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July 11, 2007

Mr. Daniel C. Smith
Associate Administrator for Enforcement
National Highway Traffic Safety Administration
1200 New Jersey Avenue, S.E.
Washington, DC 20590

Re: NHTSA Tire Recall No. 07-003

Dear Mr. Smith:

On behalf of our client Hangzhou Zhongce Rubber Co. Ltd. ("HZR") we are writing to confirm our receipt of the Office of Defects Investigation's July 3, 2007 letter in connection with NHTSA Tire Recall No. 07T-003. Although, as noted in the agency's request, HZR is a foreign corporation residing in China, we want to assure you that HZR looks forward to working actively and cooperatively with NHTSA to provide a complete understanding all of the facts and circumstances surrounding the "Non-compliance [sic] Information Report" submitted by Foreign Tire Sales Inc. ("FTS") on June 11, and the related "Defect Information Report" filed on July 3, 2007 with respect to certain tires manufactured by HZR.

HZR is very concerned about the allegations made by FTS and is actively investigating those allegations. At the outset, it should be made clear that HZR has confirmed that it has no reason to question the compliance certification of these tires made by FTS. HZR confirmed that the light truck radial tires referenced in the FTS defect report met or exceeded all U.S. safety and quality standards during the development of those tires. In addition, HZR has found no reason to believe that its tires are defective or dangerous, and we look forward to providing NHTSA with whatever information it needs to independently confirm that assessment using sound engineering judgment, and a complete factual record.

We understand that the importer of these tires, FTS, has been unable to provide NHTSA with all of the information the agency needs to properly assess the validity of the allegations in the "Non-compliance" and "Defect Information Reports" it submitted. HZR will be pleased to provide that additional information directly to NHTSA. As you know, FTS is not a tire manufacturer or tire designer; FTS is a tire importer and marketer, and predictably does not have the in-house expertise or technical capability of a major international tire manufacturer like HZR, which has been designing and building tires for nearly fifty years, including the subject tires. Moreover, it

appears that the collection and presentation of accurate information related to the subject tires through the U.S. importer may have also been complicated by the fact that FTS is engaged in an unrelated, but perhaps underlying, business dispute with HZR regarding the termination of FTS's previously exclusive right to import certain HZR tires, and other purely commercial matters. FTS filed a law suit against HZR related to this business dispute on June 6, 2007, and a copy of that complaint, which is a matter of public record, is attached for your information and background. For all of these reasons, HZR appreciates that an objective and expert third-party such as NHTSA has decided to independently investigate FTS's allegations with respect to the durability and quality of the subject tires. HZR will fully cooperate with NHTSA in this investigation.

We are actively working to collect the information requested by the Office of Defects Investigation. On July 4, 2007, we sent a team to China to meet directly with HZR to begin collecting the information requested by NHTSA. The process of collection and translation is still ongoing, but due to the considerable amount of misinformation being circulated about these tires, we wanted to provide some general background on HZR, as well as a preliminary overview of the issues of concern to the agency, based on what we have learned so far.

Background on HZR

HZR was founded in 1958, and is one of the oldest, and second largest tire manufacturer in China, with over 12,000 employees. HZR is committed to producing quality products and its quality control process has been internationally certified to ISO90001 and ISO/TS16949 quality standards, among others. HZR manufactures millions of tires of all kinds annually for sale in China and over 120 different countries internationally. HZR takes great pride in its strong reputation for manufacturing safe and reliable products, which has been critical to the success and longevity of HZR. As stated above, HZR has found no reason to believe that the subject tires are defective or unsafe, and is very disturbed by the FTS allegations. HZR has always stood behind its products, and believes that working with the agency in its investigation will be the most expeditious way of confirming the safety and performance of its products.

Basic Overview of Design History of Subject Tires

Through HZR's standard process of continuous product improvement, the subject tires have been built to three different and progressively enhanced design specifications over time.

- *Phase I Design:* The first subject tire design phases included the use of a c-shaped (in section) gum strips which wrapped around the edge of the steel belt on each edge of the belt package. This design phase was tested for durability and compliance and was produced from the beginning of production of the subject tires for FTS in approximately January 2002 until the fourth week of 2004.
- *Phase II Design:* Although the initial tire design performed well in use, production of the Phase I design was inherently complex. The use of the c-shaped wrap-around gum strips make the release of air between the steel belts difficult during production. Accordingly, HZR began examining alternative belt-edge designs to enhance the uniformity of production, and reduce production complexity. During that process, HZR determined

that the steel belts being used in the subject tires were thicker than those used by other manufactures producing peer tires for the same market segment and mileage range. The subject tires use high-strength 1.8 mm thick (2+7 x 0.28mm HT) steel cords in the steel belts, which is thicker than used in most peer tires. In addition, the total thickness of the rubber between the steel belts in the belt package is also thicker than that of the peer tires analyzed (0.740mm). The thicker rubber layer allows for greater inherent belt-to-belt adhesion in the subject tires without reliance on gum strips. Elimination of the gum strip helps eliminate voids in the belts after curing. In addition, HZR completed a tire finite element analysis (FEA) study which determined that the strain energy in the belt edge was essentially the same in both designs with and without the gum strips. HZR analyzed and tested prototype subject tires without the c-shaped wrap around gum strip and found that a superior tire could be produced more consistently. The design testing showed that adhesion between the steel belts and rubber in tear-tests of the subject tires was excellent. Overall, the use of 1.8mm thick (2+7 x 0.28mm HT) steel cords, in combination with a thicker total belt package, was found to create superior belt-to-belt bonding than found in tires that required gum strip wrapping. The thicker and higher tensile strength steel cords also resulted in a tire with increased strength and stiffness in the tire crown. The enhanced rubber bonding, and enhanced crown strength resulted in a tire that did not need gum strips wrapping the belt edge to attain the same or better level of performance and durability. The Phase II design was then tested and compared to the Phase I design. This testing found that the high speed and endurance level for the Phase II design was essentially the same, or superior, for Phase II. In addition, the Phase II design could be produced more consistently with a higher end-of-line acceptance rate and higher level of uniformity and production consistency. The Phase II design was produced from the fifth week of 2004 to the second week of 2006. Approximately 270,000 Phase II design tires were manufactured for the U.S.

- *Phase III Design:* Although the Phase II design has performed well in tests and in-use, the need to certify tires to NHTSA's new FMVSS No.139 required yet another design enhancement. This Phase III design incorporated belt gum wedges between belts and nylon edge strips on the tire shoulder in order for tires in this market segment to meet the new high-speed performance requirements of FMVSS No. 139. Nylon-reinforced shoulders increase the rolling pressure in the shoulders and tend to increase the pressure for relative movement between the steel belts. To address this, a wedge-shaped gum strip (belt wedge) was incorporated between the steel belts of the Phase III design to facilitate use of the nylon edge strips.

Contrary to what has been implied in the media and other submissions to NHTSA, this wedge shaped gum strip is completely different than the c-shaped belt-edge wrapping used in Phase I. The Phase III tire design, which was certified to the latest and most demanding federal standard, and is the highest performing of the three subject designs, does not use the belt-edge-wrapping gum strip that was used in the Phase I design. The Phase III design began phase-in in the third week of January, 2006. All subject tires incorporated the wedge shaped gum strip beginning in the third week in January 2006. The nylon edge strips were incorporated into production of the various tire sizes between the third week in January 2006, and the 21st week of 2006.

The original design and each design enhancement was subjected to durability testing, and was validated for compliance with the applicable U.S. Federal Motor Vehicle Safety Standards before being released for serial production. HZR has never concealed any information about the design history of the subject tires from FTS or any of its U.S. importers. When HZR manufactures tires for other tire manufacturers, those companies are actively involved in establishing and monitoring the design and manufacturing specifications for the tires produced for them. In contrast, when HZR manufactures tires for foreign tire importers, those companies naturally do not have the same technical sophistication or technical resources as an actual tire manufacturer, and are much less involved in the technical aspects of tire design and manufacture of the tires they order, and frequently are simply not interested in the details of the design and manufacturing process. Importers logically tend to rely on HZR's considerable expertise in tire design and manufacture. Tire importers generally specify the desired tire size and load rating, and are primarily focused on the price of the tires they purchase for import and resale. If FTS was unaware of the design history of this tire, it would be due to a failure to seek the information from HZR.

Tires Sold to Other Importers

NHTSA has issued a series of information requests in EQ07-002 to U.S. companies that it believes may have imported light truck tires manufactured by HZR of the same size and design as those alleged by FTS to contain a defect. Those information requests ask if those companies have imported tires of "similar construction" to the tires referenced in FTS's Part 573 submissions. HZR has confirmed that it has sold light truck tires to certain U.S. importers other than FTS. However, all of those U.S. market comparable tires were sold to U.S. importers other than FTS beginning no sooner than April 2006. Production of Phase II tires ended in the second week of January 2006.

Basis For FTS Defect Determination

The factual basis for FTS's defect determination is highly questionable, and unclear at best.

According to FTS's Part 573 submissions, the primary basis appears to be FTS's assumption that a gum strip that was intended to be included in the Phase II tire design was improperly omitted. As explained above, this assumption is incorrect. The Phase II tire design did not include a gum strip per the design for this tire, and the durability of this design was confirmed by durability testing. FTS's Part 573 submissions both indicate that its visual inspections regarding the nature of gum strips used in the subject tires were ultimately "not conclusive" and none of its experts identified the difference between a gum strip belt edge wrapping, and a belt wedge.

FTS also references two different series of tests conducted on tires from the Phase II design period which appear to have produced conflicting results according to FTS. FTS indicates that in August 2006, tires manufactured in 2005 (Phase II design) were subjected to pulley wheel tests conducted at Standard Testing Laboratories. In those tests, FTS reports that "all [Phase II design] tires far exceeded the requirements of FMVSS 119 with the shortest time to failure being 77 hours; well in excess of the Federal Standard of 47 hours (at much lower loads!) . . . This is proof that the tires even without gum strips, far exceeded FMVSS!"

FTS then references vehicle endurance testing it conducted in March 2007 on what appear to be used or old-stock tires manufactured in 2005 (Phase II design). According to FTS, nondestructive laser photographic “shearography analysis revealed belt separations in the tested tires at 20,000 miles; the tests were halted at 25,000 miles.” We have no information on how the mileage was accumulated on these tires, how they were aged, whether they were subjected to road hazards or other factors that would impact tire life and why a decision was made to stop the testing at 25,000 miles before there was externally visible evidence of tread separation. FTS submitted a test report from STL dated May 11, 2007 with its first “Non-compliance Report” which appears to reference the shearography and section analysis of these tires which indicated possible early stage incipient internal separations. There is no indication of the level/size of incipient separation, no information on base-line level of separation, and no information about whether these cracks were actually growing over time. There is no indication of the mileage that had been accumulated on these tires in the test report and no allegation that these tires suffered premature tread detachment or that they would have done so if they had been allowed to accumulate the full recommended tread mileage. FTS also references vehicle endurance testing conducted in 2002 in which the subject tires accumulated at least 40,000 miles with out exhibiting any externally visible separations. It is not clear whether these tires were subjected to shearography examinations or sectioned, and it is not clear whether these tires performed any differently than the tires whose tests were suspended at 25,000 miles based on shearography.

Finally, FTS references a single accident in Pennsylvania involving a van rollover accident which appears to be a primary factor underlying FTS’s report to NHTSA. According to FTS, this van was equipped with three subject tires in the 245/75R16 size that were not the recommended size for this vehicle, and one Michelin tire sized 225/75R16, that was the recommended size. HZR has not had an opportunity to investigate this incident and does not know whether it was caused by tire failure, but if it was, there appear to have been a number of contributing factors to this accident other than tire design. Operating a vehicle with improperly matched tires subjects the tires to significant abnormal stresses, and is a potentially dangerous practice that is not recommended by any tire maker. Using tires that are not properly sized for the vehicle also introduces a host of additional failure modes resulting exclusively from their incompatibility with the vehicle.

FTS’s Part 573 submission appears to be a hybrid document confusing and combining a Non-compliance report, a Defect report, and a partial TREAD Act early warning report under Part 579. At best, these documents indicate a series of incomplete tire investigations, and a series of findings that indicate that an additional investigation of the durability of this tire may be appropriate. We look forward to helping the agency complete this additional investigation and look forward to the agency making an appropriate and accurate determination about whether the subject tires are in fact defective.

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Mr. Daniel C. Smith
National Highway Traffic Safety Administration
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We look forward to working with the agency in this investigation and providing more information from the company in response to ODI's information request on or before July 31, 2007.

Sincerely,

Michael L. Kidney
R. Latane Montague

Michael L. Kidney
R. Latane Montague

cc: Kathleen C. DeMeter
George H. Person