

BMW Group

October 9, 2006

RECEIVED

2006 OCT 18 P 10:22

Mr. Daniel Smith
Associate Administrator for Enforcement
National Highway Traffic Safety Administration
400 Seventh Street, S.W.
Washington, DC 20590

06V-399
(6 pages)

**Re: Recall Campaign – Final-Drive Assembly Leak
2007 BMW R1200 S / 2006 BMW R1200 HP2**

Dear Mr. Smith:

This notice is sent to you in accordance with the requirements of the National Traffic and Motor Vehicle Safety Act of 1966 and 49 CFR Part 573.

Pursuant to Section 573.6(c) of the above, we submit the following information.

1. Manufacturer: Bayerische Motoren Werke AG (BMW AG)
Designated Agent: BMW of North America, LLC
Woodcliff Lake, New Jersey 07677
2. Make: BMW
Model Year / Model: 2007 / R1200 S, 2006 / R1200 HP2
Inclusive Dates of Manufacture: R1200 S (Apr 2006 – Aug 2006)
R1200 HP2 (Aug 2005 – Aug 2006)
3. The number of motorcycles containing the defect is approximately 700 total, 340 R1200 S, and 360 R1200 HP2, models.
4. The percentage of motorcycles estimated to actually contain the defect is 40%.
5. The defect involves an O-ring seal in the final-drive assembly. The specific O-ring is located at the bore for the speed sensor in the housing cover of the final-drive assembly. During motorcycle assembly, an insufficient force may have been applied to the O-ring. Because of this, a leak may occur at the location of this O-ring. Due to the proximity of the speed sensor to the rear brake disc, if a leak were to occur, it is possible that oil could contact the rear brake disc.
6. BMW became aware of this matter as a result of a limited number of non-US field reports which indicated that there was evidence of fluid leakage in the final drive assembly. Subsequent investigations and analyses resulted in a determination of the specific defect and the range of potentially affected motorcycles.

BMW has not received, nor is BMW otherwise aware, of any accidents or injuries related to this issue.

Company
BMW of North America, LLC

BMW Group Company

Mailing address
PO Box 1227
Westwood, NJ
07675-1227

Office address
300 Chestnut Ridge Road
Woodcliff Lake, NJ
07677-7731

Telephone
(201) 307-4000

Fax
(201) 782-0764

Website
bmwusa.com



7. Not applicable.
8. BMW will conduct a recall campaign to remedy the affected motorcycles. A new O-ring will be installed on all affected motorcycles.

BMW expects to begin and complete dealer and owner notification in Nov 2006.
9. Not applicable.
10. A copy of the Service Bulletin will be submitted when available.
11. A draft copy of the owner notification letter is attached.
12. Not applicable.

Sincerely,

A handwritten signature in black ink, appearing to read "Thomas C. Baloga". The signature is fluid and cursive, with the first name "Thomas" being more prominent and the last name "Baloga" following in a similar style.

Thomas C. Baloga
General Manager
Safety Engineering and Intelligent Transportation Systems

Attachment

TREAD ACT CUSTOMER REIMBURSEMENT PLAN
(BMW of North America, LLC)

Customer Reimbursement for Safety Related Recall Repairs
Effective with Safety related recalls initiated January 15, 2003

The customer is encouraged to request reimbursement from their authorized BMW motorcycle retailer. Alternatively, the customer may submit the request for reimbursement to the following address:

Customer Relations and Services Department
BMW of North America, LLC
P.O. Box 1227
Westwood, NJ 07675-1227

In all cases:

- Repair expenses pertaining to the subject of the safety recall are reimbursable, not consequential expenses such as towing, rental, accommodations, damage repairs, etc.
- Expenses from repair facilities outside of the BMW motorcycle retailer network will be considered; however, the procedure must meet BMW standards and use BMW Genuine Parts.
- When BMW Genuine Parts are used, the Manufacturers Suggested Retail Price (MSRP) will be considered as the guideline for reasonable charges.
- Expenses for repairs performed more than 10 days after the date of the last owner notification letter sent by BMW are not eligible for reimbursement.
- Taxes and hazardous waste disposal, where previously paid, are eligible for reimbursement.
- BMW will not reimburse for prior repairs that did not utilize BMW Genuine Parts.

The authorized BMW motorcycle retailer will request a copy of the owner notification letter, as well as, a copy of the owner's previously paid invoice, and then inspect the vehicle (if still in the possession of the invoice holder) to determine the scope and quality of the previous repair. Claims shall be processed within 60 days of receipt.

DRAFT

Nov 2006

Motorcycle Recall Campaign No. 06V-xxx, R1200 S / R1200 HP2, Final-Drive Assembly Leak

Dear BMW Motorcycle Owner:

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

BMW AG has decided that a defect which relates to motor vehicle safety exists in certain 2007 BMW R1200 S and 2006 BMW R1200 HP2 motorcycles. Our records indicate that you are the owner of a potentially affected motorcycle.

We sincerely apologize for any inconvenience this may cause you.

Description of Defect

The defect involves an O-ring seal in the final-drive assembly. During motorcycle assembly, this O-ring may not have been installed correctly. Because of this, a leak may occur at the location of this O-ring which is near the rear brake disc. If a leak were to occur, oil could come into contact with the rear brake disc.

You may continue to ride your motorcycle; however, you must have the problem corrected promptly. Failure to observe the following precautions, in conjunction with traffic and road conditions, and the rider's reactions, could increase the risk of a crash.

Precautions

- 1. Contact your Authorized BMW motorcycle dealer immediately to have the necessary repair performed as soon as possible.**
- 2. Should you need BMW Motorcycle Roadside Assistance, they can be reached at 1-877-680-2176.**
- 3. If you are not the only rider of this motorcycle, please advise all other riders of this important information.**

Description of Repair

The repair will consist of installing a new O-ring.

The actual repair may take up to one hour; however, additional time may be required depending upon the BMW motorcycle dealer's scheduling and processing. This work will be performed free of charge by your Authorized BMW motorcycle dealer.

Other Information

If you are no longer the owner of this motorcycle, we would appreciate you furnishing us with the name and address of the new owner using the enclosed postage-paid card.

If you are a lessor of this motorcycle, Federal Regulations require you to forward this notice to your lessee.

If you have already had this repair performed at your own expense, please see the attachment regarding possible eligibility for reimbursement.

Again, we sincerely apologize for any inconvenience this may cause you.

Should you have any questions about this campaign, please contact your Authorized BMW motorcycle dealer.

We appreciate your confidence in our product, and we wish to do everything we can to retain your confidence. Should you need additional assistance, you may contact BMW Customer Relations and Services by telephone at 1-800-831-1117, or by email at CustomerService@bmwmotorcycles.com

If the BMW motorcycle dealer is unable to remedy the defect without charge or within a reasonable period of time, you may notify the Administrator, National Highway Traffic Safety Administration, 400 Seventh Street S.W., Washington, DC 20590, call the toll-free Vehicle Safety Hotline at 1-888-327-4236 (TTY: 1-800-424-9153), or go to <http://www.safercar.gov>.

BMW OF NORTH AMERICA, LLC

TREAD ACT CUSTOMER REIMBURSEMENT PLAN
(BMW of North America, LLC)

If you have paid for the repair described in the attached letter, and you would like to be considered for reimbursement, please contact your authorized BMW motorcycle retailer. Expenses from repair facilities outside of the BMW motorcycle retailer network will be considered; however, the procedure must meet BMW standards and use BMW Genuine Parts.

Your authorized BMW motorcycle retailer will request a copy of your owner notification letter, as well as, a copy of your previously paid invoice, and then inspect the vehicle (if it is still in your possession) prior to submitting a claim on your behalf to BMW of North America, LLC for reimbursement.

Please note the following:

- Only a repair that is the subject of this safety recall is reimbursable. Consequential expenses such as towing, rental, accommodations, damage repairs, etc will not be reimbursed.
- When BMW Genuine Parts are used, the Manufacturers Suggested Retail Price (MSRP) will be considered as the guideline for reasonable charges.
- Expenses for repairs performed more than 10 days after the date of the last owner notification letter sent by BMW are not eligible for reimbursement.
- Taxes and hazardous waste disposal, where previously paid, are eligible for reimbursement.
- BMW will not reimburse for prior repairs that did not utilize BMW Genuine Parts.

We anticipate that your authorized BMW motorcycle retailer will be able to answer any questions that you may have regarding your qualifications for reimbursement of a previous repair. If you qualify for such a reimbursement, they will also be able to advise you of the manner in which you could receive reimbursement.

We recommend that your authorized BMW motorcycle retailer be your primary contact on this issue; however, our Customer Relations and Services Department may be contacted at 1-800-831-1117 for any special assistance that you may require.

Alternatively, you may submit your request for reimbursement to the following address:

Customer Relations and Services Department
BMW of North America, LLC
P.O. Box 1227
Westwood, NJ 07675-1227