

VOLKSWAGEN

GROUP OF AMERICA

Mr. Frank Borris
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National Highway Traffic Safety Administration
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February 09, 2016 Date

Subject: Takata PSDI-5 and SDI inflators

Dear Mr. Borris,

This letter is in follow up to our meeting on February 1, 2016 regarding the recent filing by Takata of a Defect Information report regarding PSDI-5 and SDI inflators built by Takata from the Start of Production (SOP) January 1, 2003 to August 31, 2014. As you know, the vast majority of the Volkswagen vehicles at issue have installed inflators from Takata's Freiberg, Germany plant, and only one model, the US-Passat, have installed inflators from Takata's Monclova plant beginning with SOP in 2012.

As you know, Volkswagen believes that the Takata Defect Report filed on January 25, 2016 may be overbroad as applied to inflators installed in Volkswagen vehicles. Pursuant to NHTSA's regulations, and at NHTSA's request, Volkswagen has nonetheless submitted a Part 573 report specifying the vehicles in which the inflators identified by Takata have been installed. Volkswagen intends to conduct recall campaigns consistent with those Part 573 reports.

As the agency is aware, various efforts to define with certainty the root cause of the known Takata airbag ruptures are underway. Further testing and analysis may confirm the facts that have led Volkswagen to question the scope of the Takata defect determination. As set forth in our presentation to you, these facts include:

- All known field ruptures to date have occurred in competitor's vehicles with inflators produced in Takata's LaGrange (USA) or Monclova (Mexico) production plants after more than 10 years in service. None have involved inflators produced in Takata's Freiberg (Germany) plant, nor have there been to our knowledge any ruptures in Lot Acceptance or Conformity of Production testing conducted on inflators built in the Freiberg plant.
- The Takata recalls to date have involved an aspect of manufacturing process failures. Specifically, the Takata plants in LaGrange and Monclova lacked proper air conditioning and humidity controls, engaged in only sample testing on weld seams and included manual handling of the inflators. These manufacturing process deficiencies, combined with age and high absolute humidity, appear to have led to ruptures in the field.

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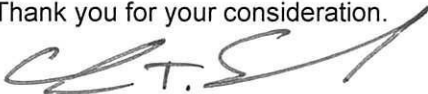
- The manufacturing process deficiencies appear to have been resolved. The LaGrange plant closed in 2005. Improvements were made in Monclova in 2008 (100% weld surveillance) and 2011 (air conditioning improvements with monitoring).
- Our understanding is that Takata's Freiberg plant does not suffer from the same deficiencies. The Freiberg plant has featured air conditioning with appropriate monitoring, 100% weld surveillance, and a high degree of automation. We further understand that the Freiberg plant enjoys more consistent personnel, adding to the stability of the product built there.
- The vast majority of the inflators installed in Volkswagen vehicles were produced in Takata's Freiberg plant. The only exception are the inflators built in Monclova for use in the US-built Passat vehicles. The start of production of those vehicles, however, was with MY2012, after the manufacturing process improvements were made in Monclova.
- Based on statistical data, to date accidents should have caused approximately 280,000 front airbag deployments in Volkswagen AG's worldwide fleet with approx. 22 million SDI/PSDI-5 inflators in service. Among all those airbag deployments, no rupture was ever reported.

Consequential to Takata's defect notification, Volkswagen has filed the requisite Part 573 reports and will move forward with the appropriate recalls based on Takata's determination of a defect, although we do not believe the facts known to date support the scope as defined in the Takata defect notification. To Volkswagen's knowledge, no thorough analyses of the SDI incidents reported in Takata's DIR have been performed. We also believe that further testing and analysis will more formally vindicate the inflators built in the Freiberg plant and those built in Monclova in 2011 and beyond. As such, Volkswagen will conduct an analysis program, specifically starting with old vehicles and Monclova production parts.

We respectfully request that, should such results be shown, the agency work with Volkswagen and other manufacturers to revisit the scope of these recalls.

We appreciate the complexities, concerns and unique circumstances surrounding the Takata recalls. While moving forward with these recalls, we commit to further analysis and evaluation to ensure that the recalls themselves are appropriately aligned to the risk to motor vehicle safety.

Thank you for your consideration.



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