthiness	4
Door	51
Drive Train	4
Electrical	15
Engine	22
Exhaust	3
Fire	5

Foot Peg	5
Frame & Suspension	4
Front Fork	2
Gas Tank & Cap	5
Gear Slip Out	4
Glass	1
Handling & Satiability	4
Headlamp	1
Key Removed While Travelling	1
Muffler	2
Odor	4
Seat	33
Sharp Objects & Edges	1
Shift Interlock Recall	1
Speedometer	2
Starting System	4
Steering	24
Stuck Throttle/Sudden Accelerator	40
Suspension System	7
Throttle	11
Tire/Wheel	23
Transmission	26
Trim & Hardware	1
Trunk	8
Undercarriage	1
Unknown/Unspecified	30
Wire Harness	2

2. *At the Subcommittee hearing on December 3, 2014, I asked you about confidential settlement agreements made in lawsuits in which plaintiffs have alleged injuries or death as a result of malfunctions of the airbags supplied by Takata.*

   a. *How many settlement agreements related to Takata airbags has Honda reached with plaintiffs? Please provide (1) the dates of these agreements and (2) the dates of the alleged injuries that were the subject of the settlement agreements.*

   Response:

   Please see the chart appended as Exhibit B to this response.

   b. *Please list (1) the year, make, and model of the vehicles that were the subject of those settlement agreements and (2) the nature of the alleged injuries that were the subject of the settlement agreements.*

   Response:

   Please see the chart appended as Exhibit B to this response.

c. *How many of these agreements were confidential or otherwise restricted the plaintiff or plaintiff's representatives from publicly discussing the case?*

Response:

All of the settlement agreements contained some form of a confidentiality clause mutually agreed to by Honda and the plaintiffs and their representatives. These clauses do not restrict the plaintiffs or their counsel from publicly discussing the underlying facts of these claims.

3. *According to a Reuters article on December 4, 2014, titled "Toyota Expands Takata Air Bag Recall in Japan, China," Toyota announced that it would recall 185,000 vehicles across 19 models in Japan and 5,000 vehicles in China. Japan's transport ministry said that it instructed other automakers to check whether their vehicles could be affected by the same inflator problem. On December 11, 2014, Honda, Nissan, and Mitsubishi also announced recalls to replace airbag inflators made by Takata.*

a. *What prompted Honda to take this action?*

Response:

Based on a single passenger airbag inflator canister rupture in a competitor's 2003 model year vehicle during vehicle dismantling, Honda Motor Co. Ltd. (Japan) (HMC) decided to conduct a recall in Japan and certain other countries outside of the United States. (The dual-stage passenger airbag inflators used in vehicles sold in the United States differ from the single-stage inflators used in the vehicles subject to this recall.)

b. *Are the recalls in Japan being conducted pursuant to laws or regulations in those countries? If so, what laws or regulations?*

Response:

Most recalls in Japan, including the one discussed in the response to (a), above, are conducted pursuant to the requirements of the Road Transport Vehicle Act. Recently, however, Japan's Ministry of Land, Infrastructure, Transport and Tourism (MLIT) has allowed Safety Improvement Campaigns (SICs) to be conducted even though they are not recognized under the Road Transport Vehicle Act.

c. *Have other recalls related to Takata airbag inflator ruptures been conducted in Japan or China? If so, please list the make, model, and model years of each vehicle that was recalled in China and Japan related to Takata airbag inflator ruptures.*

Response:

Recalls and SICs related to the potential rupture of airbag inflator canisters containing propellant made by Takata have occurred in both Japan and China (including Hong

Kong). Most of the recalls or SICs involved single-stage passenger frontal airbag inflators (for vehicles sold in the United States, dual-stage passenger frontal airbag inflators are used). A few of the recalls related to driver frontal airbag inflators, either because the vehicles were made in North America (predominantly for the North American market) and exported to Japan or China, or because of issues that only affected the single stage driver frontal airbag inflators used in vehicles sold in (among other locations other than the United States) Japan and China.

A list of Takata airbag inflator recalls or campaigns in China or Japan is attached as Exhibit C.

4. *On November 18, NHTSA announced its intention to expand the regional recall of driver's side airbags to a nationwide recall. On December 3, Honda announced that it would expand to a national recall only of driver's side airbags.*

   However, Takata's testing results submitted by Takata dated November 17, 2014, showed 63 ruptures of passenger side airbag inflators, but no ruptures of driver's side airbag inflators. These results appear to be inconsistent with the national recall of driver's side airbags only.

   a. *Is Honda planning to expand its recall of passenger side airbags to a national recall?*

   Response:

   On December 3, Rick Schostek informed the House Energy & Commerce Committee's Subcommittee on Commerce, Manufacturing and Trade that Honda had decided to expand a regional safety improvement campaign involving certain Takata driver airbag inflators to a national safety improvement campaign. As noted by Mr. Schostek, all vehicle owners, as well as all Honda and Acura dealers, will be informed of this safety improvement campaign as if it were a safety recall, with the same language urging that they have their vehicle repaired as soon as possible.
   It is important to understand that the regional safety improvement campaigns, regional recall and national safety improvement campaign are all being conducted in support of an ongoing investigation into the cause of the driver and passenger airbag inflator ruptures. It is only through the completion of this investigation that we can have confidence that we understand why these inflators contain a defect or defects, what that defect or defects are, and which airbag inflators are affected. With that information, we can make the correct decisions about which inflators must be replaced, and how to replace them in a manner that prevents future airbag inflator ruptures from occurring.

   b. *Does Honda support the expansion of the passenger side airbag recalls to a national recall?*

   Response:

At this time, the investigation into the cause of the inflator ruptures is continuing. Through the process of that investigation, we have observed that certain inflators subjected to continued exposure to high absolute humidity have a higher probability of rupturing when deployed, compared to others which have shown no abnormality when deployed. Due to this observation, and in the absence of an understanding of the root cause of this phenomenon, Honda is conducting a regional recall on certain passenger airbag inflators at this time. When we conclude the investigation, if the result of that investigation indicates that it is prudent to conduct a nationwide recall on certain populations of passenger airbag inflators, Honda will conduct such a recall.

c. *Has Honda identified the root cause of these passenger-side airbag ruptures?*

Response:

Honda has identified the root cause of ruptures in certain populations of passenger airbag inflators, and those passenger airbag inflators are subject to recalls, across the entire US. Honda has not yet identified the root cause of the ruptures of certain inflators currently subject to the regional safety improvement campaign and regional recall of those inflators, and is continuing that investigation today.

d. *Has Honda determined that the root cause for the driver's side airbag failures is different from the cause for the passenger's side airbag failures? What are the bases for this determination? Please provide documentation of this determination.*

Response:
Starting in 2008, Honda identified a population of defective driver airbag inflators, and conducted NHTSA safety recall 08V-593 to repair affected vehicles. While working to confirm the basis of the decision to recall those vehicles, Honda identified a root cause that more accurately explained the failures that led to safety recall 08V-593 and at the same time, based on failures outside of the recall population of 08V-593, expanded the recall in 2009 through safety recall 09V-259. The root cause identified for 09V-259 for defective driver airbag inflators also applied to 08V-593, and through continuous review of Takata propellant and inflator manufacturing records, Takata and Honda determined that additional vehicles were or could be affected, initiating recalls 10V-041 and 11V-260 in 2010 and 2011, respectively.

The root cause for the passenger airbag recalls, 13V-132 and the expansion of that recall in 2014, 14V-349, identified two root causes, both different from the cause identified for the driver airbag inflator recalls between 2008 and 2011.

For each of the 2014 safety improvement campaigns (14V-351, 14V-353) for driver and passenger airbag inflators, and the 2014 regional recall of passenger airbag inflators (14V-700) in areas of high absolute humidity, Honda has clearly stated that no root cause has yet been identified. Our diligent work to identify the root cause or causes of these incidents continues today, to enable us to accurately identify the affected vehicle populations and remedy the vehicles effectively.

Please see Exhibit D for the requested documentation.

5. *Many members of the armed forces serve at bases in located in the high absolute humidity regions, and may be stationed there or deployed from there for years, but are allowed to register their cars in their home states. In these or other cases, the vehicle may be operated in Florida for many years, but never registered in Florida.*

   a. *Is Honda working to identify vehicles that have been operated in high-humidity regions but have never been registered in those regions? If so, how is Honda identifying such vehicles?*

   Response:

   In the regional recalls and safety improvement campaigns for this issue, Honda has identified the current owner of vehicles that were originally sold or ever registered in a state that commonly experiences high absolute humidity. This is beyond the normal practice for regional recalls as prescribed by NHTSA of addressing vehicles originally sold or currently registered in affected states. Beyond that, we are listening to our customers, and if a customer expresses concern about the safety of their vehicle because it was operated in an area of high absolute humidity and subject to a Safety Improvement Campaign, we work with the customer to address their concerns.

   b. *Has Honda notified owners of vehicles that have been operated in high-humidity regions but have never been registered in those regions?*

   Response:

   Honda is taking a systematic approach to owner notification. While we are not aware of any practical means of identifying vehicles that have been operated for long periods of time in areas of high absolute humidity without being registered in such an area, we recognize that one means of achieving that goal would be to notify owners of all vehicles with airbag inflators that we believe are susceptible to those environmental conditions. At this stage of the ongoing investigation, we are prioritizing vehicles that we have sound reason to believe have been exposed to high absolute humidity, based on vehicle sales and registration records.

6. *In your written testimony submitted to the Subcommittee, you stated that Honda has "a well-respected service division dedicated to supporting our dealers in meeting the needs of each customer throughout the lifetime of vehicle ownership."*

   a. *Do you include a provision in agreements with Honda dealerships that requires them to perform safety recall repairs prior to offering used Honda vehicles or used vehicles originally produced by other vehicle manufacturers for sale to consumers?*

   Response:

Yes. In section 12.12 of the Honda and Acura Dealer Sales and Service Agreements, authorized Honda and Acura dealers specifically agree to "perform any and all warranty, campaign, recall, product-improvement or product-update service in compliance with instructions and directives issued by American Honda..." With regard to safety recalls, the primary instructions and directives are contained in the Honda Service Operations Manual, and the Acura Dealer Operations Manual, which contain specific policies and procedures relating to parts and service support for Honda and Acura owners. Section 7.2.1 of those Manuals both read, in pertinent part, as follows: "It is illegal for a dealership to sell or lease a new vehicle that is subject to a safety or emissions recall without first completing the recall procedure outlined in the applicable service bulletin. If a dealership sells or leases a vehicle subject to a safety or emissions recall to a customer without first completing the recall procedure, the dealership may be entirely responsible for all consequences, including any claims or lawsuits that may arise from the failure to complete a recall procedure prior to sale/lease, and the defense and indemnity of American Honda in such a claim or lawsuit."

b. *Does compensation to Honda dealers for repairs made under a safety recall or a safety improvement campaign match their earnings for normal retail repairs, i.e., based on the same hourly rate and the same time allowed for repairs?*

Response:

American Honda compensates dealers for recall repairs in a manner identical to the compensation paid to dealers for warranty repairs. Each Honda and Acura dealer's hourly labor rate for recall and warranty repairs is typically the same as for retail repairs. The primary, and unusual, exception is when the dealer's requested hourly labor rate for recall and warranty repairs is materially higher than the labor rates of other repair facilities in the local market.

The time allowance is addressed differently. Neither Honda/Acura nor, to our knowledge, any other auto distributor, imposes time allowances on retail repairs. While all auto distributors set time allowances for each type of recall and warranty repair, there are no analogous time allowances for retail repairs. Dealers spend as much time as they spend on a given retail repair, and auto distributors have no control or even visibility into how long a dealer might spend on that repair.

c. *What criteria do Honda and Honda dealerships use in deciding whether to provide a loaner or rental car to a customer?*

Response:

Honda's Dealer Operation Manual provides our written policy for use of rental or loaner cars. The program's primary purpose is to make available to service customers alternate transportation while their vehicle is being serviced or repaired. On November 26, this policy was updated for airbag inflator affected customers. The dealer has been

empowered to authorize up to a 3-day rental without contacting the District Parts & Service Manager. After the 3-day period, we ask that the District Parts & Service Manager be notified.

d. *What steps are you taking to ensure that the loaner cars are not also subject to a safety recall and, if they are subject to a safety recall, that those loaner cars were repaired before being loaned to a customer?*

Response:

The latest model affected by the Takata airbag inflator recall or Safety Improvement Campaign is the 2011 Element. Since rental car fleets and Honda loaners consist of new model vehicles, they are not affected by the inflator campaigns. For all recalls, American Honda mails recall notices to the registered owner. This includes vehicles that are owned by rental car companies.

7. *Takata, NHTSA, and the automakers testified at the Subcommittee hearing on December 3, 2014, that the root cause of the airbag ruptures is still unknown. Takata claims that high humidity, high temperature, and the age of the vehicle are factors contributing to the ruptures. What is Honda doing to ensure that the new airbags currently being installed into cars in Florida will not have the same problems in five or ten years?*

Response:

A definitive answer to this question will require completion of the above-mentioned investigation. That said, for every recall of Takata driver airbag inflators to address the potential for rupture between 2008 and 2011, the cause of the ruptures has been identified and has been addressed through improved production practices by Takata. For the 2013 and June 2014 passenger airbag national recalls conducted by Honda involving Takata passenger airbag inflators that may rupture, the causes have been identified and Takata has addressed those causes through improved production practices. If or when additional causes are identified and understood, the affected vehicle populations will be identified and repaired.

Exhibit A
Response to Question 9 of Chairman Terry

American Honda Motor Co., Inc.
January 5, 2015

Product Regulatory Office (PRO)

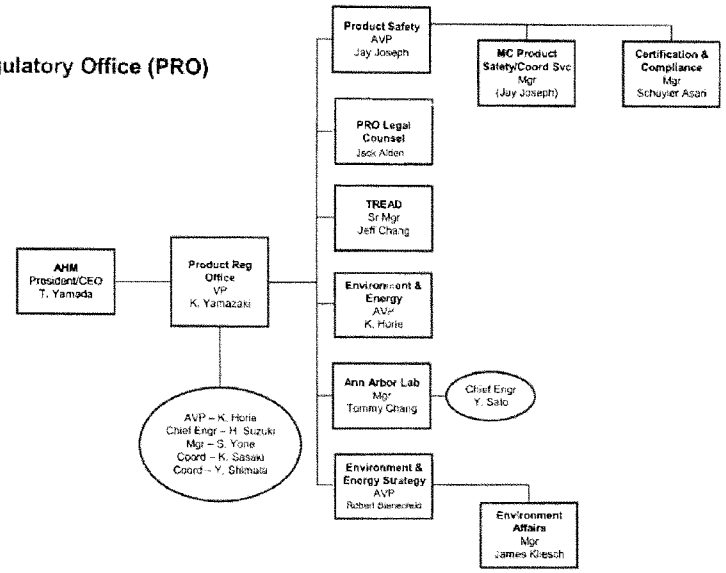


Exhibit B
Response to Questions 2b of Congresswoman Schakowsky

Settlement Agreements Related to Takata Airbags

	Model	Model Year	Incident	Nature of Claim	Date of Resolution	Nature of Resolution	Confidentiality re: settlement amount
1	ACCORD	2002	5/2/2004	Laceration on face.	6/22/2005	Settled (Honda)	Yes
2	CIVIC	2001	2/9/2007	Laceration on the jaw.	9/21/2007	Settled (Honda)	Yes
3	CIVIC	2001	5/29/2007	Laceration on left cheek.	8/13/2007	Settled (Honda)	Yes
4	ACCORD	2001	5/12/2007	Laceration on face and neck.	3/4/2008	Settled (Honda)	Yes
5	ACCORD	2001	5/27/2009	Fatality. Laceration on neck.	8/13/2009	Settled (Honda)	Yes
6	CIVIC	2001	4/13/2009	Broken jaw.	11/3/2009	Settled (Honda)	Yes
7	CIVIC	2001	4/27/2009	Laceration on neck and chest.	11/23/2009	Settled (Honda)	Yes
8	ACCORD	2001	7/12/2009	Laceration on face.	9/10/2010	Settled (Honda)	Yes
9	CIVIC	2001	1/27/2008	Laceration on chin and lip.	9/22/2009	Settled (Honda)	Yes
10	CIVIC	2001	7/8/2009	Laceration on leg.	10/20/2009	Settled (Honda)	Yes
11	CIVIC	2001	1/21/2009	Jaw and neck injuries.	11/20/2009	Settled (Honda)	Yes
12	ACCORD	2001	12/24/2009	Fatality. Laceration on neck.	11/14/2012	Settled (Takata)	Yes
13	CIVIC	2001	4/21/2010	Laceration on upper arm.	6/29/2010	Settled (Takata)	Yes
14	CIVIC	2001	4/2/2010	Laceration on neck.	11/30/2010	Settled (Takata)	Yes
15	CIVIC	2002	11/8/2010	Laceration on left breast and cheek.	10/6/2011	Settled (Takata)	Yes
16	ACCORD	2001	2/1/2010	Broken facial bones and lacerations.	1/30/2012	Settled (Takata)	Yes
17	ACCORD	2001	11/16/2009	Lacerations to left thigh.	8/24/2011	Settled (Takata)	Yes
18	CIVIC	2001	8/1/2011	Laceration to neck.	2/2/2012	Settled (Takata)	Yes
19	CIVIC	2001	8/12/2011	Laceration to eye and face.		Settled (Takata)	Yes
20	CIVIC	2001	11/xx/2011 Phot date is 3/23/2012	Laceration to face.	1/18/2013	Settled (Takata)	Yes
21	CIVIC	2001	1/3/2012	Laceration to face.	4/8/2013	Settled (Takata)	Yes
22	CIVIC	2001	11/10/2011	Bruising to face.	10/30/2012	Settled (takata)	Yes
23	ACCORD	2001	3/8/2012	Fractured skull.	12/20/2012	Settled (Takata)	Yes
24	ACCORD	2001	3/22/2012 Contact record	Laceration to leg and chest.	2/26/2014	Settled (Takata)	Yes
25	CIVIC	2001	3/20/2011	Laceration to arm and neck with abrasions to the head.	6/10/2013	Settled (Takata)	Yes
26	CIVIC	2002	8/26/2012	Laceration to chest.	11/18/2014	Settled (Takata)	Yes
27	CIVIC	2001	9/2/2012	Lacerations to cheek and broken bones in hand and arm.	8/27/2013	Settled (Takata)	Yes
28	ACCORD	2002	4/22/2013	Laceration to nose.	1/15/2014	Settled (Takata)	Yes

29	CIVIC	2005	8/6/2013	Laceration to right eye and nose.	6/3/2014	Settled (Takata)	Yes
30	CIVIC	2002	9/1/2013	Laceration to right eye and nose.	1/5/2015	Settled (Takata and Honda and Dealer	Yes
31	ACCORD	2001	5/13/2013	Laceration to neck.		Settled (Takata)	Yes
32	ACCORD	2001	12/9/2013	Laceration to knee and arm.	1/21/2014	Settled (Takata)	Yes
33	ACCORD	2001	4/6/2014	Laceration to jaw and arm.	7/23/2014	Settled (Takata)	Yes
34	ACCORD	2005	5/31/2014	Burns, bruises and lacerations to arms and legs.	10/6/2014	Settled (Takata)	Yes
35	ACCORD	2001	4/14/2014	Laceration to face and bottom lip	10/14/2014	Settled (Takata)	Yes
36	CIVIC	2002	7/7/2014	Laceration to left arm	9/2/2014	Settled (Takata)	Yes
37	CIVIC	2001	the Spring of 2013	Laceration to chin	11/18/2014	Settled (Takata)	Yes
38	ACCORD L4	2001	11/17/2014	Laceration to both arms.	12/1/2014	Settled (Takata)	Yes

Exhibit C
Response to Questions 3(c) of Congresswoman Schakowsky

Honda Recalls Related to Takata Airbag Inflator Ruptures in Japan and China

Country	Campaign Date (appx) (mm/dd/yy)	Make	Model(s)	Involved Model Year(s)	Passenger or Driver Inflator
Japan	12/11/2014	Honda	Accord (TSX)	2003	Passenger
			Accord Wagon	2003	Passenger
			Civic Ferio	2003	Passenger
			Civic Hybrid	2003	Passenger
			CR-V	2003	Passenger
			Fit (Jazz)	2003	Passenger
			Mobilio	2003	Passenger
			Mobilio Spike	2003	Passenger
			Stream	2003	Passenger
			That's	2003	Passenger
Japan	12/11/2014	Honda	Element	2003-2004	Passenger
China	12/11/2014	Honda	Civic	2003	Passenger
			CR-V	2003-2004	Passenger
			Fit Saloon	2003	Passenger
			Stream	2003-2004	Passenger
Japan	11/13/2014	Honda	That's	2002-2004	Driver
Japan	11/13/2014	Honda	Fit Aria	2002-2008	Driver
China Hong Kong	11/13/2014	Honda	Fit	2005	Driver
			Fit Saloon	2003, 2005	Driver
			Jazz	2004	Driver
Japan	8/28/2014	Honda	CR-V	2011-2014	Driver
China Hong Kong	8/28/2014	Honda	Civic	2012-2014	Driver
			CR-V	2012-2014	Driver

Japan	6/23/2014	Honda	Accord (TSX)	2002-2004	Passenger
			Accord Wagon	2002-2004	Passenger
			Civic Ferio	2000-2003	Passenger
			Civic Hybrid	2001-2003	Passenger
			CR-V	2001-2003	Passenger
			Fit	2001-2003	Passenger
			Mobilio	2001-2003	Passenger
			Mobilio Spike	2002-2004	Passenger
			Stream	2000-2003	Passenger
			That's	2002-2005	Passenger
Japan	6/23/2014	Honda	Fit Aria	2002-2004	Passenger
Japan	6/23/2014	Honda	MDX	2003	Passenger
Japan	6/23/2014	Honda	Element	2003	Passenger
China	6/23/2014	Honda	Civic	2002-2003	Passenger
			CR-V	2002-2003	Passenger
			Stream	2001-2003	Passenger
Japan	4/11/2013	Honda	Civic Ferio	2000-2003	Passenger
			Civic Hybrid	2001-2003	Passenger
			CR-V	2001-2003	Passenger
			Fit	2001-2003	Passenger
			Mobilio	2001-2003	Passenger
			Stream	2000-2003	Passenger
			That's	2002-2003	Passenger
Japan	4/11/2013	Honda	Civic GX	2001-2003	Passenger
China	4/11/2013	Honda	Civic	2001-2002	Passenger
			CR-V	2002-2003	Passenger
			Stream	2001-2003	Passenger
Japan	12/2/2011	Honda	Inspire	2001-2002	Driver
			Saber	2001-2002	Driver
Japan	12/2/2011	Honda	Lagreat	2001-2002	Driver

Hong Kong	12/2/2011	Honda	Accord	2001-2002	Driver
Japan	6/30/2010	Honda	Civic Ferio	2000	Passenger
			Fit	2001	Passenger
			Stream	2000-2002	Passenger
China Hong Kong	6/30/2010	Honda	Civic	2001	Passenger
			Stream	2002	Passenger
Japan	2/10/2010	Honda	Inspire/Saber	2001-2002	Driver
Japan	2/10/2010	Honda	Lagreat	2001	Driver
Hong Kong	2/9/2010	Honda	Accord	2001-2002	Driver
			Inspire	2002	Driver

Exhibit D
Response to Questions 4(d) of Congresswoman Schakowsky

See Attached Letters to NHTSA

HONDA

American Honda Motor Co., Inc.
1919 Torrance Boulevard
Torrance, CA 90501-2746
Phone (310) 783-2000

November 11, 2008

Mr. Daniel C. Smith
Associate Administrator for Enforcement
NATIONAL HIGHWAY TRAFFIC SAFETY
ADMINISTRATION
Attn: Recall Management Division (NVS-215)
1200 New Jersey Avenue, SE
Washington, DC 20590

Dear Mr. Smith:

On November 4, 2008, Honda Motor Co., Ltd. (HMC) determined that a potential defect relating to motor vehicle safety exists in the driver airbag of certain 2001 model year Honda Accord and Civic automobiles, and is furnishing notification to the National Highway Traffic Safety Administration in accordance with 49 CFR Part 573 Defect and Noncompliance Reports.

573.6(c)(1)

Name of manufacturer: Honda of America Manufacturing, Inc. (HAM)
Honda Canada Manufacturing, Inc. (HCM)
Honda de Mexico (HDM)

Manufacturer's agent: William R. Willen
American Honda Motor Co., Inc. (AHM)
1919 Torrance Blvd.
Torrance, CA 90501-2746

573.6(c)(2)

Identification of potentially affected vehicles:

Make/Model	Description	VIN Range/Dates of Manufacture
Honda Civic	Certain 2001 model year	1HGEM21921L006340 ~ 1HGEM21931L047205 11/1/2000 ~ 2/2/2001
		1HGEN26451L000073 11/29/2000
		1HGES15551L035127 ~ 1HGES16591L040457 11/3/2000 ~ 1/6/2001
		1HGES26761L035935 ~ 1HGES26701L043979 11/6/2000 ~ 2/1/2001
		2HGES16591H519507 ~ 2HGES16531H553684 11/8/2000 ~ 2/8/2001
		2HGES26771H519559 ~ 2HGES267X1H553415 11/9/2000 ~ 2/8/2001

Honda Accord	Certain 2001 model year	1HGCF86601A030716 ~ 1HGCF86621A071333 11/7/00 ~ 2/8/01
		1HGCG16571A017330 ~ 1HGCG165X1A057529 10/25/00 ~ 3/30/01
		1HGCG22541A006409 ~ 1HGCG22501A017164 10/25/2000 ~ 2/13/2001
		1HGCG32581A007276 ~ 1HGCG32701A013574 11/7/2000 ~ 1/31/2001
		1HGCG56601A024295 ~ 1HGCG56681A072241 10/27/2000 ~ 2/12/2001
		1HGCG66811A026919 ~ 1HGCG66521A100516 10/31/2000 ~ 4/12/2001
		3HGCG66541G701363 11/29/2000

Description of the basis for the determination of the recall population:
The recall population was based on manufacturing records. The VIN ranges reflect possible vehicles that could potentially experience the problem.

573.6(c)(3)
Total number of potentially affected vehicles: 3,940

573.6(c)(4)
Percentage of affected vehicles that contain the defect: Unknown

573.6(c)(5)
Defect description:

In certain vehicles, the driver's airbag inflator could produce excessive internal pressure. If an affected airbag deploys, the increased internal pressure may cause the inflator to rupture. Metal fragments could pass through the airbag cushion material possibly causing injury to vehicle occupants.

573.6(c)(6)
Chronology:

June 2007	AHM received first claim information along with photographs and forwarded them to HAM. HAM initiated an investigation.
Sept. 2007	The first claim was closed. AHM received parts and provided them to HAM.
Jan. 2008	A program was started to collect parts from suspect propellant lots and analyze them.
Sep. 11, 2008	A vehicle was inspected which had another unusual driver airbag deployment.

Nov. 4, 2008 HAM completed the investigation and HMC determined that a safety-related defect exists.

573.6(c)(8)(i)

Program for remedying the defect:
The owners of all affected vehicles will be contacted by mail and asked to take their vehicle to a Honda automobile dealer. The dealer will replace the airbag inflator free of charge.

573.6(c)(8)(ii)

The estimated date to e-mail preliminary notification to dealers: Nov. 7, 2008

The estimated date to provide service bulletin to dealers: Dec. 17, 2008

The estimated date to begin sending notifications to owners: Dec. 22, 2008

The estimated date of completion of the notification: Dec. 22, 2008

573.6(c)(9)

Representative copies of all notices, bulletins and other communications:

A copy of the dealer service bulletin and text of the final customer notification letter will be submitted to your office as soon as possible.

573.6(c)(10)

Proposed owner notification letter submission:

A draft of the owner notification letter will be submitted to your office as soon as possible.

573.6(c)(11)

Manufacturer's campaign number:
Q96

Sincerely,

AMERICAN HONDA MOTOR CO., INC.

William R. Willen
Managing Counsel
Product Regulatory Office

WRW:nis

HONDA

American Honda Motor Co., Inc.
1919 Torrance Boulevard
Torrance CA 90501-2746
Phone (310) 783-2000

June 30, 2009

Mr. Daniel C. Smith
Associate Administrator for Enforcement
NATIONAL HIGHWAY TRAFFIC SAFETY
ADMINISTRATION
Attn: Recall Management Division (NVS-215)
1200 New Jersey Avenue, SE
Washington, DC 20590

Dear Mr. Smith:

On November 4, 2008, Honda Motor Co., Ltd. (HMC) determined that a potential defect relating to motor vehicle safety exists in the driver airbag of certain 2001 model year Honda Accord and Civic automobiles, and is furnishing notification to the National Highway Traffic Safety Administration in accordance with 49 CFR Part 573 Defect and Noncompliance Reports.

On June 23, 2009, HMC determined that that VIN range for recall 08V-593 should be expanded for 2001 model year Accord and Civic automobiles and is furnishing notification to the National Highway Traffic Safety Administration in accordance with 49 CFR Part 573 Defect and Noncompliance Reports.

573.6(c)(1)

Name of manufacturer: Honda Motor Co., Ltd. (HMC)
Honda of American Manufacturing, Inc. (HAM)
Honda Canada Manufacturing, Inc. (HCM)
Honda de Mexico (HDM)

Manufacturer's agent: William R. Willen
American Honda Motor Co., Inc. (AHM)
1919 Torrance Blvd.
Torrance, CA 90501-2746

573.6(c)(2)

Identification of potentially affected vehicles:

Make/Model	Description	VIN Range/Dates of Manufacture
Honda Civic	Certain 2001 model year	TBD
Honda Accord	Certain 2001 model year	TBD

Description of the basis for the determination of the recall population:
The recall population was based on manufacturing records. The VIN range reflects all possible vehicles that could potentially experience the problem.

573.6(c)(3)
Total number of potentially affected vehicles: TBD

573.6(c)(4)
Percentage of affected vehicles that contain the defect: Unknown

573.6(c)(5)
Defect description:

In certain vehicles, the driver's airbag inflator could produce excessive internal pressure. If an affected airbag deploys, the increased internal pressure may cause the inflator to rupture. Metal fragments could pass through the airbag cushion material possibly causing injury to vehicle occupants

573.6(c)(6)
Chronology:

Nov. 11, 2008	AHM submitted 573 report to NHTSA (08V-593). HAM continued the investigation for returned inflators of the recall.
May 28, 2009	AHM notified of unusual driver airbag deployment.
June 9, 2009	AHM notified of second unusual driver airbag deployment.
June 23, 2009	HAM completed the investigation and HMC determined that recall 08V-593 should be expanded.

573.6(c)(8)(i)
Program for remedying the defect:
The owners of all affected vehicles will be contacted by mail and asked to take their vehicle to a Honda automobile dealer. The dealer will replace the airbag inflator free of charge.

573.6(c)(8)(ii)
The estimated date to e-mail preliminary notification to dealers: TBD

The estimated date to provide service bulletin to dealers: TBD

The estimated date to begin sending notifications to owners: TBD

The estimated date of completion of the notification: TBD

573.6(c)(9)

Representative copies of all notices, bulletins and other communications:
A copy of the dealer service bulletin and text of the final customer notification letter will be submitted to your office as soon as possible.

573.6(c)(10)

Proposed owner notification letter submission:
A draft of the owner notification letter will be submitted to your office as soon as possible.

573.6(c)(11)

Manufacturer's campaign number:
TBD

Sincerely,

AMERICAN HONDA MOTOR CO., INC.

William R. Willen
Managing Counsel
Product Regulatory Office

WRW:nis

HONDA

American Honda Motor Co., Inc.
1919 Torrance Boulevard
Torrance, CA 90501-2746
Phone (310) 783-2000

April 10, 2013

Ms. Nancy Lewis
Associate Administrator for Enforcement
NATIONAL HIGHWAY TRAFFIC SAFETY
ADMINISTRATION
Attn: Recall Management Division (NVS-215)
1200 New Jersey Avenue, SE
Washington, DC 20590

Re: Recall Notification
Honda: 2001-2003 Civic, 2002-2003 CR-V and 2002 Odyssey
Passenger Airbag Inflator

Dear Ms. Lewis:

On April 4, 2013 Honda Motor Co., Ltd. (HMC) determined that a potential defect relating to motor vehicle safety exists in the passenger airbag inflator of certain 2001-2003 model year Honda Civic, 2002-2003 model year Honda CR-V, and 2002 model year Honda Odyssey automobiles, and is providing notification to the National Highway Traffic Safety Administration in accordance with 49 CFR Part 573 Defect and Noncompliance Reports.

573.6(c)(1)

Name of manufacturer: Honda Motor Co., Ltd. (HMC)
Honda of America Mfg., Inc. (HAM)
Honda of Canada Mfg. (HCM)
Honda of the UK Mfg. Ltd (HUM)
Honda Mfg. of Alabama, LLC (HMA)

Manufacturer's agent: Jay Joseph
American Honda Motor Co., Inc. (AHM)
1919 Torrance Blvd.
Torrance, CA 90501-2746

573.6(c)(2)

Identification of potentially affected vehicles:

See ATTACHMENT 1

Description of the basis for the determination of the recall population:

The recall population was determined based on manufacturing records. The VIN range reflects all possible vehicles that could potentially experience the problem.

573.6(c)(2)(iv)

Identification of affected component:

Component:	Front Passenger Airbag Inflator
Country of Origin:	U.S.A.
Manufacturer:	T.K. Holdings, Inc.
Contact Name:	Kazuo Higuchi
Address:	888 16th Street, NW, Suite 800 Washington, DC 20006
Telephone:	(202) 729-6332

573.6(c)(3)

Total number of potentially affected vehicles: 561,422

573.6(c)(4)

Percentage of affected vehicles that contain the defect: Unknown

573.6(c)(5)

Defect description:

In certain vehicles, the passenger's (frontal) airbag inflator could produce excessive internal pressure. If an affected airbag deploys, the increased internal pressure may cause the inflator to rupture. In the event of an inflator rupture, metal fragments could be propelled upward toward the windshield, or downward toward the front passenger's foot well, potentially causing injury to a vehicle occupant.

573.6(c)(6)

Chronology:

October 20, 2011	Alleged rupture of a passenger airbag inflator occurred in Puerto Rico.
February 3, 2012	The vehicle from Puerto Rico was received by Honda for analysis. Investigation of the vehicle confirmed a ruptured passenger airbag inflator.
March 14, 2012	Using the ongoing driver's airbag recall, Honda proposed to NHTSA the collection of healthy passenger airbag modules to study the condition. NHTSA did not object.
November 21, 2012	Investigation of healthy parts indicated abnormal combustion was possible, though the cause could not be determined at that time.
February 8, 2013	A meeting was held between NHTSA and Honda to discuss the ongoing investigation.

March 6, 2013	A recreation of propellant production using the same methods as were used during 2001-2002 production periods indicated that it was possible for propellant produced during 2001-2002 to be manufactured out of specification without the manufacturing processes correctly identifying and removing the out of specification propellant. Separately, Honda was informed by the supplier of another potential concern related to airbag inflator production that could affect the performance of these airbag modules.
April 4, 2013	Honda completed the investigation and determined that a safety related defect exists and decided to conduct a recall.

As of April 4, 2013 Honda has not received any warranty claims, but has received one field report regarding a crash where the passenger airbag inflator ruptured upon deployment, without report of injury from the inflator.

573.6(c)(8)(i)

Program for remedying the defect:

The owners of all affected vehicles will be contacted by mail and asked to take their vehicle to a Honda automobile dealer. The dealer will replace the passenger airbag inflator, free of charge.

573.6(c)(8)(ii)

The estimated date to e-mail preliminary notification to dealers: April 11, 2013

The estimated date to provide service bulletin to dealers: April 11, 2013

The estimated date to begin sending notifications to owners: May 11, 2013

The estimated date of completion of the notification: July 2013

573.6(c)(9)

Representative copies of all notices, bulletins and other communications:

A copy of the dealer service bulletin, the final customer notification letter and other dealer communication will be submitted to your office as soon as possible.

573.6(c)(10)

Proposed owner notification letter submission:

A draft of the owner notification letter will be submitted to your office as soon as possible.

573.6(c)(11)

Manufacturer's campaign number:

S95

Sincerely,

AMERICAN HONDA MOTOR CO., INC.

Jay Joseph
Senior Manager
Product Regulatory Office

JWJ:cm

Attachment 1

Honda Civic 2 Door	Certain 2001 model year	1HGEM22971L000001 4/13/2000	1HGEM21211L125029 9/10/2001
	Certain 2002 model year	1HGEM21392L000001 6/5/2001	1HGEM22042L110829 9/10/2002
	Certain 2003 model year	1HGEM22093L000280 9/12/2002	1HGEM21933L052262 4/10/2003

Honda Civic 4 Door	Certain 2001 model year	1HGEN26481L000001 6/14/2000	1HGEN26451L000803 7/26/2001
		1HGES16231L000011 3/30/2000	1HGES16561L078373 8/27/2001
		2HGES165X1H500108 8/29/2000	2HGES16531H620493 8/30/2001
		JHMES152X1S000012 8/1/2000	JHMES16561S012585 7/18/2001
		1HGES26791L000001 3/21/2000	1HGES26761L078073 8/27/2001
		2HGES267X1H500049 8/28/2000	2HGES26701H619891 8/29/2001
		JHMES267X1S000009 7/26/2000	JHMES26791S006318 7/16/2001
	Certain 2002 model year	1HGEN265X2L000001 6/21/2001	1HGEN26582L000241 12/19/2001
		1HGES15672L000003 6/21/2001	1HGES16592L082435 8/29/2002
		2HGES16592H500005 8/23/2001	2HGES16592H614005 9/4/2002
		JHMES16582S000004 8/8/2001	JHMES16582S006515 3/13/2002
		1HGES25812L000005 6/21/2001	1HGES25842L082859 9/3/2002
		2HGES25732H500395 8/30/2001	2HGES26772H613412 9/3/2002
		JHMES26752S000002 8/28/2001	JHMES26762S004141 2/28/2002
	Certain 2003 model year	1HGES15513L000040 8/22/2002	1HGES16533L018635 1/17/2003
		2HGES16553H500164 9/4/2002	2HGES16573H567526 4/3/2003
		JHMES16503S000645 8/27/2002	JHMES16503S002086 11/29/2002
		1HGES267X3L001807 9/11/2002	1HGES26703L018342 1/16/2003
		2HGES268X3H500886 9/6/2002	2HGES26783H607152 7/17/2003
		JHMES26763S000656 11/28/2002	JHMES26793S000750 11/29/2002

Honda Civic 4 Door	Certain 2003 model year (continued)	JHMES95633S000017 3/5/2002	JHMES96613S024203 4/18/2003
Honda CR-V	Certain 2002 model year	JHLRD68502C000003 6/13/2001	JHLRD68472C026606 9/7/2002
		JHLRD78412C000007 5/11/2001	JHLRD78822C095311 9/16/2002
		SHSRD68402U000115 4/8/2002	SHSRD68432U001680 7/23/2002
		SHSRD78822U000111 2/19/2002	SHSRD78482U011000 8/30/2002
	Certain 2003 model year	JHLRD68493C000722 9/25/2002	JHLRD68463C012231 5/12/2003
		JHLRD77853C000002 9/10/2002	JHLRD78423C032255 5/12/2003
		SHSRD68413U100113 10/1/2002	SHSRD68413U106848 5/21/2003
		SHSRD78883U100134 9/30/2002	SHSRD78833U160077 9/1/2003
Honda Odyssey	Certain 2002 model year	2HKRL18612H500039 6/19/2001	2HKRL18672H590930 8/20/2002
		5FNRL18672B000062 10/9/2001	5FNRL18002B057926 8/22/2002

HONDA

American Honda Motor Co., Inc.
1919 Torrance Boulevard
Torrance, CA 90501-2746
Phone (310) 783-2000

June 19, 2014

Ms. Nancy Lewis
Associate Administrator for Enforcement
NATIONAL HIGHWAY TRAFFIC SAFETY
ADMINISTRATION
Attn: Recall Management Division (NVS-215)
1200 New Jersey Avenue, SE
Washington, DC 20590

Re: Recall Notification
2002-2003MY Honda Civic, CR-V, Odyssey
2003MY Honda Accord, Element, Pilot and Acura MDX
Passenger Airbag Inflator Recall Expansion

Dear Ms. Lewis:

On June 19, 2014 Honda Motor Co., Ltd. (HMC) determined that a potential defect relating to motor vehicle safety exists in the passenger airbag of 2002-2003 model year Honda Civic, CR-V and Odyssey automobiles, 2003 model year Honda Accord, Element, Pilot and 2003 Acura MDX vehicles and is providing notification to the National Highway Traffic Safety Administration in accordance with 49 CFR Part 573 Defect and Noncompliance Reports.

573.6(c)(1)

Name of manufacturer: Honda Motor Co., Ltd. (HMC)
Honda of America Mfg., Inc. (HAM)
Honda of Canada Mfg. (HCM)
Honda of the U.K. Mfg. (HUM)
Honda Mfg. of Alabama (HMA)
Honda de Mexico, S.A. de C.V. (HDM)

Manufacturer's agent: Jay Joseph
American Honda Motor Co., Inc. (AHM)
1919 Torrance Blvd.
Torrance, CA 90501-2746

573.6(c)(2)

Identification of potentially affected vehicles:

See ATTACHMENT-1 for VIN information.

Description of the basis for the determination of the recall population:

The recall population was determined based on manufacturing records. The VIN range reflects all possible vehicles that could potentially experience the problem.

573.6(c)(2)(iv)
Identification of affected component:

Component:	Front Passenger Airbag Inflator
Country of Origin:	USA
Manufacturer:	T.K. Holdings, Inc.
Contact Name	Kazuo Higuchi
Address:	888 16th Street NW, Suite 800 Washington, DC 20006
Telephone No.:	(202) 729-6332

573.6(c)(3)
Total number of potentially affected vehicles: TBD

573.6(c)(4)
Percentage of affected vehicles that contain the defect: Unknown

573.6(c)(5)
Defect description:

In certain vehicles, the passenger's (frontal) airbag inflator could produce excessive internal pressure. If an affected airbag deploys, the increased internal pressure may cause the inflator to rupture. In the event of an inflator rupture, metal fragments could be propelled upward toward the windshield, or downward toward the front passenger's foot well, potentially causing injury to a vehicle occupant.

573.6(c)(6)
Chronology:

May 14, 2013	Honda was notified of a single-stage passenger airbag inflator rupture outside of the U.S. The type of inflator involved has not been installed in Honda or Acura vehicles in the U.S.
June 4, 2014	Supplier notified Honda of three occurrences of inflator rupture involving vehicles manufactured by other OEMs.
June 11, 2014	Supplier notified Honda that there was a possibility that production records of the auto-reject function used in determining the previous recall range may have been incorrect or incomplete. Supplier also informed Honda that the methodology used to identify the range of affected airbag inflators was inadequate.

On June 19, 2014 Honda Motor Company (HMC) determined that a safety defect, identified originally on April 4, 2013 and subsequently identified as safety recall 13V132, required an expansion to address the concerns and to include all potentially affected vehicles.

As of June 11, 2014 Honda has not received any warranty claims, field reports or injuries related to this issue.

573.6(c)(8)(i)
Program for remedying the defect:

The owners of all affected vehicles will be contacted by mail and asked to take their vehicle to a Honda or Acura automobile dealer. The dealer will replace the passenger airbag inflator, free of charge.

573.6(c)(8)(ii)
The estimated date to e-mail preliminary notification to dealers: June 23, 2014

The estimated date to provide service bulletin to dealers: June 24, 2014

The estimated date to begin sending notifications to owners: July 21, 2014

The estimated date of completion of the notification: August 22, 2014

573.6(c)(9)
Representative copies of all notices, bulletins and other communications:

A copy of the dealer service bulletin, the final customer notification letter and other dealer communication will be submitted to your office as soon as possible.

573.6(c)(10)
Proposed owner notification letter submission:

June 19, 2014, submitted in conjunction with this letter.

573.6(c)(11)
Manufacturer's campaign number:

TBD

Sincerely,

AMERICAN HONDA MOTOR CO., INC.

Jay Joseph
Assistant Vice President
Product Regulatory Office

JWJ:cmb

ATTACHMENT-1

Make/Model	Description	VIN Range/Dates of Manufacture
Honda Civic	Certain 2002 model year	VIN range TBD Production range TBD
	Certain 2003 model year	VIN TBD Production Date TBD
Honda CR-V	Certain 2002 model year	VIN TBD Production Date TBD
	Certain 2003 model year	VIN TBD Production Date TBD
Honda Odyssey	Certain 2002 model year	VIN TBD Production Date TBD
	Certain 2003 model year	VIN TBD Production Date TBD
Honda Accord	Certain 2003 model year	VIN TBD Production Date TBD
Honda Element	Certain 2003 model year	VIN TBD Production Date TBD
Honda Pilot	Certain 2003 model year	VIN TBD Production Date TBD
Acura MDX	Certain 2003 model year	VIN TBD Production Date TBD

HONDA
American Honda Motor Co., Inc.
1919 Torrance Boulevard
Torrance, CA 90501-2746
Phone (310) 783-2000

June 19, 2014

Ms. Nancy Lewis
Associate Administrator for Enforcement
NATIONAL HIGHWAY TRAFFIC SAFETY
ADMINISTRATION
Attn: Recall Management Division (NVS-215)
1200 New Jersey Avenue, SE
Washington, DC 20590

Re: Honda and Acura Driver Airbag Inflator Safety Improvement Campaign

Dear Ms. Lewis:

On June 19, 2014 Honda Motor Co., Ltd. (HMC) decided to conduct a safety improvement campaign for the driver's airbag inflator in certain model year Honda and Acura vehicles listed below. Honda has not made a determination that a safety defect exists, however we are choosing to participate in the collection of parts in order to support ongoing investigation.

As discussed with NHTSA ODI staff, this safety improvement campaign is not being conducted under the Safety Act. We are submitting this letter in a format consistent with the requirements of 49 CFR, Part 573 for the sake of clear communication; however Honda does not have sufficient information to reach a defect determination at this time.

Name of manufacturer: Honda Motor Co., Ltd. (HMC)
Honda Mfg. of Alabama, LLC (HMA)
Honda of America Mfg., Inc. (HAM)
Honda of Canada Mfg., Ltd. (HCM)
Honda of the U.K. Mfg., Ltd. (HUM)
Honda de Mexico, S.A. de C.V. (HDM)

Manufacturer's agent: Jay Joseph
American Honda Motor Co., Inc. (AHM)
1919 Torrance Blvd.
Torrance, CA 90501-2746

Identification of potentially affected vehicles:

Certain model year Honda and Acura vehicles that were originally sold in, or ever registered in, geographic locations known for high absolute humidity: Alabama, Florida, Georgia, Hawaii, Louisiana, Mississippi, South Carolina, Texas, Puerto Rico and the U.S. Virgin Islands.

Make/Model	Description
Honda Accord (4-cylinder)	All 2001-2007 model year
Honda Accord (V6)	All 2001-2002 model year
Honda Civic	All 2001-2005 model year

Honda CR-V	All 2002-2006 model year
Honda Element	All 2003-2011 model year
Honda Odyssey	All 2002-2004 model year
Honda Pilot	All 2003-2007 model year
Honda Ridgeline	All 2006 model year
Acura MDX	All 2003-2006 model year
Acura TL/CL	All 2002-2003 model year

Description of the basis for the determination of the vehicle population:

The vehicle population was based on manufacturing records and market occurrences of the involved symptom.

Identification of component:

Component:	Driver's Airbag Inflator
Country of Origin:	USA
Manufacturer:	T.K. Holdings, Inc.
Contact Name	Kazuo Higuchi
Address:	888 16th Street NW - Suite 800 Washington, DC 20006
Telephone No.:	(202) 729-6332

Total number of vehicles: TBD

Condition:

Certain Honda and Acura vehicles operated in areas that are known for high absolute humidity may contain a driver's (frontal) airbag inflator that could produce excessive internal pressure. If an airbag deploys with excessive internal pressure, it may cause the inflator to rupture. In the event of an inflator rupture, metal fragments could pass through the airbag cushion material possibly causing injury or fatality to vehicle occupants.

Timeline:

Aug 6, 2013	Honda received a claim via a NHTSA Hotline complaint of an energetic deployment of a driver's airbag inflator in Florida, outside of the previous recall range. This is the only occurrence outside of the recall range in a Honda or Acura vehicle.
Oct 10, 2013	Honda inspected the vehicle involved in the allegation of the energetic airbag deployment and confirmed the affected airbag module serial number.
Oct 22, 2013	Honda and Takata began a joint investigation with the manufacturer of the airbag inflator.
Jan 22, 2014	Honda and Takata provided an interim investigation report to NHTSA ODI, and continued investigating potential causes of the inflator rupture.

Jan-Jun, 2014	Honda and Takata conducted part collection and analysis, focusing on the same production lot as the ruptured inflator.
May, 2014	Takata received approval from the owner of the vehicle that experienced the inflator rupture to conduct material testing and other analysis on the parts retrieved from the vehicle.
Jun 13, 2014	NHTSA contacted Honda to discuss the possibility of conducting a safety improvement campaign to support the ongoing investigation of the cause of energetic driver's airbag inflators, focusing on locations in the U.S. that experience high absolute humidity levels and high temperatures.

Campaign Plan:

The owners of all vehicles will be contacted by mail and asked to take their vehicle to a Honda or Acura automobile dealer. The dealer will replace the driver's airbag inflator, free of charge. Owner notification letters will reference this being conducted as a safety recall.

The estimated date to e-mail preliminary notification to dealers:	TBD
The estimated date to provide service bulletin to dealers:	TBD
The estimated date to begin sending notifications to owners:	TBD
The estimated date of completion of the notification:	TBD
Proposed owner notification letter submission:	June 19, 2014

Manufacturer's campaign number: TBD

Sincerely,

AMERICAN HONDA MOTOR CO., INC.

Jay Joseph
Assistant Vice President
Product Regulatory Office

JWJ:cmb

HONDA

American Honda Motor Co., Inc.
1919 Torrance Boulevard
Torrance, CA 90501-2746
Phone (310) 783-2000

June 19, 2014

Ms. Nancy Lewis
Associate Administrator for Enforcement
NATIONAL HIGHWAY TRAFFIC SAFETY
ADMINISTRATION
Attn: Recall Management Division (NVS-215)
1200 New Jersey Avenue, SE
Washington, DC 20590

Re: Honda and Acura Passenger Airbag Inflator Safety Improvement Campaign

Honda Vehicles
2003-2005 Model Year Accord, Civic, CR-V, Element, Pilot
2003-2004 Model Year Odyssey

Acura Vehicles
2003-2005 Model Year MDX
2005 Model Year RL

Dear Ms. Lewis:

On June 19, 2014 Honda Motor Co., Ltd. (HMC) decided to conduct a safety improvement campaign for the passenger's airbag inflator in certain model year Honda and Acura vehicles listed above. Honda has not made a determination that a safety defect exists, however we are choosing to participate in the collection of parts in order to support ongoing investigation.

As discussed with NHTSA ODI staff, this safety improvement campaign is not being conducted under the Safety Act. We are submitting this letter in a format consistent with the requirements of 49 CFR, Part 573 for the sake of clear communication; however Honda does not have sufficient information to reach a defect determination at this time.

Name of manufacturer: Honda Motor Co., Ltd. (HMC)
Honda of America Mfg., Inc. (HAM)
Honda of Canada Mfg. (HCM)
Honda of the U.K. Mfg. (HUM)
Honda Mfg. of Alabama (HMA)
Honda de Mexico, S.A. de C.V. (HDM)

Manufacturer's agent: Jay Joseph
American Honda Motor Co., Inc. (AHM)
1919 Torrance Blvd.
Torrance, CA 90501-2746

Identification of vehicles:

Certain model year Honda and Acura vehicles that were originally sold in, or ever registered in, geographic locations known for high absolute humidity: Alabama, Florida, Georgia, Hawaii, Louisiana, Mississippi, South Carolina, Texas, Puerto Rico and the U.S. Virgin Islands.

See ATTACHMENT for VIN information.

Description of the basis for the determination of the vehicle population:

The vehicle population was based on manufacturing records and market occurrence of the involved symptom. The VIN range reflects all possible vehicles that could potentially experience the problem.

Identification of component:

Component:	Front Passenger Airbag Inflator
Country of Origin:	USA
Manufacturer:	T.K. Holdings, Inc.
Contact Name	Kazuo Higuchi
Address:	888 16th Street NW - Suite 800 Washington, DC 20006
Telephone No.:	(202) 729-6332

Total number of vehicles: TBD

Condition:

Certain Honda and Acura vehicles operated in areas that are known for high absolute humidity may contain a passenger (frontal) airbag inflator that could produce excessive internal pressure. If an airbag deploys with excessive internal pressure, it may cause the inflator to rupture, possibly propelling metal fragments upward toward the windshield, or downward toward the front passenger's foot well and potentially causing injury to a vehicle occupant.

Timeline:

Jun 13, 2014 NHTSA contacted Honda to discuss the possibility of conducting a safety improvement campaign to support the ongoing investigation of the cause of energetic passenger airbag inflators, focusing on locations in the U.S. that experience high absolute humidity levels and high temperatures.

Campaign Plan:

The owners of all vehicles will be contacted by mail and asked to take their vehicle to a Honda or Acura automobile dealer. The dealer will replace the passenger's airbag inflator, free of charge. Owner notification letters will reference this being conducted as a safety recall.
The estimated date to e-mail preliminary notification to dealers: TBD

The estimated date to e-mail preliminary notification to dealers:	TBD
The estimated date to provide service bulletin to dealers:	TBD
The estimated date to begin sending notifications to owners:	TBD
The estimated date of completion of the notification:	TBD
Proposed owner notification letter submission:	June 19, 2014

Manufacturer's campaign number: TBD

Sincerely,

AMERICAN HONDA MOTOR CO., INC.

Jay Joseph
Assistant Vice President
Product Regulatory Office

JWJ:cmb

ATTACHMENT

Make/Model	Description	VIN Range/Dates of Manufacture
Honda Accord	Certain 2003 model year	VIN range TBD Production range TBD
	Certain 2004 model year	VIN range TBD Production range TBD
	Certain 2005 model year	VIN range TBD Production range TBD
Honda Civic	Certain 2003 model year	VIN range TBD Production range TBD
	Certain 2004 model year	VIN range TBD Production range TBD
	Certain 2005 model year	VIN range TBD Production range TBD
Honda CR-V	Certain 2003 model year	VIN range TBD Production range TBD
	Certain 2004 model year	VIN range TBD Production range TBD
	Certain 2005 model year	VIN range TBD Production range TBD
Honda Element	Certain 2003 model year	VIN range TBD Production range TBD
	Certain 2004 model year	VIN range TBD Production range TBD
	Certain 2005 model year	VIN range TBD Production range TBD
Honda Odyssey	Certain 2003 model year	VIN range TBD Production range TBD
	Certain 2004 model year	VIN range TBD Production range TBD
Honda Pilot	Certain 2003 model year	VIN range TBD Production range TBD
	Certain 2004 model year	VIN range TBD Production range TBD
	Certain 2005 model year	VIN range TBD Production range TBD
Acura MDX	Certain 2003 model year	VIN range TBD Production range TBD
	Certain 2004 model year	VIN range TBD Production range TBD
	Certain 2005 model year	VIN range TBD Production range TBD
Acura RL	Certain 2005 model year	VIN range TBD Production range TBD

Honda Recall Notification

Submit to NHTSA – November 3, 2014

Passenger Airbag Inflator Recall
2001-2005MY Honda Civic
2002-2005MY Honda CR-V,
2002-2004MY Honda Odyssey
2003-2005MY Honda Accord, Pilot and Acura MDX
2003-2004MY Honda Element
2005MY Acura RL
2006MY Honda Ridgeline

573.6(c)(2)
Identification of potentially affected vehicles:
Certain model year Honda and Acura vehicles that were originally sold in, or ever registered in, geographic locations known for high absolute humidity: Alabama, Florida, Georgia, Hawaii, Louisiana, Mississippi, South Carolina, Texas, Puerto Rico, U.S. Virgin Islands, Saipan, Guam, and American Samoa.

A list of vehicles included in this recall is attached to this document.

573.6(c)(3)
Total number of potentially affected vehicles: TBD

573.6(c)(4)
Percentage of affected vehicles that contain the defect: Unknown

Description of the basis for the determination of the recall population:
The recall population was determined based on manufacturing records. The VIN range reflects all possible vehicles that could potentially experience the problem.

573.6(c)(5)
Defect description:
In certain vehicles that were originally sold in, or ever registered in geographic locations with a high absolute humidity, including the following: Alabama, Florida, Georgia, Hawaii, Louisiana, Mississippi, South Carolina, Texas, Puerto Rico, U.S. Virgin Islands, Saipan, Guam, and American Samoa; the passenger's (frontal) airbag inflator could exhibit a symptom of producing excessive internal pressure. If an affected airbag deploys, the increased internal pressure may cause the inflator to rupture. In the event of an inflator rupture, metal fragments could be propelled upward toward the windshield, or downward toward the front passenger's foot well, potentially causing injury to a vehicle occupant. The cause of the potential for inflator rupture and the apparent link to a high absolute humidity continues to be under investigation.

573.6(c)(2)(iv)
Identification of affected component:

Component:	Front Passenger Airbag Inflator
Country of Origin:	USA
Manufacturer:	T.K. Holdings, Inc.
Contact Name	Kazuo Higuchi
Address:	888 16th Street NW, Suite 800, Washington, DC 20006
Telephone No.:	(202) 729-6332

573.6(c)(6)
Chronology:

June 19, 2014	Honda submitted notification to NHTSA for Safety Improvement Campaign (14V-353) in support of an ongoing investigation.
October 27, 2014	Takata conducted testing of parts recovered from Florida through recall 13V132 and regional safety improvement campaign 14V353 at the request of Honda and NHTSA. Takata informed Honda of the result those tests, indicating abnormal deployment in a small number of inflators.
October 29, 2014	Honda reported the results of the test to NHTSA.
November 3, 2014	Honda Motor Company (HMC) decided to conduct a safety recall campaign, based on the supplier information. The vehicles being recalled are those that were originally sold in, or ever registered in, geographic locations known for high absolute humidity: Alabama, Florida, Georgia, Hawaii, Louisiana, Mississippi, South Carolina, Texas, Puerto Rico, U.S. Virgin Islands, Saipan, Guam, and American Samoa.

573.6(c)(8)(i)
Program for remedying the defect:
The owners of all affected vehicles will be contacted by mail and asked to take their vehicle to an authorized Honda or Acura automobile dealer. The dealer will replace the passenger airbag inflator, free of charge. If a replacement part is not available dealers will work with owners to accommodate owner needs.

573.6(c)(8)(ii)

The estimated date to e-mail preliminary notification to dealers:	TBD
The estimated date to provide service bulletin to dealers:	TBD
The estimated date to begin sending notifications to owners:	Nov. 24, 2014
The estimated date of completion of the notification:	Jan. 2, 2015

573.6(c)(11)
Manufacturer's campaign number: TBD

Make/Model	Description	VIN Range Dates of Manufacture
Honda Civic 2 Door	Certain 2001 model year	VIN: TBD April 13, 2000 to August 25, 2004
	Certain 2002 model year	
	Certain 2003 model year	
	Certain 2004 model year	
Honda Civic 4 Door	Certain 2001 model year	VIN: TBD March 21, 2000 to January 20, 2005
	Certain 2002 model year	
	Certain 2003 model year	
	Certain 2004 model year	
	Certain 2005 model year	
Honda Civic CNG	Certain 2003 model year	VIN: TBD February 21, 2003 to August 19, 2004
	Certain 2004 model year	
Honda Civic Hybrid	Certain 2003 model year	VIN: TBD April 25, 2003 to January 18, 2005
	Certain 2004 model year	
	Certain 2005 model year	
Honda CR-V	Certain 2002 model year	VIN: TBD May 11, 2001 to November 17, 2004
	Certain 2003 model year	
	Certain 2004 model year	
	Certain 2005 model year	
Honda Odyssey	Certain 2002 model year	VIN: TBD June 19, 2001 to August 13, 2004
	Certain 2003 model year	

Honda Odyssey *continued*	Certain 2004 model year	
Honda Accord	Certain 2003 model year	VIN: TBD February 21, 2002 to March 30, 2005
	Certain 2004 model year	
	Certain 2005 model year	
Honda Element	Certain 2003 model year	VIN: TBD June 25, 2002 to December 13, 2004
	Certain 2004 model year	
Honda Pilot	Certain 2003 model year	VIN: TBD November 26, 2001 to May 20, 2005
	Certain 2004 model year	
	Certain 2005 model year	
Acura MDX	Certain 2003 model year	VIN: TBD September 19, 2002 to May 20, 2005
	Certain 2004 model year	
	Certain 2005 model year	
Honda Ridgeline	Certain 2006 model year	VIN: TBD May 20, 2005 to May 24, 2005
Acura RL	Certain 2005 model year	VIN: TBD July 15, 2004 to October 8, 2004

FRED UPTON, MICHIGAN
CHAIRMAN

HENRY A. WAXMAN, CALIFORNIA
RANKING MEMBER

ONE HUNDRED THIRTEENTH CONGRESS

Congress of the United States

House of Representatives

COMMITTEE ON ENERGY AND COMMERCE

2125 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, DC 20515–6115
Majority (202) 225–2927
Minority (202) 225–3641

December 15, 2014

Mr. Craig Westbrook
Vice President of Aftersales
BMW of North America
300 Chestnut Ridge Road
Woodcliff Lake, NJ 07677

Dear Mr. Westbrook,

Thank you for appearing before the Subcommittee on Commerce, Manufacturing, and Trade on Wednesday, December, 2014 to testify at the hearing entitled "Takata Airbag Ruptures and Recalls."

Pursuant to the Rules of the Committee on Energy and Commerce, the hearing record remains open for ten business days to permit Members to submit additional questions for the record, which are attached. The format of your responses to these questions should be as follows: (1) the name of the Member whose question you are addressing, (2) the complete text of the question you are addressing in bold, and (3) your answer to that question in plain text.

To facilitate the printing of the hearing record, please respond to these questions by the close of business on Tuesday, December 30, 2014. Your responses should be e-mailed to the Legislative Clerk in Word format at **Kirby.Howard@mail.house.gov** and mailed to Kirby Howard, Legislative Clerk, Committee on Energy and Commerce, 2125 Rayburn House Office Building, Washington, D.C. 20515.

Thank you again for your time and effort preparing and delivering testimony before the Subcommittee.

Sincerely,

Lee Terry
Chairman
Subcommittee on Commerce,
Manufacturing, and Trade

cc: Jan Schakowsky, Ranking Member, Subcommittee on Commerce, Manufacturing, and Trade
Attachment

Vice President
Aftersales Craig Westbrook

December 30, 2014

Mr. Kirby Howard, Legislative Clerk
Committee on Energy and Commerce
2125 Rayburn House Office Building,
Washington, D.C. 20515.

Re: 2014 "Takata Airbag Ruptures and Recalls."
Hearing of the Subcommittee on Commerce, Manufacturing, and Trade

Dear Mr. Howard:

In accordance with the Honorable Lee Terry's request, I am submitting my response on behalf of BMW of North America, to the additional questions raised by The Honorable Lee Terry, The Honorable Adam Kinzinger and The Honorable Jan Schakowsky, in connection with the referenced hearing which took place on December 3, 2014. I have also included BMW's response to the open questions raised during the hearing by The Honorable John Yarmath, The Honorable Gus Bilirakis and The Honorable David McKinley.

Pursuant to the Rules of the Committee on Energy and Commerce, we have listed the name of the Member whose question we are addressing with the complete text of the question in bold. Our answer immediately follows the question in plain text.

Thank you again for allowing us to participate in the hearing and to supplement our response, as collectively we seek to advance the goal of vehicle safety and customer satisfaction.

Sincerely,

Craig Westbrook
Vice President, Aftersales
BMW of North America, LLC

Company
BMW of North America, LLC
BMW Group Company

Mailing Address
PO Box 1227
Westwood, NJ 07675-1227

Office Address
300 Chestnut Ridge Road
Woodcliff Lake, NJ 07677-7731

Telephone
(201) 307-3929

Fax
(201) 307-0971

CRAIG WESTBROOK
VICE PRESIDENT, AFTERSALES
BMW OF NORTH AMERICA

December 30, 2014

Additional Questions for the Record

The Honorable Lee Terry

1. Was BMW aware of the 2003 airbag inflator incident reported in one of its vehicles in Switzerland? If so, was the rupture in a driver's or passenger's frontal airbag? Was NHTSA informed of this incident? Were there any deaths linked to the rupture? Did BMW do any follow up with Takata about the cause of the rupture? If so, what was the cause of the rupture? Please provide a detailed explanation.

I was unaware of the 2003 airbag inflator incident when I testified at the Subcommittee of Commerce, Manufacturing, and Trade Hearing on "Takata Airbag Ruptures and Recall" on December 3, 2014 . However, following an internal review, I can confirm that there was a 2003 incident in Switzerland involving a BMW 3 Series vehicle. In that case, the driver-side frontal airbag inflator ruptured without causing injury or death.

BMW contacted Takata in 2003 when it became aware of the incident. Takata informed BMW that its analysis revealed that a most likely root cause was propellant overload (i.e., the overfilling of the inflator with excessive wafers during the production process).

Following subsequent root cause analysis, Takata advised that it has concluded that the 2003 event is not related to the current long term high temperature and humidity issues.

NHTSA was not informed of the incident in 2003 because the TREAD Act only requires the reporting of foreign fatalities. No death was associated with this event.

2. Mr. Westbrook's testimony states that Takata informed BMW of production issues with certain inflators in May 2013. Did Takata specify what those production issues were? If so, please describe them. Did Takata inform BMW of what it was doing to remedy the production issues? Did Takata provide any documentation to verify that those remedies were implemented? Did BMW take steps to independently verify?

Takata informed BMW of two production issues: (i) propellant wafers manufactured from April 2000 until September 2002 may have been produced with low compaction force; and (ii) inflators assembled from October 2001 through October 2002 may have been exposed to an uncontrolled environment involving excessive moisture.

BMW had several discussions with Takata and requested detailed technical information from Takata, including a failure analysis report, component production information, end-

of-life component recycling records and requested that Takata conduct system performance tests, where possible.

Takata provided BMW with preliminary technical information indicating that it was unaware of any unusual deployments during the end-of-life component recycling process and also confirmed that the system design configuration that it produced for BMW was not identical to the configuration produced for other vehicle manufacturers. BMW reviewed the information provided by Takata and requested additional analyses and technical information.

Subsequent thereto, Takata provided BMW with the final requested technical information, including a detailed failure analysis which indicated that the root cause for both issues was insufficient quality controls (i.e., an operator could manually switch off the pressure control unit and the air dryer could be switched off manually). Takata also informed BMW that the control mechanisms were corrected and manual manipulation was prevented by a process optimization.

Based on the information provided and the final analyses performed, on May 2, 2013, BMW decided to conduct a voluntary recall on the passenger-side frontal airbag system.

3. Did BMW receive a letter from Takata in 2010 informing BMW that its inflators were not impacted by the defects attributed to the 2008 – 2011 recalls? If so, how did Takata verify that claim?

On November 25, 2009, BMW received a letter from Takata about their review of the BMW PSDI-4 inflator and its relationship to a field action which was at that time underway on another Takata product. Takata's conclusion was: "based on our current understanding of the root cause, the acceptability of data from the reviewed lots, and the placement of the BMW production lot in the reviewed lot range, Takata does not believe BMW need be concerned nor initiate any field action at this time."

In our letters to NHTSA dated March 5, 2010 and March 24, 2010, BMW informed the NHTSA Office of Defects Investigation that Takata had supplied appropriate documentation to BMW, which substantiated Takata's findings that BMW vehicles were not affected.

4. Mr. Westbrook testified that he did not believe NHTSA currently had enough evidence to support a national recall of driver's side airbags. Please explain why Mr. Westbrook reached this conclusion and what the data would need to show for BMW to support NHTSA's national recall request for driver's side airbags?

BMW has agreed to expand its regional campaign for the driver-side frontal airbag into a nationwide Improvement Campaign.

The Honorable Adam Kinzinger

1. There has been significant discussion about regional recalls and the movement of recalled vehicles from high humidity states to other states outside of those regions. I

believe an area that needs focus by automakers is the commerce of recycled original equipment manufacturer (OEM) parts. Each day, over a half million recycled OEM parts, the very same parts designed by your companies to meet your fit, finish and durability standards - are sold by professional automotive recyclers. These parts play an important part in the automotive supply chain and are readily sold from one state or region of the country to another.

Recently, General Motors reached out to professional automotive recyclers offering to buyback or purchase recalled GM ignition switches. To accomplish this, General Motors provided specific Original Equipment Manufacturer (OEM) part numbers for the ignition switches that were critical to ensure that automotive recyclers could identify the specific recalled parts in their company's inventories.

a. **Do you agree that sharing OEM part numbers and other identifiable information with the professional automotive recycling industry would increase safety?**

BMW believes that decommissioning and removing recalled airbags from the supply chain is the best way to increase vehicle safety. BMW is willing to share relevant information with the professional automotive recycling industry, as necessary to increase vehicle safety.

b. **Do you agree this would assist in tracking recalled parts, such as the Takata Airbags?**

BMW believes that decommissioning and removing recalled airbags from the supply chain is the best way to increase vehicle safety. BMW is willing to share relevant information with the professional automotive recycling industry, as necessary to increase vehicle safety.

c. **Does BMW currently have a similar buy-back program in place with the professional automotive recyclers? If not, why not?**

BMW does not have a buyback program with professional automotive recyclers but will share relevant information as necessary, to increase vehicle safety.

<u>The Honorable Jan Schakowsky</u>

1. **At the Subcommittee hearing on December 3, 2014, I asked Honda about confidential settlement agreements made in lawsuits in which plaintiffs have alleged injuries or death as a result of malfunctions of the airbags supplied by Takata.**

a. **How many settlement agreements related to Takata airbags has BMW reached with plaintiffs? Please provide (1) the dates of these agreements and (2) the dates of the alleged injuries that were the subject of the settlement agreements.**

To the best of our knowledge, BMW has not entered into any settlement agreements, with

a plaintiff, confidential or otherwise, in a lawsuit where there was an allegation of death or injuries resulting from the rupturing of a Takata airbag inflator.

b. Please list (1) the year, make, and model of the vehicles that were the subject of those settlement agreements and (2) the nature of the alleged injuries that were the subject of the settlement agreements.

N/A

c. How many of these agreements were confidential or otherwise restricted the plaintiff or plaintiff's representatives from publicly discussing the case?

N/A

2. According to a Reuter's article on December 4, 2014, titled "Toyota Expands Takata Air Bag Recall in Japan, China," Toyota announced that it would recall 185,000 vehicles across 19 models in Japan and 5,000 vehicles in China. Japan's transport ministry said that it instructed other automakers to check whether their vehicles could be affected by the same inflator problem.

a. Has BMW conducted, or is BMW planning to conduct, any recalls in Japan or China with regard to Takata airbag inflator ruptures?

BMW has issued recalls in China and Japan comparable to BMW recalls in the US for the passenger-side frontal airbag. We will also start talks regarding the driver-side frontal airbag with authorities of other countries.

b. If so, are the recalls in Japan or China being conducted pursuant to laws or regulations in those countries? What laws or regulations?

BMW acts pursuant to the applicable laws and regulations of each country in which it does business.

c. Please list the make, model, and model years of each vehicle that was recalled in China and Japan in relation to Takata airbag inflator ruptures.

BMW 3 Series sedan, touring (Sports Wagon in the US), compact (not offered in US), coupe and convertible, production period from June, 1999 up to August, 2006 (end of production), model year 2000-2006.

3. On November 18, NHTSA announced its intention to expand the regional recall of driver's side airbags to a nationwide recall. On December 3, Honda announced that it would expand to a national recall only of driver's side airbags.

However, Takata's testing results submitted by Takata dated November 17, 2014, showed 63 ruptures of passenger side airbag inflators, but no ruptures of driver's side airbag

inflators. These results appear to be inconsistent with the national recall of driver's side airbags only.

a. Is BMW planning to expand its recall of driver's side airbags to a national recall?

Yes, BMW has decided to expand the regional campaign for the driver-side frontal airbag into a nationwide Improvement Campaign.

b. Is BMW planning to expand its recall of passenger side airbags to a national recall?

Yes, earlier this year, BMW implemented a nationwide recall for the passenger-side frontal airbags in model year 2000-2006 BMW 3 Series vehicles with affected Takata airbag inflators.

c. Has BMW identified the root cause of these driver's or passenger-side airbag ruptures? If so, please explain.

No, the root cause of the ruptures has not been identified. Tests at Takata are ongoing. In early December, BMW made the decision to perform its own independent testing and started the process for doing so. BMW will commence its testing program at the end of January 2015, with the Fraunhofer Institute for Chemical Technology ICT in Germany.

BMW is also participating in an industry-wide independent testing coalition to use external and impartial expertise to test inflators and analyze potential root causes. The target of these tests is to verify the tests already completed by Takata and also to provide additional test results for statistical purposes.

d. Has BMW determined that the root cause for the driver's side airbag failures is different from the cause for the passenger's side airbag failures? What are the bases for this determination? Please provide documentation of this determination.

BMW has made no independent determination as to the root case for airbag inflator rupturing on either the driver-side or passenger-side. Tests at Takata are ongoing. In early December, BMW made the decision to perform its own independent testing and started the process for doing so. BMW will commence its testing program at the end of January 2015, with the Fraunhofer Institute for Chemical Technology ICT in Germany.

BMW is also participating in an industry-wide independent testing coalition to use external and impartial expertise to test inflators and analyze potential root causes. The target of these tests is to verify the tests already completed by Takata and also to provide additional test results for statistical purposes.

4. Many members of the armed forces serve at bases located in the high absolute humidity regions, and may be stationed there or deployed from there for years, but are allowed to register their cars in their home states. In these or other cases, the vehicle may be operated in Florida for many years, but never registered in Florida.

a. Is BMW working to identify vehicles that have been operated in high-humidity regions but have never been registered in those regions? If so, how is BMW identifying such vehicles?

BMW has expanded its regional Improvement Campaign for the driver-side frontal airbag to a nationwide Improvement Campaign, so all affected vehicles will be addressed, regardless of registration location. BMW previously issued a nationwide recall for the passenger-side frontal airbag.

b. Has BMW notified owners of vehicles that have been operated in high-humidity regions but have never been registered in those regions?

BMW has expanded its regional Improvement Campaign for the driver-side frontal airbag to a nationwide Improvement Campaign, so all affected vehicles will be addressed, regardless of registration location. BMW previously issued a recall for the passenger-side frontal airbag and all affected customers have been notified.

5. BMW has expressed its commitment to ensuring that all vehicles you produce that are covered by a safety recall are repaired.

a. Do you include a provision in agreements with BMW dealerships that require them to perform safety recall repairs prior to offering used BMW vehicles or used vehicles originally produced by other vehicle manufacturers for sale to consumers?

Under the National Traffic and Motor Vehicle Safety Act of 1966, as amended, all automotive dealers must ensure that all recalls on new vehicles and new items of replacement equipment are completed before delivery to a consumer. The Safety Act also prohibits dealers from selling or leasing items of replacement equipment to a consumer, unless and until an open recall has been completed.

In addition, BMW dealer agreements require that dealers comply with all applicable federal, state, and local laws and regulations. Further, when BMW issues a recall or an Improvement Campaign, BMW notifies all of its dealers and they are able to use a vehicle look-up function to check new and used vehicles in their inventory against the recall or Improvement Campaign VIN list. Dealers use this process to identify new and used BMW vehicles in their inventory that may be subject to a recall or Improvement Campaign and to perform the necessary repairs prior to sale or use. Dealers can also perform a VIN specific search on the NHTSA website to determine if a vehicle has an incomplete safety recall, prior to using or selling a new or used non-BMW vehicle.

b. Does compensation to BMW dealers for repairs made under a safety recall or a safety improvement campaign match their earnings for normal retail repairs, i.e., based on the same hourly rate and the same time allowed for repairs?

BMW reimburses its dealers an agreed-upon labor rate for all repairs. This labor rate is established by either linkage to: a) the Consumer Price Index; or b) to a labor rate that is up to, but not greater than the average hourly retail labor rate charged for customer paid repairs. The time allowed for any given repair is established by BMW at a uniform level for all dealers, consistent with industry practice.

c. What criteria do BMW and BMW dealers use in deciding whether to provide a loaner or rental car to a customer?

When parts are not available to immediately fix a customer's vehicle, BMW dealers are making a BMW loaner vehicle or a non-BMW rental vehicle available to customers upon request, based on the dealer's best estimate as to how long the dealer will have to wait for the replacement part. Generally, loaner vehicles are available for shorter durations.

d. What steps is BMW taking to ensure that the loaner cars are not also subject to a safety recall and, if they are subject to a safety recall, that those loaner cars were repaired before being loaned to a customer?

When BMW issues a recall or an Improvement Campaign, BMW notifies all of its dealers and they are able to use a vehicle look-up function to check new and used vehicles in their inventory against the recall or Improvement Campaign VIN list. Dealers use this process to identify new and used vehicles in their inventory that may be subject to a recall or Improvement Campaign and to perform the necessary repairs prior to sale or use.

6. Takata, NHTSA, and the automakers testified at the Subcommittee hearing on December 3, 2014, that the root cause of the airbag ruptures is still unknown. Takata claims that high humidity, high temperature, and the age of the vehicle are factors contributing to the ruptures. What is BMW doing to ensure that the new airbags currently being installed into cars in Florida will not have the same problems in five or ten years?

With the exception of a probable test anomaly, all of Takata's investigations and analysis of retrieved inflators from BMW vehicles from high absolute humidity regions showed no ruptures to date. In addition, further increased quality controls in production and new production lines, e.g., in Germany with low absolute humidity, have even further reduced the risk for production related failures. Therefore, on that basis, BMW believes that the replacement airbags currently being installed will not have the same problems in five or ten years.

In addition, tests at Takata are ongoing. BMW has also entered into a contract with the Fraunhofer Institute for Chemical Technology ICT in Germany and will commence its independent testing program at the end of January, on both new and old inflators retrieved from BMW vehicles. Furthermore, BMW is participating in an industry-wide independent testing coalition to use external and impartial expertise to test inflators, analyze potential root causes and verify the tests already completed by Takata. Test results will be shared with NHTSA.

The Honorable John Yarmath

1. How can you be confident that the airbags you are putting in your vehicles today are safe if you are still purchasing them from Takata?

With the exception of a probable test anomaly, all of Takata's investigations and analysis of retrieved inflators from BMW vehicles from high absolute humidity regions showed

no ruptures to date. In addition, further increased quality controls in production and new production lines, e.g., in Germany with low absolute humidity, have even further reduced the risk for production related failures. Therefore, on that basis, BMW believes that the replacement airbags currently being installed will not have the same problems.

In addition, tests at Takata are ongoing. BMW has also entered into a contract with the Fraunhofer Institute for Chemical Technology ICT in Germany and will commence its own independent testing program at the end of January, on both new and old inflators retrieved from BMW vehicles. Furthermore, BMW is participating in an industry-wide independent testing coalition to use external and impartial expertise to test inflators, analyze potential root causes and verify the tests already completed by Takata. Test results will be shared with NHTSA.

The Honorable Gus Bilirakis:

1. What measures are you taking to correctly identify customers whose vehicles have been in high humidity areas for prolonged periods? How are you contacting them?

BMW has expanded its regional campaign for the driver-side frontal airbag to a nationwide Improvement Campaign, so all affected vehicles will be addressed regardless of registration location. BMW will notify affected customers by mailing them the NHTSA-approved letter in a NHTSA-specified window envelope.

The Honorable David McKinley

1. Could you share with us a typical recall notice that you send to customers?

Attached is a sample customer notification letter and envelope that we used to inform BMW customers of the passenger-side frontal airbag recall.

FRED UPTON, MICHIGAN
CHAIRMAN

HENRY A. WAXMAN, CALIFORNIA
RANKING MEMBER

ONE HUNDRED THIRTEENTH CONGRESS

Congress of the United States

House of Representatives

COMMITTEE ON ENERGY AND COMMERCE

2125 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, DC 20515–6115
Majority (202) 225–2927
Minority (202) 225–3641

December 15, 2014

Mr. Abbas Saadat
North American Regional
Product Safety Executive
Toyota North America
19001 South Western Avenue
Torrance, CA 90501

Dear Mr. Saadat,

Thank you for appearing before the Subcommittee on Commerce, Manufacturing, and Trade on Wednesday, December, 2014 to testify at the hearing entitled "Takata Airbag Ruptures and Recalls."

Pursuant to the Rules of the Committee on Energy and Commerce, the hearing record remains open for ten business days to permit Members to submit additional questions for the record, which are attached. The format of your responses to these questions should be as follows: (1) the name of the Member whose question you are addressing, (2) the complete text of the question you are addressing in bold, and (3) your answer to that question in plain text.

To facilitate the printing of the hearing record, please respond to these questions by the close of business on Tuesday, December 30, 2014. Your responses should be e-mailed to the Legislative Clerk in Word format at **Kirby.Howard@mail.house.gov** and mailed to Kirby Howard, Legislative Clerk, Committee on Energy and Commerce, 2125 Rayburn House Office Building, Washington, D.C. 20515.

Thank you again for your time and effort preparing and delivering testimony before the Subcommittee.

Sincerely,

Lee Terry
Chairman
Subcommittee on Commerce,
Manufacturing, and Trade

cc: Jan Schakowsky, Ranking Member, Subcommittee on Commerce, Manufacturing, and Trade
Attachment

TOYOTA

Toyota Motor Engineering & Manufacturing North America, Inc.

Vehicle Safety & Compliance
Liaison Office
Mail Code: S-104
19001 South Western Avenue
Torrance, CA 90501

December 30, 2014

VIA ELECTRONIC DELIVERY
ATTN: Mr. Kirby Howard

The Honorable Lee Terry
Chairman, Subcommittee on Commerce,
Manufacturing, and Trade
Committee on Energy and Commerce
House of Representatives
2125 Rayburn House Office Building
Washington, D.C. 20515-6115

Dear Chairman Terry:

I am writing in response to your letter dated December 15, 2014, regarding my testimony before the Subcommittee on Commerce, Manufacturing, and Trade on Wednesday, December 3, 2014, at the hearing entitled "Takata Airbag Ruptures and Recalls." Please find my responses to the additional questions enclosed for the hearing record.

If you have any questions, or need additional information, please let me know.

Sincerely,

A. Saadat

Abbas Saadat
Vice President
Toyota Motor Engineering & Manufacturing
North America, Inc.

cc: The Honorable Fred Upton
The Honorable Henry Waxman
The Honorable Jan Schakowsky

ABBAS SAADAT
REGIONAL PRODUCT SAFETY EXECUTIVE, TOYOTA NORTH AMERICA, AND VICE PRESIDENT, TOYOTA MOTOR ENGINEERING & MANUFACTURING, NORTH AMERICA, INC.
DECEMBER 30, 2014
RESPONSES TO ADDITIONAL QUESTIONS FOR THE RECORD

The Honorable Lee Terry

1. **Why didn't Toyota replace all frontal passenger Takata airbag inflators when it first launched recall 13V-133 in April 2013?**

   In April 2013, Takata identified defects involving manufacturing issues with certain airbag inflators that it manufactured. Takata informed Toyota that approximately 170,000 inflators were possibly affected by those manufacturing issues, and provided Toyota with a list of the affected airbag serial numbers. In order to find the 170,000 suspect inflators, Toyota recalled approximately 760,000 vehicles nationwide (Recall No. 13V-133) that Toyota determined might contain the affected inflators. Dealers were instructed to inspect the vehicle's passenger air bag serial number and replace the inflator if it was found on the list Takata provided. When Toyota learned later that an inflator, which ruptured after this recall was announced, was not on the original list provided by Takata, but was within the larger population of approximately 760,000 vehicles, Toyota changed the recall remedy from "inspect and replace if necessary" to "replace all inflators" in the identified vehicle population. Toyota advised NHTSA of the modified remedy in June 2014, and NHTSA issued a new recall number (Recall No. 14V-312).

2. **Has Toyota had any incidents of ruptured inflators occur in the field? If so, how many have there been? When did they occur? What was the geographic location of those ruptures? Please identify the automobile model and model year of all ruptures matched with the time and location of the rupture.**

   Below is a table with the requested information as of December 22, 2014, about incidents of ruptured inflators in the field in the United States:

No.	MODEL	MODEL YEAR	DATE OF INCIDENT*	LOCATION OF INCIDENT
1	Toyota Corolla	2003	8-Aug-12	Puerto Rico
2	Toyota Corolla	2003	4-Oct-12	Maryland**
3	Toyota Corolla	2003	20-Nov-12	Puerto Rico
4	Toyota Corolla	2003	17-May-13	Puerto Rico
5	Toyota Corolla	2003	2-Mar-14	Puerto Rico
6	Toyota Tundra	2005	20-Sep-14	New York***
7	Toyota Corolla	2003	7-Oct-14	Puerto Rico
8	Toyota Corolla	2003	20-Oct-14	Texas

9	Toyota Corolla	2005	19-Sep-14	Puerto Rico
10	Toyota Corolla	2004	26-Nov-14	Puerto Rico
11	Toyota Corolla	2003	10-Dec-14	Hawaii****
12	Toyota Corolla	2004	Unknown*****	Puerto Rico

*There is often a time lag between when the incident occurs and when it is reported to Toyota. As a result, the dates on which the incidents occurred may not match with the dates when Toyota learned of the incident and began its investigation as reflected in the Defect Information Report Toyota submitted to NHTSA on April 11, 2013.
**This vehicle had been located in Florida for 8 years prior to the incident.
***This vehicle experienced air bag deployment without a crash during battery replacement when the positive and negative cables were installed incorrectly, reversing the polarity of the battery. Based on information provided to Toyota by NHTSA and Takata, an inappropriately commanded airbag deployment under these circumstances could negatively affect performance of a non-defective, dual-stage inflator.
**** The rupture occurred during an intentional deployment when scrapping air bag module.
***** The date of the incident is unknown and the incident is pending further investigation.

3. **Mr. Saadat's testimony states that Toyota intensified its recall efforts after viewing testing data from Takata that suggested the safety risk was highest in areas of high absolute humidity. How many parts has Toyota collected to date from high absolute humidity areas? How many of those parts have been tested? What do the results show? Were there any reported ruptures in the testing? If so, how many have there been and where were those parts collected from?**

   After the events that led Toyota to change the remedy to Recall No. 13V-133, as described in response to Question 1, and NHTSA's request for a regional field action to collect parts for testing (14V-350), Toyota began providing Takata with inflators from vehicles recalled from the United States for testing.[1] As of December 22, 2014, Takata has informed Toyota that it has received 19,548 parts from Toyota vehicles from the high absolute humidity region. Of the parts received, Takata has tested 1,048 parts, and of those, 73 have ruptured. Of the ruptured inflators, 57 were from southern Florida, eight were from northern Florida, and eight were from Puerto Rico.

4. **Mr. Saadat's testimony states that Toyota wants additional assurances about the integrity and quality of Takata's manufacturing processes. What assurances, if any, has Takata given Toyota in the past about the integrity and quality of its manufacturing processes? Were those assurances ever updated or clarified? How did Toyota verify those claims? Please identify any scheduled verification and/or quality assurance procedures that Takata reported to Toyota.**

   Toyota has obtained initial assurances about the integrity and quality of Takata's manufacturing processes. In April 2013, Takata had notified Toyota about two manufacturing issues that led to Toyota's decision to recall vehicles nationwide at that time.

[1] Attached to this submission is Toyota's response to NHTSA's General Order, which contains an overview of testing of Takata inflators installed in Toyota vehicles.

The issues concerned humidity control during inflator manufacture and inadequate compaction force of propellant wafers during manufacture. Takata has cooperated with our inspections of Takata production facilities.

For example, Toyota has taken actions to check the quality of replacement inflators currently being supplied by Takata for use in Toyota's recalls. Toyota has visited Takata's Moses Lake, Washington production facility where the wafers incorporated into the inflators are produced. The purpose of this activity was to confirm current production quality control and the details of improvements in production control made as a result of Takata's recall determination in 2013. A variety of process confirmations were made, including:

- Receiving of Raw Materials – quality assurance systems (certifications and/or receiving inspection) and lot traceability.
- Materials Mixing and Handling – quality controls for material composition, humidity controls and lot traceability.
- Wafer Manufacturing (press) – press controls to assure proper wafer density, humidity controls and lot traceability.
- Final Quality Approval – final production quality confirmation items, quality auditing (sampling), packaging/storage and lot traceability.

Also, although an on-site review was not possible due to travel restrictions to the Monclova, Mexico area, Toyota received information about Takata's inflator assembly facility there confirming various processes and improvements at that facility as a result of Takata's recall determination. This included the following:

- Receiving of Inflator Wafers (from Moses Lake, WA) – receiving inspection(s), humidity controls and lot traceability.
- Propellant Material Flow (from receiving storage until final assembly) – specifically focused on humidity controls and lot traceability.
- Final Assembly of Inflator – quality controls to assure correct inflator assembly, humidity controls, and lot traceability for inflator sub-components.
- Final Quality Approval – final production quality confirmation points, quality auditing (sampling), packaging and lot traceability.

Toyota has also retained an independent engineering firm to evaluate affected Takata inflators and replacement parts. Further, Toyota is participating in an industry coalition that is putting a plan together that is expected to include evaluation and testing of Takata inflators by a coalition-approved, independent engineering firm.

5. **Can Toyota currently identify each car in which a potentially defective passenger airbag was installed? Can Toyota currently identify all the vehicles in which a replacement inflator has been installed?**

Identifying vehicles affected by a safety recall is a regular part of the recall process. The recall vehicle populations have been determined, in consultation with NHTSA, according to production dates when potentially affected Takata inflators may have been installed into

vehicles. The recall population includes a margin so that all potentially affected vehicles are captured. Using the VINs associated with the vehicles built during the identified time frames, Toyota contracts with a company that is able to obtain current and past registration information. That information is used to send notices to vehicle owners. The responses to those notices (by way of completed repairs) are tracked and reported on a regular basis to NHTSA.

6. **Has Toyota modified its safety and/or quality assurance policies in light of these defects to help catch potential defects in original equipment earlier in its processes?**

Toyota reviews all recalls internally and with the supplier of any involved components to identify the root cause or causes of the concern that led to the recall. The goal is to determine what improvements can be made by Toyota and the supplier to help reduce the chance that it will occur in the future. A fundamental principle of Toyota's business practices is the concept of "kaizen" or "continuous improvement".

The Honorable Gregg Harper

1. **Mr. Saadat, you mentioned in your opening statement that Toyota had a recall in Japan in 2010 for a different manufacturing issue. You also discussed Toyota's national and regional recalls during your testimony. In addition to those recalls, does Toyota have any other Takata inflator-related recalls?**

In addition to the national and prioritized regional recalls in the United States, Toyota has initiated recalls of both passenger and driver side inflators outside the United States. This includes the 2010 Japan recall mentioned in Toyota's opening statement. The driver side inflators that have been recalled outside the United States are not used in vehicles sold in the United States.

2. **You mentioned that Toyota has not used the inflators that Takata has identified as defective on the driver side in the United States. But does Toyota use Takata brand inflators or airbags in locations other than the passenger side?**

Yes, Toyota uses Takata inflators in driver and curtain airbags in some vehicles it sells in the United States These inflators are not among the defective inflators that Toyota has recalled in the United States as part of its national and prioritized regional recalls. Additionally, based on information currently available to us, the vehicles under the current recalls do not use Takata inflators on the driver's side.

3. **You made a reference to Toyota's response to the General Order, and you and I specifically discussed Toyota's testing of Takata's inflators in connection with NHTSA's preliminary evaluation in June 2014. Could you describe for me any other testing Toyota has done?**

A copy of Toyota's response to the General Order from NHTSA, which provides further information about testing, is attached. As the response explains, Toyota sent inflators to Takata for testing in connection with the 2010 recall in Japan related to a different issue than the current recalls in the United States Additionally, as part of its investigation leading to the 2013 recall, Toyota sent inflators recovered from the market to Takata for testing. With the opening of NHTSA's Preliminary Evaluation into Takata in June 2014, recalled inflators sent directly from Toyota dealers to Takata were used for the NHTSA/Takata testing program.

4. **We spoke about Toyota's remedies and accommodations for customers located in the high absolute humidity region. What is Toyota doing for customers outside that region?**

Toyota has a steady supply of inflators for customers whose vehicles currently are registered or originally were sold in the high absolute humidity regions. Toyota also plans to add any vehicles that have ever been registered in the high absolute humidity regions into the high absolute humidity recall action, which provides those additional customers with an enhanced priority for inflator replacement.

For customers outside the high absolute humidity regions, Toyota expects sufficient supplies of inflators to begin expanding inflator replacements to these locations in early 2015. In addition, Toyota plans to re-contact all owners of vehicles outside of the high absolute humidity regions who have not already had their inflator replaced within the next 30 days, including so-called snowbirds who have vehicles registered outside these regions but might spend several months in the regions. Toyota does not separately track snowbirds although Toyota is looking into additional steps to identify those owners. Through these communications, Toyota will remind customers of their vehicle's involvement in the recall, re-state the risk, explain that a remedy is not currently available, and encourage them to not use the front passenger seat until a remedy can be completed. All customers outside the high absolute humidity regions will receive another communication as the remedy is available in their local area. Customers with questions or unique situations are also encouraged to contact their local dealer or our Customer Experience Center.

The Honorable Adam Kinzinger

1. **There has been significant discussion about regional recalls and the movement of recalled vehicles from high humidity states to other states outside of those regions. I believe an area that needs focus by automakers is the commerce of recycled original equipment manufacturer (OEM) parts. Each day, over a half million recycled OEM parts - the very same parts designed by your companies to meet your fit, finish and durability standards - are sold by professional automotive recyclers. These parts play an important part in the automotive supply chain and are readily sold from one state or region of the country to another.**

Recently, General Motors reached out to professional automotive recyclers offering to buyback or purchase recalled GM ignition switches. To accomplish this, General

Motors provided specific Original Equipment Manufacturer (OEM) part numbers for the ignition switches that were critical to ensure that automotive recyclers could identify the specific recalled parts in their company's inventories.

a. **Do you agree that sharing OEM part numbers and other identifiable information with the professional automotive recycling industry would increase safety?**

b. **Do you agree this would assist in tracking recalled parts, such as the Takata Airbags?**

c. **Does Toyota currently have a similar buy-back program in place with the professional automotive recyclers? If not, why not?**

To promote safety, Toyota instructs dealers to scrap defective recovered parts so as to prevent them from entering the stream of commerce. Toyota agrees that recalled component parts should be identified in the recycle/salvage part industry and removed from the stream of commerce by recyclers. Toyota recommends that the recycling industry refer to the publicly accessible, technical information website resource database used by dealers, consumers and NHTSA to access information on Toyota recalls which includes VIN level detail and technical information on specific recalled parts, so that they can also scrap defective parts. This database website can be accessed by subscription and Toyota encourages all automotive recycler/salvage operators to subscribe. The automotive industry generally does not have an industry-wide method for sharing all part number details for parts subject to recall and replacement with the recycling and salvage industries. And not all recalls involve part replacement. Toyota would support efforts by the recycling and salvage industry to improve methods for them to more easily and accurately identify recalled vehicles and components within their scrap and used component supply chains to prevent them from entering the stream of commerce.

Toyota has not previously had a buy-back program for recalled components in vehicles within the recycler/salvage process. We are currently running a test program with one large, national recycler to purchase for testing and recycling passenger airbag assemblies with involved Takata inflators from their recycled inventory. We are evaluating the process, part and vehicle identification accuracy, and shipping methods as part of this trial.

The Honorable Jan Schakowsky

1. **At the Subcommittee hearing on December 3, 2014, I asked Honda about confidential settlement agreements made in lawsuits in which plaintiffs have alleged injuries or death as a result of malfunctions of the airbags supplied by Takata.**

   a. **How many settlement agreements related to Takata airbags has Toyota reached with plaintiffs? Please provide (1) the dates of these agreements and (2) the dates of the alleged injuries that were the subject of the settlement agreements.**

b. Please list (1) the year, make, and model of the vehicles that were the subject of those settlement agreements and (2) the nature of the alleged injuries that were the subject of the settlement agreements.

c. How many of these agreements were confidential or otherwise restricted the plaintiff or plaintiff's representatives from publicly discussing the case?

Below is a table with the requested information as of December 22, 2014, about settlement agreements related to Takata airbag ruptures in the United States:

No.	MODEL	MODEL YEAR	DATE OF INCIDENT*	LOCATION OF INCIDENT	ALLEGED INJURIES DUE TO INFLATOR RUPTURE	RESOLUTION
1	Toyota Corolla	2003	8-Aug-12	Puerto Rico	N/A**	Vehicle repurchase agreement*** without confidentiality clause
2	Toyota Corolla	2003	4-Oct-12	Maryland****	Sore back reported; claimant did not receive medical treatment, and made no claim of personal injury	Vehicle repurchase agreement without confidentiality clause
3	Toyota Corolla	2003	20-Nov-12	Puerto Rico	N/A	Vehicle repurchase agreement without confidentiality clause
4	Toyota Corolla	2003	17-May-13	Puerto Rico	N/A	Vehicle repurchase agreement without confidentiality clause
5	Toyota Corolla	2003	2-Mar-14	Puerto Rico	N/A	Pending settlement agreement without confidentiality clause

6	Toyota Tundra	2005	20-Sep-14	New York*****	N/A	Vehicle repurchase agreement without confidentiality clause
7	Toyota Corolla	2003	7-Oct-14	Puerto Rico	Reported injury to eye of front passenger	Settlement agreement with confidentiality clause
8	Toyota Corolla	2003	20-Oct-14	Texas	Cut on right side of face and marks on neck; no medical treatment required	Settlement agreement without confidentiality clause
9	Toyota Corolla	2005	19-Sep-14	Puerto Rico	Undetermined	Vehicle repurchase agreement without confidentiality clause
10	Toyota Corolla	2004	26-Nov-14	Puerto Rico	N/A	N/A
11	Toyota Corolla	2003	10-Dec-14	Hawaii******	N/A	N/A

*There is often a time lag between when the incident occurs and when it is reported to Toyota. As a result, the dates on which the incidents occurred may not match with the dates when Toyota learned of the incident and began its investigation as reflected in the Defect Information Report Toyota submitted to NHTSA on April 11, 2013.
**N/A defined as "Not Applicable."
***Toyota routinely repurchases vehicles for detailed engineering investigation.
****This vehicle had been located in Florida for 8 years prior to the incident.
*****This vehicle experienced air bag deployment without a crash during battery replacement when the positive and negative cables were installed incorrectly, reversing the polarity of the battery. Based on information provided to Toyota by NHTSA and Takata, an inappropriately commanded airbag deployment under these circumstances could negatively affect performance of a non-defective, dual-stage inflator.
****** The rupture occurred during an intentional deployment when scrapping air bag module.

2. According to a Reuters article on December 4, 2014, titled "Toyota Expands Takata Air Bag Recall in Japan, China," Toyota announced that it would recall 185,000 vehicles across 19 models in Japan and 5,000 vehicles in China.

a. What prompted Toyota to take this action?

b. Are the recalls in Japan and China being conducted pursuant to laws or regulations in those countries? If so, what laws or regulations?

c. Have other recalls related to Takata airbag inflator ruptures been conducted in Japan or China? If so, please list the make, model, and model years of each vehicle that was recalled in Japan and China related to Takata airbag inflator ruptures?

Japan and China both have regulatory structures surrounding vehicle safety recalls. In Japan, the law is found in *Handling Guidelines Regarding Recall Notifications*, etc., MLIT Notification No. 1530 of 1994, art. 2, para. 1. And in China, the law is found in *Regulation on the Administration of Recall of Defective Auto Products* (promulgated by the State Council, Oct. 22, 2012, effective Jan. 1, 2013) Order of the State Council, No. 626, art. 3, art. 8, art. 12 and art. 15. Toyota conducts recalls in Japan and China pursuant to these laws.

In accordance with NHTSA regulations, Toyota informs NHTSA of foreign safety campaigns affecting substantially similar vehicles to those sold in the United States. Toyota filed the requisite Foreign Recall Report with NHTSA on December 4, 2014, informing the agency of a recall in Japan and China. Toyota initiated this action after the front passenger frontal airbag inflator installed in a Toyota WiLL Cypha vehicle ruptured when it was intentionally deployed during preparation for vehicle disposal at a salvage yard in Japan. While the root cause of the rupture has not been identified, there is a possibility that inflators of the same type and same model year could rupture in the event of a collision which results in the deployment of the front passenger frontal airbag. This action affects the following Toyota vehicles equipped with passenger side frontal airbag assemblies with the Takata SPI single stage inflator: Toyota/Alex, Corolla, Corolla Fielder, Corolla Runx, WiLL VS, Probox, Succeed, Vios, WiLL Cypha (China and Japan do not use a model year designation). None of the involved vehicles have been exported or sold in the United States A copy of the Foreign Recall Report sent to NHTSA is attached.

Toyota also filed a Foreign Recall Report on November 27, 2014, regarding a recall of Takata drivers' side airbags in Japan, Australia, and other foreign markets. Toyota commenced this action because it learned that during the manufacturing of the recalled inflators, humidity in the environment may not have been properly controlled. The propellant wafers may have been exposed to the uncontrolled environment when the assembly line was temporarily stopped, increasing the likelihood for the propellant wafers to absorb moisture from the air. If sufficient moisture is absorbed, in the event of a collision that results in the deployment of the driver frontal airbag, the inner pressure of the inflator assembly could increase abnormally and the inflator body could rupture. This action affects the following Toyota vehicles in Japan and other foreign markets: Toyota/Vitz, Yaris, RAV4 with driver frontal airbag assemblies with SDI single stage inflators made by Takata Corporation (Japan and these countries do not use a model year designation). Substantially similar vehicles sold in the United States are not equipped with the affected SDI inflators. None of the involved vehicles have been exported to or sold in the United States A copy of the Foreign Recall Report sent to NHTSA is attached.

Toyota also submitted a Foreign Recall Report to NHTSA in June 2010. Takata had informed Toyota that the inflators involved in this recall may have been produced with

insufficient propellant. This action affected the following Toyota vehicles in Japan: Toyota Corolla, Corolla Fielder, Corolla Runx, (Japan does not use a model year designation). The subject airbag inflators were only installed in vehicles produced and for sale in countries outside the United States The substantially similar vehicles sold in the United States are equipped with a different type of airbag inflator. The subject inflators have not been sold or offered for sale in the United States A copy of the Foreign Recall Report sent to NHTSA is attached.

3. **On November 18, NHTSA announeed its intention to expand the regional recall of driver's side airbags to a nationwide recall. Toyota is conducting both a national recall and a regional recall of certain passenger side airbags. According to Toyota's website, there is some overlap in the models and model years covered by both the national and regional recalls.**

    a. **Briefly explain why Toyota is conducting both a national and a regional recall on the same vehicles.**

    b. **Is Toyota planning to expand its current regional recall of passenger side airbags to a national recall?**

    c. **Does Toyota support the expansion of the current regional recall of passenger side airbag recalls to a national recall?**

Toyota's recall initiated in April 2013 is national in scope because the recall is being conducted to remedy manufacturing deficiencies identified by Takata that affect vehicles sold and currently in use throughout the United States. In June 2014, NHTSA requested that Toyota and other manufacturers participate in testing focused on vehicles in the high humidity areas. The results of that testing led to a determination to conduct a regional recall in October 2014 for certain vehicles in the high humidity region identified as being at higher risk. The scope of the affected recall populations in the national and regional recalls is not completely coterminous; the regional recall includes certain model year 2005 vehicles not involved in the national recall. The additional model year 2005 vehicles included in the regional recall are part of the expanded investigatory scope determined by NHTSA and Takata just after NHTSA opened its Preliminary Evaluation of Takata in June 2014 (PE14-016). Toyota regularly monitors field data to determine whether there are any trends that suggest that additional recalls are necessary; if Toyota learns that other air bags not currently involved in its recall actions require replacement in the future, it will undertake appropriate actions to do so.

4. **Many members of the armed forces serve at bases in located in the high absolute humidity regions, and may be stationed there or deployed from there for years, but are allowed to register their cars in their home states. In these or other cases, the vehicle may be operated in Florida for many years, but never registered in Florida.**

a. Is Toyota working to identify vehicles that have been operated in high-humidity regions but have never been registered in those regions? If so, how is Toyota identifying such vehicles?

b. Has Toyota notified owners of vehicles that have been operated in high-humidity regions but have never been registered in those regions?

For all safety recalls, Toyota uses its own customer and sales data, and works with automotive industry data providers to identify the current registered owners and their location for all involved vehicles. For the regionally prioritized Takata population, Toyota took extra steps to identify vehicles that were originally sold or ever registered in the areas of consistently high absolute humidity during their operational lifetime.

For customers with vehicles purchased or registered outside the areas of consistently high absolute humidity, Toyota expects sufficient supplies of inflators to begin expanding inflator replacements in early 2015. In addition, Toyota plans to re-contact within the next thirty days all owners of vehicles outside of the high absolute humidity regions who have not already had their inflator replaced, including customers serving in the armed services and stationed in the areas of consistently high absolute humidity regions and snowbirds who have vehicles registered outside these regions areas but might spend time in the regions areas. Through these communications, Toyota will remind customers of their vehicle's involvement in the recall, re-state the risk, explain that a remedy is not currently available, and encourage them to not use the front passenger seat until a remedy can be completed. All customers outside the high absolute humidity regions will receive another communication as the remedy is available in their local area. Toyota does not currently have a way to identify customers who register their vehicles in one state, but visit other states for significant periods, although Toyota is looking into additional steps to do so in the future. Customers with questions or unique situations are also encouraged to contact their local dealer or our Customer Experience Center.

5. Toyota has expressed its commitment to ensuring that all vehicles you produce that are covered by a safety recall are repaired. In your written testimony submitted to the Subcommittee, you stated that Toyota "plan[s] to replace all involved inflators as parts become available."

a. Do you include a provision in agreements with Toyota dealerships that requires them to perform safety recall repairs prior to offering used Toyota vehicles or used vehicles originally produced by other vehicle manufacturers for sale to consumers?

b. Does compensation to Toyota dealers for repairs made under a safety recall or a safety improvement campaign match their earnings for normal retail repairs, i.e., based on the same hourly rate and the same time allowed for repairs?

c. What criteria do Toyota and Toyota dealerships use in deciding whether to provide a loaner or rental car to a customer?

d. What steps is Toyota taking to ensure that the loaner cars are not also subject to a safety recall and, if they are subject to a safety recall, that those loaner cars were repaired before being loaned to a customer?

Toyota's Dealer Agreements with dealers require the dealers to perform safety recall inspections and repairs as part of each dealer's obligation to provide warranty service for Toyota owners. Dealers are compensated for safety recalls consistent with other warranty-related services. Dealers are responsible for conducting safety recall work on all vehicles within the scope of such recalls, regardless of whether the vehicle is new or used. Additionally, Toyota requires confirmation of safety recall status as part of the Toyota Certified Used Vehicle (TCUV) and Lexus Certified Pre-Owned (CPO) programs and will not allow vehicles to be certified as part of these programs unless all applicable recall remedies have been completed.

With regard to loaner/rental vehicles, dealers are provided flexibility and appropriate reimbursement to work with customers to meet their specific needs, including providing a no charge loaner/rental car if replacement parts are not readily available.

Vehicles that are available to be loaned to customers are generally newer vehicles that would not be subject to the current recalls affecting older Toyota vehicles. Toyota is not aware of any dealers offering for use loaners old enough to be part of the current Takata recalls. Toyota also encourages dealers not to loan or rent vehicles as part of the Toyota Rental Car program (TRAC) until all open safety recalls and service campaigns have been completed. Any rental vehicles provided to customers from outside agencies should have any open safety recalls completed as Toyota provides the major rental car corporations that support our dealers with the ability to regularly confirm recall status on their fleets.

6. Takata, NHTSA, and the automakers testified at the Subcommittee hearing on December 3, 2014, that the root cause of the airbag ruptures is still unknown. Takata claims that high humidity, high temperature, and the age of the vehicle are factors contributing to the ruptures. What is Toyota doing to ensure that the new airbags currently being installed into cars in Florida will not have the same problems in five or ten years?

Toyota has obtained initial assurances about the integrity and quality of Takata's manufacturing processes. In April 2013, Takata had notified Toyota about two manufacturing issues that led to our decision to recall vehicles nationwide at that time. The issues concerned humidity control during inflator manufacture and inadequate compaction force of propellant wafers during manufacture. Takata has cooperated with our inspections of Takata production facilities.

For example, Toyota has taken actions to check the quality of replacement inflators currently being supplied by Takata for use in Toyota's recalls. Toyota has visited Takata's Moses Lake, Washington production facility where the wafers incorporated into the inflators are produced. The purpose of this activity was to confirm current production quality control and the details of improvements in production control made as a result of Takata's recall determination in 2013. A variety of process confirmations were made, including:

- Receiving of Raw Materials – quality assurance systems (certifications and/or receiving inspection) and lot traceability.
- Materials Mixing and Handling – quality controls for material composition, humidity controls and lot traceability.
- Wafer Manufacturing (press) – press controls to assure proper wafer density, humidity controls and lot traceability.
- Final Quality Approval – final production quality confirmation items, quality auditing (sampling), packaging/storage and lot traceability.

Also, although an on-site review was not possible due to travel restrictions to the Monclova, Mexico area, Toyota received information about Takata's inflator assembly facility there confirming various processes and improvements at that facility as a result of Takata's recall determination. This included the following:

- Receiving of Inflator Wafers (from Moses Lake, WA) – receiving inspection(s), humidity controls and lot traceability.
- Propellant Material Flow (from receiving storage until final assembly) – specifically focused on humidity controls and lot traceability.
- Final Assembly of Inflator – quality controls to assure correct inflator assembly, humidity controls, and lot traceability for inflator sub-components.
- Final Quality Approval – final production quality confirmation points, quality auditing (sampling), packaging and lot traceability.

Toyota has also retained an independent engineering firm to evaluate affected Takata inflators and replacement parts. Further, Toyota is participating in an industry coalition that is putting a plan together that is expected to include evaluation and testing of Takata inflators by a coalition-approved, independent engineering firm.

UNITED STATES DEPARTMENT OF TRANSPORTATION
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION
1200 New Jersey Avenue, SE
West Building, W41-326
Washington, DC 20590

In re:	)
	)
PE14-016	)
Air Bag Inflator Rupture	)
	)

TOYOTA'S RESPONSE TO GENERAL ORDER
DIRECTED TO MANUFACTURERS

Toyota Motor Corporation ("TMC") and Toyota Motor Engineering & Manufacturing North America, Inc. ("TEMA") (collectively "Toyota") submit their Response to NHTSA's General Order Directed to Manufacturers ("General Order"). Toyota's Report and Responses are set forth below and are based upon good faith efforts to investigate and collect information within the short time frame allowed. Toyota's investigation is ongoing, and it may amend or supplement its response with additional information.

Toyota has conferred with NHTSA's Chief Counsel's Office with regard to the timing of its production of documents. As agreed with the agency, and subject to the General Objections set forth below, Toyota is currently submitting documents within Toyota's possession, custody, or control on testing in the United States of Takata inflators recovered from Toyota vehicles outside of the High Absolute Humidity Region ("HAH Region") in the United States that have been identified and reviewed to date. In light of the short time frame provided to respond to the General Order, Toyota will supplement its production should any additional responsive documents be found.

Toyota is providing documents on such testing to the extent those documents are within the possession, custody, or control of TEMA and Toyota Motor Sales, U.S.A., Inc. ("TMS") that have been identified and reviewed to date. Toyota will additionally provide the agency with documents collected from TMC in Japan on testing that may be relevant to the United States market. Per agreement with the agency, because of the need to collect and translate those documents, they will be provided at a later date.

Background of Testing

Toyota requested that Takata test inflators multiple times since at least 2010:

- In 2010, Toyota initiated a recall in Japan and other foreign markets to address manufacturing problems identified by Takata in inflators not installed in vehicles sold in the United States market. That action was the subject of a Foreign Recall Report to NHTSA, filed on June 30, 2010. Many of the inflators that were replaced in the recall were returned to TMC and were subjected to a shake-test to gauge the extent to which the manufacturing issue identified, in fact, existed in those inflators; some were also subjected to x-ray/CT-scans. Many were additionally sent to Takata in Japan for further analysis.
- In April 2013, Toyota initiated a nationwide United States recall to address a different set of manufacturing issues identified by Takata (13V133). First, Toyota responded to a field report received in Japan in October 2011 about an abnormal deployment. In-use inflators recovered in Japan were tested by Takata, but no abnormalities were found. Second, in connection with three field reports from the United States about abnormal deployments received in 2012, Toyota recovered and had Takata test additional in-use inflators from Japan and the United States.

When Takata informed Toyota that it had determined that there were manufacturing problems associated with those inflators, Toyota initiated the April 2013 nationwide recall (13V133). Toyota subsequently expanded the remedy associated with that recall (14V312, superseding 13V133) to include replacement of all inflators and not just those that had been identified by Takata in conjunction with the April 2013 recall.

- In June 2014, Toyota agreed to participate in NHTSA's request to conduct a field action to collect inflators from high humidity areas (14V350). Between June 2014 and October 2014, additional recalled inflators were collected for testing by Takata in the United States as part of the NHTSA-initiated inflator collection. These inflators have been, and continue to be, sent directly by dealers to Takata in the United States. Inflators replaced under recalls 14V312 and 14V655 (superseding 14V350), initiated October 19, 2014, continue to be sent directly by dealers to Takata in the United States.
- Toyota filed a Foreign Recall Report on November 27, 2014, regarding a recall of Takata drivers' side airbags in Japan, Australia, and other foreign markets regarding various vehicles not affected in the United States. Toyota plans to collect recalled inflators replaced under these recalls for analysis and testing by Takata in Japan. In addition, certain substantially similar vehicles sold in the United States contain a type or types of Takata inflators not included in the definition of "Inflator" contained in the General Order and not included in the United States recall population. For quality confirmation purposes, a number of

such in-use inflators will be collected and sent to Takata in the United States for analysis and testing.

- Toyota also filed a Foreign Recall Report on December 4, 2014, regarding a recall in Japan and China regarding various vehicles not affected in the United States. Toyota plans to collect recalled inflators replaced under those recalls for further analysis and testing by Takata in Japan.
- Additional information about testing is outlined in responses to the subparts below.

RESPONSE TO REQUEST 1: REPORT ON COMPLETED, ONGOING OR PLANNED TESTING

Request 1. File a Report that describes, in detail, all completed, ongoing or planned testing of Takata inflators outside of the HAH Region.

REPORT ON COMPLETED, ONGOING OR PLANNED TESTING

Toyota is providing information identified and reviewed as of the date of the General Order with regard to completed, ongoing and planned testing on Takata inflators in the United States market. It is also providing information about inflators from vehicles outside of the U.S.

- Testing of Takata Inflators from Vehicles in the United States

In response to field reports about abnormal deployments received in the United States between September and December 2012, Toyota directed Takata to evaluate and test inflators from the United States. Toyota recovered approximately 58 in-use inflators from across the United States, both from within and from outside what is now defined by NHTSA as the HAH Region. These inflators were sent directly to Takata in the United States for testing.

Between April 2013 and June 2014, Toyota dealers were returning recalled inflators from the United States market directly to Takata in the United States for disposal. In June 2014, in

response to incidents in Puerto Rico involving inflators that had not been identified by Takata, Toyota expanded the remedy for the nationwide recall to include replacement of all inflators, and a new recall number was assigned (14V312). Shortly thereafter, Toyota implemented NHTSA's request for recalled parts collection in four high humidity areas by focusing the 14V312 remedy campaign in Florida and Puerto Rico. All recalled parts collected as part of that effort, as well as the subsequently announced Recall No. 14V655, have been sent directly by dealers to Takata in the United States.

Going forward, Toyota will seek permission from NHTSA to direct some recalled inflators to an independent engineering firm that Toyota has now retained for further evaluation and testing.

In addition, an initiative involving affected manufacturers has been announced that proposes to conduct testing of Takata inflators. This will involve the retention of a coalition-approved, independent engineering firm.

- Testing of Inflators from Vehicles Outside the United States

Toyota has sent inflators recovered from vehicles outside the United States to Takata in Japan. After Toyota received a report in October 2011 in Japan about a vehicle in which the inflator had fractured, Toyota recovered 66 in-use inflators from the Japanese market. These inflators were sent to Takata in Japan for testing. Takata reported that it found no abnormalities after testing the 66 inflators. In 2012, Toyota recovered approximately 145 in-use inflators from vehicles in Japan. These inflators were all sent to Takata for testing. Takata reported that some of the inflators contained propellant wafers that had cracks.

Since the initiation of the recalls in 2013 and 2014, Toyota has also collected recalled inflators from vehicles in Japan and other Asian countries pursuant to recalls conducted in those

areas. TMC has evaluated many of these recalled inflators prior to their delivery to Takata in Japan by shaking them for signs of possible abnormality; some x-ray/CT-scans were taken to view the inside of the inflators.

Going forward, Toyota continues to receive recalled inflators from areas outside of the United States pursuant to recalls being conducted in foreign countries. TMC is shake-testing most of these parts and conducting some x-ray/CT-scans before sending them for testing by Takata in Japan.

- Additional Testing of Takata Inflators From Vehicles Outside the United States

Toyota had also collected inflators after a 2010 recall in Japan and other foreign markets initiated to address a manufacturing defect identified by Takata in its LaGrange, Georgia plant. This defect was for an issue different from the current recalls in the United States. The recall did not impact the United States market, and Toyota submitted a Foreign Recall Report to NHTSA in June 2010. Takata had informed Toyota that the inflators involved in this recall may have been produced with insufficient propellant. Toyota evaluated many recalled and returned inflators through the shake tests and some x-ray/CT-scans, and sent the inflators to Takata in Japan for further testing. The x-ray/CT-scans revealed one returned inflator with insufficient propellant and a number with a missing spring or retainer. Toyota conducted at least one deployment test, which involved an inflator with insufficient propellant. The inflator deployed normally.

RESPONSES TO INDIVIDUAL SUBPARTS OF REQUEST 1

a. All documents regarding or relating to the testing contained in your report.

Response: Toyota is producing documents per the agreement reached with the agency described above. Toyota's document collection efforts continue, and Toyota will supplement its

production should additional responsive documents be found. In addition, as there is on-going testing by Takata, new information will be received in the future.

b. The location of the testing; the dates of the testing; whether the testing is completed, in progress, or planned; anticipated date of completion of testing; the nature and objective of the testing; and, testing protocols.

Response: Prior to the April 2013 recall, Toyota recovered in-use parts from the United States, Japan, and other markets. Toyota has also collected recalled parts in Japan and United States.

With respect to inflators collected from the United States. recalls as described above, Takata provided Toyota with data regarding the testing of those recalled parts. The data received from Takata includes the test date, but does not provide all of the above information requested in this subpart. Toyota understands that Takata has provided the same or similar information to NHTSA.

With regard to testing in Japan of inflators from various markets, to the extent that Takata has provided information to Toyota about test results that are responsive to this General Order, Toyota will provide such documentation at a later time per agreement with the agency.

c. A roster of all vehicles where the inflator was tested which includes: the model; model year; vehicle build date; VIN; the vehicle's registration history, by location; inflator serial number; inflator type; dealership location with zip code where the inflator unit was returned; whether any deaths, injuries or claims are associated with the inflator in the vehicle; and, product specifications for the air bag and inflator modules in each vehicle.

Response: The data Takata has provided to Toyota about testing conducted on inflators from vehicles in the United States does not generally provide sufficient detail to allow Toyota to match the individual inflator tests to particular vehicles. Takata data does, however, indicate the state, zip code, and inflator serial number of each inflator. None of these inflators are associated

with any deaths, injuries, or claims. Toyota understands that Takata has provided the same or similar information to NHTSA.

With regard to testing in Japan, to the extent that Takata has provided information to Toyota about test results that are responsive to this General Order, Toyota will provide such documentation at a later time per agreement with the agency.

d. If testing of inflators has been completed, describe in detail the results of the testing and the conclusions you have reached based upon the test results. If your conclusion is that a safety defect does not exist in inflators outside of the HAH Region, describe in detail the basis for that conclusion and when the decision was made and by whom. Provide a copy of all documents to or from any person(s) related to the conclusion that no safety defect exists in inflators outside of the HAH Region.

Response: Prior to initiating the recall for the HAH Region (14V655), Toyota had initiated a nationwide recall (13V133 and 14V312). That nationwide recall remains in effect under Recall 14V312.

e. Sub-part (e) is directed to BMW, Chrysler, Ford, GM, Honda, Mazda, Mitsubishi, Nissan, Subaru and Toyota: State in your report whether or not Takata has performed testing of inflators used in your vehicles outside of the HAH Region. If so, describe in detail what Takata has communicated to you about the testing and/or test results. Produce all documents related to Takata's testing, test results and your communications, internal and external, related to the testing. State whether you have requested additional information from Takata concerning its testing of inflators outside of the HAH Region which you believe would assist in your determination of whether a defect exists. Identify and describe any information, documents or categories of information and documents that you reasonably believe that Takata has or reasonably should have concerning inflators or testing of inflators used in your vehicles that Takata has to provided you and which you believe would assist you in testing inflators to determine whether a safety defect exists in inflators outside of the HAH region.

Response: Takata has conducted testing on inflators from Toyota vehicles in the United States and outside the HAH Region. Toyota requested from Takata information about such testing, and Takata initially provided data with regard to 121 inflator tests. The data includes the

state and zip code where the inflator was recovered, the test date, inflator serial number, and the inflator build month and year.

Takata has also provided Toyota with Toyota-specific versions of the information provided to NHTSA about its overall testing program. The data shows the number of recalled inflators tested by Takata and that were from South Florida, North Florida, Puerto Rico, and elsewhere (i.e, outside the HAH Region). As of approximately November 26, according to Takata, it has tested 1159 recalled inflators from Toyota vehicles and 469 of those were from outside the HAH Region.

Prior to initiating the recall for the HAH Region (14V655), Toyota had initiated a nationwide recall (13V133 and 14V312). That nationwide recall remains in effect.

f. Provide the name, title and complete contact information for each and every manager or supervisor (at all levels of management or supervisory responsibility) involved in your investigation and decision-making process concerning rupturing air bag inflators manufactured, in whole or in part, by Takata.

Response: The following individuals were involved in the investigation and decision-making for Recall Nos. 13V133, 14V312, and 14V655.

Recall 13V133. Responsible for decision making: K. Fukushima, Vice President, TEMA; T. Nagata, General Manager, Customer Quality Engineering Division, TMC; K. Sato, Executive General Manager, TMC; Gary Smith, Vice President, Customer Quality Services, TMS; Dino Triantafyllos, Vice President, TEMA; Bob Waltz, Group Vice President, Product Quality & Service Support, TMS. Responsible for investigation: H. Kitamura, Department General Manager, JCQE Technical Management, TMC; K. Kobayashi, Group Manager, Customer Quality Engineering Division, Technical Investigation Group, TMC; Jerry LeLeux, National Manager, Customer Quality Services, TMS; K. Ohara, Group Manager, Interior Design Division, TMC; K. Toida, Department General Manager, Interior Design Division, TMC.

Recall 14V312. Responsible for decision making: K. Fukushima, Vice President, TEMA; T. Nagata, General Manager, Customer Quality Engineering Division, TMC; Abbas Saddat, Vice President, TEMA; Gary Smith, Vice President, Customer Quality Services, TMS; Bob Waltz, Group Vice President, Product Quality & Service Support, TMS; H. Yokoyama, Senior Managing Officer, TMC. Responsible for investigation: Michael Jarboe, Manager, Customer Quality Services, TMS; H. Kitamura, Department General Manager, Customer Quality Engineering Division, Technical Management, TMC; K. Kobayashi, Group Manager, Customer Quality Engineering Division, Technical Investigation Group, TMC; Jerry LeLeux, National Manager, Customer Quality Services, TMS.

Recall14V655. Responsible for decision making: K. Fukushima, Vice President, TEMA; T. Nagata, General Manager, Customer Quality Engineering Division, TMC; Abbas Saddat, Vice President, TEMA; Gary Smith, Vice President, Customer Quality Services, TMS; Bob Waltz, Group Vice President, Product Quality & Service Support, TMS; H. Yokoyama, Senior Managing Officer, TMC. Responsible for investigation: Michael Jarboe, Manager, Customer Quality Services, TMS; H. Kitamura, Department General Manager, Customer Quality Engineering Division, Technical Management, TMC; K. Kobayashi, Group Manager, Customer Quality Engineering Division, Technical Investigation Group, TMC; Jerry LeLeux, National Manager, Customer Quality Services, TMS.

g. Provide the name, title and complete contact information for each and every person who prepared and provided input and/or data included in the report contained in Request No. 1, including but not limited to inside or outside counsel, accounts, engineers, employees and other professionals.

Response: Toyota collected information and documents from the following Departments within the company: Quality Division at TMC, Interior Design Division at TMC, Customer

Quality Engineering Division at TMC, Customer Quality Services at TMS, Vehicle Safety and Compliance Liaison Office at TEMA, and Product Quality and Service Support at TMS. Toyota Legal One and TMC Legal Division, and outside counsel from the following law firms provided legal advice and helped gather the materials produced: Hogan Lovells US LLP, Debevoise & Plimpton LLP, King & Spalding, Winston & Strawn, and Dykema Gossett PLLC. Toyota may be contacted through counsel at Hogan Lovells US LLP.

General Objections

The General Objections set forth below are incorporated into Toyota's responses to Request 1 and each of the subparts to Request 1, *i.e.*, Request 1.a. through 1.g. These General Objection are deemed continuing as to each subpart of the Request, and are not waived, nor in any way limited, by the specific responses to a subpart, nor should the failure to specifically incorporate the General Objections be construed as a waiver.

Toyota notes that the General Order allowed an unreasonably short time period to collect and review potentially responsive documents and information. The 17 days provided is about half the time allotted under the comparable Federal Rules of Civil Procedure, Fed. R. Civ. P. 33(b)(2) ("The responding party must serve its answers and any objections within 30 days after being served with the interrogatories."); Fed. R. Civ. P. 34(b)(2) ("The party to whom the [document] request is directed must respond in writing within 30 days after being served."), and included the Thanksgiving holiday. Toyota has made a good faith effort to collect the information necessary to respond to the General Order and reserves the right to supplement this Response. Toyota reserves the right to recapture privileged or otherwise protected or exempted documents that are inadvertently produced in response to this General Order. Toyota's Response is based on information collected and reviewed as of the date of the General Order.

In responding to the General Order, reasonable, good faith searches have been made of corporate records where such documents would ordinarily be expected to be found and to which Toyota would ordinarily refer when looking for such information. Toyota's Response is based on information obtained from those departments and employees most knowledgeable about the subject matter of this inquiry and most likely to have responsive information in the regular and ordinary course of business. Toyota reserves the right to amend, supplement, or clarify its Response to reflect additional information as it is produced and/or discovered.

Toyota also notes that the definition of "documents" includes items not typically included in the definition of that term, and might appear to include ESI from sources that are not reasonably accessible because of undue burden or cost and appears to include documents that are not within Toyota's possession, custody, or control. The definition of the term "Document(s)" also purports to require Toyota to produce the original of every responsive document. Such production would impose an extraordinary burden on Toyota in time, expense, and business disruption, while providing no benefit contemplated by the applicable statutes and regulations.

Toyota further notes that the Definitions and Instructions could appear to obligate Toyota to search for information or documents not within its possession, custody, or control, including the proffered definition of "You" and "Your" in paragraph 6 of the Definitions as encompassing "all of your past and present officers and employees, whether assigned to their principal offices or any of their field or other locations, including all of their divisions, subsidiaries (whether or not incorporated) and affiliated enterprises and all of their headquarters, regional, zone and other offices and their employees, and all agents, contractors, consultants, attorneys and law firms and other persons engaged directly or indirectly (e.g., employee of a consultant) by or under your control (including all business units and persons previously referred to)." Adherence to these

definitions and instructions would require an unduly burdensome and extraordinarily costly search for information and documents involving persons or entities not under Toyota's direct control and persons and entities not reasonably likely to have possession, custody, or control of responsive documents different from those produced hereunder. Accordingly, Toyota's search for information does not extend beyond those employees, directors, officers, and other persons subject to Toyota's direct control who are reasonably likely to possess non-privileged information.

The term "testing" is undefined. Toyota has taken a broad view of the term "testing," and has therefore included information in its Response relating not only to destructive deployment testing, but also to shake-testing and x-ray/CT-scans.

Toyota reserves the right to claim privilege when appropriate. Toyota notes that the courts have upheld the privilege in the FTC context, and that NHTSA's authority closely tracks that of the FTC. *See FTC v. Boehringer Ingelheim Pharmaceuticals, Inc.*, 898 F. Supp. 2d 171, 175 (D.D.C. 2012); *FTC v. GlaxoSmithKline*, 294 F.3d 141, 145-48 (D.C. Cir. 2002) (both declining to enforce FTC subpoenas seeking documents protected by the attorney-client and work product privileges); *United States v. Firestone*, 455 F. Supp. 1072, 1089 (1978) (NHTSA's information-gathering authority under the Safety Act tracks the FTC's authority to compel information and therefore "cases concerning the FTC's power are of some relevance."). The United States Supreme Court has indeed cautioned against creating novel exceptions to privileges because it would introduce "substantial uncertainty" and "could contribute to the general erosion" of privileges "without reference to common-law principles of 'reason and experience.'" *Swidler & Berlin v. United States*, 524 U.S. 399, 409-10 (1998).

Toyota has identified those documents protected from public disclosure as Confidential Business Information, and has submitted a Confidentiality Request and Certificate as required by the agency's regulations.

UNITED STATES DEPARTMENT OF TRANSPORTATION
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION
1200 New Jersey Avenue, SE
West Building, W41-326
Washington, DC 20590

In re:	)
	)
PE14-016	)
Air Bag Inflator Rupture	)
	)

DECLARATION OF TORU NAGATA IN SUPPORT OF THE RESPONSES TO GENERAL ORDER DIRECTED TO TOYOTA

I, Toru Nagata, declare as follows:

1) I am General Manager, Customer Quality Engineering Division of Toyota Motor Corporation ("Toyota").

2) An inquiry has been made reasonably calculated to assure that the foregoing answers and corresponding production of documents in response to the General Order directed to Toyota pursuant to *In re: PE14-016, Air Bag Inflator Rupture*, are correct to the best of Toyota's understanding based upon its investigation to date. I understand that Toyota will produce additional documents to NHTSA at a later date as they are identified, and, where appropriate, translated.

3) The documents of Toyota have been searched diligently for information and documents responsive to this General Order within the time-frame requested by NHTSA.

4) Subject to alternative arrangements made with the agency, Toyota will produce such responsive information and documents to the National Highway Traffic Safety Administration ("NHTSA").

5) Based on a reasonable, good faith inquiry, the answers to the inquiries provided to NHTSA correctly respond to the General Order based upon Toyota's investigation to date. Toyota's investigation into the issues raised in the General Order is ongoing and Toyota reserves the right to amend and/or supplement its response as it completes its investigation and review.

Pursuant to 28 U.S.C. § 1746, I declare under penalty of perjury that the foregoing is true and correct.

Executed on December 5, 2014.

Toru Nagata

UNITED STATES DEPARTMENT OF TRANSPORTATION
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION
1200 New Jersey Avenue, SE
West Building, W41-326
Washington, DC 20590

In re:	)
	)
PE14-016	)
Air Bag Inflator Rupture	)
	)

DECLARATION OF ABBAS SAADAT IN SUPPORT OF THE RESPONSES TO GENERAL ORDER DIRECTED TO TOYOTA

I, Abbas Saadat, declare as follows:

1) I am Vice President, Toyota Motor Engineering & Manufacturing, North America, Inc. ("Toyota").

2) An inquiry has been made reasonably calculated to assure that the foregoing answers and corresponding production of documents in response to the General Order directed to Toyota pursuant to *In re: PE14-016, Air Bag Inflator Rupture*, are correct to the best of Toyota's understanding based upon its investigation to date. I understand that Toyota will produce additional documents to NHTSA at a later date as they are identified, and, where appropriate, translated.

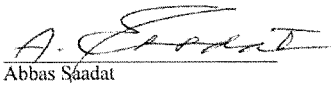
3) The documents of Toyota have been searched diligently for information and documents responsive to this General Order within the time-frame requested by NHTSA.

4) Subject to alternative arrangements made with the agency, Toyota will produce such responsive information and documents to the National Highway Traffic Safety Administration ("NHTSA").

5) Based on a reasonable, good faith inquiry, the answers to the inquiries provided to NHTSA correctly respond to the General Order based upon Toyota's investigation to date. Toyota's investigation into the issues raised in the General Order is ongoing and Toyota reserves the right to amend and/or supplement its response as it completes its investigation and review.

Pursuant to 28 U.S.C. § 1746, I declare under penalty of perjury that the foregoing is true and correct.

Executed on December 4, 2014.



Abbas Saadat

Date: December 4, 2014

Foreign Safety Recall / Other Safety Campaign Report

Subject: Front passenger frontal air bag issue on certain Toyota vehicles

1. Vehicle Manufacturer Name:

Toyota Motor Corporation ["TMC"]
Tianjin FAW Toyota Motor Co., Ltd. ["TFTM"]

2. Affected Vehicles:

Make/ Car Line	Model Year	Country/Region	Action	Production Period	Number of Vehicles
Toyota/ Alex, Corolla, Corolla Fielder, Corolla Runx, WiLL VS, Probox, Succeed, Vios, WiLL Cypha	*1	Japan, China	Safety Recall	November 8, 2002 through December 25, 2003	Approx. 190,000

*1: These countries do not use a model year designation.

3. Substantially Similar Vehicles sold in the U.S.:

Model Year/Make/ Car Line: 2002-2004MY Toyota Corolla, Corolla Matrix, Pontiac Vibe
Toyota Echo, Scion xA, Toyota Scion xB

4. Description of Problem:

The front passenger frontal airbag inflator installed in a Toyota WiLL Cypha vehicle ruptured when it was intentionally deployed during preparation for vehicle disposal at a salvage yard in Japan. While the root cause of the rupture has not been identified, there is a possibility that inflators of the same type and same model year could rupture in the event of a collision which results in the deployment of the front passenger frontal airbag. The ruptured inflator may create metallic projectile fragments that could contact an interior part or an occupant, increasing the risk of a fire or injury.

5. Description of Corrective Repair Action:

For all affected vehicles, the dealer will replace the front passenger frontal airbag inflator with a new one as a precautionary measure. The replaced airbag inflators will be recovered and investigated to help identify the possible cause of the rupture. If the remedy parts are not available, the dealer will temporarily disable the front passenger frontal airbag system and install on the sun visor a warning placard indicating the airbag will not be activated. The airbag inflator will be replaced when parts become available.

6. Determination to Conduct Safety Recall / Other Safety Campaign:

- The determination was made by Toyota Motor Corporation;
- Date of determination : November 27, 2014
- Date campaign will commence : Mid December, 2014

7. Reason the similar vehicles sold in the U.S. are not involved in this safety recall / other safety campaign:

This action only affects the above mentioned Toyota vehicles equipped with front passenger frontal airbag assemblies with the Takata SPI single stage inflator. Substantially similar vehicles sold in the U.S. are not equipped with the affected SPI inflators. Toyota Corolla, Matrix and Pontiac Vibe vehicles are equipped with different Takata inflators (dual stage inflator: PSPI). The Echo and Scion models are equipped with inflators produced by a different supplier. None of the involved vehicles have been exported or sold in the U.S. Although they are not substantially similar vehicles, all of the Toyota Sequoia and Tundra vehicles equipped with inflators of the same type and same model year are involved in recalls 14V-312 and 14V-655.

Date: November 27, 2014

Foreign Safety Recall / Other Safety Campaign Report

Subject: Driver frontal airbag issue on certain Toyota vehicles

1. Vehicle Manufacturer Name:

Toyota Motor Corporation ["TMC"]

2. Involved Vehicles:

Make/ Car Line	Model Year	Country/Region	Action	Production Period	Number of Vehicles
Toyota/ Vitz, Yaris, RAV4	*1	Japan, Europe, Australia, Asia, Africa, Middle and East, Middle and South America	Safety Recall: Japan, Australia, Europe Other Safety Campaign: Other countries	December, 2002 through March, 2004	Approx. 57,000

*1: Most countries/regions do not use a model year designation.

3. Substantially Similar Vehicles sold in the U.S.:

Model Year/Make/ Car Line: 2003 - 2005MY Toyota Echo, Scion xA, Scion xB, RAV4

4. Description of Problem:

The subject vehicles are equipped with driver frontal airbag assemblies with SDI single stage inflators made by Takata Corporation. During the manufacturing of the inflator, humidity in the environment may not have been properly controlled. The propellant wafers may have been exposed to the uncontrolled environment when the assembly line was temporarily stopped, increasing the likelihood for the propellant wafers to absorb moisture from the air. If sufficient moisture is absorbed, in the event of a collision that results in the deployment of the driver frontal airbag, the inner pressure of the inflator assembly could increase abnormally and the inflator body could rupture. The ruptured inflator may create metallic projectile fragments that could contact an occupant, increasing the risk of injury.

5. Description of Corrective Repair Action:

For all affected vehicles, dealers will replace the driver frontal airbag inflator assembly with a new one.

6. Determination to Conduct Safety Recall / Other Safety Campaign:

- The determination was made by Toyota Motor Corporation;
- Date of determination : November 20, 2014
- Date campaign will commence : November 28, 2014

7. Reason the similar vehicles sold in the U.S. are not involved in this safety recall / other safety campaign:

This issue only affects the above mentioned involved Toyota vehicles outside of the U.S. equipped with the driver frontal airbag assemblies with the Takata SDI single stage inflator produced at the LaGrange inflator assembly plant during a certain period. Substantially similar vehicles sold in the U.S. are not equipped with the affected SDI inflators. The Toyota Echo and Scion models are equipped with inflators produced by a different supplier; the RAV4 uses either PSDI-5 or NADI inflators which are not involved in any recall. None of the involved vehicles have been exported to or sold in the U.S.

TOYOTA

TOYOTA MOTOR NORTH AMERICA, INC.

WASHINGTON OFFICE
601 THIRTEENTH STREET, NW, SUITE 910 SOUTH, WASHINGTON, DC 20005

TEL: (202) 775-1700
FAX: (202) 463-8513

June 30, 2010

Mr. Claude Harris
Acting Associate Administrator for Enforcement
National Highway Traffic Safety Administration
1200 New Jersey Aye, SE-Room W45-306
Washington, D.C. 20590

Re: Front Passenger Side Airbag
Foreign Safety Recall/Other Safety Campaign Report

Dear Mr. Harris:

In accordance with 49 CFR 579.12, attached is a copy of our Foreign Safety Recall/Other Safety Campaign Report for certain Toyota vehicles sold in Japan, Europe and other countries. Vehicles in the U.S. are not affected.

Should you have any questions about this report, please contact me at (202) 775-1707.

Sincerely,
TOYOTA MOTOR NORTH AMERICA, INC.

Chris Santucci by MH

Chris Santucci, Manager
Technical and Regulatory Affairs

CS:mh
Attachment

Date: June 30, 2010

Foreign Safety Recall / Other Safety Campaign Report

Subject: Front passenger side airbag issue on certain Toyota Vehicles

1. Vehicle Manufacturer Name:

Toyota Motor Corporation ["TMC"]
Assembly Services Sdn. Bhd. ["ASSB"]
Toyota Motor Manufacturing France S.A.S ["TMMF"]

2. Affected Vehicles:

Make/ Car Line	Model Year	Country	Action	Production Period	Number of Vehicles
Toyota Corolla, Corolla Fielder, Corolla Runx	*1	Japan	Safety Recall	July 25, 2000 through March 29, 2001	36,139
Toyota Corolla	*1	Other Countries	Other Safety Campaign	May 31, 2000 through September 3, 2001	2553
Toyota Yaris	*1	Europe Other Countries	Safety Recall (U.K.) Other Safety Campaign (Others)	January 23, 2001 through May 30, 2001	287

*1: In these countries, there is no system of Model Year.

3. Substantially Similar Vehicles sold in the U.S.:

Make/ Car Line: Toyota Corolla, Chevrolet Prizm, Toyota Echo
Model Year: 2001 model year

4. Description of Problem:

In the airbag system of the subject vehicles, due to improper assembly of the airbag inflator, which is used in the passenger side front airbag, some inflators were produced with an insufficient amount of gas generators. In this condition, gas generators in the inflator may become broken and powdered by vehicle vibration over time. This can create abnormal combustion and pressure in the inflator body during airbag activation, causing it to break and scatter. This increases the risk of personal injury during airbag inflation.

5. Description of Corrective Repair Action:

For all of the affected vehicles, the dealer will replace the passenger side front airbag inflator.

6. Determination to Conduct Safety Recall / Other Safety Campaign:

- The determination was made by Toyota Motor Corporation;
- Date of determination to conduct safety recall / safety campaign: June 25, 2010
- Date recall / campaign will commence: Early July, 2010

7. Reason the affected vehicles sold in the U.S. are not involved in this safety recall / safety campaign:

The subject airbag inflators were only installed in vehicles produced in Japan, France, and Malaysia for sale in countries outside the U.S. The substantially similar vehicles sold in the United States are equipped with a different type of airbag inflator. The subject inflators have not been sold or offered for sale in the U.S.

FRED UPTON, MICHIGAN
CHAIRMAN

HENRY A. WAXMAN, CALIFORNIA
RANKING MEMBER

ONE HUNDRED THIRTEENTH CONGRESS

Congress of the United States
House of Representatives
COMMITTEE ON ENERGY AND COMMERCE
2125 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, DC 20515–6115
Majority (202) 225–2927
Minority (202) 225–3641

December 15, 2014

The Honorable David Friedman
Deputy Administrator
National Highway Traffic
Safety Administration
1200 New Jersey Avenue, S.E.
West Building, W40-300
Washington, D.C. 205090

Deputy Administrator Friedman,

Thank you for appearing before the Subcommittee on Commerce, Manufacturing, and Trade on Wednesday, December, 2014 to testify at the hearing entitled "Takata Airbag Ruptures and Recalls."

Pursuant to the Rules of the Committee on Energy and Commerce, the hearing record remains open for ten business days to permit Members to submit additional questions for the record, which are attached. The format of your responses to these questions should be as follows: (1) the name of the Member whose question you are addressing, (2) the complete text of the question you are addressing in bold, and (3) your answer to that question in plain text.

To facilitate the printing of the hearing record, please respond to these questions by the close of business on Wednesday, December 30, 2014. Your responses should be e-mailed to the Legislative Clerk in Word format at **Kirby.Howard@mail.house.gov** and mailed to Kirby Howard, Legislative Clerk, Committee on Energy and Commerce, 2125 Rayburn House Office Building, Washington, D.C. 20515.

Thank you again for your time and effort preparing and delivering testimony before the Subcommittee.

Sincerely,

Lee Terry
Chairman
Subcommittee on Commerce,
Manufacturing, and Trade

cc: Jan Schakowsky, Ranking Member, Subcommittee on Commerce, Manufacturing, and Trade
Attachment

U.S. HOUSE OF REPRESENTATIVES
COMMITTEE ON ENERGY AND COMMERCE
SUBCOMMITTEE ON COMMERCE, MANUFACTURING, AND TRADE

Hearing on "Examining Takata Airbag Defects"
December 3, 2014

ADDITIONAL QUESTIONS FOR THE RECORD
for David J. Friedman, Deputy Administrator
National Highway Traffic Safety Administration

The Honorable Lee Terry

1. **What conversations has NHTSA had about prioritizing the flow of replacement airbag inflators? What factors have been relevant to NHTSA conversations about prioritizing certain geographic regions for replacement parts? What NHTSA personnel have taken part in any such conversations?**

   RESPONSE: NHTSA has been engaged in ongoing conversations with Takata and each of the auto manufacturers involved in the recall regarding the prioritization of replacement air bag inflators. NHTSA will take all relevant factors into consideration in these discussions. Our overriding goal is the protection of the American public.

2. **How does NHTSA determine whether to engage in its own independent testing of an auto-safety issue? What are the relevant factors that are considered? What NHTSA personnel would take part in any such conversations?**

   RESPONSE: The decision whether to conduct independent testing is made on a case by case basis and involves several factors including, but not limited to, the following:

   - maturity of the technology involved;
   - prior NHTSA experience with the issue and its consequence including the availability of prior test data on the same or similar issue;
   - severity of the consequence; and
   - scope of vehicles potentially affected.

3. **What conversations has NHTSA had over the last ten years over engaging in independent testing of air bag inflators? What relevant factors were examined in determining whether or not to conduct independent tests? What NHTSA personnel took part in any such conversations?**

   RESPONSE: In 2011, NHTSA engaged contractors to test counterfeit air bags to determine if they presented a risk to safety. NHTSA continuously seeks ways to improve its safety programs, including the defects investigation program. NHTSA will use every tool available to us to address all issues that have safety implications, including engaging industry to do better in ensuring the safety of the motoring public.

4. **When was NHTSA first informed about an incident involving a ruptured Takata airbag inflator? Was NHTSA aware of any other incident like this or was this an unusual occurrence? Did NHTSA do any follow up with Takata or any other vehicle manufacturer after hearing about the first incident? If so, please detail those communications and actions.**

   RESPONSE: Takata inflator ruptures are occurring in two unique vehicle populations. Alpha incidents refer to inflator ruptures occurring in vehicle populations covered by national recalls that existed prior to the opening of NHTSA's current investigation (PE14016). Beta incidents refer to inflator ruptures from other vehicle populations.

   For alpha incidents, a claim arising out of an airbag rupture occurring in a 2002 Honda Accord in May 2004 was among the claims reported by Honda to NHTSA in Honda's 2nd quarter 2004 early warning report filed with NHTSA in 2004. This report indicated that an airbag related claim had been made to Honda but did not indicate that a rupture had occurred. The agency received the first report alleging that an alpha airbag rupture had occurred through a consumer complaint (ODI # 10239965) filed in August 2008. On November 8, 2008, Honda filed a defect report with NHTSA for the first of the alpha recalls (08V-593).

5. **After NHTSA alerted Honda to underreporting in its Early Warning Reports (EWRs) in 2012, did NHTSA conduct any further follow up with Honda in 2012? If so, please detail any steps NHTSA took in 2012 to address the underreporting. If no steps were taken in 2012, please explain why not.**

   a. **Prior to 2014, was NHTSA satisfied that Honda had resolved their underreporting? If so, what was the basis for the agency's determination?**

   b. **What caused NHTSA to issue a Special Order on November 3, 2014 regarding Honda's underreporting of EWRs? Why was a Special Order addressing the EWR reporting issue not issued in 2012 or 2013?**

   RESPONSE: In early January 2012, the Agency's Early Warning Division (EWD) determined that Honda had failed to report seven field incidents in EWR. NHTSA asked Honda to investigate the seven unreported incidents. In mid-January 2012, Honda explained to NHTSA that the seven unreported incidents involved verbal claims, which were not reportable under the TREAD Act. At that time, NHTSA considered Honda's explanation as fully resolving the issue. As a result, it determined that further follow-up was not needed.

   NHTSA was not aware of any other issues with respect to Honda's death and injury reporting until 2014, when Honda notified the Agency of its widespread underreporting. NHTSA opened audit query AQ14-004 to investigate this issue. Honda further indicated that it had retained a law firm to prepare an audit of the EWR reporting issues and would update NHTSA on findings as the audit continued.

   NHTSA decided to issue this Special Order for a number of reasons. The Agency determined that Honda needed to provide a full accounting by a specific date. NHTSA also decided that Honda should be compelled to respond to questions or issues that might not otherwise be addressed by Honda or its auditors. In addition, compelling Honda to respond to questions under oath would provide a better foundation for demanding civil penalties.

6. **On November 26, 2014, NHTSA sent Takata a letter issuing a recall request for driver's side airbags due, in part, to "mounting data" demonstrating the existence of a safety defect. Please describe the "mounting data" NHTSA has acquired that supports its request to expand the regional field action to a national recall?**

   RESPONSE: Acting in the interest of public safety and based on NHTSA's policy that all recalls should be national in scope unless an automaker can demonstrate that it should be otherwise, the Agency called for the expansion of the regional action for driver's side air bags because it identified additional driver's side inflator ruptures outside of the high absolute humidity regions encompassed by the existing recall. Two incidents were involved, one with a Honda vehicle in California and another with a Ford vehicle in North Carolina. These failures indicated that a regional action was not sufficient to address the existing risk. NHTSA's investigation of these incidents is ongoing.

7. **Does NHTSA employ an expert on chemicals such as those used in Takata's propellant? If yes, how long has the expert(s) been employed by NHTSA? If not, why not? If not, does NHTSA plan to hire a chemical expert who specializes in propellant?**

   RESPONSE: Several NHTSA employees have previous experience working with air bag propellants and/or fuse/igniter mechanisms from their prior careers at other federal agencies, as well as a number of air bag experts with field analysis and industry experience. NHTSA has also contracted with an industry expert in the specific inflator propellant chemistry used by Takata in its air bags.

8. **Is NHTSA currently investigating why the agency closed an investigation into Honda in May 2010 after it had been opened in November 2009? If so, is there anything NHTSA can share today about why that investigation was closed only after 6 months?**

   a. There is an email chain from May 2010, shortly after this investigation was closed, between Takata and NHTSA where Takata representatives outline additional documentation they were compiling to send to NHTSA to supplement their original responses when they received the Closing Resume for the investigation. Did NHTSA consider reopening the investigation to review additional materials submitted by Takata or Honda back in 2010?

   RESPONSE: NHTSA closed the investigation because Honda recalled all covered vehicles as part of that investigation. Takata provided what appeared to be an adequate explanation of the cause of the defect. At that time NHTSA had no evidence to indicate to the contrary.

   NHTSA is currently investigating Honda and Takata, including issues covered by earlier investigations and recalls, including the 2010 recall. As we have findings and determine appropriate next steps, we will share them with the Committee.

9. **Was NHTSA contacted about the three accident reports that occurred in Honda vehicles from May to August of 2007? If yes, what follow up, if any, did NHTSA perform at that time with Honda or Takata?**

RESPONSE: These three incidents were not reported to NHTSA at the time Honda initiated its recall (08V-593) in 2008.

a. NHTSA has indicated, in light of the most recent rupture cases in California and North Carolina, that two rupture incidents are evidence of a trend worthy of a national recall—is this a new NHTSA standard? And why didn't the three reported 2007 ruptures trigger a similar response from NHTSA?

RESPONSE: NHTSA's policy is that all recalls are national in scope unless an automaker can demonstrate it should be otherwise. NHTSA therefore only accepts regional recall actions where both the specifics of the defect issue (the failure mechanism) and the field data support that a regional approach is reasonable. The two failures noted above occurred outside the region, indicating that the regional approach was no longer appropriate.

10. When did NHTSA become aware of the airbag inflator rupture in Santa Monica, California (which occurred in a 2005 Honda vehicle)? When did NHTSA become aware of the airbag inflator rupture in North Carolina (which occurred in a 2007 Ford Mustang)?

RESPONSE: For the 2005 Honda Accord incident in California, NHTSA received a consumer complaint (ODI #10605877) on June 25, 2014 and then ensured that Honda expanded its recall to cover the entire state of California; and for the 2007 Ford Mustang incident in North Carolina, NHTSA received a consumer complaint (ODI #10651492) on October 30, 2014 and then called for the national recall. All 5 automakers with affected driver-side Takata air bags have now moved forward with national recalls.

11. Please provide a timeline showing when NHTSA became aware of the CA and NC ruptures referenced above, what actions it took in response to those ruptures, and when it completed its investigation of the CA and NC ruptures.

RESPONSE: The timeline is included in the response to question 10. Our investigation regarding the Takata air bag inflators is still ongoing. We are reviewing these two incidents as a part of our continuing investigation.

12. What should NHTSA have done differently in the case of Honda's failure to report incidents involving death or injury in its EWRs?

a. What should NHTSA have done differently to better address the rupturing airbag inflator problem in 2005 when Takata first learned of the ruptured airbag in Alabama?

b. Is there anything NHTSA could have done to accelerate a resolution to the rupturing airbag issue between 2008 and 2011 when Honda was conducting recalls of its vehicles with Takata airbags? Could NHTSA have done anything to prevent further airbag ruptures after discovering that the bad stamp press was not the root cause?

c. Could NHTSA officials have noticed a pattern suggesting that Takata's evolving explanations for airbag ruptures were inadequate? What changes could be made to NHTSA—other than additional funds—such that NHTSA would be better positioned to perceive such a pattern?

RESPONSE: NHTSA continuously seeks ways to improve its safety programs, including the defects investigation program. We will make all necessary improvements to help ensure the safety of the motoring public. The specific issues raised in this inquiry are related to the ongoing Takata investigation and as we have findings and determine appropriate next steps, we will share them with the Committee.

13. On November 26, 2014, NHTSA issued a recall request letter urging a national recall of driver side airbags to Takata. In their December 2, 2014 response, Takata questioned NHTSA's decision to direct this demand to the manufacturer of original equipment. Why did NHTSA send the recall request letter to Takata rather than the motor vehicle manufacturers? Has NHTSA ever sent a recall request letter to a manufacturer of original equipment? If so, please provide a detailed explanation of each instance in which the agency took this action. If not, please provide a detailed explanation why the agency did so in this instance and who made that determination.

RESPONSE: NHTSA is currently investigating Takata regarding the air bag inflators. NHTSA issued the November 26, 2014 recall request letter to Takata in part because Takata is responsible for the common design and manufacturing elements present in the driver's side inflators provided by Takata to various automakers and because of Takata's previous initiation of recalls for inflator defects involving improperly manufactured propellant or defects stemming from exposure to high absolute humidity.

It is unusual for NHTSA to send recall request letters to original equipment manufacturers, but such action was appropriate to protect drivers from air bag ruptures.

14. Do you believe that NHTSA has the authority to compel a manufacturer of original equipment to conduct a recall for a safety-related defect? If so, please provide the basis for this determination and provide a list of any previous examples where the agency exercised this authority.

RESPONSE: Yes. However, because NHTSA's investigation into this matter is ongoing, I respectfully decline to respond in detail on the record because it would involve public disclosure of issues and Agency positions that may figure prominently in the case of any litigation with Takata.

15. NHTSA first only identified Florida, Hawaii, Puerto Rico, and the U.S. Virgin Islands as areas of high absolute humidity in its request to motor vehicle manufacturers to participate in a regional field action to collect potentially defective Takata airbag inflator parts. Has NHTSA modified that original list of states and territories to include other states and territories? If so, when and why did NHTSA make that determination and based on what measurement?

RESPONSE: Our investigation regarding the Takata air bag inflators is still ongoing, including issues related to areas of high absolute humidity. At present time, NHTSA has

identified the Gulf coast region (parts of Georgia, Alabama, Mississippi, Louisiana, and Texas) as well as Guam and the Mariana Islands as additional areas of high absolute humidity.

The Honorable Gregg Harper

1. **Mr. Friedman, at the November 20 Senate Commerce Committee hearing, you said NHTSA "acknowledged" a plan authorizing dealers to disable potentially defective passenger side air bags where replacement parts were unavailable, as long as they also tell customers not to put someone in the passenger seat. Is NHTSA's "acknowledgment" of this approach an endorsement, and should it be an option for all manufacturers of vehicles with passenger-side air bags subject to recall? As the nation's top highway traffic safety official, can you tell this subcommittee that you will put into writing the legal and policy basis supporting the disabling of recalled air bags until replacement parts are available?**

   RESPONSE: The Safety Act does not authorize NHTSA to "approve" or "endorse" remedies. When a manufacturer implements a recall, they are required to notify the Agency of the recall and the remedy. The acknowledgement referred to above is standard NHTSA policy to confirm with the automaker that it has received such a notice.

   The Safety Act prohibits manufacturers and dealers from disabling properly functioning safety equipment. Defective air bags do not function properly and there is therefore no prohibition on disabling them.

The Honorable Adam Kinzinger

1. **As reported in a November 15, 2014 article in the *Detroit Free Press*, a young woman driving a 2006 Cobalt with a salvage title that her parents had bought for her died in a crash caused by one of GM's faulty ignition switches. Regrettably, the parents had gone to a dealership to get any outstanding recall issues on the vehicle remedied. The article highlighted that the dealership informed the consumer that they did not work on any car under a salvaged title.**

   Does NHTSA agree that automakers are reqnired to apply their recall campaigns equally to vehicles with both clean and salvage titles? Does NHTSA agree that automakers must remedy recalls (through replacement parts, fixing or buying back recalled parts) for all vehicles regardless of title?

   RESPONSE: NHTSA discourages any consumer from driving a vehicle with a salvage title.

2. **During recent testimony you stated:**
   "...I asked 12 major auto makers. I called them to Washington to talk to them about the need for a new normal when it comes to recalls. No more hiding information. No more hiding behind attorney/client privilege. No more waiting to prove beyond a shadow of a doubt

there's a problem. No more fighting us when we have clear evidence of defects. They need to act much more quickly."
Would NHTSA agree to convening a meeting of automakers and professional automotive recyclers to address issues critical to ensure the safety of our nation's roads and vehicles?

RESPONSE: NHTSA is committed to taking all steps to ensure the safety of the motoring public.

The Honorable Jan Schakowsky

1. **In the November 26, 2014, Recall Request Letter to Takata, NHTSA states that it may begin proceedings to seek penalties and remedies available by law. These civil penalties could be up to $7,000 per violation, i.e., per vehicle that would have been subject to a national recall.**

   a. **Please confirm that the maximum penalty NHTSA will be able to obtain from Takata for the airbag rupture defect is $35 million.**

      RESPONSE: Under 49 U.S.C. § 30165(a), the maximum penalty for a related series of violations is limited to $35,000,000.

   b. **The Vehicle Safety Improvement Act of 2014 would increase the penalty per violation and eliminate the maximum penalty cap. NHTSA has testified before this Subcommittee in support of being able to impose higher penalties. Is this situation with Takata airbags a good example of how higher penalties could be a better deterrent to manufacturers who do not follow auto safety law?**

      RESPONSE: Takata's most recent annual report stated that the company's sales for North and South America exceeded $500,000,000 in each of the 4 quarters of the company's fiscal year, or more than $2 billion in annual revenues. Auto manufacturers have annual revenues in the billions of dollars. The current penalty cap, which limits the maximum penalty to $35,000,000, prevents NHTSA from demanding penalties that would influence the behavior of companies of this size based on financial impact. For this reason, the Administration is seeking to increase this amount to $300,000,000 in the GROW AMERICA Act.

   c. **What is NHTSA's process for obtaining civil penalties? If Takata does not cooperate, approximately how many months until Takata will actually pay penalties for the airbag rupture defect?**

      RESPONSE: With very few exceptions, NHTSA has historically obtained civil penalties under the Safety Act through an informal process in which manufacturers are presented with the Agency's position and offered an opportunity to resolve NHTSA's claim without further proceedings.

      In this case, NHTSA has made an informal request asking Takata to recall driver's side air bag modules nationwide. If Takata continues to deny the existence of a

defect in these modules and NHTSA determines a fine is warranted, NHTSA will have to complete a number of procedural steps and make a final determination that a defect exists. Once such a determination has been made, the Agency may then be able to demand civil penalties based on Takata's failure to conduct a recall when it knew, or should have known, the air bag modules were defective. If Takata refused to respond to that demand, NHTSA would then have to refer the matter to the Department of Justice. If Takata were to continue to maintain that the driver's side modules were not defective, the issues would have to be resolved through litigation in Federal court.

2. **In response to NHTSA's Special Order to Honda regarding Honda's Early Warning Reporting (EWR) failures, Honda revealed that it failed to report more than 1,700 claims involving deaths or injuries. There have been reports that NHTSA advised Honda of discrepancies in January 2012. But NHTSA's Special Order to Honda was not issued until November 3 of this year.**

   a. **Why did NHTSA not follow up with Honda after the Agency alerted Honda to these problems in 2012? And why did it take until the end of 2014 to have this underreporting resolved?**

      RESPONSE: In early January 2012, the Agency's Early Warning Division (EWD) determined that Honda had failed to report seven field incidents in EWR. NHTSA asked Honda to investigate the seven unreported incidents. In mid-January 2012, Honda explained to NHTSA that the seven unreported incidents involved verbal claims, which were not reportable under the TREAD Act. At that time, NHTSA considered Honda's explanation as fully resolving the issue. As a result, it determined that further follow-up was not needed.

      NHTSA was not aware of any other issues with respect to Honda's death and injury reporting until 2014, when Honda notified the Agency of its widespread underreporting. NHTSA opened audit query AQ14-004 to investigate this issue. Honda further indicated that it had retained a law firm to prepare an audit of the EWR reporting issues and would update NHTSA on findings as the audit continued.

   b. **Briefly describe how the Early Warning Reporting system currently works and how EWR reports are useful to NHTSA's mission.**

      RESPONSE: In 2000, Congress enacted the Transportation Recall Enhancement, Accountability, and Documentation (TREAD) Act. Pub. L. No. 106-414. Up until the TREAD Act's enactment, NHTSA relied primarily on analyses of complaints from consumers and technical service bulletins (TSBs) from manufacturers to identify potential safety related defects in motor vehicles and motor vehicle equipment. Congress concluded that NHTSA did not have access to data that may provide an earlier warning of safety defects or information related to foreign recalls and safety campaigns.

      NHTSA implemented the TREAD Act through regulations requiring that motor vehicle and equipment manufacturers provide certain early warning data. 49 CFR part 579, subpart C. The EWR rule requires quarterly reporting of early warning

information on certain classes of vehicles, trailers, tires and child restraints, including production information; information on incidents involving death or injury; aggregate data on property damage claims, consumer complaints, warranty claims, and field reports; and copies of field reports (other than dealer reports and product evaluation reports) involving specified systems or components.

The EWR information NHTSA receives is stored in a database, called Artemis, which also contains additional information (e.g., domestic and foreign recall details and complaints filed directly by consumers) related to defects and investigations. The Early Warning Division of the Office of Defects Investigation (ODI) reviews and analyzes a huge volume of early warning data and documents submitted by manufacturers. Using its traditional sources of information, such as consumer complaints from vehicle owner questionnaires (VOQs) and manufacturers' own communications, and the additional information provided by EWR submissions, ODI investigates potential safety defects. These investigations often result in recalls.

c. **Eight of the unreported claims were of seven injuries and one death from Takata airbag ruptures. However, the other 1,721 unreported claims must include claims of other failures, such as failures of brakes, tires, locks, etc. Will NHTSA be reviewing the other 1,721 unreported claims for other possible safety issues? When will that review be completed?**

RESPONSE: Yes, NHTSA is reviewing this information and is seeking further information from Honda regarding the incidents described in Honda's response to NHTSA's Special Order. If NHTSA determines there are any potential safety issues based on this new data, the Agency will take appropriate action to protect public safety.

d. **Is NHTSA pursuing civil penalties against Honda for its failure to comply with the TREAD Act? Would those penalties also be subject to a maximum cap as discussed in the previous question?**

RESPONSE: Honda and the Agency have entered into a Consent Agreement in which Honda has agreed to pay civil penalties in the amount of $70 million dollars for two separate violations of the TREAD Act reporting requirements. Honda agreed to pay the maximum civil penalty of $35 million dollars for failing to report claims of death and injury incidents and the maximum civil penalty of $35 million dollars for failing to report warranty data required by NHTSA's TREAD regulations. Were the $35 million dollar maximum cap not in force, the fines would likely have been higher.

e. **Honda has announced that it will conduct a national recall of driver's side airbags. If it did not do so, and NHTSA was forced to seek penalties and remedies available by law, would NHTSA be able to seek penalties for the failure to recall as a separate series of violations, distinct from Honda's underreporting under the TREAD Act, or would those be considered a "related series of violations" and combined under the same maximum penalty cap?**

RESPONSE: The Agency considers any failure to make a timely determination that a

safety related defect exists to be a separate and distinct violation or series of violations from any failure to report information required under the TREAD Act.

3. **Takata, the automakers, and you testified that the root cause of the airbag ruptures is still unknown. Takata claims that high humidity, high temperature, and the age of the vehicle are factors contributing to the ruptures. What is NHTSA doing to ensure that the new airbags currently being installed into cars in Florida will not have the same problems in five or 10 years?**

RESPONSE: Our investigation regarding the Takata air bag inflators is still ongoing, including issues related to the appropriateness of remedies. Our goal is to ensure the safety of occupants of vehicles with defective Takata air bags and we will take appropriate steps if we determine that the new air bags being installed into cars do not appropriately remedy the risk of rupturing air bags.