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EXAMINING TAKATA AIRBAG DEFECTS AND THE VEHICLE RECALL PROCESS

HEARING

BEFORE THE

COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION UNITED STATES SENATE

ONE HUNDRED THIRTEENTH CONGRESS

SECOND SESSION

NOVEMBER 20, 2014

Printed for the use of the Committee on Commerce, Science, and Transportation

U.S. GOVERNMENT PUBLISHING OFFICE

95–291 PDF WASHINGTON : 2015

For sale by the Superintendent of Documents, U.S. Government Publishing Office
Internet: bookstore.gpo.gov Phone: toll free (866) 512–1800; DC area (202) 512–1800
Fax: (202) 512–2104 Mail: Stop IDCC, Washington, DC 20402–0001

SENATE COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION

ONE HUNDRED THIRTEENTH CONGRESS

SECOND SESSION

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EXAMINING TAKATA AIRBAG DEFECTS AND THE VEHICLE RECALL PROCESS

THURSDAY, NOVEMBER 20, 2014

U.S. SENATE,
COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION,
Washington, DC.

The Committee met, pursuant to notice, at 10 a.m., in room SR–253, Russell Senate Office Building, Hon. Bill Nelson, presiding.

OPENING STATEMENT OF HON. BILL NELSON, U.S. SENATOR FROM FLORIDA

Senator NELSON. Good morning, everyone. Senator Thune and I have been looking forward to this. We want to thank the witnesses for coming.

We are here to investigate the link between defective airbags and the numerous injuries and deaths across the country—indeed, across the globe.

More than 7.8 million vehicles in the U.S. have been recalled because of defective airbags, and, just this week, the National Highway Traffic Safety Administration announced that it was calling on all automakers to expand that recall from a few states, what they called a regional recall, to the entire country.

Well, the first thing that needs to be done is to take care of consumers. Automakers need to get a replacement part so that the airbags can be replaced. That needs to be sent to the dealers. And they need, because of people potentially driving around with a defective airbag in their steering wheel and dashboard, the dealers, the automobile makers need to provide a loaner vehicle or a rental car for those whose cars cannot be immediately fixed.

General Motors recently took that kind of step for certain models with faulty ignition switches, and there is no reason why the automakers covered by this notice should not be required to take the same kind.

I think it is absolutely imperative, in view of the fear that has gripped the public by virtue of what has already been said and what will be stated in this hearing today, that a loaner or a rental car would be provided for someone if they cannot get their replacement of their defective airbag on the recall list done immediately.

The owners should have a right to expect that the cars that they drive are as safe as possible. And so that is going to be what we are going to be facing in the next immediate future as we dig into the question of what, in fact, is the problem.

Now, I have written to Secretary Foxx urging him to impose civil penalties up to the full extent of his law on any company that re-

fuses to provide drivers with an alternative form of transportation if they are going to have to wait to have their car repaired.

The American people have a right to know about the story behind this airbag recall, and so that is why we are here today.

Now, let me just show you some of the items.

This is part of the steering mechanism. It would be facing the driver like this, and it would look like this in the wheel of the steering column. And, of course, the chemicals inside this mechanism—upon impact, the chemical reaction causes an inflation of the airbag.

And, upon close examination, you will see the little holes around the mechanism that the gas that is created by the chemical reaction comes out, inflates the airbag. And it is a device that has saved many, many people's lives.

This compound, ammonium nitrate, seems to have a problem. Long about the turn of the year 2000, when it was changed as the compound, perhaps some of the metal as well and when the explosions occur, instead of the gasses forming to fill the airbag, additionally it explodes with such force that this metal shreds it.

And, as a result, what you see, in this particular case of an airbag, metal has shredded it. Here is a big hole. Here is another hole. And the very device that is supposed to save lives becomes a device that is taking lives. So that is absolutely unacceptable.

Now, after the opening statements of the prospective Chairman and Ranking Members, I have asked an Air Force active-duty first lieutenant, who happens to be stationed at the large Eglin Air Force Base in Fort Walton Beach, Florida, to be our first witness and she will give you a firsthand account as to what her encounter has been with a defective airbag.

Let me turn to our Ranking Member, Senator Thune, our future Chairman of this committee.

Senator Thune, thank you for participating.

STATEMENT OF HON. JOHN THUNE, U.S. SENATOR FROM SOUTH DAKOTA

Senator THUNE. Well, thank you, Senator Nelson, for serving as Chairman of this morning's hearing to examine the alarming Takata airbag recalls and the actions of the National Highway Traffic Safety Administration. These are currently issues that belong on the Commerce Committee's agenda, and I appreciate very much your calling this hearing to examine these issues in greater detail.

I first want to thank Lieutenant Stephanie Erdman for being here today. Thank you also for your service to our country. We appreciate you coming here to tell your story and help inform this committee.

This hearing is an important one, and our discussion today will explore matters of public safety and accountability. Ensuring the safety of America's motorists is a priority, but the public's trust has been shaken due to the record number of recalls this year and the beliefs many have about problems in the industry and at NHTSA.

This year, record fines have been levied against Toyota, GM, and Honda. Now, with the latest news of problems with Takata airbags,

we are again faced with examining an apparent failure with serious safety consequences.

Today, we will be asking Takata, NHTSA, and other stakeholders increasingly familiar questions about how these faulty products made it into consumers' vehicles, when the problem was first discovered, and what steps, if any, could have been taken sooner that may have saved lives or prevented injuries.

In this case, many would especially like to know whether the allegations reported in *The New York Times* that Takata knew of and hid risks related to airbags years ago are true. Questions also exist about NHTSA's approach to these recalls and the wisdom of the agency's initial decision to request regional, rather than national, recalls—a decision which NHTSA has since reversed for some of the affected vehicles.

The troubling string of recalls this year should be a wake-up call. I believe we can do a better job of addressing safety issues as they arise and holding automakers, their suppliers, and NHTSA accountable to their shared mission of ensuring safety on America's roadways.

In recent years, Congress has enacted, and NHTSA has sought to implement, a robust early reporting regime. The major automakers and other manufacturers have also instituted or sought to improve internal safety reporting systems that encourage employees to report safety problems. But reports of employees whose concerns may have been ignored, silenced, or possibly even covered up, persist.

I believe we can do more to ensure that NHTSA is informed of potential defects as early as possible. That is why later today I, along with Senator Nelson, will be introducing the Motor Vehicle Safety Whistleblower Act. I am pleased that Senators Heller and McCaskill, who have been at the forefront of the Committee's efforts on the GM recalls, are also sponsors of this legislation.

This bill will incentivize employees who uncover serious allegations of vehicle defects or violations of motor vehicle safety laws that could lead to death or serious bodily injury to provide voluntarily that information to the Department of Transportation. If such information leads to DOT or Department of Justice enforcement actions that total more than a million dollars in penalties, the whistleblower would be eligible to share in a portion of total penalties collected.

This bill will also protect whistleblowers' identities and allow NHTSA to share information with the Department of Justice and other Federal agencies where appropriate. Other agencies have similar programs, including programs that incentivize individuals to report information to the Securities and Exchange Commission and to the IRS.

If there are potential whistleblowers with important information to help NHTSA identify more defects, we want them to come forward so that these problems can be identified earlier in the process. I think we would all agree that it is better to address a problem before injuries or deaths occur, if at all possible, rather than relying primarily on fines imposed after the fact.

I look forward to working with stakeholders and my colleagues as we continue oversight on these safety matters.

We will undoubtedly revisit many of these issues when we consider the President's nominee to lead NHTSA. Having written President Obama twice in the last 8 months urging him to fill swiftly the NHTSA administrator position at NHTSA that has now been vacant for 343 days, I am pleased the President finally announced his intention to nominate Dr. Mark Rosekind on the eve of this hearing. This nomination is long overdue, and I look forward to reviewing the nominee's qualifications and his plan for NHTSA in a timely manner.

Finally, I urge all of my constituents watching this hearing to pay attention to any recalls or field actions and, if you determine your vehicle is subject to a recall, to get it repaired quickly by an authorized repair facility.

I want to thank the witnesses for being here today, and I look forward to your testimony.

Thank you, Mr. Chairman.

Senator NELSON. Thank you, Senator Thune.

We want our two leaders in the Subcommittee to make a short opening statement.

The Chair of the Subcommittee, Senator McCaskill.

STATEMENT OF HON. CLAIRE MCCASKILL, U.S. SENATOR FROM MISSOURI

Senator MCCASKILL. Thank you, Senator Nelson.

I find it troubling, but, more importantly, I am sad that I am not surprised, that we find ourselves examining another example of manufacturers' failure to fulfill safety obligations that could have saved lives.

Honda is under investigation for failure to provide early-warning reports to NHTSA related to the deaths the company has linked to Takata airbags. Takata itself is also under investigation by NHTSA and Federal prosecutors over troubling claims that it might have known a long time before it notified its auto manufacturer customers of the public safety defects associated with millions of its airbags.

Ten automakers have now recalled at least 7.8 million vehicles in the United States under either safety recalls or service campaigns related to defective Takata airbags. What I want to try to get to the bottom of at this hearing is what is the difference and isn't that difference important—a safety recall versus a service campaign.

There seems to be some confusion among the driving public about the scope and severity of these recalls, and part of that is because not all the manufacturers are treating this the same, using the same language, and we have failed to have clarity from NHTSA in this regard.

In this committee's Consumer Protection Subcommittee, we have held three auto safety hearings since General Motors recalled 2.6 million vehicles earlier this year for a defective ignition switch that was largely ignored by the company and Federal auto safety regulators for more than 10 years.

Sadly, I think today we will hear many of the same themes we heard in the GM investigation: an industry that fears no consequences for not complying with the law, companies more focused

on defending against private litigation than promoting safety, and a regulator that lacks both the resources and technical expertise to effectively do its job.

I am pleased that the President has finally nominated a candidate to serve as NHTSA's Administrator, a position that has been vacant for nearly a year—a critical year. I look forward to hearing from him, particularly in regards to his plans to strengthen the agency's oversight of the auto industry.

Dr. Mark Rosekind has been nominated, and he certainly has a resumé that reflects years of work in the area of automobile and transportation safety. This committee should move quickly on a hearing to consider his nomination. I certainly have a lot of questions.

As we head into a new session of Congress, this committee should also make legislation reauthorizing NHTSA a priority. We aren't going to agree on everything, but I think there is enough common ground on the reforms that are needed to act without delay. I look forward to working with the new Chairman in that regard and all of the members of this committee in the next Congress.

Thank you, Senator Nelson.

Senator NELSON. Thank you, Senator.

Senator Heller, the Ranking Member of the Subcommittee.

STATEMENT OF HON. DEAN HELLER,
U.S. SENATOR FROM NEVADA

Senator HELLER. Chairman, thank you. And I will keep my statement brief.

But before I begin, I want to acknowledge the lives that were lost due to the Takata airbags and would like to thank Lieutenant Erdman for being here today. Thank you for your service to this country and for sharing your story with this committee today.

Mr. Chairman, I think this is the year of the airbags. GM had defects with airbags that would not deploy, and now we have Takata airbags that send shrapnel into the face of those that are driving.

As this committee knows, I know a little bit about cars. I race them, I build them, I break them, and I fix them. Probably break them more than I race them, but that just seems to be the way it works out. But I will tell you the most terrifying thing a driver experiences is a crash, and, at that moment, the only thing that matters in their lives is that airbag.

We have common themes emerging from all of our hearings this year from this committee and our subcommittee: It has taken far too long from the information found within the company that there is a defect and then getting these cars off the road.

Today, I am proud to stand with Senator Thune, Senator Nelson, and Senator McCaskill on introducing legislation that would bring this information forward faster by rewarding whistleblowers. It is my hope and it is our hope that the Motor Vehicle Safety Whistleblowers Act will solve the problems that we are seeing time and again with these recalls, that employees in these companies have raised concerns about defects and those warnings have not been properly vetted. It is my hope that a significant monetary payout

will get this information to the public faster and faster means saving lives.

Today, this committee has Takata here. We need to know what they knew and when they knew it. I am very troubled by the *New York Times* article that alleges that there may have been a cover-up.

And I am glad to have NHTSA here. Just yesterday, the President submitted his nomination for NHTSA Administrator to the Senate, and I have called on the President to do this for months now. We will review this nominee. I am hopeful we will be able to process him accordingly. NHTSA needs a Senate-confirmed administrator. It has been almost a year, and I fear that the trust the public has in this agency has been eroded greatly.

One of the major concerns that I have is that NHTSA is not able to recognize these defects fast enough. NHTSA is far too important for that to happen, and I want to work with NHTSA and my colleagues on solutions to that.

As you know, Nevada will be producing cars very soon, with the new Tesla Giga center. We need to make sure that NHTSA can handle these cars of the future as well as the cars that we have here today.

So thank you, Mr. Chairman. I look forward to the testimonies, look forward to this hearing.

Senator NELSON. With the indulgence of the Committee, we want to get on into the testimony. After the lieutenant, we will have the next panel. The Chairman will defer his questions so we can get the members plenty of time to have their questions. And then we have a third panel, which is the administration, NHTSA.

So let's get right to it.

Lieutenant, we are certainly appreciative that you would be willing to step forward.

First Lieutenant, United States Air Force, Stephanie Erdman, a graduate of the University of Texas system, ROTC graduate, one of her first duty stations, of which she is a compliance and testing officer in the Air Force Testing and Evaluations Command at Eglin Air Force Base.

And if you all can turn the posters, you can start to see something of the impact. She was driving a 2002 Honda, and this is what happened to her. The shredded airbag, just like the one that I showed you here on the left poster. This is what the car looked like. She had a passenger. You can see the airbag still inflated in the car.

And, unfortunately—and she has given us permission—when the lieutenant was being carried to the hospital, that is what she looked like.

So, Lieutenant Erdman, if you would share with us your story of what happened.

STATEMENT OF LIEUTENANT STEPHANIE ERDMAN, DESTIN, FLORIDA

Lieutenant Erdman: Yes, sir.

Good morning, everyone, ladies and gentlemen. My name is Stephanie Erdman. I am honored to be here today to serve as the

voice for the people who have been forever silenced because of exploding Takata airbags.

On behalf of everyone who has suffered because of these defective Takata airbags, I would like to thank the Committee for holding this hearing. I hope that no other families will have to go through the terrible ordeal that my family and I have had to endure because this happened to me.

On September 1, 2013, my life was changed forever. I was driving my 2002 Honda Civic on Highway 98 near Eglin Air Force Base, Florida, where I was stationed. I was on my way to get some groceries with a friend. As I was driving, a car took a left in front of me, and our cars collided.

When the impact occurred, shrapnel from my car's airbag shot through the airbag cloth and embedded into my right eye and cheek. I was instantly blinded on my right side. I felt gushing blood running down my neck. I was terrified.

When I got to the hospital, they did a CT scan of my face. The image showed that there was a metallic foreign object which had punctured and fractured my right nasal bone, and the tip of the shrapnel had embedded in my right sinus.

Since that day, I have endured multiple surgeries and therapies. I have more to go still. My vision will never be the same. I will never be the same.

My accident involved a moderate frontal impact. The headlights on the front of the vehicle weren't even broken. My passenger only had mild scrapes and bruises. I should have not been injured in the shocking and terrifying way that I was.

What happened to me was gruesome. The photo that the EMT took of me with the shrapnel embedded in my eye is scary to look at, but I believe it is necessary to grab the attention of those who have the ability to do something and keep this from happening to anyone else.

It is easy to think that I am the only one who has suffered because of this accident, but it has also been exceptionally tough on my family. They try to be strong for me, and I see it, but I can tell that whenever I talk about it they are also hurting. I know I have physical scars about this tragedy, but people who care about me have scars, as well. They are just the kind you cannot see.

These companies should have done everything they could. They claim that they notified customers as soon as they found out about the problem, that they expanded the recalls as they learned about each set of additional potentially affected vehicles as soon as they could. I believe that the facts show differently.

It has been 6 years since the first recall covering these deadly Takata airbags. What just started at 3,940 vehicles has now ballooned into over 7 million vehicles. But the exact same vehicle in one state is not even recalled in the next state over. I do not understand how crossing a border simply means that that vehicle is now safe.

I do not also understand why the dealerships that sell these vehicles and service them are not notifying customers. American Honda Motor Company claims that they notified the Honda-certified dealership where I bought my Civic about the recall for the driver-side airbag in February 2010. I took my car into the dealer-

ship for service three times after they supposedly received the information. The Honda dealership never told me about the recall, they never performed the recall repairs on my vehicle, and they never warned me about what might happen if my airbags deployed. They did nothing.

I have also learned that Honda claims they have sent a recall notice to my house in 2010. They have records showing that the envelope containing critical information was returned to them as undeliverable. Instead of trying to notify me in another way, they did nothing to warn me.

It is in honor of my family and friends who support me so very much that I ask the Committee to demand real answers. It is in honor of the families and friends of all who have been injured by these defective Takata airbags that I ask the Committee to insist that these companies explain why they waited so long to identify all of these potentially deadly vehicles. And it is in honor of those who cannot be here today because they have been hurt or killed by these dangerous products that I ask the Committee to get to the bottom of why these companies did not try harder to warn us.

I am so honored to be here today to have the opportunity to tell my story, but please understand that I am just one of many people who have been affected by these deadly airbags. I am hopeful that Congress will look at a way to improve the recall notification process. I hope there will be no more mothers taken from their children or no more fathers blinded by the exploding airbags. I ask the Committee to do everything in its power to make sure every vehicle with a defective airbag is made safe.

Thank you.

[The prepared statement of Lieutenant Erdman follows:]

PREPARED STATEMENT OF STEPHANIE ERDMAN

Ashley Parham. Gurjit Rathore. Hai Ming Xu. And my name is Lt. Stephanie Erdman.

Thanks to the gracious invitation of the U.S. Senate Committee on Commerce, Science, and Transportation, I am honored to be here today to serve as the voice for the people who have been forever silenced because of the failure of companies to address the dangers of exploding airbags.

On behalf of everyone who has suffered because of these defective airbags, I would like to thank the Committee for holding this hearing. It is my sincere hope that no other families will have to go through the terrible ordeal that my family has had to endure because of what happened to me or experience the same kind of terror that myself and others who have been injured and killed because of these defective airbags have felt.

On September 1, 2013, my life changed forever. I was driving my 2002 Honda Civic on Highway 98 West near Destin, Florida on my way to get some groceries with a friend. As I was driving, a car turned left in front of my Honda and we crashed.

When the impact occurred, shrapnel from my car's airbag inflator shot through the airbag cloth and embedded in my right eye and neck. I was instantly blind on my right side. And then I felt gushing blood. It was terrifying. I thought I was going to bleed out.

When I got to the hospital, they did a CT of my face. The imaging showed that a metallic foreign body had punctured and fractured my right nasal bone, and the tip of that shrapnel had embedded itself in my right sinus. Since that day, I have endured multiple surgeries and therapy. I have more of them to go. My vision will never be the same. I will never be the same.

An accident only has to involve a mild impact to trigger the airbags to deploy. My accident involved a moderate frontal impact. I should have gotten a few bumps

and bruises like the passenger in my car. I should not have been injured in the shocking and terrifying way that I was.

What happened to me was gruesome. The photo that the EMT took of me with the shrapnel in my eye is scary to look at. But I believe it is necessary to get the attention of those who have the ability to do something to stop this from happening to someone else.

It is important to me to talk about this problem. It is helpful to me to talk about it so that I can learn to deal with the trauma that I had to endure and that still haunts me to this day. Just like I am haunted by what could have happened if a family member or a friend was driving my car. I could never forgive myself if this had happened to one of them in my car.

It is easy to think that I am the only one who has suffered because of my accident. But it has also been exceptionally tough for my family. They try to be strong for me, and I see it. But I can tell that, whenever I talk about it, they are also hurting. I know that I have physical scars from my tragedy. But the people who care about me have scars, too. They are just the kind you cannot see.

These companies say they have done everything they could. They claim that they notified consumers as soon as they found out about the problem. That they expanded the recalls as they learned about each set of additional potentially affected vehicles just as soon as they could. I believe the facts show differently.

It has been six years since the first recall covering these deadly airbags. What started with just 3,940 vehicles has now ballooned into more than seven million vehicles on the roads in the United States. But the exact same vehicle in one state is not even recalled in the state next door. I do not understand how that is acceptable. I do not understand how a company can take the position that just crossing a border means that the vehicle somehow becomes safe.

I also do not understand why the dealerships that sell and service these vehicles are not notifying consumers. American Honda Motor Company claims that they notified the Honda-certified dealership where I bought my Civic about the recall for the driver's side airbag in February of 2010. I took my car into that dealership for service three times after they received the recall notice for my car. They never told me about the recall. They never performed the recall repair on my vehicle. And they never warned me about what might happen if my airbag deployed.

I have also learned that Honda claims they sent a recall notice to my house in 2010. They claim that they have records showing that the envelope with that critical notice was returned to them as undeliverable. Instead of trying to notify me another way, they did nothing to warn me. They did nothing to try and make sure that me and my family were safe before the accident happened. It was not until September 4, 2013—three days after my accident—that Honda called and left a message on my phone about the recall.

It is in honor of my family and friends, whose support means so very much to me, that I ask the Committee to demand real answers to questions like these from Takata and from the auto manufacturers that knew about this problem long before it began ruining lives and taking lives.

It is in honor of the families and friends of all those who have been injured by these defective airbags that I ask the Committee to insist that these companies explain why they waited so long to identify all of the potentially deadly vehicles.

And it is in honor of those who cannot be here today because they have been hurt or killed by these dangerous products that I ask the Committee to get to the bottom of why these companies did not try harder to warn us about this issue as soon as possible so that no one else suffers the consequences of their inaction.

I believe in personal responsibility. I believe in admitting that you are wrong when you are wrong. I believe in holding companies accountable for their actions. The safety of the American public was not held paramount by these companies. These companies did not play by the rules when they failed to timely and fully notify NHTSA and customers like me about this defect. Something must be done to stop this deadly trend that we see time and time again in the auto industry. I am hopeful that NHTSA's recall management division also takes more responsibility for overseeing recall campaigns so that they improve completion rates and make sure that all affected vehicles are included.

I am so honored to be here today and to have the opportunity to tell my story. But please understand that I am just one of many people, along with their families and friends, who have suffered because of these defective airbags.

I am hopeful that Congress will look at ways to improve the recall notification process. I hope there will be no more mothers taken from their children or fathers blinded so they can never again truly enjoy playtime with their sons. But I worry that, once all of the attention that is now focused on these deadly products subsides, these companies will not follow through with making sure that the defective airbags in every last one of these affected vehicles are removed. I ask that the Committee do everything in its power to make sure that each and every vehicle affected by this defect is made safe.

Thank you.

Senator NELSON. We will do that, Lieutenant.

Lieutenant Erdman: Thank you, sir.

Senator NELSON. You have our promise. And that is why we had this hearing today. And we want to thank you for the courage of you stepping forward to come and tell your story.

Between what the lieutenant has said and the pictures, I think you get the picture. So, with the Committee's permission, I would like to get right on into the next panel.

Thank you, Lieutenant. You are very kind. Appreciate it.

All right, if we could ask the next panel, please, to come up.

Mr. Hiroshi Shimizu, he is the Senior Vice President, Global Quality Assurance, for the Takata Corporation, the manufacturer of the airbags; Mr. Rick Schostek, Executive Vice President of Honda North America; Mr. Scott Kunselman, Senior Vice President, Vehicle Safety and Regulatory Compliance, the Chrysler Corporation Group.

Gentlemen, thank you for coming. Please be seated.

Mr. Shimizu, we will start with you. You are very accommodating to speak in English, and this committee appreciates that. You have with you a translator if there is any difficulty. And for you making the effort to speak in English today, we want you to know that we appreciate it.

Mr. Shimizu, please proceed.

STATEMENT OF HIROSHI SHIMIZU, SENIOR VICE PRESIDENT, GLOBAL QUALITY ASSURANCE, TAKATA CORPORATION

Mr. SHIMIZU. Thank you.

Chairman Nelson and Ranking Member Thune 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 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 deaths. Our sincerest condolences go out to all those who have suffered in these accidents and to their families.

Takata is working closely with automakers and the NHTSA to support the ongoing recalls and the regional field actions. And we are devoting extraordinary 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 the government.

Takata strongly agrees with the position stated by NHTSA on November 9, 2014, that the current focus of the ongoing field actions and the recalls should remain the specific regions of high absolute humidity. Our best current information supports the view that these regions must be the priority for the replacement of suspect inflators. It is imperative that all owners of the affected vehicles in these regions respond to the recall notices at the earliest opportunity.

We are confident that the airbags 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 airbags we are producing today will work as designed to save lives for the expected life of the automobiles.

While each instance of an airbag failure is terrible and unacceptable to Takata, it is also important to remember that Takata air-

bags 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.

As we move forward, Takata will continue to cooperate closely with automakers and with governmental regulators, and we will take whatever actions are determined to be necessary in the public interest and that will best advance the goal of safety for the driving public.

Finally, as the Committee is aware, English is not my native language. I will do my best to answer questions in English, but I may ask for a clarification and I may need assistance from my interpreter here from time to time for help in understanding the Committee's questions.

Thank you, Mr. Chairman.

[The prepared statement of Mr. Shimizu follows:]

PREPARED STATEMENT OF HIROSHI SHIMIZU, SENIOR VICE PRESIDENT FOR GLOBAL QUALITY ASSURANCE, TAKATA CORPORATION

Chairman Nelson, Ranking Member Thune, 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 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 regional 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.

In response to reports of accidents involving ruptured airbag inflators, the automakers have announced various recalls involving different models of Takata airbags.

Those recalls began in 2008 when Honda, in consultation with Takata, initiated a series of recalls for driver-side airbags 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 collaborated 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. These recalls of Honda driver-side inflators focused primarily on specific manufacturing and product-handling issues we had identified, including issues with 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 Honda recalls.

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 passenger-side airbags installed in vehicles that were exclusively sold in Asia. Separately, several automakers announced global recalls of passenger-side airbags beginning in 2013. Since then, there have been several addi-

tional incidents of inflator ruptures involving both driver-side and passenger-side airbags that were not covered by the earlier recalls. Almost all of these incidents involved vehicles that spent their lives mostly in areas of high absolute humidity, such as Puerto Rico and South Florida, and were at least six years old at the time of the accident.

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

Based on this engineering analysis, and at NHTSA's suggestion, multiple automakers began 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 Southern 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. The tests have resulted in some failures of inflators retrieved from within those areas, with some notable variations in the test results for different models of inflators and for different makes of automobiles. We are continuing to analyze these results and to learn from them.

In the meantime, Takata strongly agrees with the position stated by NHTSA on November 9, 2014 that the current focus of the ongoing field actions and recalls should remain the specific regions of high absolute humidity. Our best information supports the view that these regions must be the priority for the replacement of airbags. It is imperative that all owners of the affected vehicles in these regions respond to the recall notices at the earliest opportunity.

Takata has added new production capacity to meet the demand from automakers for airbag replacement kits needed in response to the regional actions and recalls. We are currently producing more than 300,000 replacement kits per month and will be increasing those production levels beginning in January. We believe we will be able to meet the demand currently expected from automakers for these replacement units.

We are confident that the airbags 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 airbags we are producing today will work as designed to save lives for the expected life of the automobile.

While each instance of an airbag failure is terrible and unacceptable to Takata, it is also important to remember that Takata airbags 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.

As we move forward, Takata will continue to cooperate closely with the automakers, with NHTSA, and with government regulators in Japan and around the world to address the potential for inflator rupturing. We will take whatever actions are determined to be necessary in the public interest and that will best advance the goal of safety for the driving public.

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

Senator NELSON. Of course, you will have that assistance. And one of the things that we will want you to answer is about the change to ammonium nitrate and the problems that occurred thereafter.

Mr. Schostek, now, you are a representative of Honda, being the Executive Vice President at Honda North America. Also talk to us about the recalls and the provisions of loaners and/or rental cars. Mr. Schostek?

STATEMENT OF RICK SCHOSTEK, EXECUTIVE VICE PRESIDENT, HONDA NORTH AMERICA, INC.

Mr. SCHOSTEK. Thank you, Chairman Nelson, Senator Thune, and members of the Committee. My name is Rick Schostek. I am Executive Vice President with Honda North America. On behalf of more than 28,000 Honda employees in the U.S., 1,300 automobile dealers, and more than 600 North American suppliers, thank you for the opportunity to be here today.

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, to those who have been injured, including Lieutenant Erdman, 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.

We understand the urgency of the current situation and are taking proactive steps to encourage Honda and Acura owners to get their vehicles repaired. Specifically, to meet the needs of our customers related to these airbag recalls, we have posted written messages prominently on our websites to reassure our customers that we have procedures in place to address their individual needs.

Customers with affected vehicles who desire alternative transportation until their car is fixed have access to loaner cars and rental vehicles at no cost to the customer. And we are working in our service and parts divisions with our dealer network to ensure that replacement inflators are available where and when they are needed.

Like many automakers, Honda looked to 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. By 2004, we had sold several million vehicles equipped with these Takata airbags. It was then, in 2004, when we learned of an airbag inflator rupture in one of our vehicles and reported that to NHTSA. This remained the only airbag inflator rupture we were aware of until 3 years later.

Since 2007, we have been involved in a safety investigation of Takata airbag inflators. Takata identified specific manufacturing issues as the primary factors of the rupture events.

Starting with a recall in November 2008 and with every subsequent recall, we gathered component parts from the time period that corresponded to Takata's manufacturing issues and provided

those to Takata for further investigation. Additionally, we recalled vehicles that were outside of the range Takata had identified for the purpose of additional analysis.

As new evidence identified new risk, Honda acted to expand our recall population. The investigation process has, since 2007, been designed to replace defective Takata inflators and also to seek out data using the public recall process. The investigation continues to this day.

With regard to the 2004 inflator rupture, Takata advised us that their analysis demonstrated that it had distinctly different characteristics compared to the ruptures that led to the first recall.

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, today, we are operating with even greater energy and greater focus to quickly address our customers' needs and, with every action of our company, dedicating ourselves to honor the relationship we have with our customers.

Thank you.

[The prepared statement of Mr. Schostek follows:]

PREPARED STATEMENT OF RICK SCHOSTEK, EXECUTIVE VICE PRESIDENT, HONDA NORTH AMERICA, INC.

Thank you, Mr. Chairman, Senator Thune and members of the Committee. 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 28,500 associates working for Honda in the United States, as well as our nearly 1,300 automobile dealers in the U.S. and more than 600 suppliers in North America, 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—including Ms. Erdman—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. Specifically, regarding the effort to reach out and meet the needs of our customers related to the airbag recalls:

- We have posted written messages prominently on our websites to reassure our customers that we have procedures in place to address their individual needs.
- Customers with affected vehicles who desire alternative transportation until their car is fixed have access to loaner cars and rental vehicles—at no cost to the customer—if we experience a situation where a dealers' service capacity or the availability of replacement air bag inflators is insufficient to meet the customer's needs.
- We continue to work with Takata in an effort to increase parts availability to meet the needs of customers in the expanded population of recalls.
- 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.

- We have dedicated resources to promptly investigate all reports of potential rupture, contacting owners or their representatives when we learn of potential ruptures through media, law enforcement or other sources.

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 looked to 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. By 2004, we had sold several million vehicles equipped with these Takata airbags, when we learned of an airbag inflator rupture in one of our vehicles, and reported it to NHTSA. This remained the only airbag inflator rupture we were aware of until three years later.

Since 2007, we have been involved in a safety investigation of Takata airbag inflators. Throughout this investigation, Takata identified specific manufacturing issues as the primary factors of the rupture events. Starting with a recall in November 2008, and with every subsequent recall, we gathered component parts from the time period corresponding to Takata's manufacturing issues and provided those to Takata for further investigation. Additionally, we recalled units that were outside the range Takata had identified, for the purpose of analysis.

As new evidence identified new risk, Honda acted to expand our recall populations. The investigation process has, since 2007, been designed to replace defective Takata inflators and to seek out data using the public recall process. The investigation continues to this day.

With regard to the 2004 inflator rupture, Takata advised us that their analysis demonstrated that it had distinctly different characteristics compared to the ruptures that led to the first recall.

Honda has conducted seven recalls and two safety improvement campaigns in the U.S. related to Takata driver and front passenger airbag inflators. These actions represent our continued due diligence and focus on the safety of our 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 plan to 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 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.

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 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 ask all of our dealers to do.

However, at this time, such requirements do not exist in the United States.

So, 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.

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, we are operating with even greater energy and focus to quickly address our customers' needs

and concerns and, with every action of our company, 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.

Senator NELSON. Mr. Schostek, you didn't say anything about loaners or rental cars.

Mr. SCHOSTEK. Mr. Chairman, I believe I did. Customers with affected vehicles who desire alternative transportation in the form of loaners or rental cars have them available to them at no cost.

Senator NELSON. Immediately?

Mr. SCHOSTEK. We have them in place now, sir.

Senator NELSON. For all of your dealers across the country?

Mr. SCHOSTEK. In the form of loaners, we have expanded our loaner program, and we also have the option of rental cars. We will take care of our customers, sir.

Senator NELSON. OK. Let the record show that that has been said. We have certainly had contrary information to this point. If that is the case, then I certainly want to congratulate you, for the obvious reasons.

All right. Mr. Kunselman.

Mr. KUNSELMAN. Yes.

Senator NELSON. Mr. Kunselman, Senior Vice President, Vehicle Safety and Regulatory Compliance, of Chrysler.

STATEMENT OF SCOTT G. KUNSELMAN, SENIOR VICE PRESIDENT AND HEAD OF VEHICLE SAFETY AND REGULATORY COMPLIANCE, CHRYSLER GROUP LLC

Mr. KUNSELMAN. Yes. Thank you.

Chairman Nelson, Ranking Member Thune, members of the Committee, as stated, my name is Scott Kunselman. I am the Senior Vice President and Head of Vehicle Safety and Regulatory Compliance at Chrysler Group. I lead an organization with a mission of safeguarding our customers—a mission we embrace wholeheartedly. I would like to thank the Committee for the opportunity to appear today to discuss this important matter.

Today's automobiles are among the most sophisticated and complex consumer goods on the market. Auto manufacturers are more committed than ever to developing advanced safety technologies to reduce fatalities and injuries resulting from motor vehicle crashes. On a daily basis, we work to design, engineer, and manufacture vehicles to withstand a myriad of operating conditions.

Promoting and ensuring vehicle safety is a responsibility shared by automakers, suppliers, government, and consumers. Chrysler Group looks forward to continuing this collective engagement with Takata and NHTSA to help address the current situation.

Chrysler Group has been actively engaged with Takata and NHTSA since Takata first informed us in April 2013 that certain airbag inflators used by other auto manufacturers may malfunction on deployment. These inflators, described by Takata as the alpha population, have since been linked to at least four fatalities.

This group of inflators has never been used in our vehicles. Our vehicles were equipped with Takata's beta-population inflators. And in April 2013, Takata assured us that the manufacturing nonconformance that led to the alpha-population recall had been cor-

rected. Chrysler Group engineers subsequently conducted a follow up investigation and confirmed the beta inflators benefited from an upgraded manufacturing process.

In October 2013, we learned that one of our vehicles in southern Florida was subject to a high-pressure deployment involving a driver's airbag and causing a personal injury. This remains the one incident of its kind involving one of our vehicles. In response to this incident and working with Takata, in consultation with NHTSA, we launched an investigation and conducted component testing.

In May 2014, Takata again advised Chrysler Group of four incidents involving vehicles produced by other auto manufacturers. Those vehicles were equipped with Takata inflators similar to the inflators used in our vehicles.

And then in June 2014, this year, Chrysler Group announced plans to replace beta-population inflators in certain vehicles registered or purchased in four areas known for high humidity, a factor believed to have played a role in high-pressure deployments.

We will begin notifying affected customers on or before December 19th, when they may schedule service for a replacement. Our action covers 371,000 vehicles in Florida, Hawaii, Puerto Rico, and the U.S. Virgin Islands.

It is important to understand the distinction between the alpha and beta populations. The alpha inflators are associated with the most severe events, a substantially higher incident rate, and were found to contain a defined manufacturing defect. None of our vehicles were built with an alpha-inflator population.

Again, our vehicles were equipped with beta inflators. In our vehicles, these are known to have deployed as intended more than 10,000 times across the U.S. and 830 times in the areas that I just mentioned that are covered by our field action. As I previously stated, there is one incident involving a high-pressure deployment in one of our vehicles. This took place in Florida, a state covered by the announced regional action.

Chrysler Group continues to work with NHTSA as the situation evolves and will respond to the agency's most recent request for additional information, which the company received on November 18.

In closing, I would like to reiterate our belief that promoting and ensuring vehicle safety is a responsibility shared by automakers, suppliers, government, and consumers. Chrysler Group will continue to work collaboratively with Takata, NHTSA, and others to address this matter.

I once again extend my thanks to the Committee for discussing this very important issue.

[The prepared statement of Mr. Kunselman follows:]

PREPARED STATEMENT OF SCOTT G. KUNSELMAN, SENIOR VICE PRESIDENT AND HEAD OF VEHICLE SAFETY AND REGULATORY COMPLIANCE, CHRYSLER GROUP LLC

Chairman Nelson, Ranking Member Thune, Members of the Committee . . . my name is Scott Kunselman and I am Senior Vice President and Head of Vehicle Safety and Regulatory Compliance at Chrysler Group LLC.

I lead an organization with a mission of safeguarding our customers, a mission we embrace wholeheartedly.

I'd like to thank the Committee for the opportunity to appear today to discuss this important matter. As you know, Chrysler's review of our involvement with Takata airbags is ongoing. Hence, my testimony is based on my recollection today, and not

based on a comprehensive review of all relevant information under Chrysler's possession or control.

Today's automobiles are among the most sophisticated and complex consumer goods on the market. Auto manufacturers are more committed than ever to developing advanced safety technologies to reduce fatalities and injuries resulting from motor vehicle crashes. On a daily basis, we work to design, engineer, and manufacture vehicles to withstand a myriad of operating conditions.

Promoting and ensuring vehicle safety is a responsibility shared by auto makers, suppliers, government and consumers. Chrysler Group looks forward to continuing this collective engagement with Takata and NHTSA to help address the current situation.

Chrysler Group has been actively engaged with Takata and NHTSA since Takata first informed us in April 2013 that certain air-bag inflators used by other auto makers may malfunction on deployment. These inflators, described by Takata as the Alpha population, have since been linked to at least four fatalities.

They have never been used in our vehicles.

Our vehicles were equipped with Takata's Beta-population inflators. In April 2013, Takata assured us that the manufacturing nonconformance that led to the Alpha-population recall had been corrected.

Chrysler Group engineers subsequently conducted a follow-up investigation and confirmed the Beta inflators benefited from an upgraded manufacturing process.

In October 2013, we learned that one of our vehicles in southern Florida was subject to a high-pressure deployment involving a driver's-side air bag and caused a personal injury. This remains the one incident of its kind involving one of our vehicles.

In response to this incident, and working with Takata and in consultation with NHTSA, we launched an investigation and conducted component-testing.

In May 2014, Takata advised Chrysler Group of four incidents involving vehicles produced by other auto manufacturers. Those vehicles were equipped with Takata inflators similar to the inflators used in our vehicles.

In June 2014, Chrysler Group announced plans to replace Beta-population inflators in certain vehicles registered or purchased in four areas known for high humidity—a factor believed to have played a role in high-pressure deployments. We will begin notifying affected customers on or before December 19th when they may schedule service. Our action covers approximately 371,000 vehicles in Florida, Hawaii, Puerto Rico and the U.S. Virgin Islands.

It is important to understand the distinction between the Alpha and Beta populations. The Alpha inflators are associated with the most severe events, a substantially higher incident rate, and were found to contain a defined manufacturing defect. None of our vehicles were built with an Alpha-population inflator.

Our vehicles were equipped with Beta inflators. These are known to have deployed as intended more than 10,000 times in our vehicles across the U.S., with 830 of those deployments occurring in the regions affected by our field action. As I previously stated, there is one incident involving a high-pressure deployment in one of our vehicles. This took place in Florida, a state covered by our announced regional field action.

Chrysler Group continues to work with NHTSA as this situation evolves and we will respond to the agency's most recent request for additional information, which the company received on November 18.

In closing, I would like to reiterate our belief that promoting and ensuring vehicle safety is a responsibility shared by auto makers, suppliers, government, and consumers. Chrysler Group will continue to work collaboratively with Takata, NHTSA and others to address this matter. I once again extend my thanks to the Committee for discussing this important issue.

Senator NELSON. Was that airbag deployment in south Florida, was it alpha or beta?

Mr. KUNSELMAN. It was from the beta population.

Senator NELSON. And, therefore, of those that are in your vehicles, are you providing loaners and rental cars until they can get it fixed?

Mr. KUNSELMAN. As we deploy our field action, we will have rental cars available to those who need them.

What I would reiterate, our number one goal, as you suggested at the opening, is to have the parts available and quickly service

the product. That is our number-one goal. When that can't be accomplished, we will make loaner cars available.

Senator NELSON. You said that is not until the middle of December.

Mr. KUNSELMAN. We will launch that in the middle of December when the parts are available to initiate this action.

Senator NELSON. So do they get loaners and rental cars in the next 3 weeks?

Mr. KUNSELMAN. In these 3 weeks' time, concerned customers can contact us through our hotline, and we will on a case-by-case basis address those needs.

Senator NELSON. Thank you for making that clear.

Mr. KUNSELMAN. Yes, sir.

Senator NELSON. Senator Thune?

Senator THUNE. Thank you, Mr. Chairman.

Mr. Shimizu, you mentioned in your written testimony that you have confidence in your current engineering and manufacturing processes. My question is, what changes have you made to your manufacturing processes that give you the confidence to testify that the replacement Takata airbags are, in fact, safe?

Mr. SHIMIZU. Senator, let me explain about the history of the recall—series of recalls.

Since the 2007 or 2008 time period we have identified some issues identified, we identified the root cause of the issues, and we addressed these issues to fix the problems at the same time as we did the recall. Every time it happens, we identify the problems, we address all issues, and they are taken care of.

And currently we believe the products we are producing right now are coming from the weather-controlled manufacturing processes. And we believe these products will work as designed and are safe.

Senator THUNE. What change have you made in that process that leads you to believe that?

Mr. SHIMIZU. Yes. There are two major causes of the problems, according to what we studied in the past instances.

One is density issues. The propellant was pressed from the powder, and we controlled the compression force to get the certain density. However, at that time, in the beginning of production, the compression force control did not work well and as we expected, according to investigation. So we changed the press machine, and now the new press machines can control the compression force for each cylinder.

And then, at the same time, also, we have the device called auto-reject device, which, if the compression force is not as designed, then it would detect that failure and the auto-rejection device would reject this propellant. So this device will take care of the issues of compression force, or you can say density issues.

And the other one is humidity control. Ammonium nitrate is a material that has many advantages to its use; however, as is well known, it is sensitive to the humidity. So we put some special control of the humidity during the processes of propellant manufacturing and also inflator assemblies.

However, because the handling issue existed in the past and also the humidity controls is well enough, so since then, we have con-

trolled the humidity during the process in the plant much tighter, so maybe, since then, we can control the humidity much better while we are manufacturing the propellant and the inflators.

Senator THUNE. There are media reports, as I referenced earlier, that Takata may have been aware of the dangerous airbag defects as early as 2004. I know Takata has denied those allegations in the media, but we need answers from an independent source about when Takata became aware of the airbag defect and whether the defect was concealed from NHTSA.

As you know, General Motors commissioned an internal investigation and released a public report on the ignition switch issue. Will Takata initiate an investigation and release a public report about whether there was any wrongdoing?

Mr. SHIMIZU. According to the record of communication I confirmed, the date was May 2005 when we learned of the 2004 incident. And it was a communication including pictures also. That was the first time, according to my understanding, we started investigation of that incident. This was 2005.

And if there was any communication with the automakers before that point, I am not aware of that because I was not directly involved. But, again, the record I confirmed shows the date as May 2005.

But, at that time, only pictures were available, no actual airbag model—the inflator was not available at this point. So we checked the pictures and we checked the production record, and, at that time, definitely the picture shows an anomaly. However, the record we checked doesn't show any system error. And then we reported back to the automakers.

Senator THUNE. Will you initiate an independent investigation? I know you are talking about some of the things that you looked into, but there is a real concern that Takata's action here is not as independent as it should be.

Have you given thought, or would you initiate some sort of an independent investigation, where someone outside the company takes a look at these things and reports back regarding whether or not there was wrongdoing? If not, why wouldn't you do that?

Mr. SHIMIZU. Senator, since I was not directly involved at that time, I can't answer your question.

Senator THUNE. I understand at that time you were not involved. My question is, prospectively, does it make sense to have an independent investigation similar to what General Motors did with the ignition switch issue?

Mr. SHIMIZU. Yes, Senator, I agree with that. And that is actually the reason we asked an independent research center to check our materials and processes too. So, actually, we are doing recently, but maybe not at that time.

Senator THUNE. All right. We can revisit that issue.

Very quickly, if I might, Mr. Chairman, Mr. Schostek, as we heard from Lieutenant Erdman, she referenced that her vehicle was serviced multiple times at dealerships after the recall but prior to the tragic accident. Is there some policy under which your dealers must notify a customer of safety matters when someone brings a car in like that? She didn't receive notification until 3 days after her accident.

Mr. SCHOSTEK. Indeed, Senator Thune, there is such a policy. And we failed Lieutenant Erdman, and our dealer failed Lieutenant Erdman. You heard her speak about notifications from Honda that she did not receive, so we did not effectively get word to her of her recalled vehicle.

In addition, as she told you, she brought the car to a Honda dealer for other service. Her VIN number was not checked, and, as a result, we lost opportunities to repair her vehicle. We failed Lieutenant Erdman, and the dealer failed Lieutenant Erdman.

We have a policy—our dealers are independent franchisees, as you know. We communicate to them regularly about the importance of checking each car when it comes in for service to see if there are any outstanding recalls. We communicated that in March of this year. We have communicated that a week or so ago. Very often we are doing that.

If you would also look at the complete testimony I made, we are endeavoring to continuously improve the way we reach out to customers. I have to say, the populations involved in these recalls are older vehicles. It is harder to track down the current owner.

That is not an excuse. We have to do better. We failed Lieutenant Erdman; our dealer failed Lieutenant Erdman.

Senator THUNE. Because there are older vehicles, it would seem that the ideal time to provide notice is when somebody brings a vehicle in for service.

Mr. SCHOSTEK. I agree, Senator Thune, that, to our everlasting regret, we missed those opportunities.

Senator THUNE. The mail is not the most effective way to get that message out there and these dealerships may be dropping the ball. So I am interested in knowing what you and Mr. Kunselman, with Chrysler—what the current policy is, and what you intend to do to improve notice in the future.

My time is up, Mr. Chairman, but if I could get Mr. Kunselman to respond quickly to my question on what Chrysler's current policy is and what it plans to do differently?

Mr. KUNSELMAN. Certainly.

Similar to what Mr. Schostek said, our policy clearly is to, through the dealership, communicate to consumers when they come to the dealership what open recalls are on their vehicle. In fact, the electronic systems that are available that identify the vehicle as it enters the dealership automatically has this information. It is readily available; they don't have to work very hard to find it.

It is our policy that they not only communicate but make every effort not to have that consumer leave the dealership without scheduling or performing that service on site.

Senator THUNE. Thank you.

Thank you, Mr. Chairman.

Senator NELSON. Mr. Kunselman, I would suggest that the next 3 weeks might be critical and that you all need to be forward-leaning on that.

And, Mr. Schostek, thank you for stepping forth and taking some responsibility, specifically with regard to the lieutenant.

And, Mr. Shimizu, I would urge you, as Senator Thune has requested—and this committee will follow up—that this independent inquiry be quick and swift and public.

Senator Klobuchar?

STATEMENT OF HON. AMY KLOBUCHAR, U.S. SENATOR FROM MINNESOTA

Senator KLOBUCHAR. Thank you very much, Mr. Chairman. Thanks for holding this hearing.

And thank you to our witnesses.

I wish to say that I really believe there has to be a full investigation of what happened here. And I say this on behalf of a victim in my state, Shashi Chopra, who was driving in her car in North Oaks, Minnesota. It was a 2002 BMW, but this actually happened in 2013. And there had not been a recall. And that airbag exploded in her face, and she is permanently blind.

And so that is why this looking back and trying to figure out what happened is very important to me. Why did it take Takata years to disclose the danger of the defective airbags despite numerous red flags? When did Takata know that the defective part was not limited to certain Honda vehicles? And did Takata conduct secret tests on those airbags and not report the findings?

So, to me, those are really key questions on behalf of this constituent, in addition to the fact of how NHTSA handled this, which I am sure we will be dealing with with the next panel.

So my first question, Mr. Schostek, is: Honda has been aware of these airbags for years, and you issued the first recall back in 2008, and since then it has been expanded multiple times. Why do it that way? Why doesn't Honda just order one expansive recall from the outset and avoid these additional recalls?

Mr. SCHOSTEK. Yes, Senator. In 2007, we saw a series of inflator ruptures, defects, and began our investigation. In working with Takata, they identified specific manufacturing problems in their manufacturing plants that were related to the time that those inflators were produced which we put into our cars.

We recalled based on that information. We expanded the recall when another different manufacturing issue was brought to our attention by Takata. And, in all, we did four recalls from 2008 through 2011.

I think it is important for the Committee to understand that those four recalls which we did had no geographic boundary. They had no geographic boundary. And the injuries that have occurred from ruptured—there have been 45 injuries because of ruptures in Honda vehicles. Forty-three of those correlate to the time of those Takata manufacturing concerns. And, to our regret, all four fatalities correspond to that same time.

So we are talking about recalls that were done 2008 to 2011 because of different manufacturing issues that Takata made us aware of and where there was pretty strong data that shows this is where the majority of the problems have been occurring. And those recalls were not geographic——

Senator KLOBUCHAR. I understand. Yes, I wasn't saying they were regionally limited. It is just that you have these recalls after recalls after recalls when clearly there are these red flags. And the reason it matters so much to this constituent who is permanently blind is that, when this was in 2013, it just seems—and it is a different manufacturer.

Mr. SCHOSTEK. I understand.

Senator KLOBUCHAR. But if Takata had done a more global look at what was happening—by "global" I mean in all their airbags—I don't think this would have happened.

So I get to you, Mr. Shimizu. And that is, a November 6th *New York Times* article reported that Takata secretly conducted tests in 2004 at your Auburn Hills, Michigan, location in response to the release-of-metal-fragments issue with the Honda Accord. And, according to the article, two of the steel inflators allegedly cracked during the test, and Takata executives ordered the testing data deleted and the airbag inflators destroyed.

Takata has disputed the report, saying the story was based on some misunderstandings. What specifically about the report was inaccurate?

Mr. SHIMIZU. Yes, Senator. Again, regarding the incident of a Honda vehicle in 2004, according to my knowledge, Takata was informed in May 2005. And so there was no way we could do any tests related to that 2004 incident beforehand.

And, also, the series of incidents is happened in 2007, and at that time actually we started an investigation to identify the problems. At that time, we had a series of tests of inflators, and all test results since 2007, the starting point of the investigation by us, are shared with automakers and also NHTSA.

Senator KLOBUCHAR. OK. So just to get to the—we can go back to 2004 another time or in writing, but my issue is my constituent got blind in 2013.

So, in 2010, BMW sent a letter to NHTSA that it was aware of the Takata airbags under Honda recalls—and, of course, she was driving a BMW—but that it had received documentation from Takata indicating that BMW vehicles were not affected.

So what documentation did Takata provide to BMW? Because, remember, this is post-2007 now. We are not back in 2004; we are in 2013.

So I am asking specifically about BMW. And if you don't know, you can send it to me later, but I would like to know what documentation was provided to BMW about their situation. Because they told NHTSA that they knew about these problems with Honda's recalls, but they had received documentation from Takata indicating that BMW vehicles were not affected.

Mr. SHIMIZU. Senator, can I confirm one thing? Is it a driver-side airbag module you are talking about?

Senator KLOBUCHAR. I believe that this was the driver's side, yes.

Mr. SHIMIZU. Yes. Let me answer based on what I know.

We did the recall of the Honda vehicles at that time, and, as you mentioned, Senator, multiple times, is inflator code PSDI. And it is a dual-stage driver-side inflator. At that time, the inflator we supplied to BMW is a PSDI–4. And the PSDI–4 is a different construction of the inflator. It completely looks same from outside but is different from PSDI and produced in a different line.

So that is the major reason, is that the PSDI was recalled but we answered to BMW that the PSDI–4 is a different structure so it won't be——

Senator KLOBUCHAR. OK. And so when did you—this is my last question. When did you become aware that there were problems with the BMW airbags?

Mr. SHIMIZU. I am sorry, I am not familiar with—I don't know the actual date.

Senator KLOBUCHAR. All right. Thank you.

Senator NELSON. Just so it is clear to everybody what we are talking about, this is the middle of the steering wheel. This is the inflator and it fits in there. And then when the impact occurs, the explosion is supposed to come this way. But, as we said earlier, if the explosive force is too great, it breaks off this metal, and the metal starts coming through the middle.

Every one of us at this hearing table have had constituents affected by this. In Florida, right in central Florida, we have had one death. And in the case of Corey Burdick, a fireman, a firefighter, he has no eye now for the rest of his life. Very similar to the situation of the lieutenant, but, in this case, the metal had penetrated his actual eye. So this is why we are so concerned about this and to get to the bottom of this.

Senator Ayotte?

STATEMENT OF HON. KELLY AYOTTE,
U.S. SENATOR FROM NEW HAMPSHIRE

Senator AYOTTE. I want to thank the Chairman and Ranking Member for holding this very important hearing.

I wanted to follow up, Mr. Shimizu, on a question that Senator Klobuchar had asked you about with regard to the report in *The New York Times* about the 2004 secret tests by Takata.

As I heard your testimony in response to her question, you said that Takata wasn't informed until 2005 about a particular incident. And what incident was that?

Mr. SHIMIZU. It was an incident that happened in 2004 in a Honda vehicle. And according to my information, the driver was injured.

Senator AYOTTE. OK. And then you said that there were a series of incidents in 2007 that prompted an investigation within Takata?

Mr. SHIMIZU. Yes.

Senator AYOTTE. When was NHTSA first notified of any of this?

Mr. SHIMIZU. According to my knowledge, there were three incidents that happened during the year of 2007. That is the actual three to deeply investigate the root cause of the problems.

Senator AYOTTE. With the 2005 incident, was there any investigation conducted within Takata?

Mr. SHIMIZU. We did. We received the picture, not the actual module, but we received the picture, and our engineers checked the picture and also production record based on the serial number provided. And then, as I said, our engineer recognized an anomaly from the picture. However, the production record didn't show any system error or any abnormality from the production record.

And, at that time, there was not enough technical evidence at the time that we believed it required the further investigation or action at that time.j

Senator AYOTTE. So you didn't take any further steps to investigate the anomaly that your engineers saw. Did you report it to

anyone, or did you talk to NHTSA about it or Honda or anyone else?

Mr. SHIMIZU. According to my understanding, we didn't inform NHTSA at that time, but we reported back to Honda.

Senator AYOTTE. Throughout this, I would like to understand whether Takata believes that, as it receives reports—and I would like to also inquire of Mr. Schostek of Honda.

When it received reports of both incidents of injury and unfortunately these horrible incidents of death, when do you believe that you reported them to NHTSA? And do you believe you have complied with the TREAD Act?

Mr. SCHOSTEK. Do you want me to answer that, Senator?

Senator AYOTTE. Yes.

Mr. SCHOSTEK. And, if I might, to supplement the discussion you have been having with Mr. Shimizu, the first event of a rupture in a Honda vehicle occurred in 2004. We received notice of that event through our legal department in May 2004. We are still checking our records, but, as Mr. Shimizu said, what we can find now is that we provided that information to Takata in 2005. We did report that 2004 event on our TREAD report, which is provided to NHTSA.

As we were discussing, in 2007 there were several events, and it was at this time that we and Takata engaged in the beginnings of an investigation. Ultimately, in that investigation, Takata made us a presentation that showed the 2007 events and the manufacturing deficiencies that caused the defect and also compared it to that 2004 event.

The 2007 event, those manufacturing times clearly show improper density in the inflator propellant. The 2004 event, ultimately it was fully investigated, and it shows a proper density for the inflator propellant.

So it is not an excuse, Senator, but that information we could have gleaned maybe sooner in 2004 would not have helped us predict the events in 2007. As I look back on our activity, I think we acted with urgency, but do I think we could have moved faster in some respects? I absolutely do.

Have we met our obligations to report under TREAD? We have not. And I think as the Committee may know, we have an ongoing internal review about that process and that information is due to be provided by Honda to NHTSA this coming Monday. We will provide it on time, and we will share with them any gaps or deficiencies in our TREAD reporting at that time.

Senator AYOTTE. So I know that my time has expired here, but let me just say that I echo the comments of my colleagues. This really does warrant a thorough investigation, because these timeframes, the reporting requirements, the questions that have been raised.

And, as you know, GM undertook this activity with regard to the ignition switch, and, given the seriousness of this matter, I would think that Takata and Honda would want to undertake the same. So let me urge you to do that, as well.

And my time is up, but, Mr. Kunselman, let me just say I am troubled about the December 19 piece because I think you should, instead of waiting for people to call you with concerns, should affirmatively reach out to your customers while they are waiting till

December 19, regardless of how you view the beta airbag differently than the alpha. So I think that—I am very concerned about that December 19 date.

Thank you.

Senator NELSON. Thank you, Senator Ayotte, for underscoring that point.

Senator Heller?

Senator HELLER. Mr. Chairman, thank you, and to the Ranking Member, thank you also for having this and holding this hearing.

Mr. Shimizu, I did read your testimony, and it does discuss your anguish, and I can understand that, your commitment to address this issue properly and promptly. However, I think there was something that was amiss in your testimony, and that was that nowhere does it say that Takata takes full responsibility.

So I want to ask you right now, does Takata take full responsibility for this tragic defect?

Mr. SHIMIZU. Excuse me, can I ask my interpreter to confirm your question?

Senator HELLER. Sure.

[Confers with interpreter.]

Mr. SHIMIZU. Senator, can I confirm the tragedy this time—which tragedy are you talking about?

Senator HELLER. I am talking about the five deaths.

Mr. SHIMIZU. Oh, five deaths.

Senator HELLER. Do you take full responsibility for those tragic deaths? Does Takata take responsibility?

Mr. SHIMIZU. Excuse me.

[Confers with interpreter.]

Mr. SHIMIZU. I understand. We recognize the three victims' case as relating to our products during accident. But to my understanding, two others are still under investigation. So——

Senator HELLER. So, OK, let's take the three. Does Takata take full responsibility for those three deaths?

Mr. SHIMIZU. My understanding is that our products in this accident were anomalies. So that caused an accident. From that sense, yes.

Senator HELLER. OK.

Mr. Schostek, I got a phone call from my wife. Recently, a "Good Morning, America" piece was done on this issue. And she is probably doing what every parent is doing in America today. We happen to own a 2007 Honda Civic. And we didn't buy it brand-new, so we probably didn't get recall notices on that. And my wife would remember if she did.

And I am going to give to you the same question that she asked me. If our 18-year-old daughter were to drive that car today, a 2007 Honda Civic, would she be safe?

Mr. SCHOSTEK. Senator, we have several different analyses of what the problems are with these airbags in our vehicles.

As I mentioned before, the recalls that we did in 2008 through 2011, we have connected those to Takata manufacturing issues, and we urge customers—and those have no geographic limits—we urge customers to get those vehicles repaired because there is a risk. There is a risk.

With regard to the more recent regional recalls, where there is not as much information available as to what is the cause of the ruptures in the airbag—that is where there is a concern about humidity, and we have the same concern about humidity. We looked at the 45 injuries that have occurred; 17 of them have occurred in Florida, also Puerto Rico and Texas. The large majority of these issues are occurring in southern areas.

So we are trying to understand if there is any additional risk out there. And when we find risk, we act to recall. It is our responsibility to recall those vehicles when we find risks.

Senator HELLER. As a parent, we did run the VIN number through NHTSA's site, and they said that a 2006 or earlier vehicle would have been subject to the recall but not 2007.

How can you assure me today that a 2007 vehicle is safe for any young adult on the road to drive today?

Mr. SCHOSTEK. Senator, with your indulgence and understanding that I am not sure of all the exact models as I sit here in terms of the breakpoints in the recalls, if that vehicle was subject to a recall, we want it fixed. If that vehicle was not subject to a recall, we have not determined risk, so we would deem it safe for the driver.

[Mr. Schostek sent the following letter to Senator Heller the next day:]

HONDA NORTH AMERICA, INC.
Washington, DC, November 21, 2014

Hon. DEAN HELLER,
United States Senate,
Washington, DC.

Dear Senator Heller:

I want to follow up our discussion yesterday morning about the safety of your daughter's 2007 Civic. I hesitated to respond to your question only because I did not have readily available the details of the specific recalls, if any, applicable to your daughter's vehicle. I have now had a chance to look into that question.

The driver's airbag inflator in your daughter's vehicle was not made by Takata. It was made by Autoliv. The passenger airbag inflator was manufactured by Takata, specifically a PSPl-X model. We are unaware of any field ruptures of the PSPl-X inflator. It has not been subject to any recall or service campaigns in any part of the country. Incidentally, you should know that my own daughter, who lives in Tennessee, drives a 2008 Civic. It is equipped with precisely the same airbags. My wife and I are comfortable with her driving the car.

I want you to know that Honda is committed to addressing the needs and concerns of our customers and making clear that we stand behind the safety and quality of our products. It is our priority to always act within the best interests of our customers.

Sincerely,

RICK SCHOSTEK,
Executive Vice President.

Senator HELLER. We had a conversation earlier in my office, and you said it was difficult to determine the safety of the device because of propriety reasons.

Would I be accurate in assuming that you can't be assured, 100 percent assured, not knowing that the necessary changes were made in these airbags?

Mr. SCHOSTEK. Senator Heller, we are not chemical propellant experts at Honda. There is proprietary technology involved.

There have been improvements made by Takata as time has gone on. For example, there are differences in the shape of the pro-

pellant wafer. I am not an engineer. To me, as a layperson, it makes sense that that different shape may result in a better manufacturing process.

But, respectfully, Senator, I would defer questions about the intellectual property and the proprietary aspects of the chemistry to Takata.

Senator HELLER. Thank you.

Mr. Chairman, my time has run out, but I think I represent every parent across America, concerned with their young adults and the cars that they are driving today, as to whether or not they have an airbag sitting in front of them today that may cause severe injuries, as we have heard in testimony today, and even death.

So, anyway, thank you.

Senator NELSON. Senator Heller, let the record show that the pauses that occurred to your two direct questions to the two gentlemen, that those pauses, I can say for this Senator, were painful. And perhaps on the basis of Mr. Schostek's response, you better tell your daughter not to drive south in her Honda.

Senator Markey?

STATEMENT OF HON. EDWARD MARKEY, U.S. SENATOR FROM MASSACHUSETTS

Senator MARKEY. Thank you, Mr. Chairman, very much.

In the audience today is Kim Kopf. Kim is sitting right over here. Her sister was killed in Arizona in November 2003 sitting in the passenger side of a Subaru model that contained defective Takata airbags. But that Subaru model has only been recalled in humid states, which Arizona certainly is not.

So my first question to you is, Mr. Shimizu, would you, first of all, right now, given your testimony, agree with the position that NHTSA has taken, recalling—you have said so far that Takata strongly agrees with the position stated by NHTSA that the recalls be limited to the so-called humid states.

But on Tuesday, NHTSA finally changed its position and called for a nationwide recall of all impacted driver-side Takata airbags. Does Takata support NHTSA's new nationwide recall?

Mr. SHIMIZU. I understand NHTSA's change from regional recall to national recall. The reason behind is, I understand, one incident that happened in North Carolina. And——

Senator MARKEY. Do you agree or disagree with NHTSA's call for a nationwide recall, Mr. Shimizu?

Mr. SHIMIZU. Senator, it is hard for me to answer "yes" or "no." So if you allow me——

Senator MARKEY. It is not hard for you to answer "yes" or "no." Do you support the nationwide recall of airbags that the Department of Transportation has issued, yes or no?

Mr. SHIMIZU. Again, Senator, if we identify the Takata data from any incident to support NHTSA's new directions, then we will definitely work together with NHTSA and automakers to take care of the issues.

Senator MARKEY. I am going to take that as a no, you do not agree with the decision by NHTSA. And I just think you are plain wrong here. And I think that it is very disturbing, I think, to any American family who has a vehicle with a Takata airbag to think

that that is your position today after all that we have learned. I think that your company is making a big mistake in not supporting this recall wholeheartedly.

Now, let me move on, if I can, to you, Mr. Schostek, and you, Mr. Kunselman. Kim Kopf's sister was killed with a passenger-side bag. And I think that there is kind of a roulette-like quality to this, hoping that the airbag that was installed in people's cars was on the driver's side—that is now being recalled—but not the passenger's side.

I don't think that is right. And I don't think anyone should have to worry that any of their family members are in danger. Kim Kopf has lost her sister forever.

Does Honda support a recall of passenger-side bags, as well, given what we now know about the ticking time bombs that each one of these airbags potentially is as a risk to American families?

Mr. SCHOSTEK. Senator Markey, there are two confirmed airbag ruptures in testing—passenger airbag inflator ruptures—in Honda vehicles. We have not experienced any injuries.

They are part of the SIC, or the safety improvement campaign. We have actually recalled passenger airbags in 10 states. We are actively working on that right now. Again, those are concentrated in the humid areas——

Senator MARKEY. Do you support passenger-side recalls that would be the equivalent of the driver-side recalls for these airbags, Mr. Schostek?

Mr. SCHOSTEK. We support passenger-side—we have ongoing a passenger-side airbag recall. And, for us, the key is to understand what the technical information is that——

Senator MARKEY. Do you support not a voluntary or geographic recall but a nationwide recall of passenger-side bags, yes or no, Mr. Schostek?

Mr. SCHOSTEK. As to a national recall, we have not refused. We are actively considering that, Senator Markey. Right now, our priority is in the southern states.

Senator MARKEY. You should be saying "yes" right now to that, Mr. Schostek.

Mr. SCHOSTEK. Sir, we——

Senator MARKEY. Mr. Kunselman, for Chrysler, yes or no, do you support a nationwide recall? Not voluntary, not geographic, nationwide. Do you support it, yes or no?

Mr. KUNSELMAN. Respectfully, Senator, I want to point out that the answer to this question obviously is one that we interact with NHTSA on and make decisions quickly based on the data. I haven't received that specific request, but I would respond quickly using our rigorous internal process to make that decision in a 5-day period.

Senator MARKEY. Look it, these airbags are the same, whether they hurt the lieutenant or they killed Kim Kopf's sister. They are the same. And they should be recalled. And each of you should be today saying that you support that wholeheartedly.

Thank you, Mr. Chairman.

Senator NELSON. Thank you, Senator. Thank you for making it so direct, yes or no, just like Senator Heller did, as well.

Senator Blumenthal?

STATEMENT OF HON. RICHARD BLUMENTHAL, U.S. SENATOR FROM CONNECTICUT

Senator BLUMENTHAL. Thanks, Mr. Chairman.

You know, I know that you are here in good faith, so I hope you won't take anything I am going to say personally. But, you know, it strikes me that these airbags failed, but the system failed equally, if not more.

And, first of all, I want to join Senator Markey in his calling for a national recall of all cars with these airbags on the passenger as well as the driver's side. We have made that point previously, he and I.

I am also calling on the Secretary of Transportation to immediately accelerate the replacement process, looking forward. At the current rate of production by Takata of 300,000 airbags a month, there is no way that there are going to be sufficient products available.

So I ask you, will you cooperate in an accelerated replacement process so that competitors of Takata will be called upon to supply those products instead of Takata?

To each of the—Mr. Schostek and Mr. Kunselman.

Ms. KUNSELMAN. I can start.

Obviously, I mention again that we have an obligation to our customers. Accelerating the production of parts and getting this process done quicker is directly——

Senator BLUMENTHAL. And so that is a "yes."

Mr. KUNSELMAN. I agree.

Senator BLUMENTHAL. And, Mr. Schostek, will you take non-Takata parts to replace those airbags?

Mr. SCHOSTEK. Senator, we want to get these cars fixed. The safety of our customers is the highest priority. All options are on the table. We will look at every option.

Senator BLUMENTHAL. Well, I am going to ask the Secretary of Transportation to order that you do so, but I hope you will cooperate.

You know, when I say the system failed, we are here because of delay, nondisclosure, as well as potential deception, and concealment. In fact, both of your companies entered into settlements that were deliberately and purposefully concealed in court orders.

Damian Fernandez in Florida, Ashley Parham—the first in 2006; Ashley Parham in Oklahoma City in 2009; Jennifer Griffin, Orange County, Florida, 2009; Gurjit Rathore, Virginia, 2009; Kristy Williams in Georgia, 2010. The first was driving a Chrysler. The others were driving a Honda. Your companies settled with them.

If that information had been made public, more people would know about this deadly defective airbag and fewer people would have been killed. Do you agree?

Mr. KUNSELMAN. Respectfully——

Senator BLUMENTHAL. Mr. Kunselman and Mr. Schostek.

Mr. KUNSELMAN. Respectfully, I would highlight that that incident did occur in the fall of 2013. I highlighted it in my opening statement. And while it is our policy when we enter into confidential settlement terms, the existence of that incident was not concealed in any way. It was——

Senator BLUMENTHAL. But the details were. And the devil and the death was in the details here. Don't you agree?

Mr. KUNSELMAN. I would ask for a definition of "details," respectfully.

Senator BLUMENTHAL. Well, the details of how and why and what the role of the airbag was in that crash.

Mr. Schostek, do you agree?

And let me ask both of you, will your companies commit to declining from now on to enter into these kinds of secret settlements and concealing the facts surrounding crashes that result from defective products?

Mr. SCHOSTEK. Yes, Senator. Two of the cases that you cite, with Ms. Parham and Ms. Rathore, we provided information about those inflator ruptures to NHTSA. We have talked about them to Takata——

Senator BLUMENTHAL. But not to the public. Your company deliberately concealed the facts that otherwise would have been known to the public as a result of this court action.

Mr. SCHOSTEK. I respectfully disagree. Ms. Rathore's case was reported in the TREAD material. I understand your point that Ms. Parham's was not. But we were in talking to NHTSA 16 days after that TREAD report was due, giving them all the information we had about inflators.

With respect to confidential settlements, our legal system recognizes confidential settlements, but we do not intend to hide behind settlements. The safety information that comes out during lawsuits should be available to NHTSA, and, as appropriate, we could support the principle of other government entities as well.

Senator BLUMENTHAL. Mr. Shimizu, I want to show you some standards that are used in testing American cars. These are standards used to test; they are specifically required by our American law to test.

Were those standards used prior to the sending of those airbags to these American companies?

Mr. SHIMIZU. I am not familiar with this, but I am sure the responsible person in the company knows about this.

Senator BLUMENTHAL. Well, someone in your company knows about it, but you don't know whether those standards were used?

Mr. SHIMIZU. Not in detail.

Senator BLUMENTHAL. Well, I would like to get an answer from you in writing after this hearing that these standards—they are U.S. car—24 standards. They apply to the substances used in the airbag, the hermetic sealing of those airbags to protect them from moisture.

You are unable to provide this committee an assurance that those standards were used and applied. I want to know from someone in your company, under oath, whether those standards were applied to every airbag design, in other words if the designs were changed over the years, and whether they were tested with those standards when there were reports of defects.

Mr. SHIMIZU. Senator, yes, if you allow me, I will talk to our responsible engineers, and then I will get back to the Committee as soon as possible. Is this acceptable?

Senator BLUMENTHAL. Thank you.

And let me just conclude. I hope that your companies will join in supporting the legislation that I have introduced, sunshine-in-litigation legislation, that would prevent these kinds of settlements that contributed to the problem. The courts ought not to be complicit. And I hope that your companies will cooperate and join in supporting this kind of legislation.

Thank you.

Thank you, Mr. Chairman.

Senator NELSON. Thank you.

Senator McCaskill?

Senator MCCASKILL. Thank you.

Mr. Shimizu, is your company the only company that uses ammonium nitrate that manufactures airbags?

Mr. SHIMIZU. Senator, I don't know in detail what kind of materials exactly our competitors are using, but I heard that some of our competitors are also using a similar kind of material.

Senator MCCASKILL. Well, the information we have is there are four or five companies that make airbags and that your company is the only one that is using ammonium nitrate.

Let me ask you this question. Are you still using ammonium nitrate in the manufacture of your airbags?

Mr. SHIMIZU. Yes, Senator.

Senator MCCASKILL. OK. Well, that is worrisome to me.

And let me now move to Chrysler and Honda. I am confused, and I guarantee if I am confused your customers are confused.

The letter that Chrysler sent to NHTSA on June 20, 2014—I would like these three letters to be made part of the record, Mr. Chairman, if we could.

Senator NELSON. Without objection.

[The information referred to follows:]

CHRYSLER—CHRYLSLER GROUP LLC
Auburn Hills, MI, June 20, 2014

Mr. FRANK BORRIS,
Director, Office of Defect Investigation,
National Highway Traffic Safety Administration,
Washington, DC.

Dear Mr. Borris:

This letter is Chrysler's response to your request that Chrysler consider a regional field action to address a risk of airbag inflator failures that was described in a letter from Takata Holdings Inc. to the Office of Defect Investigations (ODI), dated June 11, 2104, and that was discussed in a conference call with several manufacturers, including Chrysler, on June 13, 2014.

Although Chrysler has not at this time, made a determination of a defect in the subject airbag inflators, it is Chrysler's intention to conduct a field action to replace the driver airbag inflators built between January 1, 2004 and June 30, 2007, as well as the passenger airbag inflators built between June 1, 2000 and July 31, 2004 in the Chrysler vehicles located in the regions identified by Takata (Florida, Hawaii, Puerto Rico and U.S. Virgin Islands).

Chrysler is currently working with Takata to identify the serial numbers for the suspect inflators. This information will be used to establish the potentially affected vehicles in the regions identified by Takata. Once this affected vehicle population is identified, Chrysler will provide the information to the National Highway Traffic Safety Administration (NHTSA).

As of this date, Chrysler is aware of only a single incident in a Chrysler vehicle involving the suspect inflators.

Sincerely,

REGINALD MODLIN,
Regulatory Affairs—Director.

08V-593
(3 pages)

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 19, 2014

14V-351
(3 pages)

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

Senator MCCASKILL. Listen to this paragraph.

"Although Chrysler has not at this time made a determination of a defect in the subject airbag inflators, it is Chrysler's intention to conduct a field action to replace the driver airbag inflators between June" . . . "as well as the passenger airbag inflators between" . . .

So I am guessing a lawyer wrote that paragraph, because then I have a letter from Honda that says, "We have determined a potential defect relating to motor vehicle safety exists." That was written in 2008.

And then we have another letter from Honda in 2014 saying, "We have decided to conduct a safety improvement campaign. We have not made a determination that a safety defect exists."

Then you go down the list of the notifications, and I am going to start in June 2014. We have a service campaign, then a service campaign, then a Honda safety recall, and then a Mazda service campaign, and then a Mitsubishi service campaign, then a Nissan safety recall, then a Nissan service campaign, then a Nissan safety recall. Then we have a Subaru safety recall. Then we have a Subaru service campaign.

Do you understand the issue here? What is going on here is a refusal to characterize a problem in a way that is clearly understandable to the consumer.

We have had more recalls in the last year and a half in American car manufacturing than in the history of American car manufacturing, probably more in the last year than we have had in many, many years combined. The problem is I don't think that people that are driving these cars understand the risk. Because you guys aren't even comfortable with being consistent as to whether or not you are telling NHTSA it is a service campaign or a safety recall.

In your mind, Mr. Kunselman, other than avoiding litigation and liability, why would you differentiate between a service call and a safety recall?

Mr. KUNSELMAN. Yes, Senator. I would like to start by saying it is Chrysler's policy that, regardless of which way these actions are initiated or how they are characterized, recall or field service campaign, the customer-facing information is identical. We file the same information with NHTSA, and the mailings that go to our customers are the same.

Senator MCCASKILL. So do the mailings say that this is a safety recall and you are in danger and you need to get this car in? Or does it say, this is a notice that this part has been recalled, without any emphasis on safety?

Mr. KUNSELMAN. It is my understanding that it does characterize it as a safety concern, yes.

Senator MCCASKILL. Well, I would like to see, for all of those ones that involve your companies, all the service campaign versus safety recall, I would like to see the notices that went to your drivers. I would like to see the language of those.

And if, in fact, the language is the same that goes to the drivers, why is the language different to NHTSA?

Mr. KUNSELMAN. I guess the characterization, in terms of how we characterize these events—again, Chrysler is agreeing to do this with one incident and a lack of understanding of root cause.

I know this will sound like engineering terminology, but the thing that is still open in this instance with these beta inflators is an absence of a defined root cause. In absence of a defined root cause, it makes the next steps difficult in terms of what to do.

I think this is a nuance of definition as to why you see these characterized this way.

Senator MCCASKILL. And, Mr. Schostek, do you say the same? Is the reason that there is a difference in characterization to NHTSA—is your notification to your drivers identical as to whether or not it is a service campaign or a safety recall?

Mr. SCHOSTEK. Yes, Senator, I think there is confusion here and the regulatory framework that we are operating under has certain terms that are part of that regulatory framework that we are using.

I am not an engineer. I have asked the very same question you have asked: What is the practical difference for the customer? And I have been told: None. They need to bring their car in.

Now, in terms of how we are looking for evidence of risk and so forth, that should be the manufacturers' responsibility, working with suppliers and working with NHTSA.

But, Senator, I would support, if we could make this clearer for consumers, Honda is happy to work with——

Senator MCCASKILL. Are you sending the same notification to your drivers whether or not it is a safety recall or whether or not it is a service campaign?

Mr. SCHOSTEK. Senator, I would like to double check, but I believe they are very similar notifications whether it is a service campaign or a safety recall.

[Mr. Schostek submitted the following letter on December 1:]

HONDA—HONDA NORTH AMERICA, INC.
Washington, DC, December 1, 2014

Hon. CLAIRE MCCASKILL,
United States Senate,
Washington, DC.

Dear Senator McCaskill:

I want to follow up on our discussion about the letters consumers receive when Honda conducts a safety recall versus those related to a safety improvement campaign. You asked me whether the letters customers receive from Honda are identical. To answer that question, please see the attached letters to the National Highway Traffic Safety Administration (NHTSA), both dated June 19, 2014.

At that time, Honda had identified a potential safety defect in passenger airbag inflators of certain 2002 and 2003 Honda and Acura vehicles. We initiated a safety recall based on that determination. Included in our communication to NHTSA was a draft letter to consumers that stated the nature of the problem as follows: "If an affected airbag deploys, the increased internal pressure may cause the inflator to 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 letter then directed vehicle owners to schedule an appointment with a dealership to have their vehicle repaired, at no cost to them.

On that same day, at the request of NHTSA, Honda also initiated a safety improvement campaign (SIC) for the passenger's airbag inflator in certain 2003, 2004, and 2005 Honda and Acura vehicles. Although the transmittal letter to NHTSA distinguished the SIC from a recall, our proposed letter to customers identified the action as a safety recall. Honda described the problem as follows: "If an affected airbag deploys, the increased internal pressure may cause the inflator to rupture. Metal fragments could be propelled upward through the windshield, or downward toward the front passenger's foot well, potentially causing injury to a vehicle occupant." Consumers also received the same instructions to take their vehicle to a dealership for repair at no cost to them.

I want you to know that Honda is committed to addressing the needs and concerns of our customers, especially when it involves a safety defect recall. Please feel free to call Ed Cohen or me at 202–661-4400 with any further questions you may have.

Sincerely,

RICK SCHOSTEK,
Executive Vice President,
Honda North America.

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

DRAFT

XXX 2014

NHTSA Recall 14V-353

IMPORTANT SAFETY RECALL NOTICE

Dear Honda Accord Owner:

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

What is the reason for this notice?
Honda has decided that a defect which relates to motor vehicle safety exists in certain 2003-2005 model year Accord vehicles that were originally sold in or currently registered in geographic locations known for high relative humidity: Alabama, California, Florida, Georgia, Hawaii, Louisiana, Mississippi, South Carolina, Texas, Puerto Rico and the U.S. Virgin Islands. In some vehicles, the passenger's front airbag inflator could produce excessive internal pressure upon deployment. If an affected airbag deploys, the increased internal pressure may cause the inflator to 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.

What should you do?
Call any authorized Honda dealer and make an appointment to have your vehicle's passenger's front airbag inflator replaced, ***at no cost to you***. The complete replacement process may take approximately XX minutes; however, your vehicle will need to be at the dealer for a longer period of time. We recommend that you plan to leave your vehicle for half a day to allow the dealer flexibility in scheduling.

Who to contact if you experience problems?
If you are not satisfied with the service you receive from your Honda dealer, you may write to:

American Honda Motor Co., Inc.
Honda Automobile Customer Service
Mail Stop 500-2N-7A
1919 Torrance Blvd.
Torrance, CA 90501-2746

If you believe that American Honda or the dealer has failed or is unable to remedy the defect in your vehicle, without charge, within a reasonable period of time (60 days from the date you first contact the dealer for a repair appointment), you may submit a complaint to:

Administrator
National Highway Traffic Safety Administration
1200 New Jersey Ave., SE
Washington, DC 20590

Or call the toll-free Safety Hotline at 888-327-4236 (TTY 800-424-9153), or go to http://www.safercar.gov.

What to do if you feel this notice is in error?
Registration records indicate that you are the current owner or lessee of a 2003-2005 Honda Accord involved in this campaign. If this is not the case, or the name/address information is not correct, please complete and sign the Information Change Card and return it in the enclosed postage-paid envelope. We will then update our records.

Lessor Information:
Federal law requires that any vehicle lessor receiving this recall notice must forward a copy of this notice to the lessee within 10 days.

If you have questions:
If you have any questions about this notice, or need assistance with locating a Honda dealer, please call Honda Automobile Customer Service at 800-999-1009, and select option 4. U.S. customers can also locate a dealer online at *Hondacars.com*. Customers in U.S. territories, please contact your local dealer/distributor.

We apologize for any inconvenience this campaign may cause you.

Sincerely,

American Honda Motor Co., Inc.
Honda Automobile Division

Campaign #XXX / Service Bulletin #14-046

Mr. SCHOSTEK. Our interest is to tell that customer to please call, please come to a dealership, please get the part replaced, whether that replacement is for the purpose of an identified defect, which is the recall, or the purpose of getting more information, which is the safety improvement campaign. I think we should help the consumer by not having it be so unclear to them.

Senator MCCASKILL. Well, I will tell you what. If I get a letter saying, "We are investigating something; would you bring your car in so you can help us?", I am busy. If I get a letter that says, "Hey, you know, if you drive this, you could have a piece of shrapnel embedded in your eye, if your daughter is sitting in the seat next to you she could be blinded or you could die," that is a lot different than, "Hey, we are checking out an investigation; could you bring it in so we could check it out?"

I mean, I think that too many lawyers are—I mean, we found this in GM, as you all know. You had to have followed it closely. There were lawyers that were trying to avoid litigation. There were not lawyers that were trying to make sure every consumer knew the danger.

And we have to get out of this defensive crouch about liability litigation and get into an offensive position about making sure drivers are safe. And until your companies decide to do that, until NHTSA is a more able and aggressive partner in that, consumers are going to be in the dark.

I mean, the exchange between Senator Heller about whether or not his daughter was safe was incredible. He is a United States Senator, and he is asking somebody in charge of the company that made his daughter's car whether it is safe for her to drive it, and it was clear you weren't sure how to answer it. That is a problem. We have a problem.

So we are going to keep having these hearings, and we are going to keep working on legislation, and we are going to keep yelling at NHTSA until we get this right for the driving public. This is unacceptable.

Thank you.

Thank you, Mr. Chairman.

Senator NELSON. Thank you, Senator.

Senator Cantwell?

STATEMENT OF HON. MARIA CANTWELL, U.S. SENATOR FROM WASHINGTON

Senator CANTWELL. Thank you, Mr. Chairman.

And I would like to follow up on a couple of points that my colleagues have made. And I share their frustration and angst over this situation when there is such a pause or it is, "We are just doing what NHTSA says." I think today's hearing is a very good opportunity for us to discuss what are the changes to be made. Not what NHTSA requires today, but now that we are here, what do we need to improve the situation.

But first I want to follow up on this airbag recall situation as it relates to the passenger side. So I wanted to ask you, Mr. Shimizu, would you be able to meet demand if it was for all the passenger-side airbags? Would you be able to meet that demand? Or do we

need the Secretary to help in expediting this with other manufacturers?

So I heard Mr. Schostek say, well, if that is—you know, to Mr. Blumenthal's question, there was a little bit of—I read hesitancy into that, "Well, we will see what NHTSA says." So I am asking you now, can you meet that demand on the passenger-side bags? If not, let's get to the bottom line here.

Mr. SHIMIZU. We committed to provide for replacement kits, which is in the beginning of this recall of the passenger-side airbag. Currently, we are producing 300,000 kits per month in total.

And we understand we have to speed up preparing for replacement kits, so we will add two more lines in January. And that we also committed in the beginning, and we are going to do as committed, and the supply ability of replacement parts to increase to 450,000 kits.

And, also, we do some effort—so we have four inflator plants globally and then the plant in Mexico, which is mainly producing the inflator for replacement, but they are running at full capacity right now. We found out the German plant has some extra capacity, so we decided to move some of the products from Mexico to Germany to open up the capacity in Mexico so Mexico can open up some capacity to generate more inflators for replacement kits.

Senator CANTWELL. So you are saying you have capacity. Is that what you are saying? You have capacity and the secretary doesn't need to take action?

It shouldn't be a mystery here. We should be clear whether we need more capacity by other suppliers or not.

Mr. SHIMIZU. We understand we have to speed up the replacement kits. Even if we increase to 450,000, that is maybe still not speedy enough. So we are discussing with automakers for any other option we can take to speed up the replacement.

And answering to your questions, I am not sure what kind of things——

Senator CANTWELL. Well, maybe I will ask the other two.

Mr. Schostek, do you think that we need to have the Secretary take action, yes or no?

Mr. SCHOSTEK. At the present time, we have enough supply for the demand, but the demand could change based on future actions. So I am not in a position to judge Takata's ultimate capacity here. For us, all options should be on the table to get parts replaced in customer vehicles.

Senator CANTWELL. OK. I have about a minute left, and I want to get to another point, but I am going to follow up on this with each of you and with the Secretary.

But why are we not here today discussing why not make manufacturers responsible for 100 percent recall success?

The gaps that I see—I mean, first of all, I don't see an e-mail system here, I don't see an AMBER Alert, and yet we have people who are dying. And we are hiding behind, "Well, we had an agreement, and we did a settlement," and then in the settlement nobody really knew what was going on.

My understanding is Germany has more like 100 percent recall success. We have a gap here with people who are second pur-

chasers not knowing, because you are communicating with first, is my understanding, first buyers.

So why not just say that you are responsible for getting 100 percent recalled? The cars are yours. They are out there in the public. There are lots of tools we can use. But why not set a better goal than what we have?

Mr. SCHOSTEK. One hundred percent would be what we would want to achieve, too. And that is what we are trying to achieve right now. We are trying different methods. We haven't got 100 percent. And especially in older vehicle populations, we have been unable to achieve 100 percent.

I don't know the average recall completion rate. I believe, but I would want to check further, I believe it is about 60, 70, 80 percent. To me, that is not good enough.

Senator CANTWELL. And my understanding is that Germany is getting, like, 100 percent.

Mr. SCHOSTEK. Right. And I would just submit, Senator, in my full written opening statement, we talk about that. Germany, to my understanding, has a process whereby, before a car can get registered, it needs to be checked if there are any outstanding recalls, similar to in some states in the United States where an emissions certificate precedes registration.

Please don't misunderstand. Honda is going to use any new tools or any innovative tools to find customers and get these recalls done. That is what we want to have happen. But there could be some support on the state level, where these programs are implemented for recommendations such as that.

Senator CANTWELL. I think the more the manufacturers can talk about not what NHTSA does and requires today but what you would like to see, the better that will be.

Thank you, Mr. Chairman.

Senator NELSON. Senator Rubio?

STATEMENT OF HON. MARCO RUBIO,
U.S. SENATOR FROM FLORIDA

Senator RUBIO. Thank you, Mr. Chairman.

This question is to all three of the companies involved. Can you guarantee us here today that no one driving one of these vehicles outside of the territories currently covered—Florida, Hawaii, Puerto Rico, the U.S. Virgin Islands, the places with high humidity—if you were driving one of these vehicles with one of these devices in it outside of those territories, can you guarantee us that no one will be injured by this device in the way we have seen in other places?

Mr. SHIMIZU. Maybe I will start.

As I mentioned in the opening statement, all issues from the past incidents or problems are already addressed and taken care of. And according to my understanding, I believe that the products we are producing right now, including replacement kits, are produced under well-controlled production processes and should work as designed and are safe.

And regarding a regional recall, you mentioned over the four states for the high absolute humidity area, according to our record,

these areas are the focus due to the high absolute humidity environment——

Senator RUBIO. No, I understand. I am sorry, I don't mean to cut you off. I have limited time.

My question is pretty straightforward, though. If you bought a car and you have one of these cars with this device in it and you have spent the entire time in North Dakota or South Dakota or Wisconsin, not one of these places, can you tell us here today that you are confident that no one will be injured in the way we saw, for example, in Florida?

Mr. SHIMIZU. If it is not currently under recall, covered by recall, I believe our products in the car works as designed and are safe, as I said before.

Senator RUBIO. OK. So we are never going to read about a story of someone outside of these areas covered by the recall that has been injured in the same way that we saw, for example, in Florida. Is that your testimony?

Mr. SHIMIZU. According to my knowledge, again, I believe these vehicles are considered to be safe.

Senator RUBIO. OK.

What about, then, did the other companies have a——

Mr. SCHOSTEK. Senator Rubio, we have recalls outstanding that are connected to Takata manufacturing issues. We did these recalls 2008 through 2011. They had no geographic limit. Those are uncompleted recalls, and I was just discussing with Senator Cantwell our struggles to get those completed.

Those customers, we want them to come in. There is risk there. We want those customers to come in. We want to get to 100 percent——

Senator RUBIO. My question is people that are not covered by the recall for various reasons—where they purchased the car, et cetera. You are talking about the recalls that had nothing to do with geographic limits.

Mr. SCHOSTEK. Yes, sir.

Senator RUBIO. I am talking about the ones that do, the ones that—maybe that is not specific to your company.

If your car is not currently covered under the existing recall, you have nothing to worry about?

Mr. SCHOSTEK. We have identified higher risk, sir, in the humid areas. And that is what we are still working on right now, to gather more information about those vehicles, both there and in nonhumid states.

Senator RUBIO. Yes?

Mr. KUNSELMAN. Senator, in my opening statement, I characterized this situation as an ongoing investigation. And at least once during the testimony I reiterated that, in the absence of a defined root cause for the beta population of vehicles, I think we would find it difficult to guarantee 100 percent as to the risk outside of the geographic regions identified.

I believe the test data and the incidents confirm those areas are of high risk and of utmost important to deal with those first. But with the open status of the root cause, I could not affirm your question.

Senator RUBIO. To the best of your knowledge, with the minute that I have left, to the best of your knowledge, did any of your companies at any time calculate that the costs of conducting a recall outweighed the benefits of alerting consumers and therefore decided not to move forward with some of this earlier in the process?

In essence, was there ever a time here where a calculation was made that it would cost so much financially to deal with this that we are better off not doing anything about it because the safety risks don't justify it? Did that calculation ever happen at any of the three companies?

Mr. KUNSELMAN. I can confidently say that that is not the case at Chrysler.

Mr. SCHOSTEK. To the best of my knowledge, no, sir.

Mr. SHIMIZU. Is not the case.

Senator RUBIO. OK.

My last question: If I am driving one of these cars now and I don't live in one of the states covered or areas or products covered by the recall because of where they are geographically located, what should I do? Just go on about my life and not worry about it?

Mr. SCHOSTEK. Sir, we have communicated to our dealers that if our customer has a concern, has a worry about driving a vehicle in one of——

Senator RUBIO. My question is, should they have a worry?

Mr. SCHOSTEK. We——

Senator RUBIO. If you are not covered currently by the recall but you are driving one of these cars, should you have a worry?

Mr. SCHOSTEK. Again, we see the risk much higher in the humid states. And it is open as to what is the cause. That is what all of us are trying to get to right now, with regard to this regional SIC.

Mr. KUNSELMAN. Senator Rubio, I would say that for the Chrysler vehicles not covered by the recall, I would drive them myself.

Senator NELSON. Senator Rubio, they see the risk much higher in the humid states, but Associated Press reported on November 17 that Honda had quietly decided to replace impacted Takata airbags nationwide rather than just in hot and humid states. And they also indicated in those reports that Honda had no intention of actually notifying customers in other states about the remedy. Instead, as stated, they would have to go to their dealer.

So, Mr. Schostek, why did Honda believe it was appropriate to provide a remedy but not tell anybody?

Mr. SCHOSTEK. And, Chairman Nelson, this is not a secret or a quiet policy. It is on the NHTSA website, and it is there because we put it there.

This was a communication to our dealers. Our dealers are asking the same kind of questions that Senator Rubio had. And we want to deal with our customers' needs in the non-humid areas on an individual basis. If we find a customer that has a concern, we are asking our dealers to take care of that customer and replace that airbag, understanding that we believe the repairs are more priority in the humid areas, but we have an approach to our customers that we want to provide customer service.

It is not secret. We didn't mean it to be quiet. We wanted to tell our dealers, if a customer comes in with a concern, please respond to that concern.

Senator NELSON. So a dealer in Senator Thune's state of South Dakota or Senator Markey's state or Senator Klobuchar's state—but we are a mobile society, and there are people in Massachusetts and Minnesota and South Dakota that drive south and come to Florida during all times of the year.

Senator THUNE. Especially in January.

Senator NELSON. Especially January, but when the kids are out of school, they come also in the heat of the summer to Disney World.

Now, isn't something missing here?

Mr. SCHOSTEK. We are trying to understand the reasons for the inflator ruptures, and we are collecting inflators from vehicles that have been in those humid states or ever been registered in those humid states or spent time in those states. We are doing our best to collect that information, sir.

Senator NELSON. Mr. Shimizu, this morning's *New York Times* says, quote, "Two former Takata engineers said they and other employees had concerns over switching to a risky compound." They are talking about the ammonium nitrate from the previous compound.

Quote, "It is a basic design flaw that predisposes this propellant to break apart and therefore risk catastrophic failure in an inflator," said Mark Lillie, a former senior engineer with Takata at its propellant plant in Moses Lake, Washington. Mr. Lillie recently shared his concerns with our Senate staff members.

Quote, "It was a question that came up: Ammonium nitrate propellant, won't that blow up?", said Michael Britton, a chemical engineer who worked with Mr. Lilly at the Moses Lake plant. The answer was, "Not if it stays in the right phase."

All right. Now, in addition, the media reported various problems at the Takata plant in 2001 and secret airbag tests in 2004.

So why didn't Takata take action on any of these kinds of concerns regarding the use of ammonium nitrate?

Mr. SHIMIZU. Senator, let me briefly explain about the material called ammonium nitrate.

Senator NELSON. Please.

Mr. SHIMIZU. Ammonium nitrate, as I said at the beginning, there are several advantage to using it, and then it has benefit to the users also, because of its chemical properties. But it is sensitive to moisture, as is well known, and if the moisture is not well controlled during manufacturing the propellant or assembling the inflator, maybe the performance—they don't perform as designed, because that may influence the combustion characteristics. And that is well known in the industry.

But talking about phase stability, according to my knowledge, the ammonium nitrate stays stable during the process or manufacturing processes. So, in my understanding, in other words, if we produce the propellant and inflator under the controlled, especially moisture-controlled, environment, it will be stable and safe.

And, of course, there are some errors that have happened during processing. On some occasions, we have had some failure modes appear, and so we did recalls in the past.

Senator NELSON. Mr. Shimizu, I did not interrupt you. I wanted to give you every opportunity to answer the question. That doesn't answer the question.

If, in fact, you knew about it as far back as 2001 and Takata was doing secret airbag tests with ammonium nitrate in 2004 and you have your own engineers, as quoted in today's *New York Times,* saying what they said, that ammonium nitrate was the problem, then—Senators, any further questions in a second round?

Senator MARKEY. May I ask one question?

Senator NELSON. Please.

Senator MARKEY. Thank you, Mr. Chairman.

Mr. Schostek, until 2 days ago, most of the recent actions taken related to defective driver-side airbags were limited to so-called humid states. But three of the four deaths that were caused by exploding Takata airbags in Honda's cars occurred in Oklahoma, Virginia, and California, not the humid states that this recall applied to. As the Chairman was just referring to, South Dakota or Minnesota or Massachusetts could have been in that category.

When my staff asked NHTSA about these deaths, they were told that the vehicles involved had been recalled for a different Takata airbag manufacturing problem years ago but that they had not been repaired.

There is just one problem with the explanation. When my staff put the vehicle ID number of two cars involved in 2013 and 2014 fatalities through Honda's recall data base, the database says that these cars' airbags were repaired sometime after 2011.

Either, one, your recall database is wrong, or, two, the defective airbag was replaced with another defective airbag, or, three, the driver received a brand-new airbag sometime after 2011 and the airbag still killed someone just a few years later.

So, Mr. Schostek, which of those three options is it?

Mr. SCHOSTEK. Senator Markey, I believe it is option one, that our website has deficiencies. When we have multiple recalls that involve the same vehicle, our system was bringing up a message of "recall completed" for the ones that were superceded, if you will.

It is our problem, sir; it is being fixed. We are due to report to NHTSA tomorrow about that. It is an embarrassing problem, in this day and age, that we have that technology problem on our website.

Senator MARKEY. All right. So this goes back to Senator Heller's question, and others, about the safety of families driving these vehicles. So what you are telling me is that someone buying a used Honda today could look up the car they want to buy on your recall data base, be told that a repair needed to fix a fatal safety defect was completed, even though it was not.

And I think, again, that just goes to the whole question of whether or not the public should feel confident that they have a family member driving these vehicles.

Mr. SCHOSTEK. Sir, I agree with you. That could happen today. I am bound and determined to check and make sure it can't happen tomorrow and it won't happen again.

Senator MARKEY. And I will just say again, Mr. Chairman, I don't think it makes any sense for a passenger-side airbag recall not to occur. Otherwise, the passengers in these vehicles should just be in the backseat, because they are just really running a huge risk, given the fact they are the very same airbags that deployed and are ready to hit dangerously a passenger in our country.

Thank you, Mr. Chairman.

Senator NELSON. And, gentlemen, you need to know that I am going to be meeting with Secretary Foxx. I am going to request of him that he impose the maximum penalty allowed by law, even if that is a million dollars a day, on the automobile companies if you all are not providing a loaner or a rental car to the folks who potentially would be driving a deathtrap. It is as simple as that.

Senators, we need to move on to the NHTSA person.

Senator Blumenthal?

Senator BLUMENTHAL. Just one quick question to Mr. Shimizu.

What is the maximum number of replacement parts that you will be able to provide per month?

Mr. SHIMIZU. Currently, it is all provided from Mexico for the American market, 300,000 per month at this moment. But if we increase, it would be increased to 450,000 per month from January.

Senator BLUMENTHAL. 450,000 per month, that is the maximum?

Mr. SHIMIZU. That is our plan right now.

Senator BLUMENTHAL. And one more question. What steps have you taken to improve the assembly of the inflator, the container that Senator Nelson showed you? What steps have you taken to make the inflator more leak-proof and water-proof, in other words, more resistant to water coming into it or humidity?

Mr. SHIMIZU. A couple steps already we have taken to improve the problems, improve the robustness. And we are discussing with our carmakers—the current product, as I said, is safe if they came out from well-managed processes. But if there is a way to improve the robustness against the humidity, we will continue to discuss about how we can improve the robustness of the inflator from now.

Senator BLUMENTHAL. Thank you, Mr. Chairman.

Senator NELSON. Thank you, Senator.

OK, gentlemen. Thank you for your participation today.

We will call up Mr. David Friedman, the Deputy Administrator of the National Highway Traffic Safety Administration, NHTSA.

Where is Mr. Friedman?

Welcome, Mr. Friedman. Have you heard the testimony in the anteroom?

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

Mr. FRIEDMAN. Yes, Mr. Chairman, I have.

Senator NELSON. OK.

What we are going to do is forgo the statement because of the lateness of the hour. We are going to have our Senators, and you can make your points in response to the questions. I will defer my questions and do clean-up at the end.

Senator Thune?

Senator THUNE. Thank you, Mr. Chairman.

Mr. Friedman, we are here today to discuss yet another apparent failure within the automobile industry. These issues with the faulty Takata airbags are just the latest in a long line of high-profile recalls that have been the focus of multiple hearings held by this committee and the House of Representatives this year.

This is a general question, but I hope you can shed some light on why we are seeing such a flood of automotive safety issues recently. Do you believe that this recent experience indicates a broad and systemic problem within the automobile industry?

Mr. FRIEDMAN. Ranking Member, one of the reasons why I think we are seeing this increase in recalls is because the auto industry is running scared. Because the auto industry realizes, one, that NHTSA has been pushing them hard to establish a new normal when it comes to recalls, where we expect them to recall vehicles quickly, to notify us quickly, and to find the problems quickly.

I think they are also very concerned, as they should be, about the actions Congress has taken to shed a light on serious problems in the auto industry. And I think they are also reacting to the media attention that has been observed. They are cleaning out their closets. And it is truly a shame, the fact that it took all of this attention for them to do so.

I asked 12 major automakers, 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 until proof beyond a shadow of a doubt that there is a problem, no more fighting us when we have clear evidence of defects. They need to act much more quickly.

And NHTSA needs to continue to act more aggressively and more quickly to keep them in line, as we have done over the last 6 years, with more than $160 million in fines.

Senator THUNE. In 2010, NHTSA closed its examination into the scope and timeliness of Honda recalls involving Takata driver-side airbags, citing, "insufficient information to suggest that Honda failed to make timely defect decisions on information it was provided."

What was the insufficient information at issue? Knowing what you now know, should the agency have kept that inquiry open?

Mr. FRIEDMAN. Senator, we are just beginning to look into the details of what happened at that time. I expect to be able to provide you more details on that going forward.

My current understanding is that we understood that Takata had identified the batches that were involved with the manufacturing problems. But it has been made clear to us that Takata does not have good quality control and clearly does not have good recordkeeping, because further down the road they had to update their submissions in some of their recalls, indicating that they had not provided us with that information.

That is one of the key reasons why we are demanding, under oath, that they answer and provide us all details going back to 2000 about all of these recalls, all of the tests they have done on airbags. We need every bit of that information. We will pore through that. And if they failed to live up to the law, if the auto industry failed to live up to the law, we will hold them accountable to the full extent of the law.

I would say, though, one of the things we would like to see, as is included in the GROW AMERICA Act, is a significant increase in our ability to hold them accountable. Right now, we are limited to just $35 million for any single infraction. Frankly, for too many of these companies, that is pocket change. The Secretary and the President have asked for that to be increased to $300 million, and if you give us that authority, we will use it aggressively.

Senator THUNE. So what you are saying, essentially, is not the insufficient information determination was made as a result of Takata's failure to disclose to you the information that could have shed additional light on this problem and that NHTSA closed the inquiry because it thought Takata had satisfied all the questions that you had.

Mr. FRIEDMAN. Based on our understanding——

Senator THUNE. That it was a failure on their part to provide information.

Mr. FRIEDMAN. We are looking into it to find that out. And that is why we are demanding they provide us that information under oath.

Senator THUNE. You haven't had a chance to look at it yet, but Senator Nelson and I and a few others on the Committee are introducing legislation today that would incentivize individuals who uncover serious allegations of vehicle defects or noncompliance with motor safety laws to blow the whistle and provide original information to government regulators and that, if that information leads to enforcement actions where more than a million dollars in monetary sanctions is involved, that that whistleblower could receive up to 30 percent of that.

Is that a concept that you can support?

Mr. FRIEDMAN. Senator, we welcome every bit of evidence, every bit of information that can help lead us to rout out any of these problems. I look forward to reading your legislation. I look forward to evaluating it.

One of the things that I think would be crucial, in general but also with such a proposal, is to ensure that we have the resources, the people and the dollars, to follow up on those leads.

We are getting this year alone over 70,000 consumer complaints. These are critical to us finding these problems. We get 6,000 reports a year from the auto industry. We need more people to be able to follow up on all that information.

Senator THUNE. OK. Thank you.

Mr. Chairman, my time has expired. Thanks.

Senator NELSON. I agree with you, Mr. Friedman. You do need more resources.

And thanks to Senator Thune for being willing to push forward on this question on the whistleblowers.

Senator Klobuchar?

Senator KLOBUCHAR. Thank you very much, Senator Nelson.

First of all, I think you maybe heard me talk about the victim in our state who is permanently blinded, Shashi Chopra from North Oaks, Minnesota. She was driving her BMW in 2013. It was a 2002 model. And this is sad because this had been going on for so long. There is a *New York Times* report about secret tests by Takata in 2004, and now here you are in 2013.

Mr. Friedman, according to the family, they never received confirmation from NHTSA that their case was being reviewed. And I don't know what actions, follow-up actions—because the family themselves filed something with NHTSA in 2013. And do you know if anyone ever reviewed the complaint that was filed by the family and what happened?

Mr. FRIEDMAN. Senator, we are looking into this as we speak. I know your staff has alerted it to us just this week. But we put eyes on every single complaint that comes through NHTSA, that comes through our website, that comes through our hotline, that people mail in. We put eyes on all of them, and we follow up, and we try to piece together the information that that provides.

I will look further into this to make sure that I can tell you exactly what happened with this.

Senator KLOBUCHAR. OK. And, obviously, this complaint was filed after it happened, but just given how these recalls have trickled out, it might have helped someone else. And that is why we are concerned.

Then going back in time, NHTSA's call this week—now we are into this week—for a recall that expanded beyond the regional recall finally got at people in Minnesota who might be, actually, snowbirds. Believe it or not, some of them abandon our state during the winter, and so they actually spend their winter months in southern states.

And their vehicles then—they drive down there, and then they drive back. So their vehicles are exposed for an extended amount of time to high humidity. And they were not included in the previous regional recalls, and you didn't think there was a need to include those types of vehicles.

What changed?

Mr. FRIEDMAN. Senator, if we could put up a couple of charts so that I can help make that clearer.

This is a chart of the United States indicating the median dew point temperature, which is basically an indication of the total amount of water in the air. All of the initial incidents that occurred occurred in these regions that you see in brown or in Puerto Rico, which is also even more humid.

So all the initial incidents that caused us to open this investigation—we started with three complaints. We acted rapidly based on those three complaints. We connected the dots that all three—there were three different car companies. All three had airbags from Takata. We connected those dots. We connected the dots, as well, that these were all in humid regions.

We opened an investigation and got the auto industry to begin recalling vehicles in days. So we acted aggressively in this case, based on the information we had at the time.

Now, because we didn't want to see anyone else hurt from these problems, part of what we did is we pushed the auto industry. We said, "We can't wait for another one of these incidents. You need to get out there and work with Takata, test airbags that are returned, so that we can figure out, is this a broader problem? We can't sit here."

Now, as we did that, as we tried to gather that test data, we were also monitoring field incidents.

If you could put up the driver-side chart.

Initially what we were working with on the driver-side airbags was three incidents—sorry, five incidents, pardon me—that were all in Florida, again, initially reinforcing the concept that this was a problem related to exposure to high temperatures and high humidity, in other words high median dew point temperature.

Senator KLOBUCHAR. I am not sure, were they all in Florida, or were they in the southern part of the United States?

Mr. FRIEDMAN. So, initially, it was only these that were——

Senator KLOBUCHAR. And then it got to some southern—OK.

Mr. FRIEDMAN. Then there was an incident in California.

Senator KLOBUCHAR. Right.

Mr. FRIEDMAN. When that incident happened, we made clear to Honda, and Honda acted, to extend their regional recall to that area. At that point, that could—could—have been an outlier.

Then, at the end of last month, we received a complaint from an incident in North Carolina, here. We acted quickly. We reached out to the consumer. We verified that it was, in fact, an airbag rupture. Based on that data, the pattern is now clearly broken for the driver-side airbags.

Senator KLOBUCHAR. OK.

Mr. FRIEDMAN. So, while all the incidents initially were around here, now we have an incident here and here——

Senator KLOBUCHAR. Right.

Mr. FRIEDMAN.—areas of much lower temperature and humidity.

Senator KLOBUCHAR. OK.

Mr. FRIEDMAN. Based on that information, we called on Takata and all the automakers involved with driver-side airbags to recall those vehicles.

Senator KLOBUCHAR. OK.

My last question is about not the humidity issue and expanding to the rest of the United States but the types of cars. And this is an issue for this family. This was a BMW car. And it is my understanding in 2010 they sent a letter; BMW told NHTSA that it was aware of the Takata airbags under Honda's recalls but that Takata had told them that BMW vehicles were not affected.

And so, did NHTSA receive that? And did this happen with other manufacturers, as well, that they just based this on Takata's information?

Mr. FRIEDMAN. I believe that is accurate.

One of the things, frankly, that needs to change and that needs to be more effective is suppliers and automakers need to do a better job of sharing incidents, especially when you have a common supplier.

Senator KLOBUCHAR. Right.

Mr. FRIEDMAN. Right now, all too often, automakers keep their incident data to themselves.

Senator KLOBUCHAR. Can they legally share that information?

Mr. FRIEDMAN. Well, this is one of the things, when I called all 12 automakers to Washington, that I began discussing with them, is we have to figure out a way, without violating antitrust laws, that they can share critical safety information. There should be no barriers——

Senator KLOBUCHAR. I agree.

Mr. FRIEDMAN.—to sharing that critical safety information.

Senator KLOBUCHAR. About suppliers. Yes.

Mr. FRIEDMAN. And we also talked about suppliers. I was talking to them about Takata at the time because, both in the GM case and in the Takata case, part of the concerns here are communications between the auto industry and their suppliers. That has to get better.

Senator KLOBUCHAR. Got it. All right. Maybe that is something we can work on.

Mr. FRIEDMAN. Absolutely.

Senator KLOBUCHAR. Thank you, Mr. Friedman.

Senator NELSON. Senator Markey?

And, by the way, of course your written testimony will be a permanent part of the record.

Mr. FRIEDMAN. Thank you, Mr. Chairman.

[The prepared statement of Mr. Friedman follows:]

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

Mr. Chairman and members of the Committee, 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 evidence of a new defect. 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. These recalls can be broken down into two categories: national recalls, along with their expansions, associated with identified manufacturing defects and the recent 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.

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 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 nationwide. The four deaths in the United States that have been widely reported as attributable to rupturing Takata air bags all involved air bags associated with the national recalls that occurred prior to 2014.

Tragically, in at least some of those cases, 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

[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.

envelope direct mailings. In addition to NHTSA's work, industry 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 defect 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. To our knowledge, there are zero deaths in the United States associated with the 2014 recalls. But our concern for 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 on early, limited information to save lives and prevent injuries. Our additional purpose in pushing for these actions was to obtain more data by testing the replaced air bags to see whether they would 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 during periods of lower humidity. 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.

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 Committee 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. 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.

Senator NELSON. Senator Markey?

Senator MARKEY. Thank you very much.

Mr. Friedman, how can you justify calling for a mandatory nationwide recall of Takata driver-side airbags while continuing to allow a patchwork of voluntary and regional recalls for Takata's passenger-side airbags?

Mr. FRIEDMAN. Senator, two things. First of all, these regional recalls are not voluntary, period. I have in my hand letters, the same letters that each of the car companies are sending to all of the affected consumers that state, "Important Safety Recall Notice." This is from Honda, who, frankly, I was frustrated to hear them even at times calling this a service campaign. This is a recall.

They also very clearly state, "Honda has decided"——

Senator MARKEY. Can I—why are you not making the same recall for passenger-side airbags?

Mr. FRIEDMAN. Senator, that is based on the data.

If we could switch to the chart based on—yes, that test chart.

Because we didn't want to be in a position of waiting for another rupture, we pushed the auto industry and Takata to test airbags, not just in the affected regions but all over the country.

Senator MARKEY. Can I just ask you to do this? Kim Kopf is sitting over here. Her sister died in a passenger-side airbag accident. So what do you tell Kim and her family about her sister and everyone else's sister who is now sitting in that same passenger seat now in vehicles all across the country, given the fact that Kim has lost her sister?

Why are the passenger-side airbags not being recalled? Her sister was driving a Subaru with a Takata airbag in a non-humid state. Why not issue that same recall order as a result for every passenger-side airbag as well?

Mr. FRIEDMAN. Senator—and what I say to you: This is the first I have heard of your accident. Please, get us the details of what happened. I want to know what happened to your sister. It is an

utter tragedy, clearly, what happened to your sister. If we can get information from you on exactly what happened so that we can determine if this was an airbag rupture outside of those regions, you could help other Americans potentially protect themselves if there is data out there.

We will always follow the data. We will always follow the information. That is why we have pushed the automakers to test this.

The challenge that we face, Senator, is, without information—the Safety Act requires us, requires us, to act based on information about unreasonable risk. If I have no information about an unreasonable risk outside those areas, then I am not able to force the automakers to recall outside those areas.

In a situation, especially with a——

Senator MARKEY. Look, you know, honestly——

Mr. FRIEDMAN.—limited airbag supply——

Senator MARKEY. Can I just say this? Her——

Mr. FRIEDMAN.—what you are potentially doing, Senator, if I did a national recall without the data——

Senator MARKEY. Her sister——

Mr. FRIEDMAN.—is putting someone's life at risk in Florida.

Senator MARKEY. Her sister was in Arizona, okay? It goes up to 110, 120 degrees in Arizona in the summer. That car can be driven over to southern California or driven over to Texas. It could be driven to Florida. You don't know what any of these family members are going to be doing. It could be a used car that is sold and just taken to another state.

I mean, it just seems to me that you, as the agency chief, should err on the side of safety, knowing that these vehicles move from state to state. As the chairman said, people are going to Florida from pretty much every state in order to escape the cold in the winter or to visit Disney World. And we know that. And once they hit those conditions, an accident could happen.

And so why don't we just recognize the mobile nature of our society, the danger that each person runs?

And, by the way, I don't accept the fact that there is no risk in really warm weather in Arizona or other states, because we have other states here that are outside the humid area that have had these incidents.

So I just don't know why you don't say to all these families who have already lost people that the least that is going to happen is that no other family members of any other family in America is going to suffer the same fate.

Mr. FRIEDMAN. Senator, that is my solemn goal in doing all of our efforts, is to put safety first. If we have evidence that indicates this should be a national recall, we will do that. Right now——

Senator MARKEY. OK, but——

Mr. FRIEDMAN.—the challenge, Senator, is, what you are asking me to do, without information, is to put someone's life at risk in Florida based on a lack of information elsewhere in a situation where airbag supplies are limited. We are pushing Takata incredibly hard to——

Senator MARKEY. I just, honestly——

Mr. FRIEDMAN.—get more airbags produced.

Senator MARKEY. You heard Takata today. Takata is not even saying they support your recall right now.

Mr. FRIEDMAN. It is ridiculous. It is frustrating. It is unacceptable.

Senator MARKEY. How can you trust a company, Mr. Friedman, who, in answer to my question today about whether or not they support your nationwide recall for driver's side, says they cannot give an affirmative answer to that? That is a frightening answer from a company who is responsible for ensuring that all information about the danger of these airbags is made public.

You should just err on the side of safety, Mr. Friedman.

Mr. FRIEDMAN. Senator, we——

Senator MARKEY. And, finally, if I can, Toyota believes that its passenger-side airbags being driven in some humid states are so dangerous that it told dealers to disable them and warned passengers not to sit in the passenger seats.

Do you think Toyota was right to warn its dealers and vehicle owners in that manner?

Mr. FRIEDMAN. Senator, first, to address one of the previous issues of people in and out of states, first of all, let me be clear. The data indicates that the median time to failure for these airbags is 10 years. If you are coming in and out of these states or you are in them for only a short period of time, the data does not indicate that you are facing the same risk as someone who lives there.

Further, if you look at the information——

Senator MARKEY. Answer the Toyota question before my time runs out.

Mr. FRIEDMAN. Senator, you can drive a vehicle without someone in the passenger seat, but even if you drive a vehicle without someone in the passenger seat, if that airbag ruptures, that driver is in danger. Therefore, disabling an airbag and putting a label on that vehicle saying "Do not put anyone in this passenger seat" is a way to protect the driver from a dangerous airbag.

Senator MARKEY. So you approved Toyota's plan to do that?

Mr. FRIEDMAN. Senator, it is not a question of approval. These are defective parts, and, therefore, they are broken parts.

Senator MARKEY. OK. Well, if you did approve that plan, then why didn't you tell other manufacturers with passenger-side Takata airbags to issue the same warning?

Mr. FRIEDMAN. Senator, as I said, we did not approve this one way or another. These are broken parts, and manufacturers are allowed to disconnect broken parts.

Senator MARKEY. Here is the letter that came from NHTSA to Toyota. This letter serves to acknowledge Toyota Motor Engineering and Manufacturing—it is a notification from the National Highway Traffic Safety Administration of a safety recall which will be conducted pursuant to Federal law for the products listed below. And the product that we are referring to is the airbag that is in discussion.

And it says in your letter that, as an interim measure, the dealer will disable the front passenger airbag and advise the customer not to use the front passenger seat until a replacement inflator is installed.

So that is your letter to Toyota.

Mr. FRIEDMAN. That is accurate, Senator. That is our letter acknowledging——

Senator MARKEY. So, again, if that is the case, then why not have a similar letter go from every other manufacturer to warn people of a potential passenger-side airbag catastrophe?

Mr. FRIEDMAN. Senator, I believe there may be some confusion in the process here. We do not approve remedies. What that letter is is called a "recall acknowledgment letter." That is us acknowledging to them what they told us. That is our way of holding them to the decisions that they have made. It is not our letter telling them what to do. It is simply us acknowledging their steps.

Senator MARKEY. You know, it just kind of says to me that you are seeing yourself as some detached processor of a decision made by a manufacturer of vehicles, Toyota, that has tremendous implications for every other vehicle that has the same kind of Takata airbag, that a catastrophic consequence is possible.

And I don't understand how you can process something like this, agree with it essentially, hold the manufacturer to the implementation of it, and not simultaneously be saying, this is the warning bell going off, that if Toyota believes that this is so dangerous, that the other manufacturers, as well, should have the same responsibility to make sure that those airbags are recalled.

So I just say to you, Mr. Friedman, that, from my perspective, there is a higher responsibility that, as an agency, we have to call you to.

And I thank you, Mr. Chairman.

Senator NELSON. And you will acknowledge, because you heard the testimony today, that each of these automobile manufacturers are handling the recalls in a different way, which is all the more adding confusion. You heard Chrysler say they are not going to start until the middle of December. And you have to have concerns about whether these automakers are responding appropriately.

Mr. FRIEDMAN. I have serious concerns. We have actually had to push Chrysler before in previous cases to accelerate the production of parts, to get notices out to consumers.

After hearing what they said, I don't accept that there is any reason why they should wait to notify consumers about these recalls until they have the parts. Consumers need to know there is a risk in Chrysler vehicles because of these airbags. Consumers need to be aware of that risk.

Senator NELSON. Do you have under law the ability to fine them if they don't respond quickly to replace these defective airbags?

Mr. FRIEDMAN. We have authority under law to require an accelerated remedy. And if we determine that they have tools that they could be putting into place to provide a remedy more quickly than they currently are, yes, we can require them to act.

We are currently in the process of trying to ask and determine that exact question. We have already pushed Takata to increase their production from about 300,000 units a month to about 500,000 units a month.

Senator NELSON. Do you have the legal authority to fine them on a daily basis if, in fact, they are not replacing the airbags?

Mr. FRIEDMAN. If we find that they could be doing more and they are failing to do so, absolutely. We can order them to accelerate the remedy, and if they don't do it, we can fine them.

Senator NELSON. OK. Well, if somebody is driving around in a lethal deathtrap, isn't that enough evidence, without getting their airbag replaced, that you ought to start sticking it to the manufacturers with a severe financial penalty?

Mr. FRIEDMAN. Senator, my understanding of the Safety Act is that it requires us to—before we can do that, that it requires us to be able to demonstrate that they could be doing more than they are.

So we started from the beginning, digging in, trying to understand. We are contacting other suppliers and trying to get them to be able to step up to supply more airbags to these car companies.

Senator NELSON. I don't want to beat up on you, but if you could meet Corey Burdick from central Florida, the father of two little boys, a firefighter, who now has no ability because he does not have an eye as a result of a piece of this shrapnel coming in his eye, then it would seem to me that that would give you the legal authority to whack it to these people to replace those defective airbags.

Senator Blumenthal?

Mr. FRIEDMAN. Senator——

Senator BLUMENTHAL. Thank you.

Mr. Friedman, thanks for being here today. I take your comments about going after the automobile manufacturers and pushing them. I want to ask you about your responsibility.

You have heard the head of Takata say today the maximum they can commit to produce are 300,000 replacement parts a month. Their hope, their hope, is to go to 450,000. They are unwilling to commit to anything more than 300,000 replacement parts a month, which means it will take 3 years. And even if they meet the 450,000 goal, the hope, it will take more than 2 years.

Isn't that unacceptable?

Mr. FRIEDMAN. Absolutely unacceptable.

Senator BLUMENTHAL. And so will you commit to use the power that you have under the Motor Vehicle Safety Act—it is section 30120(c)(iii), as you know—to order that the car manufacturers use replacement parts from other makers of airbags?

Mr. FRIEDMAN. Senator, we will use all of our authority to the full extent——

Senator BLUMENTHAL. I don't want a vague answer.

Mr. FRIEDMAN. Senator——

Senator BLUMENTHAL. I want, really, a "yes" or "no" answer, because this is a pretty clear question. I know that you will use all of your authority to do the right thing in the public interest.

I want to know that you will recommend to the Secretary of Transportation that you will order the automobile manufacturers to use replacement parts, even if it means Takata sharing proprietary information with them, so that Americans are kept safe on the roads for the next 2 to 3 years.

Mr. FRIEDMAN. Senator, if I can determine that that can be done safely, absolutely, I will. Absolutely. I have to——

Senator BLUMENTHAL. How long will it take you to make that determination?

Mr. FRIEDMAN. We are in contact with two different airbag suppliers. We are asking them what their capacity is, what their compatibility is. There may need to be tests involved to ensure, because each airbag is tuned for each car, that they will be safe.

We are hiring an expert in propellants in airbags—we are seeing a contract with an expert in propellants in airbags. We need to get all of these people involved in making sure——

Senator BLUMENTHAL. Well, I understand, you know, your testimony says that you have been in communication with other airbag inflator manufacturers to assess what, if any, capability those companies have to fill the demand for replacement parts.

You have the power to order them to break exclusivity agreements, to share proprietary information. I want to know by when you will finish that determination.

Mr. FRIEDMAN. Senator, I will finish that as soon as we can determine if that is safe. I have to put the safety of those getting these replacement airbags first. I will do so, and we will do so as quickly as humanly possible with the resources Congress has provided us.

Senator BLUMENTHAL. Mr. Friedman, would you agree with me that there is more than sufficient reason to believe that NHTSA was not furnished with enough information by the auto manufacturers about these defective products?

Mr. FRIEDMAN. Senator, I can't prejudge a case, but we have, because of the exact same concerns that you have, we have demanded, under oath, information that will reveal exactly that thing. These are gut-wrenching incidents, and——

Senator BLUMENTHAL. Well, I know you have asked for this information under oath. But, you know, when I was a prosecutor, we had something called "probable cause," which is enough to indict. I recognize you don't have criminal authority. You would agree with me that there is pretty close to probable cause here to believe you weren't given the information you need to protect the public.

Mr. FRIEDMAN. Senator, I am not a lawyer, so I don't know the exact meaning of "probable cause." But what I will say is that I don't trust that Takata has provided us with—we know that Takata has not always provided the auto industry with accurate information of all the lots involved. We know that we haven't always gotten the information that we need.

We are looking into this. I have serious concerns, and we will hold them accountable based on the findings of our investigation.

Senator BLUMENTHAL. So far as the information that is concerned, the maximum penalty now is in the range of $30 million. As you know, Senator Markey and I and Senator Nelson, our Chairman, have proposed the Automaker Accountability Act, which would lift that $35 million cap on penalties—it would eliminate the cap. Would you support that legislation?

Mr. FRIEDMAN. Senator, we will take all the authority you give us and use it to the full——

Senator BLUMENTHAL. Do you support the legislation?

Mr. FRIEDMAN. Senator, we want that raised.

Senator BLUMENTHAL. That is a "yes."

Mr. FRIEDMAN. The Secretary has already asked for it to be raised to $300 million. Me personally, David Friedman, if you give me the authority to do more, I will gladly accept that.

Senator BLUMENTHAL. Well, don't you agree, as the current acting administrator, that $35 million, $300 million, may be inadequate for some cases, as this one, where people have died as a result of failing to report sufficient information?

Mr. FRIEDMAN. There is no doubt that the greater the fines that we can levy on the automakers, the greater power we have to keep them establishing the new normal that we need from them: to always provide us with all the information we need and to quickly act on that information and to never fight us when we provide them with the data, like we are on driver-side airbags, that these recalls need to happen nationwide.

Senator BLUMENTHAL. My time has expired, but I just want to finish by making the request that, by the beginning of next week, you come back to this committee in writing, after consulting with the Secretary, about how quickly you will have a determination as to other companies that can provide these replacement parts and whether you will recommend to the Secretary—in other words, the timeline for finishing that process. And I hope it will be measured in days, not weeks.

I know that the Secretary of Transportation—I have talked to him on a number of occasions—shares our concerns on this committee, very strongly shares concerns about the American public. And I commend him for not only sharing those concerns but also acting to appoint a NHTSA Administrator, which we welcome.

And I would like you to give us a date by which you will make a recommendation as to how replacement parts will be accelerated under 30120(c)(iii) of the Motor Vehicle Safety Act so that Americans can be provided with those replacement parts as quickly as possible.

Because, otherwise, we will be waiting 2 to 3 years—under the most optimistic estimate, 2-plus years; under the more realistic estimate, 3 years—for Americans to be safe on American roads with these airbags in their cars. Because they simply can't be replaced if there aren't the parts to replace them.

Thank you.

Senator NELSON. Mr. Friedman, I agree with you that you don't have the resources that your little agency needs. And I really feel kind of sorry for your successor, who has now been named by the president, because as he goes through the confirmation process, needless to say there are going to be a lot of questions that are going to be asked of him with regard to the conduct of your agency on a going-forward basis.

And just to put this into context, the amount of vehicles with Takata airbags worldwide, Senator Blumenthal, is something like 100 million. In the U.S., the amount of Takata airbags are something like 30 million. So this could be a problem of gargantuan proportions that is going to need the aggressiveness of the Federal regulator to try to protect the public.

And we appreciate the hot seat that you are on. I am going to be visiting with your boss, who is the Secretary of Transportation. I am going to ask him, as I have said earlier, to start socking it

to the folks that are dragging their feet, not answering questions, with the financial penalties that he has under law. And then we will try to change the law so as to eliminate that cap.

I want to thank everybody for participating.

The meeting is—and before I adjourn it, let me say that the record will remain open for 10 days. And all witnesses are expected to answer any and all questions for the record from the members of this committee.

The Committee——

Mr. FRIEDMAN. Mr. Chairman?

Senator NELSON. Yes.

Mr. FRIEDMAN. I apologize. I am wondering if I could just say one more thing to close.

Senator NELSON. Of course.

Mr. FRIEDMAN. NHTSA is an agency of people who wake up every day with nearly 100 reminders of how we need more resources and to work harder to protect the American public, because nearly every day 100 people die on our roads because of drunk driving, distracted driving, and vehicle defects. Each hour, we come to work with over 2,000 reminders of people who are injured, over 2,000 people every hour, of our need for more resources and to continue to improve and act aggressively to save people's lives.

That is what every NHTSA employee and what I do every single day, is dedicate ourselves to protecting the American public. We will work aggressively in this case. I welcome your support. I welcome the added resources that you are looking to provide us. We will act aggressively to protect the American public.

Senator NELSON. Mr. Friedman, we appreciate that, and we appreciate the dedication of the Federal employees who often are not given that appreciation. And on behalf of the Committee, I express that.

We now have a new problem that we are addressing, which is, in effect, a live hand grenade in front of a driver and a passenger in the vehicles that have been enumerated. And it must be addressed, and it must be addressed immediately.

And, with that, thank you. And the meeting is adjourned.

[Whereupon, at 12:47 p.m., the hearing was adjourned.]

APPENDIX

RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. RICHARD BLUMENTHAL TO HIROSHI SHIMIZU

Question 1. USCAR–24 on "Inflator Technical Requirements and Validation" is a specification published by the United States Council for Automotive Research. It outlines testing procedures for the inflator module used in airbags and requires the inflator to undergo a number of tests in a variety of extreme conditions, including high humidity. USCAR represents a collaboration of Chrysler Group LLC, Ford Motor Company, and General Motors.

Mr. Shimizu, does Takata require all of its inflators to pass USCAR–24 specifications? Please describe Takata's understanding of its obligations under USCAR–24.

Answer. Takata does not require all of its inflators to pass USCAR–24 specifications. The USCAR–24 specifications were developed by a private industry council and are not a Federal regulatory requirement. USCAR–24 was published in 2004 and applies only to products delivered to Ford, Chrysler, and General Motors. Other automakers have prescribed their own testing specifications for inflators.

Question 2. Takata has conceded that ammonium nitrate is the main ingredient for the inflator's propellant, but this inexpensive chemical is known to have a tendency to absorb moisture. Therefore, it would be important for any inflator design to make sure the propellant is hermetically sealed.

Mr. Shimizu, you said during the hearing that Takata has taken "a couple steps" to improve the problems the robustness of the product against the humidity. Please provide a more detailed technical description of what changes Takata has made to improve the safety of your inflators. Please provide information on specific changes made to the propellant formula as well as to the design and production of the inflator. For example, what have you done to make sure the propellant's container is better sealed off from moisture?

Answer. Takata has made many improvements in its inflator manufacturing processes and product handling since 2000. These include, among others, improvements in the press technology used to form propellant wafers and tablets in Takata's propellant-manufacturing facility in Moses Lake, Washington, and improvements in plant-wide humidity control measures in Takata's inflator-assembly plant in Monclova, Mexico. The two specific improvements highlighted by Mr. Shimizu were the following:

> First, beginning in September 2001, Takata utilized an "auto-reject" function that can detect and reject propellant wafers with inadequate compression by monitoring the compression load that had been applied. However, for the next year, that function could be turned on and off manually by the machine operator in the plant. No later than September 12, 2002, the machine was modified by the addition of an interlock feature that precluded production of propellant wafers without the auto-reject function in place.
>
> Second, some propellant wafers used in inflators produced at Takata's plant in Monclova, Mexico, between October 4, 2001 and October 31, 2002 may have been exposed to uncontrolled moisture (ambient humidity) conditions. Those wafers could have absorbed moisture beyond the allowable limits. Production processes were revised by November 1, 2002 to assure proper handling and environmental protection of in-process propellant. Additional improvements in humidity control were instituted at Monclova more recently.

With regard to the integrity of the inflator seal, each inflator and production lot undergo testing at the time of production. Every inflator coming off the production line is subjected to a helium leak test to check that the inflator vessel is properly sealed. Takata has improved the method used for the helium leak test to make the test more accurate. In addition, samples of every inflator production lot undergo weld-seam analysis, hydroburst structural testing, and ballistic performance testing.

Moreover, Takata has increased the thickness of the O-ring used in passenger-side inflators to improve the quality of the seal.

Most of the inflators subject to recall use a propellant formulation called "2004," which first went into production in 2000, and the replacement units for most of these inflators also contain the 2004 propellant formulation. Takata has introduced additional lines of propellant, including the "2004L" formulation, which went into production in 2008. Both the 2004 and 2004L propellant formulations use ammonium nitrate as the oxidizer, but the 2004L propellant uses a different fuel (BTA) from the fuel used in the 2004 formulation (BHT). In addition, all inflators using the 2004L propellant, and some inflators using the 2004 propellant, include desiccant in the design.

RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. BILL NELSON TO RICK SCHOSTEK

Loaner/Rental Car Availability

Question 1. You indicated in your testimony that you are providing free access to loaner cars and rental cars to your customers who own vehicles with recalled, defective Takata air bags. Specifically, in your written testimony submitted to the Committee, you stated: "Customers with affected vehicles who desire alternative transportation until their car is fixed have access to loaner cars and rental vehicles—at no cost to the customer—if we experience a situation where a dealer's service capacity or the availability of replacement air bag inflators is insufficient to meet the customer's needs."

Similarly, the Honda website states that: "For customers concerned about the issue of Takata airbags in certain Honda and Acura vehicles, our customer service will make arrangements for, as appropriate, the replacement of airbag inflators and the provision of or reimbursement for temporary alternative transportation."

How does Honda define the terms "access to" and "as appropriate" in the context of offering loaner cars or rental car reimbursement to owners who cannot have defective Takata air bag inflators replaced in a timely manner?

Answer. American Honda uses the terms "access to" and "as appropriate" because dealer vehicle programs can vary and not all customers request the same type of alternate transportation. For instance, not all dealers participate in our loaner car program and therefore, some customers are only offered rental cars. Similarly, some customers may only need a ride to work while their vehicle is repaired. Most dealers offer a shuttle service to address those needs. Honda's policy is to use our best efforts to accommodate a customer who requests a vehicle.

Question 1a. Has Honda issued a specific written policy to dealers to implement these statements?

Answer. Honda's Dealer Operation Manual includes 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 changed 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.

Question 1b. What steps is Honda taking to ensure that the loaner or rental cars offered to consumers are not subject to either the Takata recall, or any other safety related recall?

Answer. The latest model affected by the Takata airbag inflator 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.

Recall Repairs

Question 2. Do you include a provision in the franchise agreements with your dealerships that requires them to perform safety recall repairs prior to offering used cars of your brand/make for sale to consumers?

Answer. 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."

Question 3. Do you include a provision in the franchise agreements with your dealerships that requires them to perform safety recall repairs prior to offering used cars of other brands/makes for sale to consumers?

Answer. No, we do not, as we cannot compel Honda or Acura dealers to complete, nor can we compensate Honda or Acura dealers for completing, safety recalls on other brands/makes. In the automotive industry, compensation to dealers for completion of safety recalls can only be paid by the manufacturer of that brand/make; manufacturers cannot pay warranty or recall compensation to dealers of other brands/makes. Moreover, the genuine OEM parts needed to complete a safety recall can only be sourced from the manufacturer of that brand/make. For these reasons, only a dealer of a particular brand/make can be required to complete, and be compensated for, recall repairs on vehicles of that brand/make.

Question 4. Do you compensate your franchised dealers the same for safety recall repairs as for retail repairs, based on the same hourly rate and the same time allowed for performing the repairs?

Answer. Yes, American Honda compensates dealers for recall repairs in a manner identical to the compensation paid to dealers for warranty repairs. This question asks about two aspects of recall compensation, hourly rate and time allowance.

With regard to the hourly rate 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 a different matter, as in the auto industry, 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.

RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. MARIA CANTWELL TO RICK SCHOSTEK

Increasing the Rate of Repairs

Question 1. When a recall happens, it is rare that 100 percent of affected vehicles end up being repaired. There is a lot we could do to improve that rate—so I'd like to take a minute and talk to the automakers about how you notify vehicle owners.

In addition to posting it on your website, it is my understanding that you use postal mail as the way you inform consumers about recalls.

Well, it's 2014—and so I think it is high time to add e-mail to the list of ways people are notified about a recall from their automaker.

I'm not talking about replacing postal mail notifications, because there are still people who don't use e-mail regularly, but do you think adding an additional electronic recall notification—like an e-mail—would improve repair rates for recalled cars?

Answer. As I indicated in my testimony, Honda has experimented with numerous techniques to increase recall rates, including the use of phone calls, overnight mail, and bilingual letters (English and Spanish), just to name a few. Our experience is that e-mail provides some lift in response rates. With regard to the current safety improvement campaign, Honda has made 93,000 phone calls, mailed 132,000 post cards and sent 152,000 e-mails in addition to the first-class letters we have sent. As discussed below, while e-mail notification can be helpful, we do not always have access to e-mail addresses. In contrast, an owner's address is typically on file with the various departments of motor vehicle registration in the states.

Question 1a. When vehicles are purchased in your showrooms, do your dealers collect the e-mail of the buyer?

Answer. Dealers routinely ask customers for an e-mail address as part of the data collection process at time of purchase. It is not however, mandatory and some customers do not wish to provide it. Moreover, e-mail addresses change, and unlike physical addresses which are on file with state departments of motor vehicles, there is no established mechanism by which they are required to be updated.

Question 1b. Mr. Schostek—you mentioned that in Europe, vehicles are required to have all safety recalls addressed each year when they are registered. This is much like emissions testing requirements that already occur today. What are the impediments to implementing such a requirement in the United States? Mr. Kunselman, can you answer as well?

Answer. There are numerous issues that would need to be considered in pursuing such a proposal. Vehicle registration is an issue that is within the province of state law. While the burden would be on the states to adopt and implement such a proposal, there may be incentives at the Federal level that could encourage a state to adopt a requirement. A requirement that defects be remedied as a condition to registration would probably be easier to implement in a state with an emissions inspection requirement. It appears that about half of the states have regional emissions testing programs in some or all parts of the state. For those that do not, an alternative approach would need to be developed, perhaps tied to a database with the registering authority. Moreover, so that the requirement would not be overly burdensome, the system should be flexible, in order to account for factors such as the availability of parts and how recent the recall campaign was undertaken.

The following is extracted from a report of the Inspector General of the Department of Transportation:

> *High compliance rate for vehicle recalls.* We found that three of the four nations we visited or contacted had a high compliance rate for vehicle recalls. For example, Japan has a recall compliance rate of about 80 percent, Germany 100 percent, and the United Kingdom 92 percent. In contrast, ODI considers a 65 percent recall compliance rate satisfactory. Canada reviews manufacturer recalls on a case-by-case basis and does not calculate an overall compliance rate. Further, Germany and the United Kingdom have laws in place that require the registration of a recalled vehicle with other governments, while the United States does not have a similar law. Through the registration system, the foreign counterparts can identify vehicles that do not meet safety regulation requirements and Germany can declare the vehicles legally inoperable until inspected and repaired according to recall requirements. This vehicle registration requirement may explain the higher compliance rates of ODI's counterparts.[1]

Ensuring Dealers Make Repairs

Question 2. Lieutenant Erdman testified that she had taken her car in to the dealer three times between when they were notified about the recall and when the accident occurred. But she was not told about the recall and nothing was repaired.

As the automaker—and I'd like to get both Honda and Chrysler's perspective on this—what proactive steps are you taking to ensure that doesn't happen again—and your dealers check every single car coming in the door for open recalls?

Answer. As noted in our response Senator Nelson's Question 2 above, our Honda and Acura Dealer Sales and Service Agreement specifically rquires a dealer to "perform any and all warranty campaign, recall, product-improvement or product-update service in compliance with instructions and directives issued by American Honda." The Honda and Acura Service Operations manuals provide additional detail as to how the obligation is to be met. Our field staff met with every dealer earlier this year to review our policy that requires every VIN be checked for open recalls. We have also sent numerous communications to dealers reminding them of our policy, including the most recent during which every Honda and Acura dealer was contacted during the week of November 30 by a member of our field staff.

Question 2a. Do you believe that we need to make it a requirement under law that dealers perform those checks for all open recalls when cars come in their door?

Answer. 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 ask all of our dealers to do. Additionally, as I testified, that all outstanding repairs for recalled vehicles be completed before a vehicle can be registered in a state. This procedure is not unlike the requirement that a vehicle pass emissions testing before it can be registered.

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[1] *Office of Inspector General,* Audit Report, "Process Improvements Are Needed For Identifying and Addressing Vehicle Safety Defects, Rpt. No. MH–2012–001, Oct. 6, 2011, pp. 20–21.

Question 2b. What are the impediments to implementing such a requirement in the United States?

Answer. It is already a Federal requirement that all new recalled vehicles must be repaired prior to sale. Expanding this requirement to include vehicles in use would add a number of complications. For example, as a matter of practicality, it could only apply to dealers who are servicing vehicles that are of the same brand or brands that the dealer sells. Other dealers and independent shops do not perform repairs of recalled vehicles. In addition, there is a need to address a customer's right to refuse the repair.

RESPONSE TO WRITTEN QUESTION SUBMITTED BY HON. CLAIRE MCCASKILL TO RICK SCHOSTEK

Question. You have endorsed a proposal by the Auto Alliance that rental car companies should be prohibited from renting unsafe recalled vehicles only when the manufacturer has issued a "do not drive" warning on the vehicles. Have you issued a "do not drive" warning in connection with recalled Takata airbags? If not, why not?

Answer. Honda generally does not sell its vehicles to fleets and as such, has not taken a position on the legislation prohibiting rental car companies from renting unsafe recalled vehicles. As independent businesses, Honda and Acura dealers may, of course, sell vehicles to fleet owners. Honda is not a member of the Auto Alliance. Honda sends its recall notices to the owner of a vehicle, be it an individual or a fleet, and the notices each receives is identical. Unless all owners are advised not to drive a recalled vehicle, which would be highly unusual, it is up to the owner of the vehicle—not Honda or Acura—to determine whether or not to drive the vehicle until the repair has been performed. There have been no such instructions on the recall notices associated with the Takata–related recall notices. However, we urge owners to have repairs made on recalled vehicles as soon as possible.

RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. RICHARD BLUMENTHAL TO RICK SCHOSTEK

Question 1. USCAR–24 on "Inflator Technical Requirements and Validation" is a specification published by the United States Council for Automotive Research. It outlines testing procedures for the inflator module used in airbags and requires the inflator to undergo a number of tests in a variety of extreme conditions, including high humidity. USCAR represents a collaboration of Chrysler Group LLC, Ford Motor Company, and General Motors.

Mr. Schostek and Mr. Kunselman, do you believe Takata provided prompt and adequate documentation regarding testing completed in accordance with USCAR–24 specifications, throughout the history of your respective company's relationship with Takata? Please describe and provide documentation showing the nature of your communications with Takata and vice versa, on this topic.

Answer. As of the time of this response, Honda is aware that it has specifications for Takata airbag inflators that contain within them testing procedures that Honda understands to be substantially similar to those required by USCAR–24. In addition, Honda understands that airbag inflators used by Honda are also commonly used by U.S. automobile manufacturers who apply USCAR–24. Therefore, airbag inflators used by Honda should have the same performance and satisfy the USCAR–24 standard.

Question 2. National news outlets have reported that numerous cases involving the defect were settled out of court, and that the details of these settlements were sealed.

Mr. Kunselman and Mr. Schostek, did you report these cases to NHTSA under your Transportation Recall Enhancement, Accountability and Documentation (or TREAD) Act obligations?

Answer. Not all of the eligible claims alleging that a death or injury occurred as a result of a defect in a Takata airbag inflator were reported by Honda to the NHTSA as required by the TREAD Act. The audit of Honda's TREAD reporting disclosed that there were 8 such claims that were required to be reported under the requirements of the TREAD Act that were not reported. However, separate from and in excess of the reporting required under the TREAD Act, Honda began providing the NHTSA in September of 2009 with detailed information in its possession regarding each confirmed rupture event. This communication continues today.

Question 2a. Mr. Kunselman and Mr. Schostek, before settling these cases, did you conduct any internal investigations and determine that there was documentation that you did not want to be revealed in discovery?

Answer. Honda did not conduct any investigation prior to settlement of Takata airbag inflator claims that determined that there were documents that Honda did not want to produce in discovery.

Question 2b. Mr. Kunselman and Mr. Schostek, did the terms of the settlements include any prohibition on conveying information to NHTSA or other appropriate authorities? Do you agree that such a prohibition would be contrary to Federal law?

Answer. None of the settlement agreements regarding the Takata airbag inflator prohibited disclosure of the settlement terms if a party to the agreement is compelled to do so by an applicable government process or court order. Honda agrees that private settlement agreements cannot forbid the disclosure to the NHTSA or other appropriate authorities of information that must be provided to the NHTSA or governmental authorities.

RESPONSE TO WRITTEN QUESTION SUBMITTED BY HON. DEB FISCHER TO RICK SCHOSTEK

Question. Mr. Schostek, I received a disturbing message from one of my constituents who is concerned about the lack of information concerning vehicles impacted by these recalls. She has a Honda Pilot that is her family's only four wheel drive vehicle, but she is nervous every time she uses it. She has tried to contact Honda for months to get definitive information about whether or not her car may contain defective airbags, but she has not been able to get an answer. How can I get someone from your company to constructively communicate to my constituent on this matter?

Answer. Thank you for your question following the Senate Commerce full committee hearing on "Examining the Takata Air Bag Recalls and NHTSA's Recall Process," which took place on November 20. As I emphasized during the hearing, the safety and satisfaction of our customers is Honda's highest priority.

Ms. Haddad contacted Honda's Customer Relations with concerns about her 2004 Honda Pilot, which is registered in Nebraska. When Ms. Haddad contacted Honda in early November, her vehicle was not subject to the regional safety improvement campaign being conducted for driver airbag inflators in II states and territories. Since that time, and as Honda announced during the House Energy and Commerce committee hearing on Takata airbag recalls on December 3, Honda has transitioned the regional safety improvement campaign for driver airbag inflators to a national campaign. As such, Ms. Haddad's Pilot is now within the scope of affected vehicles. Honda's Customer Relations department has been in touch with Ms. Haddad to inform her of her vehicle's status. When she visits a Honda dealership for repairs, her driver airbag inflator will be replaced at no cost to her. If there is any delay in repairs or if Ms. Haddad desires alternative transportation while her vehicle is being fixed, Honda dealers have been instructed to provide rental or loaner cars to customers free of charge.

We take our customers' concerns very seriously and endeavor to address them to the best of our ability. If you or your staff has further questions regarding Honda's recall process and policies, please do not hesitate to contact me or Ed Cohen.

RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. BILL NELSON TO SCOTT G. KUNSELMAN

Loaner/Rental Car Availability

Question 1. In your oral testimony, you stated that Chrysler would likely make loaner or rental cars available to consumers who own vehicles with defective Takata air bags whose cars cannot be repaired in a timely manner.

What is Chrysler's specific policy regarding the provision of loaner cars or rental car reimbursement to owners who cannot have defective Takata air bag inflators replaced in a timely manner?

Answer. Chrysler's goal is to have the replacements parts available and quickly service the vehicle. Our policy is to make rental or loaner cars available to customers who need them as we deploy our field action. Customers can contact their dealer or us through our hotline, which is available on each vehicle brand's website, and we will address their needs on a case-by-case basis.

Question 1a. Has Chrysler issued a specific written policy to dealers to implement these statements?

Answer. Yes. On December 12, 2014, Chrysler issued a revised Warranty Bulletin to its dealers, clarifying that dealers have the discretion to provide loaner vehicles to customers affected by a safety recall, including the Takata airbag campaigns.

Question 1b. What steps is Chrysler taking to ensure that the loaner or rental cars offered to consumers are not subject to either the Takata recall, or any other safety related recall?

Answer. It is our understanding that, due to their age, no Chrysler vehicles in the current rental fleet are subject to any Takata inflator recalls. Rental cars are typically returned after 18 months of service and the Chrysler vehicles included in the Takata inflator recalls are 2007 MY or older. Additionally, Chrysler understands that the major rental car companies reached an agreement in 2012 to voluntarily stop renting or selling vehicles subject to a manufacturer recall.

Recall Repairs

Question 2. Do you include a provision in the franchise agreements with your dealerships that requires them to perform safety recall repairs prior to offering used cars of your brand/make for sale to consumers?

Answer. Yes, this requirement is included in Chrysler's Dealer Policy Manual, which is incorporated into Chrysler's franchise agreements by reference.

Question 3. Do you include a provision in the franchise agreements with your dealerships that requires them to perform safety recall repairs prior to offering used cars of other brands/makes for sale to consumers?

Answer. Yes, this requirement is included in Chrysler's Dealer Policy Manual, which is incorporated into Chrysler's franchise agreements by reference.

Question 4. Do you compensate your franchised dealers the same for safety recall repairs as for retail repairs, based on the same hourly rate and the same time allowed for performing the repairs?

Answer. Yes. Prior to the launch of each recall, a time-study is completed to define the required labor to perform the repair. The dealer is compensated for the time defined in the study.

RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. MARIA CANTWELL TO SCOTT G. KUNSELMAN

Increasing the Rate of Repairs

Question 1. When a recall happens, it is rare that 100 percent of affected vehicles end up being repaired. There is a lot we could do to improve that rate—so I'd like to take a minute and talk to the automakers about how you notify vehicle owners.

In addition to posting it on your website, it is my understanding that you use postal mail as the way you inform consumers about recalls.

Well, it's 2014—and so I think it is high time to add e-mail to the list of ways people are notified about a recall from their automaker.

I'm not talking about replacing postal mail notifications, because there are still people who don't use e-mail regularly, but do you think adding an additional electronic recall notification—like an e-mail—would improve repair rates for recalled cars?

Answer. As a normal business practice, Chrysler notifies affected consumers using methods beyond the regulatory requirement. After sending the initial required mailing and follow-ups for undeliverable addresses, Chrysler continues to notify customers every 6 months via first class mail until our completion rate thresholds are met. In cases where completion rates are not progressing at the expected rate, Chrysler may deploy other outreach methods to enhance performance, such as e-mail.

Question 1a. When vehicles are purchased in your showrooms, do your dealers collect the e-mail of the buyer?

Answer. At the time of a purchase, our dealers request a buyer's e-mail.

Question 1b. Mr. Schostek—you mentioned that in Europe, vehicles are required to have all safety recalls addressed each year when they are registered. This is much like emissions testing requirements that already occur today. What are the impediments to implementing such a requirement in the United States? Mr. Kunselman, can you answer as well?

Answer. There are always opportunities to improve the process. While there may be obstacles to implementing this potential requirement, Chrysler would be open to exploring this and other options.

For Industry, Ensuring Dealers Make Repairs

Question 2. Lieutenant Erdman testified that she had taken her car in to the dealer three times between when they were notified about the recall and when the accident occurred. But she was not told about the recall and nothing was repaired.

Question 2a. As the automaker—and I'd like to get both Honda and Chrysler's perspective on this—what proactive steps are you taking to ensure that doesn't happen again—and your dealers check every single car coming in the door for open recalls?

Answer. When customers bring their vehicles to the dealership for service, it is Chrysler's policy to clearly communicate to customers the open recalls that exist on that vehicle. All Chrysler dealers use electronic systems that require the VIN to be entered before any assessment of the vehicle can be completed. This system automatically notifies the dealership staff of open recalls as well as the complete vehicle history for work done in any authorized Chrysler dealership. It is Chrysler's policy that dealers not only communicate information to customers about open recalls, but also make every effort to ensure that the customer's open recall is serviced on site at that time or that the customer schedules an appointment to service the recall before leaving the dealership.

Question 2b. Do you believe that we need to make it a requirement under law that dealers perform those checks for all open recalls when cars come in their door?

Answer. As outlined in *Question 2a,* Chrysler already requires our dealers to perform checks for open recalls when cars come to a dealership.

Question 2c. What are the impediments to implementing such a requirement in the United States?

Answer. As noted, Chrysler has already instituted this practice.

RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. CLAIRE MCCASKILL TO SCOTT G. KUNSELMAN

Question 1. You have endorsed a proposal by the Auto Alliance that rental car companies should be prohibited from renting unsafe recalled vehicles only when the manufacturer has issued a "do not drive" warning on the vehicles. Have you issued a "do not drive" warning in connection with recalled Takata airbags? If not, why not?

Answer. No, Chrysler has not issued a "do not drive" warning because the data to which we have had access does not support such a warning.

Question 2. Ten years ago, Raechel and Jacqueline Houck were killed by a recalled Chrysler 2004 PT Cruiser, after the safety defect caused it to catch on fire. Did your company issue a "do not drive" warning to owners of those vehicles?

Answer. Chrysler did not issue a "do not drive" warning in connection with Chrysler Recall D18 and does not agree that the recall condition caused the Houck vehicle to catch fire.

Question 3. Knowing what happened to Raechel and Jacqueline, do you think that the rental company should have been allowed to rent them that car, without getting the safety recall performed first?

Answer. Chrysler supports requiring that rental car companies ground all vehicles subject to a stop drive recall until they are repaired. For all other recalls, we support requiring that rental car companies ground vehicles until they are repaired, unless the rental car company: (1) provides customers with written notification of any un-remedied defect or noncompliance, including pre-remedy precautions; and (2) receives a written acknowledgement by the customer of receipt of notification.

RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. RICHARD BLUMENTHAL TO SCOTT G, KUNSELMAN

Question 1. USCAR–24 on "Inflator Technical Requirements and Validation" is a specification published by the United States Council for Automotive Research. It outlines testing procedures for the inflator module used in airbags and requires the inflator to undergo a number of tests in a variety of extreme conditions, including high humidity. USCAR represents a collaboration of Chrysler Group LLC, Ford Motor Company, and General Motors.

Mr. Kunselman, please describe Chrysler's involvement, as a member of USCAR, in the development of these specifications.

Answer. Chrysler, Ford and General Motors all contributed to the creation of the USCAR–24 specification (Inflator Technical Requirements and Validation), which

was released in June of 2002. The three companies also contributed to subsequent revisions published in June of 2004 and April of 2012.

Question 1a. Mr. Schostek and Mr. Kunselman, do you believe Takata provided prompt and adequate documentation regarding testing completed in accordance with USCAR–24 specifications, throughout the history of your respective company's relationship with Takata? Please describe and provide documentation showing the nature of your communications with Takata and vice versa, on this topic.

Answer. To the best of my knowledge, Takata has provided prompt and adequate documentation regarding testing completed in accordance with USCAR–24 specifications throughout its relationship with Chrysler. All parts, including each Takata inflator used in a Chrysler vehicle, are documented by the supplier to be production ready. Proof of production ready status is submitted to Chrysler prior to the launch of a new vehicle or prior to the introduction of a substantial modification to an existing production part. Like other manufacturers, Chrysler refers to this practice as the Production Part Approval Process ("PPAP"). It is my understanding that all testing completed under USCAR–24 by Takata was included in its PPAP submission to Chrysler.

Question 2. National news outlets have reported that numerous cases involving the defect were settled out of court, and that the details of these settlements were sealed.

Mr. Kunselman and Mr. Schostek, did you report these cases to NHTSA under your Transportation Recall Enhancement, Accountability and Documentation (or TREAD) Act obligations?

Answer. Yes. Chrysler is aware of only one incident causing injury involving a Chrysler vehicle. Chrysler reported this incident to NHTSA, as required, in the fourth quarter of 2013.

Question 2a. Mr. Kunselman and Mr. Schostek, before settling these cases, did you conduct any internal investigations and determine that there was documentation that you did not want to be revealed in discovery?

Answer. No.

Question 2b. Mr. Kunselman and Mr. Schostek, did the terms of the settlements include any prohibition on conveying information to NHTSA or other appropriate authorities? Do you agree that such a prohibition would be contrary to Federal law?

Answer. My understanding is that a confidential settlement in no way protects a manufacturer from its obligation to report under the Safety Act. I further understand that a prohibition, as posed in your question, would be contrary to Federal law. If a manufacturer uncovers a safety defect in the course of a product liability suit, the manufacturer is obligated under the Safety Act to report that defect to NHTSA and undertake a recall.

RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. RICHARD BLUMENTHAL TO DAVID J. FRIEDMAN

Question 1. USCAR–24 on "Inflator Technical Requirements and Validation" is a specification published by the United States Council for Automotive Research. It outlines testing procedures for the inflator module used in airbags and requires the inflator to undergo a number of tests in a variety of extreme conditions, including high humidity. USCAR represents a collaboration of Chrysler Group LLC, Ford Motor Company, and General Motors.

Mr. Friedman, to what extent is NHTSA involved in the development and acceptance of the USCAR specifications for inflators?

Answer. USCAR–24 is an industry sponsored, industry only effort to establish its own criteria for manufacturing quality and processes when developing and validating parts from the suppliers which support the OEM vehicle manufacturers. There was no government involvement including from NHTSA in developing the USCAR 24–2 specification.

Question 1a. Mr. Friedman, USCAR–24 specifications were last updated in April 2013. Did this update reflect knowledge that NHTSA has had since at least 2008, regarding inflator vulnerabilities in certain environmental conditions such as high humidity?

Answer. USCAR–24 effort remained an industry only group and there was no government involvement, including from NHTSA. The Takata air bag recalls in 2008 were related to manufacturing problems. NHTSA did not have knowledge of the inflator vulnerabilities related to long term exposure to high absolute humidity until early to mid-2014.

Question 1b. Mr. Friedman, now that we know that Takata's propellant can explode violently if exposed to any kind of moisture, what is NHTSA doing to make sure the next revision of USCAR–24 will subject inflators to more stringent requirements and testing?

Answer. This is an industry only group and NHTSA has no expectation of being part of it. However, if NHTSA determines that air bag propellant presents a safety concern that warrants further agency action, the agency will determine whether regulation, additional enforcement, guidelines or a combination of activities would be the proper course of action to pursue.

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