

BY FACSIMILE AND CERTIFIED MAIL

JUL 17 2007

Mr. Michael Kidney
Hogan & Hartson, LLP
Columbia Square
555 Thirteenth Street, NW
Washington, DC 20004

Re: NHTSA Tire Recall No. 07T-003

Dear Mr. Kidney:

Thank you for your letter of July 11, 2007, submitted on behalf of Hangzhou Zhongce Rubber Co. Ltd. (HZR) in connection with the above-captioned matter. We appreciate the willingness you expressed on behalf of HZR to cooperate fully in this matter. The initial information that you provided in your letter and in the July 11 meeting with you and Mr. R. Latane Montague of your firm is helpful and we look forward to reviewing the remaining portion of HZR's pending response to the agency. We understand HZR's view to be that the tires identified in the above recall by Foreign Tire Sales, Inc. (FTS) are not defective and that no recall is necessary with respect to any of the HZR-manufactured tires that were sold to FTS.

As we discussed in our July 11 meeting, the National Highway Traffic Safety Administration (NHTSA) is currently conducting an investigation to determine whether tires substantially similar to those being recalled under NHTSA Tire Recall No. 07-003 were imported by companies other than FTS. We are also obtaining some of the tires identified in Recall No. 07-003 and other tires manufactured by HZR for the purposes of conducting compliance testing under the Federal Motor Vehicle Safety Standards. This testing would not, alone, address whether the tires are defective.

Your letter contains some misperceptions as to what NHTSA's investigation entails. Your letter states your expectation that NHTSA will "assess the validity of" the allegations in the Non-compliance and Defect Information Reports submitted by FTS, "independently investigate FTS's allegations with respect to the durability and quality of the subject tires," and "make an appropriate and accurate determination about whether the subject tires are in fact defective." As we made clear in our July 11 meeting, NHTSA's present investigation will do none of those things.

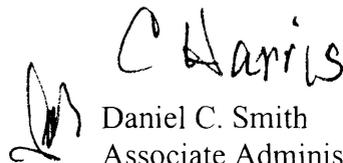
Under the National Traffic and Motor Vehicle Safety Act, as amended (Safety Act), once a manufacturer decides in good faith that a defect related to motor vehicle safety is contained in a piece of motor vehicle equipment, that manufacturer is obligated to issue the required recall

notification. As you know, the Safety Act clearly delineates a manufacturer's responsibility to remedy defective equipment once the manufacturer has made a defect determination. Specifically, 49 U.S.C. § 30120(a)(1)(B) requires a manufacturer of replacement equipment (such as replacement tires) to remedy the defect free of charge. In this case, FTS, which is the manufacturer for purposes of the Safety Act, made such a determination with respect to certain HZR-produced tires.

As the manufacturer for purposes of the Safety Act has already identified a defect in certain HZR-produced tires, the agency has no other independent obligation to determine the presence of a defect. Instead, the Safety Act is clear that a remedy satisfying 49 U.S.C. § 30120(a)(1)(B) must be implemented by FTS. Accordingly, the Safety Act does not contemplate any role for the agency in independently assessing the validity of FTS's defect determination. I am sure your client can appreciate the significant problems that would occur if the agency were required to evaluate and render a determination on every defect determination issued by a manufacturer. Reviews of manufacturer-initiated defect determinations under the Safety Act are typically limited to an examination of the adequacy of the notification and remedy requirements. Our investigative resources are focused on situations where a manufacturer has not yet made a determination that a vehicle or item of equipment is noncompliant or defective.

Should you have any further questions, please do not hesitate to contact Mr. Michael Kido of our Office of Chief Counsel at (202) 366-5263. We look forward to reviewing your client's complete response, which is due on July 31, 2007.

Sincerely,


Daniel C. Smith
Associate Administrator
for Enforcement