



Mercedes-Benz

Mercedes-Benz USA, LLC

Rolf Scherer
General Manager, Engineering Services

December 11, 2006

SENT BY FAX 202-366-8065 AND CERTIFIED MAIL

Kathleen DeMeter
Director, Office of Defects Investigation
National Highway Traffic Safety Administration
400 Seventh Street, S.W.
Washington, D.C. 20590

Re: Safety Recalls 06V-028; Recall of Mercedes-Benz S and CL-Class (220/215) Instrument Cluster and 05V-505; Recall of Mercedes-Benz SLK (170) Tail Lamp.

Dear Ms. DeMeter:

This letter responds to your letter dated November 20, 2006, requesting additional information on voluntary safety recalls 06V-028 and 05V-505 pursuant to 49 C.F.R. § 573.14(c). For each recall, we have provided a brief written response to each of your information requests below. As explained below, it is clear that acceleration of the recalls cannot "be reasonably achieved by expanding the sources of replacement parts, expanding the number of authorized repair facilities, or both" and that any such acceleration, even if feasible, would not reasonably reduce risks to safety. In short, for the reasons set forth below, an accelerated remedy program would not be appropriate in either case under the three criteria set forth under 49 C.F.R. § 573.14(b)(1-3).

If you find that the information below is insufficient to confirm that an accelerated remedy program is not appropriate under these circumstances, Mercedes-Benz USA, LLC ("MBUSA") and its parent company DaimlerChrysler AG ("DCAG") (collectively "Mercedes") would like to schedule a meeting with you to discuss this further before a final determination is made.

Our initial written responses to your requests are set forth below under separate headings for each campaign.



Safety Recall 06V-028 – Mercedes-Benz S and CL-Class (220/215) Instrument Clusters

1. Separately, for safety recalls 05V-505 and 06V-028, identify and explain in detail each parts, labor, supply, production capacity, logistical problem, or other issue or limitation that has prevented Mercedes from completing the safety campaigns to date.

The instrument cluster units needed for this recall are not standard replacement parts. These units are a part that was designed specifically and exclusively for the Mercedes-Benz model year 2000-2006 S and CL vehicles (models 220 and 215) and are not used in any other vehicle produced by Mercedes or any other manufacturer. Moreover, these parts are not produced internally by DCAG.

In July 2006, production of model 220/215 ceased, and production of the completely new model year 2007 S and CL class vehicles (models 221 and 216) began. The supplier switched over to full serial production of model 221/216 instrument clusters several months earlier. This shift in production resources severely limited the production capacity for replacement instrument clusters for the model 220/215. The majority of production toolings and assembly lines for model 220/215 were either dismantled, destroyed, or permanently reconfigured for other purposes. In addition to these constraints at the supplier level, certain sub-components for the model 220/215, such as display modules and fluorescent tubes were also unique to the model 220/215 instrument cluster, and there were significant delays encountered by our suppliers in getting these components from their sub-suppliers in the required quantities, due to the termination of model 220/215 production.

In addition, collection of the required replacement parts experienced unexpected post-production logistical problems that further delayed implementation of this recall. Specifically, the parts supplier changed the packaging for spare parts by eliminating a protective shipping cover for the transparent display panel. After replacement parts were shipped to the United States, it was discovered that many of the parts packaged in this way had been damaged with scratches to the transparent display panel. This created two sources of additional delay: first, the supply of parts was reduced because many of the replacement parts were no longer useable; and second, the entire replacement parts supply was quarantined for inspection, sorting, repairs where feasible, and then re-packaging and distribution to dealers.

2. Separately, for safety recalls 05V-505 and 06V-028, identify and explain in detail each parts, labor, supply, production capacity, logistical problem, or other issue or limitation that will prevent Mercedes from completing the owner notification aspects of these campaigns before the timelines given in your October 24, 2006 correspondence. Address in this explanation the feasibility of increasing the supply of the replacement parts needed for each campaign by, for example, increasing the number,

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work hours, or efficiency of those production lines needed to produce the replacement equipment necessary to remedy the defects; retaining additional suppliers; encouraging increased production for current supplier(s); and/or reallocating lines being used for producing parts for new Mercedes vehicles.

From the beginning of both recalls, Mercedes has worked to implement the recalls as quickly as possible in the interests of both safety, and Mercedes-Benz customer satisfaction. In spite of the supply and logistics issues discussed above, Mercedes has now obtained all the parts needed for notification of the standard S and CL-Class owners, and there is no reason for "increasing the supply of replacement parts" as suggested by this question.

As a result of Mercedes' ongoing efforts to increase the replacement parts supply, MBUSA will be able to accelerate all owner notifications ahead of what was projected in our October 24, 2006 Part 573 update. A second revised Part 573 update is attached with the updated information and is being submitted simultaneously to the Associate Administrator for Safety Assurance as a Part 573 update. In short, this second revised Part 573 explains that all remaining owner notices will be sent out in the month of December, rather than completing only Phase II in December and Phase III in February as originally projected. Thus, by the end of December, all 29,579 standard S and CL owners will have received a final recall notice. In addition, the 800 model 220/215 AMG vehicle notices are now expected to be sent out in January, rather than February as previously projected.

3. Separately, for safety recalls 05V-505 and 06V-028, identify the supplier(s) of the parts necessary to remedy the defective vehicles by name, address, phone number, and point of contact. To the extent there are additional suppliers that Mercedes may not have presently retained to supply those parts, but who have the ability to supply those parts, even at an expense higher than what Mercedes would prefer, please identify those suppliers by name, address, phone number, and point of contact.

The parts needed for this recall are being supplied by Robert Bosch GmbH, and the point of contact is:

Mr. Christoph Wache
Department: CM-DI/ECC
Daimlerstr. 6, 71229 Leonberg
Tel. +49 711 811 37454

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4. Provide any rationale Mercedes presently may have for not providing an immediate notification to all owners of the vehicles involved in safety recall campaigns 05V-505 and 06V-028 of the presence of the safety defect in their vehicles, but explaining that their free remedy is delayed and specifying the expected date(s) for a free remedy.

Given the current schedule for owner notification there is no need for any additional interim notification. Notification for all standard vehicles will be completed in several weeks, and AMG version notices will be issued in about a month. Developing an interim notification would delay completing the final notification and would only precede the final notification by a few days, if at all. Moreover, as discussed with ODI's Vehicle Integrity Division, MBUSA has already sent a notice to all model 220/215 owners that MBUSA had extended the warranty on their instrument clusters from 4 years/50,000 miles to 10 years/unlimited mileage. This notification was sent out on November 17, 2006.

5. If Mercedes believes it may be capable of accelerating the remedy program for either safety recall campaigns 05V-505 and 06V-028, please provide the details of that action.

For the reasons provided above, it is not possible to accelerate the remedy program for this recall beyond what is set forth in the attached updated Part 573 notice, and there is no reason to increase the number or timing of customer notices beyond what is described in the attached updated Part 573.

Safety Recall 05V-505 – Mercedes-Benz SLK (170) Tail Lamp

1. Separately, for safety recalls 05V-505 and 06V-028, identify and explain in detail each parts, labor, supply, production capacity, logistical problem, or other issue or limitation that has prevented Mercedes from completing the safety campaigns to date.

The replacement part for this recall is an entirely redesigned rear lamp module, not a commonly available replacement part like a new light-bulb. The tail-lamp module includes both the internal bulb socket and the exterior lens. The modules were designed specifically and exclusively for the Mercedes-Benz model year 1998-2004 SLK (model 170) and are not used in any other vehicle produced by Mercedes or any other manufacturer, and come from a single supplier. In fact, there are two lamp module designs that are being replaced, one for the model 170 built in model years 1998 through 2000, and a second module design that fits the post-face lift trim of model 170 built for model years 2001 through 2004. Moreover, these parts are not produced internally by DaimlerChrysler, but are produced by an independent part supplier.

As explained in the original Part 573, implementation of this recall required a complete redesign of the original tail-lamp module. The redesign included both an improved lamp holder mounting design, and the use of a new plastic material in the surrounding tail-lamp lenses that is more heat resistant. Both of these design improvements had to be incorporated into a lamp housing module that would fit on both trim versions of the model 170. This redesign effort was begun immediately after making the original defect determination in October of 2005, but took several months to complete the redesign and design validation process, and part production could not be started immediately.

After completing the redesign and design validation process, a sufficient supply of the replacement parts had to be generated. This recall requires the production of the equivalent of two full years of serial production for these parts, in parallel with the production of parts and replacement parts for other vehicles.

Manufacture of an adequate replacement parts supply has been significantly impaired by the fact that these vehicles and their components, including the tail lamp modules have been out of serial production by any supplier for over six years in some cases. Specifically, the original pre-facelift model 170 went out of serial production in July 2000, and serial production of its tail lamps was stopped several months prior to the end of vehicle production. The post-facelift model 170 went out of serial production in July of 2004, and serial production of those tail lamps was discontinued several months prior to the end of vehicle production.

When these models were discontinued, related production equipment and resources at both the supplier and various sub-suppliers, including lamp module production toolings and assembly lines were converted to production of other vehicles and components. When the defect determination was made the serial production of the even the newest tail lamp modules had been out of

production for over a year and nearly all of the production lines for this part had been dismantled or permanently re-configured for other purposes. In addition, production delays were also encountered due to technical problems with sub-suppliers related to the metallization and multicolor injection molding processes for the lens portion of the module.

Moreover, because the recall population covers two different trimlines of the SLK, Mercedes has been required to produce and stock two different versions of the replacement part for pre-face lift and post-facelift versions of the model 170.

In spite of these obstacles, Mercedes' supplier is now producing replacement parts over 50% faster than the rate of production that was achieved during the original serial production for the first generation of tail lamps. Originally, serial production averaged approximately 800 lamp sets per week. Today, the part supplier has pushed its production rate to 1,250 replacement lamps sets per week by adding a separate production line dedicated exclusively to replacement lamp production.

2. Separately, for safety recalls 05V-505 and 06V-028, identify and explain in detail each parts, labor, supply, production capacity, logistical problem, or other issue or limitation that will prevent Mercedes from completing the owner notification aspects of these campaigns before the timelines given in your October 24, 2006 correspondence. Address in this explanation the feasibility of increasing the supply of the replacement parts needed for each campaign by, for example, increasing the number, work hours, or efficiency of those production lines needed to produce the replacement equipment necessary to remedy the defects; retaining additional suppliers; encouraging increased production for current supplier(s); and/or reallocating lines being used for producing parts for new Mercedes vehicles.

From the beginning of both recalls, Mercedes has worked to implement the recalls as quickly as possible in the interest of both safety and Mercedes-Benz customer satisfaction. In spite of the design and production issues discussed above, Mercedes has now obtained all the parts needed for notification of the affected pre-face lift vehicle owners, and there is no reason for increasing the supply of these replacement parts as suggested by this question. The owner notifications for these vehicles will be completed in January. All available manufacturing resources at the current supplier are now focused on production of the post-facelift replacement parts and Phase I of the owner notification process is still scheduled for February, 2007. Mercedes has continued to press the supplier for additional production efficiencies, and hopes to be able to provide an accelerated notification schedule to the Agency shortly which we hope will move the final phase of owner notification process up two months from August to June. As soon as any enhanced production and distribution schedules can be verified, MBUSA will provide the Agency with an updated Part 573.

There is currently no other known supplier of these lamps. Obtaining additional parts from a second supplier would take a contracting and production development period of a year or more and would do nothing to accelerate the implementation of this remedy which should be completed in approximately six months. This remedy, using the existing supplier, will be completed well before a second supplier could be brought on-line.

3. Separately, for safety recalls 05V-505 and 06V-028, identify the supplier(s) of the parts necessary to remedy the defective vehicles by name, address, phone number, and point of contact. To the extent there are additional suppliers that Mercedes may not have presently retained to supply those parts, but who have the ability to supply those parts, even at an expense higher than what Mercedes would prefer, please identify those suppliers by name, address, phone number, and point of contact.

The parts needed for this recall are being supplied by Schffenacker Vision Systems Germany GmbH, and the point of contact is:

Frank Simon
Alfred-Schefenacker-Straße 1
71409 Schwaikheim
+49 (0) 7195 / 581-1460

4. Provide any rationale Mercedes presently may have for not providing an immediate notification to all owners of the vehicles involved in safety recall campaigns 05V-505 and 06V-028 of the presence of the safety defect in their vehicles, but explaining that their free remedy is delayed and specifying the expected date(s) for a free remedy.

There is no reason for Mercedes to provide any additional customer notices to supplement the notices outlined in the October 24, 2006 supplemental Part 573. As explained, final notification to all pre-face lift vehicle owners will be completed in less than two months, by the end of January, 2007. This notification timing will coincide with parts availability and which is critical to maximizing the recall completion rate.

In addition, Mercedes has already provided a supplemental interim notification to all the owners of the post-face lift vehicles. This mailing was completed in November 2006, and alerted those owners to the presence of a safety defect, and explained that a remedy without charge was available immediately if they experienced a tail-lamp failure. This interim notice also explained that a second notice of the availability of a permanent remedy with the re-designed tail-lamp would be issued later in 2007.¹ Thus, by the end of January all owners of affected vehicles will have received a defect notification from MBUSA, even owners of the post-facelift vehicles that will not be proactively repaired until later in 2007. Accordingly, there would be no purpose to yet another supplemental notice.

¹ NHTSA's November 20, 2006 information request letter states that the interim repairs for post-face lift vehicle owners, would be made with "an older lamp design that does not match the current design on their vehicles." This is not correct. Post-face lift vehicles will be repaired with either the new more robust tail-lamp design if they are available as replacement parts in dealer stock at the time of the repair, or at a minimum with a new part that is identical to the original tail-lamp module design for those vehicles. Both replacement parts will "match the current design on their vehicle."

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As explained in the original Part 573, there were, and to date have been no claims made to MBUSA regarding any accidents, injuries, or property damage associated with this condition. In most cases, only one of the two tail-lamps will fail, prompting a replacement. Even in a case where both tail-lamps fail simultaneously, which is unlikely, the central high-mounted brake light remains fully operational and is not affected in any way by tail lamp failures.

5. If Mercedes believes it may be capable of accelerating the remedy program for either safety recall campaigns 05V-505 and 06V-028, please provide the details of that action.

As explained above, it is not possible to accelerate the remedy program for this recall beyond what is already planned. Even if an additional parts supplier was found, they would not be able to produce the first replacement part until long after this recall is fully implemented with the existing parts supplier.

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If you or your staff has any questions, please feel free to contact Gary Bowne at (201) 573-2719.

Sincerely,



for
Rolf Scherer
General Manager,
Engineering Services

cc: George Person
Thomas Z. Cooper