

Preliminary Statement

On April 30, 2009 Chrysler LLC, the entity that manufactured and sold the vehicles that are the subject of this Information Request, filed a voluntary petition for relief under Chapter 11 of Title 11 of the United States Bankruptcy Code.

On June 10, 2009, Chrysler LLC sold substantially all of its assets to a newly formed company now known as Chrysler Group LLC. Pursuant to the sales transaction, Chrysler Group LLC assumed responsibility for safety recalls pursuant to 49 U.S.C. Chapter 301 for vehicles that were manufactured and sold by Chrysler LLC prior to the June 10, 2009 asset sale.

On June 11, 2009, Chrysler LLC changed its name to Old Carco LLC. The assets of Old Carco LLC that were not purchased by Chrysler Group LLC, as well as the liabilities of Old Carco LLC that were not assumed, remain under the jurisdiction of the United States Bankruptcy Court – Southern District of New York (*In re Old Carco LLC, et al.*, Case No. 09-50002).

Introduction

Chrysler is providing responses to the questions contained in NHTSA's Special Order issued on July 2, 2014 in connection with its review of Chrysler's schedule for conducting Recall 13V-252.

Due to concerns raised by NHTSA about the pace of that schedule, Chrysler undertook a review of the capabilities of its hitch supplier, Northern Stamping Inc. (NSI), as well as the capabilities of [REDACTED] competitor suppliers, to determine whether the pace of hitch production could be increased. Hitch production requires specialized robotic capabilities, each group of which is called a "cell." Chrysler learned that another vehicle manufacturer recently released two cells of robotic capability at NSI, and NSI was able to offer that capacity to Chrysler for hitch manufacturing. Chrysler acquired those cells and another two cells, and, as a result, there is production capacity available to build Chrysler's estimated need of hitches by March 21, 2015.

- 1. Separately for each model and model year vehicle provide Chrysler's count of vehicles currently registered for use on the public roads of the various states and territories of the United States.**

Model Year	Jeep Liberty (KJ)
2002	163,225
2003	147,495
2004	149,170
2005	152,605
2006	133,794
2007	82,997

Model Year	Jeep Grand Cherokee (ZJ)
1993	55,924
1994	75,388
1995	113,056
1996	134,378
1997	141,141
1998	154,085

The above data does not represent the quantity of owner recall notification mailings. The number of owners that will be mailed a recall letter is found in the answer to Question 2. Chrysler worked with Experian Automotive to estimate the number of Jeep Liberty and Jeep Grand Cherokee vehicles actively driving on the roads today.

- 2. Separately for each model and model year vehicle provide Chrysler's count of owner notification letters that Chrysler will send owners pursuant to 49 CFR Part 577 and its schedule for mailing these letters.**

Model Year	Jeep Liberty (KJ)
2002	206,124
2003	176,170
2004	172,067
2005	172,038
2006	145,772
2007	89,998

Model Year	Jeep Grand Cherokee (ZJ)
1993	213,484
1994	218,499
1995	255,853
1996	274,646
1997	254,112
1998	245,662

The above data represents the estimated number of owner recall notification letter mailings, not an estimate of the number of vehicles currently driving on the roads within the United States. The owner recall letter mailing requirement is to mail a recall notice to the current registered owner or the last known registered owner if a current owner is not identified. Given the age of the subject vehicles, many are likely to have been taken out of active driving service, but both the current owners and the last known registered owners will still receive notification of the recall campaigns. Chrysler worked with Experian Automotive to estimate the number of Jeep Liberty and Jeep Grand Cherokee owners that will receive a recall notification letter.

3. Separately for each model provide Chrysler’s analysis of the anticipated recall remedy completion rate including, but not limited to:

a. Any and all financial projections and/or financial reserves associated with completion of recall 13V-252.

The overall, worldwide, financial projection for the 1993 – 1998 Jeep Grand Cherokee (N45), the 2002 – 2007 Jeep Liberty (N46) and the 1999 – 2004 Jeep Grand Cherokee (N47) rear structural enhancement campaigns is approximately \$151 million.

b. Any and all analyses of the projected owner demand for the remedy.

N45/N46 Hitch Volume Analysis	KJ	ZJ
USA VIN Count	973,875	1,493,177
USA Mailing Count	971,226	1,305,307
Active Vehicle Count (assume 87.5% (KJ), 50% (ZJ) of vehicles)	852,140	746,588
non-OEM Hitch Count (85% (KJ) and 72% (ZJ) of vehicles w/o OEM hitch)	724,319	537,543
Estimated recall completion rate in 24 months *	80%	50%
Estimated recall completion quantity in 24 months *	579,455	268,772

* Chrysler does have capacity to complete the hitch campaigns by March 2016, even if all owners receiving a recall notification letter elect to have the remedy applied to their vehicle. Although, based on Experian Automotive data and previous field campaigns, Chrysler anticipates having the capacity to complete the estimated recall completion quantity by March 2015.

The above chart references the analysis conducted to project the number of owners requesting the hitch assembly installation. As discussed in the introduction, Chrysler now anticipates having enough production capacity to produce the estimated recall completion quantity for the Jeep Liberty campaign on February 19, 2015 and the Jeep Grand Cherokee campaign

on March 21, 2015. However, Chrysler does not anticipate every owner receiving a recall notification letter will schedule an appointment with an authorized dealer to perform the recall remedy, as noted in the response to Question 2.

The first row references the quantity of vehicles distributed within the United States by vehicle model as determined by reviewing corporate records. The second row references the quantity of interim owner recall notification letters actually sent within the United States by vehicle model as determined by corporate records. The third row indicates the number of vehicles Chrysler estimates to be actively on the roads, by vehicle model. This quantity is the calculation of 87.5% of the USA VIN count for the Jeep Liberty (KJ) and 50% of the USA VIN count for the Jeep Grand Cherokee (ZJ). These estimates were determined by utilizing corporate records and validated by utilizing data from Experian Automotive. Of these active vehicles, the fourth row references the number of vehicles without a factory installed trailer hitch as determined through a review of corporate records. The fifth row references the estimated recall completion percentage for each model 24 months after the launch of the field action as determined by a record of previous recalls involving Chrysler vehicles (see Question 3d below). Finally, the last row references the quantity of vehicles estimated to require an installation of the trailer hitch assembly by model. As indicated, Chrysler believes the number of vehicle owners requesting the installation of a hitch assembly will be substantially lower than the number of vehicles originally produced and even lower than the number of owner recall notification letters mailed, for the reasons noted.

The capacity to produce hitch assemblies is not limited. Chrysler does have the capacity to complete the recall campaigns by March 2016, even if all owners receiving the owner recall notification letter elect to have the remedy applied to their vehicle.

c. The relationship between parts availability and recall remedy completion rates including the impact of wait times on owner behavior in this instance and safety recalls in general.

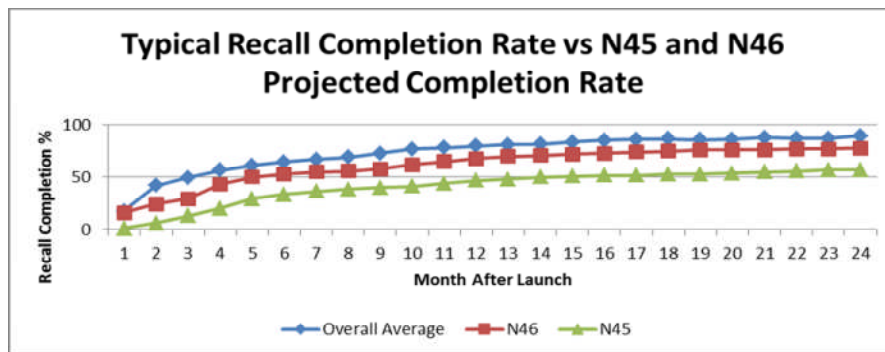
Chrysler does not specifically track the impact of “wait times” on owner behavior in responding to recalls. However, Chrysler understands that owners can become frustrated if they try to obtain a recall remedy before parts are available.

Chrysler anticipates the publication of the owner recall notification letters will take several weeks to complete. To some degree, the publication of the letters will pace customers approach to dealers for installation of hitch assemblies and mitigate the potential of extended wait times. Of course, if a

customer brings an affected vehicle to a dealer in advance of receiving an owner recall notification letter, the customer will be accommodated.

d. The extent which the anticipated completion rate in 13V-252 differs from completion rates commonly established by Chrysler as targets in safety recalls.

The estimated completion rate, as established by historical recall response rates, was the foundation of the production schedule for the hitch assembly field actions. The chart below references the completion rate for safety recalls launched in the 2012 calendar year (Overall Average was calculated utilizing newer model year vehicle recalls) versus the estimated hitch assembly installation completion rate. The estimated Jeep Grand Cherokee (N45) completion rate was established using recalls of vehicle models greater than 5 years old. The estimated Jeep Liberty (N46) completion rate was established using Chrysler's L27 (Rear Suspension Lower Control Arm) safety recall.



4. State whether it is Chrysler's common practice to rely on a single supplier for critical components in production vehicles. If the answer to the foregoing is in the negative, please state why Chrysler is relying on a single supplier with tooling and welding jigs capable of fabricating only 1,323 KJ hitches per day and 882 ZJ hitches per day.

It is common practice at Chrysler and, indeed, within the automotive industry to rely on a single supplier for critical components, even for field actions and parts that are common across multiple vehicles. There are several reasons in support of single sourcing, such as: higher product quality through one controlled process, higher supplier chain efficiency, single focus on engineering of the components, reductions in build variability, improved monitoring and traceability, optimized logistics and transportation of the component, and improved relationships with component suppliers. Chrysler typically utilizes, and prefers to utilize, single sourcing for the reasons referenced above.

Another reason is that, once a component is in production, it is typically faster for the current supplier to increase capacity by duplicating the current tools or working overtime than would be the case for another supplier that begins a program after the initial supplier is fully in production.

5. Provide Chrysler's analysis of the number of suppliers in the United States, Canada and Mexico with the capability of manufacturing the subject trailer hitches to Chrysler's specifications. Identify each such supplier and Chrysler's estimated of that supplier's production capacity.

In order to provide NHTSA a proper analysis of the companies Chrysler requested to bid on the hitch assembly program, and why Chrysler chose NSI, it would be useful to explain what goes into a normal supplier selection process.

Before selecting a supplier, Chrysler looks at a multitude of performance metrics to narrow the supplier list to ensure Chrysler is making the proper decision. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Finally, [REDACTED]

[REDACTED]

For the hitch assembly campaigns, Chrysler sent source packages to [REDACTED] suppliers for the production of the Jeep Grand Cherokee and Jeep Liberty hitch

assemblies. Source packages were requested from [REDACTED] NSI, [REDACTED] [REDACTED] suppliers met the requirements (NSI, [REDACTED]). [REDACTED]

It is important to note that the manufacturing of this quantity of hitch assemblies is out of the norm. Hitch assemblies are considered an accessory item which would normally not be required in such large numbers for production. For this reason, there is not a large amount of open or idle high manufacturing capacity in the market.

6. Provide any and all analyses supporting Chrysler's determination that production of 1,323 KJ hitches per day and 882 ZJ hitches per day will be adequate to provide a remedy for the subject vehicles within the following time periods:

- a. **7 days after the owner requests that the remedy be provided or otherwise presents the vehicle for repair.**
- b. **15 days after the owner requests that the remedy be provided or otherwise presents the vehicle for repair.**
- c. **30 days after the owner requests that the remedy be provided or otherwise presents the vehicle for repair.**
- d. **For each of the foregoing responses, provide Chrysler's estimate of the percentage of vehicle owners seeking application of the remedy who could have their vehicles remedies within the allotted time.**

With the additional daily capacity increase, the average daily build rate is now projected to be 2,477 hitches per day for the Jeep Liberty hitch assembly and 1,034 hitches per day for the Jeep Grand Cherokee hitch assembly. Chrysler has the flexibility to change cells between the two hitch assemblies depending on customer demand.

Chrysler did not make any determination about hitch assembly availability on the basis of the number of days after an owner requests the remedy or otherwise presents the vehicle for repair. Chrysler's plan is to meet owner demand for the remedy promptly after the owner requests it, and for that reason, intends to stagger the owner notification mailing to help match return rate projections with the availability of hitch assemblies.

Chrysler believes NHTSA's estimate of the number of vehicles requiring the installation of the hitch assemblies outlined in the Special Order is overstated. NHTSA concluded that it will take 4.7 years for the Jeep Grand Cherokee and 2.06 years for the Jeep Liberty to install hitch assemblies on all the subject vehicles. However, NHTSA did not take into account the number of vehicles manufactured with an OEM trailer hitch installed at the time the vehicle was

produced, nor did that estimate take into account the attrition of vehicles from the fleet in service. When attrition is taken into account, along with historic information about recall participation by owners of vehicles of this age, Chrysler established the number of hitch assemblies needed for each of the two campaigns. Chrysler estimates that 268,772 Jeep Grand Cherokee and 579,455 Jeep Liberty hitch assemblies will be installed.

Chrysler anticipates having enough hitch assemblies in stock, between dealer inventory and storage facilities, to complete the estimated recall completion quantity for the Jeep Liberty campaign on February 19, 2015 and the Jeep Grand Cherokee campaign on March 21, 2015.

- 7. Separately for each model provide Chrysler's analysis of the maximum production capacity of the supplier currently producing the subject trailer hitches. State whether the maximum production capacity of this supplier is sufficient to complete the recall campaign within 18 months of August 1, 2014 if all owners receiving notification from Chrysler elect to have the remedy applied to their vehicles. If the answer to the foregoing is in the negative, state the percentage of owners who would be able to obtain the remedy within the aforementioned time period if the current supplier of the subject trailer hitch is working at maximum capacity.**

As noted in the answer to Question 3, Chrysler estimated a lower production quantity of hitch assemblies required for the two campaigns versus NHTSA's estimate. Chrysler has not generated a maximum capacity limit for either of the campaigns. Chrysler has established an estimate of the expected hitch assembly quantity, but the supplier will continue to build hitches if owner demand requires additional hitch assemblies. So there is no limit to the maximum capacity of hitch assemblies. The only limitation is the daily rate of production for each hitch assembly. Utilizing Chrysler's estimated recall completion rate and the hitch assembly production schedule, Chrysler is confident there is enough hitch assembly build capacity to complete the campaigns within 18 months of August 1, 2014, even if all owners receiving notification from Chrysler elect to have the remedy applied to their vehicles.

In Chrysler's experience, the number of owners receiving the owner recall notification letter will exceed the number of owners who schedule an appointment for the recall remedy. Per NHTSA's regulations, Chrysler must mail a recall notice to each person who is registered as the owner of the vehicle. If the owner cannot be determined, Chrysler shall notify the most recent purchaser known to the manufacturer. In other words, Chrysler must send a notice to the current or last known registered owner of the vehicle. This means that owners of vehicles that were destroyed or removed from operation, without the knowledge of Chrysler, will still receive an owner notification letter for the recall. For this reason, and based on historical records, Chrysler did not

base its estimate on the number of hitch assemblies that will be required for the two field actions on the number of owner recall notification letters that will be mailed (see answer to Question 3b).

For the Jeep Liberty campaign (N46), Chrysler estimates needing 579,455 hitch assemblies. Chrysler projects on February 19, 2015 to have 579,455 hitch assemblies in stock, between dealer inventory and storage facilities.

For the Jeep Grand Cherokee campaign (N45), Chrysler estimates needing 268,722 hitch assemblies. Chrysler projects on March 21, 2015 to have 268,722 hitch assemblies in stock, between dealer inventory and storage facilities.

Chrysler will continue to produce hitch assemblies if the demand for the hitch assemblies exceeds the estimated quantity for the two campaigns. The supplier, NSI, will continue to make hitch assemblies at the daily build capacity until demand dictates otherwise.

8. Provide Chrysler's assessment of the lead time required to begin volume production of the subject trailer hitches by additional suppliers and the costs associated with producing the required tooling and welding jigs.

Chrysler recently reviewed the supplier's production rate as a result of NHTSA's noted concerns about the pace of the hitch assembly production. During the review, Chrysler looked at [REDACTED] companies as possible candidates to increase the pace of hitch assembly production, NSI (Chrysler's current supplier), [REDACTED]. During the review Chrysler found that NSI remains the best choice (see answer to Question 5). As a result of some additional capacity that was released by another manufacturer, NSI can now substantially increase daily production capacity in about four weeks. As a result of redirecting this excess capacity, overall production at NSI can be doubled within about 20 weeks. [REDACTED] required [REDACTED] to start hitch production. Adding additional suppliers would also bring in substantial logistical delays in the raw material feed stream.

Chrysler notified NSI via a Letter of Intent on July 3, 2014, with a plan that is expected to increase the rate of production. The Letter of Intent authorizes NSI to proceed with expenditures in support of the Jeep Rear Enhancement Recall Campaigns.