

This is a preliminary, unedited transcript. The statements within may be inaccurate, incomplete, or misattributed to the speaker. A link to the final, official transcript will be posted on the Committee's website as soon as it is available.

RPTS ZAMORA

DCMN ROSEN

TAKATA AIRBAG RUPTURES AND RECALLS

WEDNESDAY, DECEMBER 3, 2014

House of Representatives,

Subcommittee on Commerce, Manufacturing, and Trade,

Committee on Energy and Commerce,

Washington, D.C.

The subcommittee met, pursuant to call, at 10:03 a.m., in Room 2123, Rayburn House Office Building, Hon. Lee Terry [chairman of the subcommittee] presiding.

Present: Representatives Terry, Lance, Blackburn, Harper, Guthrie, Olson, McKinley, Kinzinger, Bilirakis, Long, Barton, Upton (ex officio), Schakowsky, Sarbanes, Welch, Yarmuth, Matheson, Barrow, and Waxman (ex officio).

This is a preliminary, unedited transcript. The statements within may be inaccurate, incomplete, or misattributed to the speaker. A link to the final, official transcript will be posted on the Committee's website as soon as it is available.

Also Present: Representative Burgess.

Staff Present: Charlotte Baker, Press Secretary; Sean Bonyun, Communications Director; Leighton Brown, Press Assistant; Graham Dufault, Policy Coordinator, CMT; Melissa Froelich, Counsel, CMT; Kirby Howard, Legislative Clerk; Paul Nagle, Chief Counsel, CMT; John Ohly, Professional Staff Member, O&I; Olivia Trusty, Professional Staff Member; Michelle Ash, Minority Chief Counsel, Commerce, Manufacturing and Trade; Jen Berenholz, Minority Chief Clerk; Peter Bodner, Minority Counsel; Stacia Cardille, Minority Chief Counsel; Brian Cohen, Minority Staff Director, Oversight & Investigations, Senior Policy Advisor; Lisa Goldman, Minority Counsel; Debbie Letter, Minority Staff Assistant; Elizabeth Letter, Minority Professional Staff Member; Karen Lightfoot, Minority Communications Director and Senior Policy Advisor; and Nicholas Richter, Minority Assistant Staffer.

This is a preliminary, unedited transcript. The statements within may be inaccurate, incomplete, or misattributed to the speaker. A link to the final, official transcript will be posted on the Committee's website as soon as it is available.

Mr. Terry. I want to welcome everyone to our hearing today for Commerce, Manufacturing and Trade Subcommittee. This is our last hearing of this congressional session, assuming no emergency for next week. So next year, Mr. Burgess, as I understand, is going to take over the gavel for this subcommittee, and so even though he is not currently a member of the subcommittee is joining us today to just kind of get a feel for the importance of this subcommittee, and certainly, the importance of this hearing today.

So the title of this hearing is "Takata Airbag Ruptures and Recalls." Safety recalls are often marked by tragedy; that is what brings it to our attention. But they are even more troubling when the very equipment being recalled is intended to save lives. Now, this morning we will begin piecing together the history of a safety defect that became known only by what appears to us as fits and starts, and seemingly has several potential causes.

The first known rupture occurred in 2004 in Alabama. Three more ruptures in 2007 led Takata to identify a bad stamp press at a manufacturing facility in Moses Lake, Washington. In 2008, Honda recalled 3,940 cars in the U.S., however, two more airbags ruptured in May and June of 2009, one of which killed the driver. At that point, it appears that Takata believed the airbag inflators were being improperly exposed to moisture during the production process. However, around the same time, Takata confirmed that a stamp press was

This is a preliminary, unedited transcript. The statements within may be inaccurate, incomplete, or misattributed to the speaker. A link to the final, official transcript will be posted on the Committee's website as soon as it is available.

to blame for the at-risk airbags.

In early 2011, uncertainty about the cause of the continuing ruptures led to another recall. And previous recalls were expanded in late 2012 upon the discovery that Takata's production records were in disarray. NHTSA, Takata, and car manufacturers all indicate that the vehicles with faulty airbags tied to manufacturing or storage issues have been recalled. And yet, several more ruptures subsequently occurred in southern States. This led manufacturers and NHTSA to believe that the prolonged exposure to high absolute humidity levels was a major contributing factor. However, NHTSA recently demanded that manufacturers broaden the current recalls in southern States to the national level.

NHTSA believes that the recent incidents in California and North Carolina indicate the possibility of ruptures in areas with lower absolute humidity. I understand Takata disagrees with NHTSA's assessment, and I look forward to learning more about that, while the OEMs that are before us today have all stated publicly that they are willing to do a national recall.

Now, there are several questions here to address. For example, are the current testing methods adequate? How much testing is enough to determine a cause and how quickly it is being carried out? What is the appropriate level of coordination between NHTSA automakers and their suppliers? What metric should be used to determine whether a

This is a preliminary, unedited transcript. The statements within may be inaccurate, incomplete, or misattributed to the speaker. A link to the final, official transcript will be posted on the Committee's website as soon as it is available.

recall is necessary? There are also questions about the supply of replacement parts and whether those replacement parts are truly safer than the parts being recalled.

Our highway safety depends on the vigilance of manufacturers as well as NHTSA. Sometimes the regulator is in the best position to defend the defect, and sometimes it is the manufacturer. The time has come to bring the facts together and make sure that the unsafe airbag inflators are off the market. Consumers can get their faulty parts replaced and the future recalls are handled better. The safety of American drivers depend on our collective success.

So I thank the witnesses for being here today and help achieve these goals and put a stop to this deadly problem, and there is 1 minute left of mine.

Marsha, would you like to claim that?

Mrs. Blackburn. Yes. Thank you, Mr. Chairman.

Mr. Terry. Yield to you.

Mrs. Blackburn. Thank you. And I thank our witnesses also for being here. And as the chairman said, 2004 is the first time we knew of this issue. It was when the first inflator exploded, and then we go through the process of looking at the propellant change and finding out when the change was made going to ammonium nitrate in 2001.

Now, we do hope that this hearing is going to give us an opportunity to talk with you about the decision-making process, who

This is a preliminary, unedited transcript. The statements within may be inaccurate, incomplete, or misattributed to the speaker. A link to the final, official transcript will be posted on the Committee's website as soon as it is available.

was involved in that, why they made the decisions that they did. We will drill down on that. We are very disappointed in Takata refusing to work with NHTSA on the deadline for a national recall of the driver's side airbags that expired last night. We will want to address that with you.

We welcome our witnesses. And I am finishing right on time, Mr. Chairman. Back to you.

Mr. Terry. Well done.

Now the chair recognizes the ranking member, the gentlelady from Illinois, for 5 minutes.

Ms. Schakowsky. Thank you, Mr. Chairman, for holding this important hearing today.

Before I turn to today's business, I would like to thank Ranking Member Waxman for his decade of leadership and his service as chairman and ranking member of this committee. He will leave an indelible legacy of achievement when he retires at the end of this year, and I am so proud to have learned from and worked with him on so many issues of great importance to the American people.

And, Mr. Chairman, I would also like to recognize you for your eight terms in the House representing the people of Nebraska. And I have enjoyed working with you during your chairmanship of the subcommittee over the past 2 years. I wish you the best of luck in your future endeavors.

This is a preliminary, unedited transcript. The statements within may be inaccurate, incomplete, or misattributed to the speaker. A link to the final, official transcript will be posted on the Committee's website as soon as it is available.

I am deeply saddened that we are here again today to discuss preventable deaths, but I am determined to understand exactly what happened and to respond in a way that improves driver and passenger safety. In 2004, a driver in Alabama was killed by shrapnel ejected by a Takata airbag. Four years later, the company issued the first recall to address airbag ruptures, a recall that expanded over the next 5 years. Earlier this year a new regional recall was initiated to find the root cause of similar ruptures, and last week, NHTSA asked Takata to order a national recall, and yesterday the company rejected NHTSA's request.

Media reports suggest that Takata and Honda knew about the serious risks its airbags posed to drivers and passengers as early as 10 years ago. If prompt action had been taken to investigate the airbag ruptures and truly address the cause, we wouldn't be here today. Because Takata refused NHTSA's request for a recall, auto manufacturers, whose customers are driving vehicles equipped with airbags that could be deadly, now have to determine whether they would recall the airbags on their own while the mandatory recall process moves forward.

I have received letters from constituents who are literally afraid to drive their cars, and this is unacceptable. I want to know why Takata has been so slow and ineffective to respond, in responding to this deadly defect and why it believes a national recall is not

This is a preliminary, unedited transcript. The statements within may be inaccurate, incomplete, or misattributed to the speaker. A link to the final, official transcript will be posted on the Committee's website as soon as it is available.

warranted. I want to know what commitments Takata and the auto companies represented here today plan to make in the immediate future to protect their customers.

I want to know what more NHTSA needs to do in order to prevent problems like this from continuing to repeat themselves in the future. And I want to know, since the cause of the airbag ruptures is still not certain, whether replacement of these potentially dangerous airbags with very similar products actually eliminates the risk of airbag explosions in the future.

So I look forward to our witness' answers to these questions and more. The incredibly slow response to this problem is just the latest reminder that we need stronger laws to protect drivers and passengers and to hold manufacturers accountable for the cars they sell.

Earlier this year, I introduced H.R. 5654, the Vehicle Safety Information Act, legislation to improve auto safety and the efficacy and efficiency of recalls. That bill would expand and clarify the information manufacturers must provide NHTSA about defects and fatal incidents, increase information about auto defects that NHTSA must share with the public, increase financial penalties and remove the statutory maximum penalty for manufacturers that violate NHTSA reporting requirements, provide an imminent hazard authority so that NHTSA can expedite recalls of potentially deadly cars, limit the resale of cars with this serious defect, unless the problem has been fixed

This is a preliminary, unedited transcript. The statements within may be inaccurate, incomplete, or misattributed to the speaker. A link to the final, official transcript will be posted on the Committee's website as soon as it is available.

or the buyer has been notified and end regional recalls. I urge the chairman to bring this bill up for consideration in this subcommittee or to ask House leadership to put it on the suspension calendar without delay.

And with that, I yield back the balance of my time.

Mr. Terry. Chair now recognizes full committee chair, Mr. Upton.

Mr. Upton. Well, thank you, Mr. Chairman, and I appreciate your leadership the last number of years and we also will miss Mr. Waxman, and I think we will have, at some point, a formal recognition of both of your service.

So I am from the auto State. I am sorry to say that it has been a bad year for auto safety. The latest danger for drivers malfunctioning airbags that, in fact, can shoot shrapnel through the air and make a bad accident even worse. Drivers are being told that their vehicle is being subject to a recall, but there are not enough parts to fix it, and if they do get a replacement that airbag maybe subject to the same safety failure in the future because we still don't know if the root problem has been addressed.

There are still lots of questions surrounding these airbag defects and recalls, and today we all want some answers. American people deserve to have confidence that the cars that they drive are safe and that the industry and the government are doing everything that

This is a preliminary, unedited transcript. The statements within may be inaccurate, incomplete, or misattributed to the speaker. A link to the final, official transcript will be posted on the Committee's website as soon as it is available.

they can do to improve safety. The first question that has to be determined is whether or not it is a design flaw for the airbag or is it a manufacturing issue? Until that question is answered, you are not going to be able to resolve the issue.

Unfortunately, deadly auto defects and massive recalls are not new subjects for this committee. I have listened to and led multiple recall hearings ranging from the Ford Firestone crisis to the Toyota floor mat problem, obviously to the GM ignition switch debacle earlier this year. And over a decade ago, I authored the bipartisan TREAD Act so that we could help catch and then fix defects sooner and avoid the kind of disaster that we are facing today. Yet, here we are again.

TREAD Act was very simple: Requiring manufacturers to report the information needed to help NHTSA quickly identify vehicle defects and remove flawed cars from the road right away. Our goal was to prevent injuries and save lives, but we need industry and NHTSA to do their part. Cars are safer today but not because a company hires lawyers and consultants to avoid reporting safety incidents.

I am going to ask some tough questions regarding what we have read and heard about Honda manipulating the system to report as little as possible. Companies need to know that there isn't anything safe about shorting safety. We need more automakers to make safety a priority and institute safety incentives. In the case of GM, they acknowledged their safety failure, their CEO volunteered to testify, and they hired

This is a preliminary, unedited transcript. The statements within may be inaccurate, incomplete, or misattributed to the speaker. A link to the final, official transcript will be posted on the Committee's website as soon as it is available.

a new safety officer to implement company-wide culture changes. I would like to see that same level of urgency, that same admission of mistakes, and that same commitment to do better today.

Complex safety technology can lead to complex problems, and the Takata airbag issues are indeed complex. There were manufacturing issues and there were handling issues. And as soon as one problem was identified, it seemed like another sprang up, sort of like Whac-a-Mole. And now we are waiting to find out if humidity is the issue or if there are other manufacturing concerns.

In the meantime, testing is slow, and we are short on replacement parts. What is worse, no one can say for sure that the replacement parts are any safer than the originals. We may be right back here after the replacement parts have reached their humidity half-life. But complexity is not an excuse for incompetence. We need to make sure that companies and regulators can keep pace with innovation. We need a regulatory agency that breeds confidence and offers solutions, not one that is often part of the problem.

For our witnesses, I pose this question: What should I say to the mom in Michigan who asked me if she and her family are safe behind the wheel? Families across the country expect safety devices in their vehicles to work. They expect them to provide life-saving protection that they can count on in the event of an accident, and they expect that problems from earlier models be reported and fixed, and they expect

This is a preliminary, unedited transcript. The statements within may be inaccurate, incomplete, or misattributed to the speaker. A link to the final, official transcript will be posted on the Committee's website as soon as it is available.

to be able to get their defect repaired when they find out about it; but sadly, I don't think I can give that assurance right now. One thing is for sure, we have got a lot of issues to resolve.

I want to again thank Chairman Terry for calling this hearing to start the process. I want to thank him from the bottom of my heart for his service as a leader of this subcommittee and wish him well in the future, and yield back my time.

Mr. Terry. Thank you, Mr. Chairman. That is much appreciated. Now it is time to introduce our panel and --

Mr. Waxman. Mr. Chairman.

Mr. Terry. Oh, I am sorry. Getting ahead of myself. Gentleman from California is recognized for 5 minutes.

Mr. Waxman. Thank you very much, Mr. Chairman. Neither you nor I have left the committee yet, which we will do at the end of this year. And I thank our colleague, Ms. Schakowsky, for her kind words.

Here is what we know so far about the Takata airbag recalls. We know that there has been a series of airbag recalls affecting millions of vehicles dating back to 2008, and we know that at least five people are dead and dozens have been injured by these defective airbags. There are questions about the Takata airbags that remain unanswered. We do not know exactly what Takata and auto manufacturers knew about these defective airbags and when they knew it.

We do not know, and it appears that the National Highway Traffic

This is a preliminary, unedited transcript. The statements within may be inaccurate, incomplete, or misattributed to the speaker. A link to the final, official transcript will be posted on the Committee's website as soon as it is available.

Safety Administration, Takata, and the auto manufacturers do not know either the root cause of all these exploding airbags. So we have questions about whether the replacement airbag inflators are safe.

New documents provided to the committee reveal new questions. The National Highway Traffic Safety Administration, known as NHTSA, recently requested a national recall of all defective airbags on the driver's side of the car, but has limited its action to regional recalls of passenger side airbags. But data we have received is raising new questions about the safety of passenger side airbags and the scope of recalls.

Takata has tested over 2,500 driver and passenger side airbags for ruptures. None of the driver's side airbags ruptured in these tests. But Takata has observed over 60 passenger side airbag ruptures. Given these testing results, we need to understand why NHTSA has requested a broader recall for driver's side airbags but has not made the same request for passenger side airbags.

Mr. Chairman, I have some documents that I have referred to showing these test results, and I would ask unanimous consent to put them in the hearing record.

Mr. Terry. Without objection, so ordered.

[The information follows:]

***** COMMITTEE INSERT *****

This is a preliminary, unedited transcript. The statements within may be inaccurate, incomplete, or misattributed to the speaker. A link to the final, official transcript will be posted on the Committee's website as soon as it is available.

Mr. Waxman. We need to find answers to these questions, and I hope the committee will continue its investigation even after the time you and I, Mr. Chairman, will be gone. But we know enough now to begin our legislative work.

Mr. Chairman, last April, I joined Representative Schakowsky to introduce H.R. 4364, the Motor Vehicle Safety Act of 2014. There are many important provisions in this legislation that would address problems that the committee found in our investigations of Takata's exploding airbags and the GM ignition switch failure. In both cases, auto manufacturers and auto parts manufacturers failed to provide key information to the Federal agency, NHTSA, in a timely fashion.

And we learned last week of another major auto safety failure. For over a decade, Honda failed to report to the NHTSA more than 1,700 claims of injuries or deaths caused by accidents in its vehicles. Our legislation improves the early warning reporting system by making more reported information public and ensuring that NHTSA receives significantly more information for manufacturers on any fatal incident involving a safety defect.

Additional data and greater transparency will help NHTSA identify deadly safety defects sooner. In both the GM and Takata cases, NHTSA has been criticized for failing to recognize and act quickly enough as evidence mounted of deadly auto defects. Our bill provides more resources to give them the additional enforcement authority and

This is a preliminary, unedited transcript. The statements within may be inaccurate, incomplete, or misattributed to the speaker. A link to the final, official transcript will be posted on the Committee's website as soon as it is available.

increases the fines for manufacturers that violate vehicle safety laws.

Mr. Chairman, today we will learn of other needed fixes to the current system. I think our legislation is a good place to start. While I have very short time left, I would like to yield it to the gentleman from Vermont the balance of my time.

Mr. Yarmuth. Thank you very much.

The two concerns that I have that I hoped are addressed in this is, one, public safety. Obviously, automobiles are extremely important but can be dangerous with the defect; and number two, public confidence. When a serious incident happens that threatens the life, costs us a life, it raises immense public insecurity around the driving public. And obviously, in my view, the burden has to be on the manufacturer and our governmental agencies to take the appropriate steps to revive and restore public confidence.

Thank you.

Mr. Terry. Thank you.

Now it is the appropriate time to introduce the panel. I will introduce the panel as a whole and then we will start with Takata as the first speaking witness. So today our first panel representing Takata is Hiroshi Shimizu; from Honda; Rick Schostek, from BMW, Craig Westbrook; from Toyota, Abbas Saadat. I appreciate all of you being here. We will go from my left, your right and start with Mr. Shimizu.

But before I ask you to start, I want to recognize that you are

This is a preliminary, unedited transcript. The statements within may be inaccurate, incomplete, or misattributed to the speaker. A link to the final, official transcript will be posted on the Committee's website as soon as it is available.

appearing with a translator because English is not Mr. Shimizu's first language. And while the committee will allow Mr. Shimizu to confer with the translator for the purpose of clarification, you will be required to answer the committee's question in his own voice and in English. We have already discussed that, and I appreciate your acceptance of that.

So Mr. Shimizu, you are now recognized for 5 minutes.

This is a preliminary, unedited transcript. The statements within may be inaccurate, incomplete, or misattributed to the speaker. A link to the final, official transcript will be posted on the Committee's website as soon as it is available.

STATEMENTS OF HIROSHI SHIMIZU, SENIOR VICE PRESIDENT FOR GLOBAL QUALITY ASSURANCE, TAKATA CORPORATION; RICK SCHOSTEK, EXECUTIVE VICE PRESIDENT, HONDA NORTH AMERICA; CRAIG WESTBROOK, VICE PRESIDENT, AFTERSALES, BMW OF NORTH AMERICA; AND ABBAS SAADAT, NORTH AMERICAN REGIONAL PRODUCT SAFETY EXECUTIVE, VICE PRESIDENT, VEHICLE SAFETY AND COMPLIANCE LIAISON OFFICE, TOYOTA

STATEMENT OF HIROSHI SHIMIZU

Mr. Shimizu. Thank you. Chairman Terry and Ranking Member Schakowsky, and distinguished members of the subcommittee, I am honored to be here on behalf of Takata Corporation.

Mr. Chairman, Takata is dedicated to making products that save lives. Millions of Takata airbags have inflated properly preventing thousands of deaths and avoiding serious injuries in hundreds of thousands of accidents around the world. But any fear of even one airbag to perform as designed in automobile accident is incompatible with Takata's mission. All of us at Takata know that the airbag inflator ruptures that has been the subject of recent recalls involve serious issues of public safety. We are deeply sorry about each case where Takata airbag has not performed as designed and the driver or passenger has suffered personal injuries or death.

This is a preliminary, unedited transcript. The statements within may be inaccurate, incomplete, or misattributed to the speaker. A link to the final, official transcript will be posted on the Committee's website as soon as it is available.

Takata is working closely with the automakers and NHTSA to support the ongoing recalls and field actions and to address the potential for inflator rupturing. We are increasing our production quality replacement kits to fulfill the automakers' orders. We are also devoting extensive efforts and attention to answering requests for information about these models from NHTSA and other investigators. We are committed to being fully transparent with the government.

One important function of the regional field action is to retrieve inflators for testing and analysis. In the past several months, we have tested thousands of returned inflators in our Michigan facilities, and we are increasing our testing capacity. We regularly share all of these test results with the automakers and the NHTSA. Based on the data currently available and our best engineering judgment, Takata continues to believe that the public safety is best served if the area of high absolute humidity remains a priority for the replacement of suspect inflators.

But make no mistake, we will take all actions necessary to advance the goal of safety for the driving public, including working to produce additional replacement units to support any further recalls that may be announced by automakers. Takata is also prepared to collaborate where feasible with other inflator producers to create additional production capacity for replacement units over the long term.

We are confident that the inflators we are producing today are

This is a preliminary, unedited transcript. The statements within may be inaccurate, incomplete, or misattributed to the speaker. A link to the final, official transcript will be posted on the Committee's website as soon as it is available.

safe because we have confidence in the integrity of our engineering and our current manufacturing processes here in the United States and across the world. We believe that properly manufactured and installed, the inflators we are producing today would work as designed to save lives for the expected life of the automobiles.

To provided added quality assurance for the public and the automakers, Takata is forming an independent quality assurance panel to audit and prepare an independent report regarding our current manufacturing processes for the production of safe inflators, including inflator propellant. Upon completion, the panel's report will be made public.

Thank you, Mr. Chairman.

Mr. Terry. Thank you.

[The prepared statement of Mr. Shimizu follows:]

***** INSERT 1-1 *****

This is a preliminary, unedited transcript. The statements within may be inaccurate, incomplete, or misattributed to the speaker. A link to the final, official transcript will be posted on the Committee's website as soon as it is available.

Mr. Terry. Now, gentleman from Honda, Mr. Rick Schostek, you are recognized for your 5 minutes.

STATEMENT OF RICK SCHOSTEK

Mr. Schostek. Mr. Chairman, Ranking Member Schakowsky and members of the subcommittee, thank you for this opportunity to testify. My name is Rick Schostek. I am executive vice president with Honda North America.

I want to begin by expressing our deepest sympathies to those individuals and families who have been affected by these tragic incidents. We offer our sincere apologies to the families of those who have died, who have been injured, or who have been, in any way, inconvenienced due to the defects in the Takata airbags in our vehicles. Airbags save thousands of lives each year, but we recognize that even one customer who is injured or loses their life when an airbag does not perform as intended is one too many, and it is completely unacceptable.

On November 17, NHTSA called for a nationwide recall of the driver airbag inflators that have been included in the regional safety improvement campaign undertaken in four states and territories with consistently high absolute humidity. We understand that Takata has not identified or acknowledged any defect of the driver airbag

This is a preliminary, unedited transcript. The statements within may be inaccurate, incomplete, or misattributed to the speaker. A link to the final, official transcript will be posted on the Committee's website as soon as it is available.

inflators, and thus far, Takata has not announced plans to follow NHTSA's request for a national recall. We want to inform you that Honda is going to expand our existing regional safety improvement campaign on affected driver airbag inflators to a national campaign. Why are we doing this? Because our customers have concerns and we want to address them.

We believe this expansion and acceleration of current action, we believe there will be a part shortage that may occur, despite Takata's efforts to increase the supply of inflators. To further increase the parts supply, we have been in discussions with Takata and two other suppliers, Autoliv and Daicel, about expanding the production of replacement inflators. These talks have been encouraging, and we believe will ultimately reduce the duration of any shortage; however, until those parts are available, we will continue to discuss with NHTSA and Takata how to best manage the supply issue.

Based on the information from them, we believe it is best to prioritize the replacement of driver airbag inflators in what are considered to be the highest risk areas in the country. In addition, Honda believes that all stakeholders would benefit from expert third-party testing of Takata airbag inflators that was announced yesterday as an industry-wide program. By coming together as an industry and sharing information and testing, and with Takata's continued cooperation, we believe we can achieve greater results more

This is a preliminary, unedited transcript. The statements within may be inaccurate, incomplete, or misattributed to the speaker. A link to the final, official transcript will be posted on the Committee's website as soon as it is available.

quickly.

Let me briefly summarize how we got to this point. Between 2008 to 2014, Honda has conducted seven national recalls related to specific Takata manufacturing defects. Since June of 2014, Honda, along with other automakers, has been supporting NHTSA's request to conduct regional safety improvement campaigns in States and territories with high absolute humidity.

We understand the urgency of the current situation, and we have been taking proactive steps to address the needs of our customers. In addition to the required first-class mail notification, we have made hundreds of thousands of phone calls, used overnight mail delivery, and routinely sent letters in both English and Spanish. We have also hired a search firm to help us locate hard-to-find customers in some circumstances. And importantly, for customers whose vehicles cannot be immediately repaired, Honda has instructed our dealers to provide loaner or rental cars at no cost to the customer.

To summarize, we are going to expand the safety improvement campaign on affected driver bag inflators nationwide, prioritizing the high-risk areas. We are working with multiple suppliers to increase parts availability and we are participating in the joint industry research effort. Our entire company is operating with the greatest energy and focus to quickly address our customers' needs and concerns. In the days ahead, with every action of our company, we are dedicating

This is a preliminary, unedited transcript. The statements within may be inaccurate, incomplete, or misattributed to the speaker. A link to the final, official transcript will be posted on the Committee's website as soon as it is available.

ourselves to honor the relationship we have with our customers.

Thank you.

Mr. Terry. Thank you.

[The prepared statement of Mr. Schostek follows:]

***** INSERT 1-2 *****

This is a preliminary, unedited transcript. The statements within may be inaccurate, incomplete, or misattributed to the speaker. A link to the final, official transcript will be posted on the Committee's website as soon as it is available.

Mr. Terry. And now Mr. Westbrook, you are now recognized for 5 minutes.

STATEMENT OF CRAIG WESTBROOK

Mr. Westbrook. Thank you, Chairman Terry, Ranking Member Schakowsky, and members of the subcommittee for your invitation to participate in today's hearing. My name is Craig Westbrook, vice president of BMW of North America. I am here on behalf of our company representing the 70,000 people who have jobs provided and supported by the BMW group in the United States.

In total, the BMW Group's presence is represented in 48 States, this includes our North American headquarters in New Jersey, our financial services in Ohio, and our manufacturing facility in Spartanburg, South Carolina, just to name a few locations. In fact, BMW Group's South Carolina production site is the largest single exporter of vehicles by value in the United States of America.

The BMW Group has been in the United States for nearly four decades. We have worked hard to become part of the fabric of the communities in which we are present. Central to our investments and commitment to the United States has been a focus on earning our reputation for delivering on our word, and building trust with customers and communities alike. Vehicle safety is fundamental to the

This is a preliminary, unedited transcript. The statements within may be inaccurate, incomplete, or misattributed to the speaker. A link to the final, official transcript will be posted on the Committee's website as soon as it is available.

BMW Group. Because of this, I highly appreciate the opportunity to appear today before this subcommittee.

I will share a brief timeline of BMW North America's activities related to Takata airbag recalls. In May of 2013, after Takata informed BMW North America of production issues with certain inflators, we initiated a voluntary national safety recall. This involved the passenger front airbag on approximately 42,000 model year 2000 to 2003 BMW vehicles. In May of 2014, NHTSA met with Takata to discuss consumer-reported issues with certain passenger and driver airbag inflators.

In mid-June, after follow-up calls with Takata, NHTSA opened a preliminary evaluation. In an unprecedented approach to determine the root cause and the potential safety risk NHTSA held a conference call with all affected automakers. During this call, automakers were asked for their support to conduct a voluntary parts collection campaign in specific high-humidity regions. BMW North America promptly agreed to participate in this campaign.

In July of 2014, out of an abundance of caution, BMW North America expanded its voluntary campaign and previous 2013 recall of passenger front airbags. On July 15, 2014, BMW North America notified NHTSA of the voluntary nationwide recall of an additional 574,000 vehicles. The next day, July 16, 2014, BMW dealers were notified of the recall after notification to NHTSA.

This is a preliminary, unedited transcript. The statements within may be inaccurate, incomplete, or misattributed to the speaker. A link to the final, official transcript will be posted on the Committee's website as soon as it is available.

Standard practice for notifying customers involves an auto company preparing a draft customer notification letter for NHTSA's review. In late August, NHTSA approved our letter. BMW of North America mailed its notification letters to our customers in mid-September using first-class mail as required by NHTSA regulation.

Another way customers are informed of recalls is at our dealerships. When a customer visits a dealership, the service advisor at every BMW dealer conducts a vehicle inquiry for outstanding recalls. Once the VIN is identified, the service advisor cross-references the VIN against our recall database. If applicable, customers are informed that their vehicle is subject to a recall. Repairs are either taken care of on the spot or an appointment is scheduled as soon as possible.

We have also made the recall information available on our consumer site, BMWUSA.Com. Additionally, the information is also available on the NHTSA site, www.SaferCar.gov. On either side, customers have the ability to access recall information just by entering their VIN. We even issued a press release regarding the Takata's airbag recall for BMW. In total, this voluntary nationwide recall affects approximately 616,000 model year 2000 to 2006 3 Series vehicles. NHTSA estimates over 7.8 million vehicles industry-wide are currently affected bring the Takata airbag recall and parts collection campaign in the United States.

This is a preliminary, unedited transcript. The statements within may be inaccurate, incomplete, or misattributed to the speaker. A link to the final, official transcript will be posted on the Committee's website as soon as it is available.

BMW of North America is also currently conducting a voluntary regional parts collection campaign in certain states. This campaign affects the driver's front airbag on approximately 11,600 model year 2004 to model year 2006 BMW 3 Series vehicles.

We are significantly increasing our loaner fleet to provide any BMW customer who needs a loaner, rental vehicle, or alternative transportation of the customer's wish. I can assure the subcommittee that BMW of North America will continue working with NHTSA and Takata on a these issues. We will remain vigilant in identifying safety issues and proactive in addressing them.

Thank you for your time and attention.

Mr. Terry. Thank you, Mr. Westbrook.

[The prepared statement of Mr. Westbrook follows:]

***** INSERT 1-3 *****

This is a preliminary, unedited transcript. The statements within may be inaccurate, incomplete, or misattributed to the speaker. A link to the final, official transcript will be posted on the Committee's website as soon as it is available.

Mr. Terry. Now, Mr. Saadat, you are recognized for your 5 minutes.

STATEMENT OF ABBAS SAADAT

Mr. Saadat. Chairman Terry, Ranking Member Schakowsky, and member of the committee, thank you for inviting me here today. My name is Abbas Saadat, and I am the regional product safety executive and the vice president at Toyota North America. I am a senior executive in the United States responsible for Toyota's interaction with NHTSA and currently have oversight responsibility for field action in the U.S. regarding the Takata airbag inflator recalls. I am an engineer by training and function.

First, Toyota shares your goals of helping those affected by these recalls and keeping them safe. We are committed to resolve this issue for our customers as quickly, conveniently, and safely as possible. We believe the actions we have taken reflect this commitment. From the beginning, Toyota has responded to defect information from Takata, coordinated with NHTSA, and supported Takata and NHTSA in their ongoing investigation.

In April of 2013, Toyota launched a nationwide recall for front passenger airbag inflators. This recall is still in effect today. In June of this year, we expanded the remedy for this recall to replace

This is a preliminary, unedited transcript. The statements within may be inaccurate, incomplete, or misattributed to the speaker. A link to the final, official transcript will be posted on the Committee's website as soon as it is available.

all affected Takata inflators. Also in June, in response to NHTSA's request to the industry, we were among the first automakers to recover airbag inflators for testing by Takata. In October, Takata provided testing data to Toyota and NHTSA that suggested the safety risk was highest in the area of consistently high absolute humidity. In response, we intensified our effort to reach customers in those humid areas, which was publicized nationwide.

Throughout these recalls we have worked to alert customers and get them the information they need. Beyond our initial national outreach, we have mailed more than 300,000 notification letters to known owners in the designated humid region. We also have made it easier for customers to find recall information on Toyota's Web site. In addition, we have started a secondary customer outreach program in humid areas that include telephone calls, email, and direct mail, and we are staffing our call centers to handle any increase in Takata-related inquiries.

At the same time, we are working to get replacement parts to Toyota dealers, and this effort is going well in humid regions. If parts are unavailable, we have empowered dealers to meet our customers' needs and minimize their inconvenience. For example, in humid areas, dealers can disable the front passenger airbag and affix a prominent glove box label that warns against using that seat until a replacement inflator is installed. Dealers are also making loaner vehicles

This is a preliminary, unedited transcript. The statements within may be inaccurate, incomplete, or misattributed to the speaker. A link to the final, official transcript will be posted on the Committee's website as soon as it is available.

available and towing affected vehicles for customers, if necessary.

To this point, the faster we get replacement parts, the faster we can fix our customers' vehicles. Takata estimates that its supply will increase significantly starting this month. Like you, we want additional assurances about integrity and quality of Takata's manufacturing processes, particularly in the light of previous experiences. For instance, in 2010, Toyota had to recall certain Takata inflator in Japan to address a different manufacturing problem not involving U.S. vehicles.

In terms of testing, we have conducted and continued to conduct some testing on Takata inflators, and we have also inspected Takata production facilities. Additionally, we have retained an independent engineering firm to evaluate affected Takata inflators and replacement parts. Separately, Toyota is inviting all affected automakers to participate in a joint industry-wide initiative to conduct independent testing of Takata airbag inflators.

Toyota will further address the issue of testing in our response to NHTSA's recent general order and ongoing communications with the agency. Again, our nationwide recall remains in effect, and we plan to replace all involved inflators as parts become available. In closing, Toyota is taking this issue very seriously. We will continue to respond promptly to new development and do what is best for our customers.

This is a preliminary, unedited transcript. The statements within may be inaccurate, incomplete, or misattributed to the speaker. A link to the final, official transcript will be posted on the Committee's website as soon as it is available.

Thank you, and I am happy to answer your questions.

Mr. Terry. Thank you, Mr. Saadat.

[The prepared statement of Mr. Saadat follows:]

***** INSERT 1-4 *****

This is a preliminary, unedited transcript. The statements within may be inaccurate, incomplete, or misattributed to the speaker. A link to the final, official transcript will be posted on the Committee's website as soon as it is available.

Mr. Terry. At this time, we are now to the question-and-answer period, and I have the opportunity to ask the first questions.

Mr. Shimizu, following NHTSA's June, I think it was 19, 2014, request to Takata and 10 vehicle manufacturers to participate in a regional field action, how many passenger side and driver's side airbag inflators have been tested to this date? So June 14 to today.

Mr. Shimizu. To my knowledge, up to today, we complete the test around 4,000 pieces.

Mr. Terry. Now, the 4,000 tests, are they evenly divided between passenger and driver's side?

Mr. Shimizu. Most of the product is the passenger side. And I think for driver's side, quantity is about, I believe, around 400.

Mr. Terry. 400?

Mr. Shimizu. Yeah, 400.

Mr. Terry. So 3,600 of the tests were on the passenger side?

Mr. Shimizu. Yes.

Mr. Terry. So out of the 3,600 on the passenger side airbags, how many ruptures have occurred?

Mr. Shimizu. I don't have an accurate number, but I believe around, a little bit less than 60.

Mr. Terry. Less than 60, okay. How about on the driver's side of the 400 that were tested?

Mr. Shimizu. Zero at this moment.

This is a preliminary, unedited transcript. The statements within may be inaccurate, incomplete, or misattributed to the speaker. A link to the final, official transcript will be posted on the Committee's website as soon as it is available.

Mr. Terry. Zero. How many tests are you doing currently, per day?

Mr. Shimizu. Currently, we are testing about 100 inflators per day.

Mr. Terry. 100 what per day?

Mr. Shimizu. 100 pieces per day.

Mr. Terry. Pieces. Are those all passenger, or again, is it both?

Mr. Shimizu. It is sometimes only passenger side, sometimes only driver's side, or mix. It depends on what kind of inflator we collected from the region.

Mr. Terry. Very good. Then with your continued stance on opposing a national recall, what about Takata's test results leads you to believe that a national recall of all driver's side airbags is not needed or appropriate?

Mr. Shimizu. Based on the data we are collecting from the inflator from the region and also other regions, the data still support that we should remain focused on the region with high temperature and high humidity.

Mr. Terry. Okay. Now, the crashes in California and North Carolina led NHTSA to believe that the Takata airbag inflators pose a risk outside of the States with high absolute humidity. So why do you disagree with NHTSA's conclusion here?

This is a preliminary, unedited transcript. The statements within may be inaccurate, incomplete, or misattributed to the speaker. A link to the final, official transcript will be posted on the Committee's website as soon as it is available.

Mr. Shimizu. First, let me just state what I mentioned in opening statement. We are not opposing NHTSA's direction. We will commit to take any action necessary to advance the goal of safety for the driving public, that also includes working to produce the additional replacement kits to support the further recall that was announced by automakers. So once automakers decided to expand or change their range of recalls, we support it.

And regarding your question about California event and North Carolina event, the California event, the vehicles are covered by current regional recall, but also I want to explain that we do some investigation about that event but it is not completed yet and still under investigation. And regarding the event in North Carolina, at this time, we have no chance to check the vehicles and action materials. We only have the production, the serial number information, and the pictures. So we will inspect the actual vehicles later together with NHTSA and automakers and Takata.

Mr. Terry. Very good. Well, I only have 28 seconds left, so I will yield back my time and recognize the ranking member from Illinois for 5 minutes.

Ms. Schakowsky. Thank you, Mr. Chairman.

Mr. Shimizu, am I saying it correctly?

Mr. Shimizu. Yes.

Ms. Schakowsky. In the letter Takata sent to NHTSA yesterday,

This is a preliminary, unedited transcript. The statements within may be inaccurate, incomplete, or misattributed to the speaker. A link to the final, official transcript will be posted on the Committee's website as soon as it is available.

the company rejected a national recall. Your director of product safety wrote that "Under the NHTSA statute, only manufacturers of motor vehicles and replacement equipment are required to decide in good faith whether their products contained a safety-related defect, and if so, to conduct a recall."

And Mr. Chairman, I would like to submit this letter for the record.

Mr. Terry. Without objection, so ordered.

[The information follows:]

***** COMMITTEE INSERT *****

This is a preliminary, unedited transcript. The statements within may be inaccurate, incomplete, or misattributed to the speaker. A link to the final, official transcript will be posted on the Committee's website as soon as it is available.

Ms. Schakowsky. Mr. Shimizu, let me ask you, do you agree with the conclusions in the letter sent by your company yesterday?

Mr. Shimizu. Yes, Congresswoman.

Ms. Schakowsky. So Mr. Shimizu, do you agree that Takata is not required to decide in good faith whether your products contain a safety-related defect?

Mr. Shimizu. Congresswoman, I agree with that statement. It is the best data we have, that doesn't support the change from regional recall to national recall at this moment.

Ms. Schakowsky. So are you telling us that your company has no legal responsibility to determine if airbags are defective and to recall them?

Mr. Shimizu. If our products are defective and supported by scientific data, we are responsible for that.

Ms. Schakowsky. So you believe that you are responsible for that if they are found to be defective, but it is really up to you to decide that?

Mr. Shimizu. Yes. We need extensive research of the products involved in the incident or whatever. So once we determine that it is defective, yes, it is our responsibility.

Ms. Schakowsky. So moving forward, Takata will be producing millions of replacement airbags. Are the replacement airbags that you are having installed as a result of the recall safe?

This is a preliminary, unedited transcript. The statements within may be inaccurate, incomplete, or misattributed to the speaker. A link to the final, official transcript will be posted on the Committee's website as soon as it is available.

Mr. Shimizu. Yes. It is true that we have issued in the past, and we identified the root of cause and addressed all issues we had in the past and took care of this. And currently, products including replacement kits we are producing from well-controlled manufacturing processes and should perform a design and I consider is safe.

Ms. Schakowsky. So you believe that you have, in fact, discovered the root cause of the ruptures?

Mr. Shimizu. Excuse me?

Ms. Schakowsky. Are you sure and certain that you have discovered, Takata has discovered the root cause of the airbag ruptures?

Mr. Shimizu. Yes, we identified the root cause of the issues of the products we did a recall in the past. However, we still continue the investigation for the incident that happened in an area with high humidity and high temperature. So we need to continue to investigate these inflators collected from these regions.

Ms. Schakowsky. So are you saying that it is only in high humidity areas that this is a problem, that that is the root cause?

Mr. Shimizu. We considered it a main contribution to the problem is the high temperature and absolute humidity, together with age of the products and probably maybe a combination with manufacturing issues. That is why we collect inflator from these regions with support from all the vehicles at NHTSA and then continue to analyze

This is a preliminary, unedited transcript. The statements within may be inaccurate, incomplete, or misattributed to the speaker. A link to the final, official transcript will be posted on the Committee's website as soon as it is available.

these inflators.

Ms. Schakowsky. Interesting.

So who is the highest ranking Takata official that has actually signed off on production of the airbags that are now being recalled? The ones that are being recalled, who is the highest ranking official that has actually signed off on that?

Mr. Shimizu. Any court-related issue and statement from a company, I usually sign.

Ms. Schakowsky. You sign it, okay.

And who is the highest ranking Takata official with oversight over the production approval process?

Mr. Shimizu. Production approval is usually signed by head of operation, and also production, which means I sign.

Ms. Schakowsky. And let me just ask each of the manufacturers -- oh, and one more question for you, Mr. Shimizu: Have any of these individuals, including yourself, been held accountable for these decisions?

Mr. Shimizu. Excuse me, can I ask my interpreter?

Ms. Schakowsky. Yes.

[Confers with interpreter.]

Ms. Schakowsky. Have there been consequences?

Mr. Shimizu. We are more focused on collecting problems and we are not addressing that area yet.

This is a preliminary, unedited transcript. The statements within may be inaccurate, incomplete, or misattributed to the speaker. A link to the final, official transcript will be posted on the Committee's website as soon as it is available.

Ms. Schakowsky. Okay. But let me quickly, could I ask just yes or no, are Toyota, Honda, and BMW cars on the road right now nationally both for drivers and passengers with Takata airbag safe? The real question is, would you tell your children and spouses there is no danger of this type of rupture, so keep on driving? Mr. Schostek and then --

Mr. Schostek. Congresswoman, we want our customers to be safe and to feel safe in our cars. As you have heard, there are national recalls in effect. What we want our customers to do is, first, understand whether their car is subject to a recall. They can do that either by checking our Web site, by calling us, or by visiting their local dealer and finding out if they are subject to a recall. If they are, we want that car, we want to replace that part. If they are not subject to a recall, we believe they are safe in those cars.

Ms. Schakowsky. Mr. Westbrook.

Mr. Westbrook. Yes.

Ms. Schakowsky. Mr. Saadat.

Mr. Saadat. Please keep in mind, for Toyota vehicles, the problematic inflators are all on the passenger side, not driver's side. I just want to make that clear for Toyota vehicles. But in terms of --

Ms. Schakowsky. How do you know that all the deaths were on the driver's side? All the deaths, not necessarily in Toyota, but all the deaths --

Mr. Saadat. No, I understand.

This is a preliminary, unedited transcript. The statements within may be inaccurate, incomplete, or misattributed to the speaker. A link to the final, official transcript will be posted on the Committee's website as soon as it is available.

Mr. Terry. Gentlelady's time has expired.

Ms. Schakowsky. Thank you.

Mr. Terry. Chair now recognizes the full committee chair,
Mr. Upton.

Mr. Upton. Thank you, Mr. Chairman.

And I want to go back to my opening statement where this committee has been very involved in auto safety, rightly so, for a lot of years. And I can remember rolling a flawed tire down this very dais about 10 years ago, really seeking action. And we did it. We worked at the end of the session, we significantly raised the fines, and we added criminal sanctions for violations: Jail. It was tough to get through, but we got it done. And I want to say it was certainly bipartisan, and it was pretty close to unanimous in terms of what we did.

And what that TREAD Act did was really forcing the manufacturers to share details with the regulator to make sure that consumers, us, got the information and felt safety behind the wheel. Now, there is a report that came out this morning, I have not read it, just literally within the last half hour or so. But it says, "Reuters is reporting today that Takata ran an investigation into an airbag inflator that ruptured in a BMW as early as 2003, and is that additional testing for airbag inflator defects was done in 2004, 10 years ago." That was the time when we were passing the TREAD Act. "Both of these revelations

This is a preliminary, unedited transcript. The statements within may be inaccurate, incomplete, or misattributed to the speaker. A link to the final, official transcript will be posted on the Committee's website as soon as it is available.

would indicate that Takata was investigating this hazard well before it has been previously disclosed."

Can you comment, Mr. Shimizu, on the 2003 and 2004 investigations? Are they related to the current recall?

Mr. Shimizu. Congressman, my answer is no.

Mr. Upton. You can use the mic.

Mr. Shimizu. Excuse me, can you hear me now? Okay. My answer is no. Regarding the BMW incident in 2003, to my knowledge, it happened in Europe, I believe Switzerland, and that the cause of the problem is not the inflator propellant issue we are talking about right now. That was manufacturing issues that caused that problem, so it is not same as the problems we are discussing right now.

Mr. Upton. So they are not related, is what you are saying?

Mr. Shimizu. Not related to the current issues.

Mr. Upton. So do you know whether the issue today is manufacturing-related, or is it a design flaw in the inflator itself? Do you know the answer to that question? Yes or no?

Mr. Shimizu. In my knowledge, the current issues is most likely manufacturing-related, not design-related.

Mr. Upton. It is not manufacturer related?

Mr. Shimizu. It is manufacturer related.

Mr. Upton. It is manufacturer-related, okay. Thank you.

Mr. Schostek, in 2011, a Honda associate recognized an issue

This is a preliminary, unedited transcript. The statements within may be inaccurate, incomplete, or misattributed to the speaker. A link to the final, official transcript will be posted on the Committee's website as soon as it is available.

related to the recording of a verbal date code in a legal file management system that could have affected the accuracy of the early warning reports. And additionally, in 2012, NHTSA made Honda aware that it was underreporting claims. Why didn't Honda follow up with the issue in 2011, and why didn't Honda take conclusive action in 2012?

Mr. Schostek. Chairman Upton, thank you very much for that question. And I understand your involvement in the establishment of the TREAD Act more than 10 years ago, and I can understand the disappointment that you feel by the shortcomings that have been evidenced by our company. And I want to explain to you what happened. The problem that we had with underreporting in the TREAD Act is a systematic problem that began at the outset of the TREAD Act. As you know, it went into effect in 2003. Our staff at the time did not properly program computers and set up systems that would accurately let data flow and feed into TREAD reports.

It is difficult for me to say, sir, but that setup continued unchecked until 2011, 2012. You are right that an internal Honda associate did mention a concern as well as a discussion with NHTSA. They asked about the omission of certain incidents in our TREAD reporting. We did look into that, sir, in early 2012. We did not look into it effectively. We found one of what eventually we came to know would be three problems. We found one problem and took substantial action to address that one problem, but, sir, it did not complete our

This is a preliminary, unedited transcript. The statements within may be inaccurate, incomplete, or misattributed to the speaker. A link to the final, official transcript will be posted on the Committee's website as soon as it is available.

compliance requirements.

Mr. Upton. Can I just have an additional minute? So what was --

Mr. Terry. Without objection.

Mr. Upton. And we are going to be asking NHTSA, who is filing, what was NHTSA's response when -- you did correct it with NHTSA; is that not right? I mean, you did fess up, in essence, to NHTSA, right?

This is a preliminary, unedited transcript. The statements within may be inaccurate, incomplete, or misattributed to the speaker. A link to the final, official transcript will be posted on the Committee's website as soon as it is available.

RPTS YORK

DCMN HOFSTAD

[11:03 a.m.]

Mr. Schostek. In 2012, sir, we had a problem about converting oral claims into written claims. We made what we call a countermeasure internally to report those written claims.

Mr. Chairman, we did not close the loop with NHTSA, and we did not act with the urgency we needed to.

Mr. Upton. Did NHTSA come back and say, what happened? Was there any dialogue? What was NHTSA's response? I mean, did --

Mr. Schostek. As you know, sir, we engaged a third party to do an audit in September of this year, and we had a dialogue with NHTSA in October of this year about the preliminary findings of that audit. They actually found -- I am glad that we used an outside third party to do that audit because they found two more instances of our noncompliance.

So, based on that, we had discussed that with NHTSA, our preliminary findings, in mid-October of this year. As you know, we just submitted our information to NHTSA on Monday, and we are waiting for their response.

But I think what we have done in the meantime, sir, is to begin to fix the computer programs, to provide training, to augment the

This is a preliminary, unedited transcript. The statements within may be inaccurate, incomplete, or misattributed to the speaker. A link to the final, official transcript will be posted on the Committee's website as soon as it is available.

staffing, but, most importantly, to establish accountability within our organization. There are many functions that feed information for TREAD, and we did not designate a single responsible person, and that is our failing, sir.

Mr. Upton. Okay.

I yield back.

Mr. Terry. Thank you.

Now the chair recognizes the full committee ranking member, Mr. Waxman.

Mr. Waxman. Thank you very much, Mr. Chairman.

On November 18, NHTSA announced its intention to expand the regional recall of driver-side airbags to a nationwide recall. And on November 26, NHTSA formally requested that Takata expand to a national recall. But yesterday Takata responded that, quote, "the currently available reliable information does not support a nationwide determination of a safety defect," end quote.

Mr. Shimizu, why does Takata believe that there is not enough evidence to support a national driver-side airbag recall?

Mr. Shimizu. Yes, Congressman. As you know, we were collecting the data from the inflator we collected for the regional recalls. And according to the data we have, there is no -- actually, zero anomaly from driver side. And then we have some anomaly found in the passenger side, but all of them is come from Florida and Puerto Rico.

This is a preliminary, unedited transcript. The statements within may be inaccurate, incomplete, or misattributed to the speaker. A link to the final, official transcript will be posted on the Committee's website as soon as it is available.

So, based on these datas, we consider that still we should stay focused on this area. And, at this moment, there is not enough scientific evidence to change from regional recall to national recall. That is the background.

Mr. Waxman. Do you recall the same thing is true for the regional recalls of passenger-side airbags?

Mr. Shimizu. As I said, Congressman, all anomaly found in the passenger-side inflator is came from Florida and Puerto Rico.

Mr. Waxman. Okay.

Now, let me see if I can understand this decision a bit more from the consumer prospective. In the continental United States, the recall only covers cars in Florida; isn't that right?

Mr. Shimizu. Are you talking about regional recalls?

Mr. Waxman. Yes.

Mr. Shimizu. Yes. The regional recalls covered Florida, Puerto Rico and Hawaii and Virgin Islands, and some automakers covered even more around the Gulf Coast.

Mr. Waxman. But if I have a car with a Takata airbag in Yulee, Florida, just south of the Georgia line, it is an urgent matter that I bring it in for a recall. But if I instead live 15 minutes north of that line in Kingsland, Georgia, I gather the position is that my car is perfectly safe. Is that is a correct assumption?

Mr. Shimizu. Based on the data we collected, temperature and

This is a preliminary, unedited transcript. The statements within may be inaccurate, incomplete, or misattributed to the speaker. A link to the final, official transcript will be posted on the Committee's website as soon as it is available.

humidity and also what we call the dew point, and that is the background about how we can determine the area which we focus on that. So that is covered quite a wide area. And if it is a vehicle used or registered outside the area, we consider it is safe and no concern at this moment.

Mr. Waxman. Okay.

Mr. Schostek, does that make sense to you? Fifteen minutes north, you are okay, but if you are in Florida just below the line, you got to go in and get a replacement?

Mr. Schostek. Right, Congressman Waxman. I think it is also important, as we talk about this, to distinguish the recalls regarding the manufacturing defects from this more recent regional recalls. I just want to make sure that the committee understands that the recalls that we conducted from 2008 through 2014 that were related to specific Takata manufacturing defects, those were national in scope. So, for those recalls, we believe we understand the cause of the problem -- that is, Takata's manufacturing defects. And those cars are being recalled no matter where they are.

What we are talking about now is from 2014 to the present, so approximately the last 5 months. And all of us in the industry have been asked by NHTSA to do a safety improvement campaign to gather information and recall or bring back the inflators that are in those high-humidity States. I know, when we looked at that, we included contiguous counties, and we expanded beyond what NHTSA asked us to do,

This is a preliminary, unedited transcript. The statements within may be inaccurate, incomplete, or misattributed to the speaker. A link to the final, official transcript will be posted on the Committee's website as soon as it is available.

but --

Mr. Waxman. But the idea is that if you are in certain areas the heat and humidity would require you to comply with a regional recall, but -- let me just ask a different question.

If I live in, say, Houston, Texas, it is slightly less humid there, but not by much, than Jacksonville, Florida. Can we be certain that my car won't develop the same defect but perhaps 2 or 3 years later?

Mr. Schostek. That is a good question, Congressman, and we asked that question ourselves. And that is why we expanded our regional recall to include Texas.

Mr. Waxman. Yeah.

And, Mr. Shimizu, do you still not know the root cause of these airbag failures?

Mr. Shimizu. Congressman, if the question is asking about regional recalls, these are --

Mr. Waxman. But I am just asking, do you know the root cause of this problem?

Mr. Shimizu. At this moment, we don't have the root cause. We know the factors may contribute to this problems, so that is why we are still researching these inflators collected from regions.

Mr. Waxman. Well, the confusing, contrary, uncertain, and sometimes purely nonsensical information that comes from Takata is confusing to drivers. They don't know whether their cars are safe.

This is a preliminary, unedited transcript. The statements within may be inaccurate, incomplete, or misattributed to the speaker. A link to the final, official transcript will be posted on the Committee's website as soon as it is available.

This confusion is exacerbated by the different ways that auto manufacturers are handling the situation. For example, until this morning, Honda had chosen to expand its regional action to 13 high-humidity States and territories. This morning, we learned that Honda will be expanding to a national recall of driver-side airbags.

Mr. Schostek, when and why did Honda decide to expand its recall to the 13 States and territories?

Mr. Schostek. Congressman Waxman, we have heard this morning about NHTSA's request to Takata and the answer that Takata gave yesterday. We have been seriously considering, as Honda, expanding the safety improvement campaign nationally so we can gather more data nationally. Once we understood that answer yesterday from Takata, we decided to take action. We want to take care of all of our customers on a nationwide basis.

However, sir, as I said in my opening statement, we still believe that the highest risk is in the southern areas, those high-humid areas, and that those should be prioritized with respect to replacement parts.

But we believe that our customers have concerns, and our job is to satisfy our customers. So we want to expand the recall -- the safety improvement campaign to include all areas of the country, again, keeping a priority on those regional areas.

Mr. Waxman. Okay. Thank you very much.

Thanks, Mr. Chairman.

This is a preliminary, unedited transcript. The statements within may be inaccurate, incomplete, or misattributed to the speaker. A link to the final, official transcript will be posted on the Committee's website as soon as it is available.

Mr. Terry. The gentleman's time has expired.

The chair recognizes the gentlelady from Tennessee, the vice chair of the committee -- full committee.

Mrs. Blackburn. Thank you, Mr. Chairman. And I thank you for your good work on this.

And I thank our witnesses for being willing to answer these questions, because we are trying to get to the root cause of this -- Mr. Waxman just mentioned that term.

And, Mr. Shimizu, I want to go that direction with you. Let's go specifically to the November 19th New York Times article that tries to give a framework, a timeline, a chronology to this.

We can solve this problem, and, by and large, we have talked about what we are doing about this, what you all are doing about it. But let's go back to how we got into this mess in the first place and why we got into this mess in the first place. And that is covered in some part in this New York Times article.

And, Mr. Chairman, I would like to submit this for the record. I think it speak to both Mr. Waxman's question and to mine.

Mr. Terry. You said "this." Would you please --

Mrs. Blackburn. New York Times article.

Mr. Terry. Without objection, so ordered.

Mrs. Blackburn. Okay. Thank you, Mr. Chairman.

[The information follows:]

This is a preliminary, unedited transcript. The statements within may be inaccurate, incomplete, or misattributed to the speaker. A link to the final, official transcript will be posted on the Committee's website as soon as it is available.

***** COMMITTEE INSERT *****

This is a preliminary, unedited transcript. The statements within may be inaccurate, incomplete, or misattributed to the speaker. A link to the final, official transcript will be posted on the Committee's website as soon as it is available.

Mrs. Blackburn. Mr. Shimizu, I want to read to you from the article. It says, "By 1999, Takata researchers in Michigan, pressured by executives, developed a propellant based on ammonium nitrate," he said, "but the engineering team in the Moses Lake plant raised objections to basing a propellant on such a risky compound."

Now, let's talk about that for a minute, because I also found Michael Britton, a Takata chemical engineer, stated the following: "It was a question that came up. Ammonium nitrate propellant, won't that blow up?", a question he asked. And, number two, Mark Lillie, a former senior engineer with Takata: "It is a basic design flaw that predisposes this propellant to break apart and, therefore, risk catastrophic failure in an inflator."

And these all were before you all made this decision. You made the decision anyway to move forward with this. Now, that is a problem for us and for the American consumer and for the individuals that have lost their lives or have lost their eyesight or have been hurt by this.

So what was Takata's response to the concerns raised by Mr. Britton and Mr. Lillie?

Mr. Shimizu. Congresswoman, let me explain about materials, ammonium nitrate we are using. And, first, that material itself is safe and stable. And I am not aware of --

Mrs. Blackburn. Mr. Shimizu --

Mr. Shimizu. Yes.

This is a preliminary, unedited transcript. The statements within may be inaccurate, incomplete, or misattributed to the speaker. A link to the final, official transcript will be posted on the Committee's website as soon as it is available.

Mrs. Blackburn. I am sorry to interrupt you. That is not the response that I am asking you for. I understand what ammonium nitrate is. I know very well what it is.

I am asking you: You had two people, a senior engineer and a chemical engineer, that brought it to your attention that this was not a wise choice. I am asking you, sir, when they brought this to your attention, what did you and your team at Takata say in response to these engineers? Did you blow it off and say, it doesn't matter, it costs less? Did you say, we think we can get by with this because it is an aggressive propellant? I want to know what your response was to them.

Mr. Shimizu. Congresswoman, I was not involved at that time. However, I know it has been a lot of discussion about the selecting materials for a new type of inflator, and we considered the chemical properties and also combustion characteristic of the materials, both advantage and disadvantage. And we decided that we can control -- that we are -- some weak area and we can --

Mrs. Blackburn. Mr. Shimizu, you are avoiding the question, so let's move on.

What was your first date of employment with Takata? When did you start to work for them?

Mr. Shimizu. With Takata?

Mrs. Blackburn. Yes.

Mr. Shimizu. Since 1978.

This is a preliminary, unedited transcript. The statements within may be inaccurate, incomplete, or misattributed to the speaker. A link to the final, official transcript will be posted on the Committee's website as soon as it is available.

Mrs. Blackburn. Since -- oh, so you were around.

Mr. Shimizu. Yes.

Mrs. Blackburn. So we established that you were around during that time in 1999 when this decision was made. So let me ask this another way. Did any other Takata employees or outside parties warn Takata about using ammonium nitrate propellant in its airbags, yes or no? Anybody else -- did you or anybody else warn them?

Mr. Shimizu. I am not aware of that.

Mrs. Blackburn. You are not aware of that. So you don't know if anybody else other than these two engineers warned them that this was a really bad idea. You don't know that.

Mr. Shimizu. No.

Mrs. Blackburn. Were concerns about using an ammonium nitrate propellant relayed to executives at Takata, yes or no? And do you know who or when?

Mr. Terry. Go ahead and answer the question.

Mr. Shimizu. Can I confirm your question, please?

Mrs. Blackburn. Okay. Were the concerns about using ammonium nitrate as a propellant relayed to executives at Takata? Do you know if it made it up the food chain to the C Suite?

Mr. Shimizu. I don't know about that.

Mrs. Blackburn. You don't know. Okay. Well, you have a good team with you. We will allow you to respond.

This is a preliminary, unedited transcript. The statements within may be inaccurate, incomplete, or misattributed to the speaker. A link to the final, official transcript will be posted on the Committee's website as soon as it is available.

My time has expired. Let's see. I have five other questions. I will submit these in writing, and we would like an answer before the end of the year.

Yield back.

Mr. Shimizu. Yes.

[The information follows:]

***** COMMITTEE INSERT *****

This is a preliminary, unedited transcript. The statements within may be inaccurate, incomplete, or misattributed to the speaker. A link to the final, official transcript will be posted on the Committee's website as soon as it is available.

Mr. Terry. Thank you.

The chair now recognizes the gentleman from Maryland. Mr. Sarbanes, you are recognized for 5 minutes.

Mr. Sarbanes. Thank you.

Mr. Shimizu, Takata, as I understand, has agreed to the recall, at its expense, with respect to both driver-side and passenger-side airbags within the regions where there is high absolute humidity. Is that correct?

Mr. Shimizu. Yes.

Mr. Sarbanes. Okay.

And you said to Congressman Waxman a moment ago that you do not yet know the root cause of the defect or the problem with the deployment of those airbags with respect to that regional recall. Is that correct?

Mr. Shimizu. Congressman, it is -- we don't identified the root cause yet. That is why --

Mr. Sarbanes. Okay.

Mr. Shimizu. -- we continue collecting the inflator. But we have a strong opinion of what will contribute to this defect.

Mr. Sarbanes. Okay.

Mr. Shimizu. Which is high humidity and temperature and the life of the product.

Mr. Sarbanes. Mr. Chairman, I am good to take more time than you

This is a preliminary, unedited transcript. The statements within may be inaccurate, incomplete, or misattributed to the speaker. A link to the final, official transcript will be posted on the Committee's website as soon as it is available.

want to give me, but the timer is not running. So I just thought I -- that was a courtesy. I will get that back later sometime.

Mr. Terry. That is nice of you.

Mr. Sarbanes. Appreciate it.

My question is, if you don't know the root cause, how do you know that the replacement part that you are providing solves the problem? Is it different enough in its design that you have confidence that the replacement doesn't continue to have the same problem?

Do you understand --

Mr. Shimizu. Yes.

Mr. Sarbanes. -- my question?

Mr. Shimizu. Congressman, the current product we are producing right now is produced from the most recent line, which is all countermeasure and the lessons learned from the previous issues was built into that. So I am quite confident that products produced from the current production line, including replacement kits, should work as designed and are safe.

Mr. Sarbanes. Okay. So the production line -- the issue is that you can't yet quite identify the root cause that was part of the prior production line that created this problem, but you have confidence that, as a result of the new production line, whatever that problem might have been is now solved going forward --

Mr. Shimizu. Yes.

This is a preliminary, unedited transcript. The statements within may be inaccurate, incomplete, or misattributed to the speaker. A link to the final, official transcript will be posted on the Committee's website as soon as it is available.

Mr. Sarbanes. -- with respect to the replacement vehicles.

Mr. Schostek, you implied the idea that, notwithstanding Takata's decision to resist a national recall, that to the extent the auto manufacturers on their own initiative decide to expand a recall nationally that, as a practical matter, we could end up having a national recall. Although I guess there are some differences of opinion by the manufacturers to the scope of that, and I am going to ask Mr. Westbrook about that in a moment.

I take it that if you on your own initiative decide to expand the recall beyond what Takata is agreeing to, you are making a decision to, at least on the front end, incur the expense of getting that replacement airbag in place and then you will, I guess, down the road try to recover that? Is that how it works? As opposed to where they have agreed to the recall, the expense is absorbed on the front end by Takata; is that right?

Mr. Schostek. Congressman Sarbanes, for us, we start and end with our customers, what is right for our customers. And that is the action we are trying to take here.

It is true that, as an industry, with regard to what have been regional recalls up to this -- regional safety improvement campaigns up to this point in time, and now we are going to make it for our vehicles a national safety improvement campaign, it is true that we have theories but we don't know the cause. So our interest is getting as much

This is a preliminary, unedited transcript. The statements within may be inaccurate, incomplete, or misattributed to the speaker. A link to the final, official transcript will be posted on the Committee's website as soon as it is available.

information as possible.

It is also why, as was announced yesterday -- and we appreciate Toyota's leadership on this issue -- that we as manufacturers have decided we need to share -- we need to, first of all, engage an expert outside third party. Takata will continue to do their tests, and we will continue to receive that information from them. But I think, as an industry, as an auto industry, we are saying it is going to be better for all of us if we can gather information more quickly. And it is in all of our interests, Congressman, to find the cause and then to be able to reassure all of our customers and reassure the public of safety on the roads.

Mr. Sarbanes. Thank you.

Let me just -- Mr. Westbrook, let me ask you, because I have just 1 minute, I understand that Honda supports a national recall on the driver-side airbags. And on the passenger side -- which, by the way, on the driver side, Takata does not support that, and Takata does not support it on the passenger side.

But BMW does support it on the passenger side, although not on the driver side, right? And that that may be because BMW is concluding that there may be some other problem specific to the passenger-side airbags that you think goes beyond or is separate from this other issue we have been talking about.

Can you just briefly -- you have 15 seconds -- explain

This is a preliminary, unedited transcript. The statements within may be inaccurate, incomplete, or misattributed to the speaker. A link to the final, official transcript will be posted on the Committee's website as soon as it is available.

this discrepancy?

Mr. Westbrook. Thank you.

We have a unique design on the passenger side that might not be known to the committee. Our passenger-side airbag is unique in its design and its manufacturer.

From Takata, in 2013, we had our first indicator through production processes that the parts were out of specification. In 2014, they gave us another indication that, due to high-absolute-humidity areas, we might have a risk. And we took, then, the third indicator that our unique design could create the risk of additional airbag-related injuries -- not related to a ruptured inflator, because as of today we have never seen one single ruptured inflator.

So we are simply trying to cover our risk and look after our customers. We think they deserve that.

In terms of the national campaign, we are complying with what NHTSA has sanctioned, which is -- excuse me, the local campaign or the regional campaign. That was what we are working on right now.

And we will begin independent testing. We are under contract with a well-known European testing organization that actually specializes in propulsion and airbag safety. This is underway, and we expect to get results. We will share those results. We will collaborate. We will make everything -- as we have always tried to

This is a preliminary, unedited transcript. The statements within may be inaccurate, incomplete, or misattributed to the speaker. A link to the final, official transcript will be posted on the Committee's website as soon as it is available.

get ahead of this thing and just do the right thing.

Mr. Sarbanes. All right.

Thank you.

Mr. Terry. Thank you.

The gentleman's time has expired.

The chair now recognizes the chairman emeritus. The gentleman from Texas is recognized for your 5 minutes.

Mr. Barton. Well, thank you, Mr. Chairman.

You know, here we go again. I wasn't here for the opening statements, but it seems like every few years we have a hearing with some automobile manufacturer that they have had some sort of a defective part and they treated it as more of a manufacturing quality-control issue and not as a serious safety issue.

It is ironic, in this case, that the part is something that is supposed to protect the driver or the passenger, and it turned out that the airbag or the deflator or something in the airbag was defective.

You know, none of us -- I mean, we have some people that are technically trained on the committee, but we are not automotive engineers or safety experts. So, you know, we ask questions of you folks and then later on of NHTSA, and then we kind of cross our fingers.

You know, I am just puzzled and disappointed that, you know, here we go again.

So my most serious questions will be reserved for the NHTSA

This is a preliminary, unedited transcript. The statements within may be inaccurate, incomplete, or misattributed to the speaker. A link to the final, official transcript will be posted on the Committee's website as soon as it is available.

witness in the second panel, but I would ask Mr. Shimizu if -- and I may not be pronouncing your name correctly -- in the short term, you know, the old saying is "don't dig the hole any deeper." I am told by my friends at General Motors that there is a shortage of repair kits to do the replacements. And there are a couple of GM products that were using the Takata airbags.

How soon will you have enough good kits available so that we can go ahead and do the recalls for the cars that we have already recalled?

Mr. Shimizu. Congressman, regarding our capacity of the replacement kits, we are now boost up to 350,000 pieces per month, and it is going to increase to 450,000 pieces per month the January by adding 2 more lines.

And we continue to work on -- are discussing with automakers to increase the capacity. And as Mr. Schostek mentioned, that is we also are taking option to evaluate our competitors' inflator if it is feasible.

So we would take every action necessary to support to speed up the replacement of the --

Mr. Barton. Okay. Well, now, I am just an old Aggie engineer, so I am -- but there are about 7 million cars, I think, that have, all in all, been recalled. At 450,000 kits a month, that is a year and a half or longer. Do you think that is acceptable?

Mr. Shimizu. It is not speedy enough. We understand the issues.

This is a preliminary, unedited transcript. The statements within may be inaccurate, incomplete, or misattributed to the speaker. A link to the final, official transcript will be posted on the Committee's website as soon as it is available.

So that is why we are discussing to add the capacity of the productions, but it takes a month to be ready for that. But we do everything we can do at this moment.

Mr. Barton. Well, what does the driver do with a vehicle that is in a recall that is not going to be repaired for another year and a half or 2 years? Do you just disconnect the airbag? Just hope you don't have --

Mr. Shimizu. Not on the driver side. No, it is impossible. I understand the situation, so that is why --

Mr. Barton. I mean, I am not trying to be rude about it, but --

Mr. Shimizu. So, actually, one, the data shows that it is still we should focus on regional area. In that case, we can supply to fulfill the demand of our carmakers at this moment, if we focus on that area first as a priority. Or if we do a phase, taking a phase, that is, by adding production capacity, we can catch up the supply-ability to the demand.

Mr. Barton. Well, let me -- my time is about to expire.

Are there other manufacturers that manufacture an equivalent airbag product that you could substitute for your airbag and repair these cars that have already been recalled? Or is that just not, technically and engineering-wise, feasible?

Mr. Shimizu. It requires some validation tests, but is a certain competitor's inflator could be used to replace --

This is a preliminary, unedited transcript. The statements within may be inaccurate, incomplete, or misattributed to the speaker. A link to the final, official transcript will be posted on the Committee's website as soon as it is available.

Mr. Barton. I would suggest that you look at that.

Mr. Shimizu. Yes, Congressman.

Mr. Barton. Because the sooner the cars that have already been identified are repaired, the better off you are going to be, in my opinion.

With that, Mr. Chairman, I yield back.

Mr. Lance. [Presiding.] Thank you very much, Mr. Barton.

The chair recognizes the gentleman from Kentucky, Mr. Yarmuth.

Mr. Yarmuth. Thank you, Mr. Chairman.

And I thank the witnesses for their testimony today.

You know, I wish I could say I felt better about this situation now than I did when I talked about into the room, but I think I feel a little bit more uncertain than I wish I did.

I have a little bit of a personal history with this issue because I was a young Senate staffer on the Commerce Committee in the early 1970s when Ralph Nader came to the Congress and urged the mandatory airbag legislation. And so I know we have been putting airbags in cars for a long time.

Mr. Schostek -- I would like to hear from all the manufacturers how long you have been putting airbags in your vehicles.

Mr. Schostek. Congressman, it is since the 1990s, I am pretty sure, the 1990s.

Mr. Yarmuth. Early 1990s.

This is a preliminary, unedited transcript. The statements within may be inaccurate, incomplete, or misattributed to the speaker. A link to the final, official transcript will be posted on the Committee's website as soon as it is available.

Toyota?

Mr. Westbrook. I am not quite so sure, but I think it was the late 1980s that we started. Could have been early 1990s.

Mr. Yarmuth. And BMW?

Mr. Saadat. Same.

Mr. Yarmuth. Same thing.

And while I know that historically there have been incidents involving spontaneous deployment of airbags and so forth, but correct me if I am wrong, the issue we are dealing with today, these inflator ruptures, did not happen before this era that we are talking about, within the last 10 years; is that correct? Are you aware of any instances of an inflator rupture that occurred before the turn of the century?

Mr. Westbrook. No.

Mr. Yarmuth. All right.

And I assume that there was no relevance of humidity in any of the prior instances of malfunction of airbags prior to the turn of the century, essentially, this 10-year period.

So I am getting at this issue of the root cause.

And, Mr. Shimizu, what possibly changed other than the change in propellant that you used from before this time period when you actually changed propellents? Is there anything else that changed in the technology that you could reasonably identify as a potential cause of

This is a preliminary, unedited transcript. The statements within may be inaccurate, incomplete, or misattributed to the speaker. A link to the final, official transcript will be posted on the Committee's website as soon as it is available.

this inflator rupture prior to this period?

Mr. Shimizu. We understand it is the characteristic of the materials we use, which is ammonium nitrate, and we considered moisture have to be controlled during the operation, and we do it. And unfortunately we have some issues in the past of the equipment and the moisture control, but we believe that with real control we will manage the environment of the operation.

Mr. Yarmuth. But what I am getting at is I think we have pretty much excluded any other potential root cause other than the propellant that is being used. Nothing else changed in technology. None of these occurrences happened before the change in propellant.

So, regardless of whether it is humidity-related, temperature-related, the propellant seems to be the only variable that could be responsible for these kinds of malfunctions. Is that correct or not?

I mean, if nothing else changed and we never saw it before you changed propellents, wouldn't you say that it is reasonable to assume that the propellant is the root cause?

Mr. Shimizu. Congressman, this rupture case is happened either abnormal chemical reaction inside inflator or weakness of the inflator body. So either, if the balance was not there, then a rupture may happen.

So we are focused on the materials also now, but also one of the

This is a preliminary, unedited transcript. The statements within may be inaccurate, incomplete, or misattributed to the speaker. A link to the final, official transcript will be posted on the Committee's website as soon as it is available.

factor we can consider is the body side. But at this moment, according to our investigation, we didn't see any abnormality on the body side. That is why we focus on the materials.

Mr. Yarmuth. Okay.

Going a little bit further -- and this is expanding on Mr. Sarbane's question -- you filed a 573 Safety Recall Report just a month or so ago involving a defect in the airbags produced in Mexico. Is that correct?

Mr. Shimizu. Yes, the airbag was produced in Mexico for --

Mr. Yarmuth. Right. So you are actually still producing airbags that have defects in them. And I don't know what the nature of that defect was, but, again, it goes to the question of -- and I know we don't have too much time -- it goes to the question of whether we can be confident that even the replacements that are being provided are safe.

And I guess any of the manufacturing representatives who are here might want to respond. How can you be confident that the replacement parts you are putting in or that the airbags you are putting in today are safe if you are still buying them from Takata?

Mr. Shimizu. Congressman, that specific issue happened in Mexico, but it is not currently -- many years ago. And if my understanding is correct, that plant is already closed and moved to Mexico.

This is a preliminary, unedited transcript. The statements within may be inaccurate, incomplete, or misattributed to the speaker. A link to the final, official transcript will be posted on the Committee's website as soon as it is available.

And, as I said, all lessons learned from previous issues, we addressed to -- we identified the problems and addressed to the production process and are taken care of. So the current production is, as I said, capable to produce the quality parts, and I am very confident that the quality is there.

Mr. Yarmuth. All right.

I would like to submit, Mr. Chairman, that question and have the manufacturers respond to the committee as to how we can be confident that the equipment that they are using today is safe.

Mr. Terry. [Presiding.] Absolutely.

Mr. Yarmuth. Thank you very much. I yield back.

This is a preliminary, unedited transcript. The statements within may be inaccurate, incomplete, or misattributed to the speaker. A link to the final, official transcript will be posted on the Committee's website as soon as it is available.

[The information follows:]

***** COMMITTEE INSERT *****

This is a preliminary, unedited transcript. The statements within may be inaccurate, incomplete, or misattributed to the speaker. A link to the final, official transcript will be posted on the Committee's website as soon as it is available.

Mr. Terry. The chair recognizes the vice chair of the subcommittee, the gentleman from New Jersey, Mr. Lance.

Mr. Lance. Thank you, Mr. Chairman.

Mr. Saadat, are Toyotas on the road in the United States today safe, regarding the airbag issue?

Mr. Saadat. Sir, every time there is a safety recall --

Mr. Lance. Yes.

Mr. Saadat. -- and the vehicle has yet to be repaired --

Mr. Lance. Yes.

Mr. Saadat. -- there is always a risk.

Mr. Lance. Yes.

Mr. Saadat. Okay. In the case of people residing in the area of high humidity, we are urging our customers to please follow the instructions of the letters that we have sent to them. And as long as they do that, they can operate the vehicle safely.

Mr. Lance. And if that is done, there are enough airbags available so that that can be accomplished immediately?

Mr. Saadat. Takata has indicated they have significantly increased the production starting from this month, and I think we have a good amount of inflators that we should be --

Mr. Lance. Thank you.

Mr. Westbrook, the same question to you, regarding BMWs.

Mr. Westbrook. Would you repeat, please? I am sorry. Are they

This is a preliminary, unedited transcript. The statements within may be inaccurate, incomplete, or misattributed to the speaker. A link to the final, official transcript will be posted on the Committee's website as soon as it is available.

safe?

Mr. Lance. Yes. Are BMWs safe for the driving public in the United States of America today?

Mr. Westbrook. We believe they are. We have no knowledge of any inflator rupture, to this date, on any BMW on any airbag on any side of the car.

Mr. Lance. Same question to you, Mr. Schostek, regarding Hondas.

Mr. Schostek. Yes, Mr. Vice Chairman. There are recalls in effect for Honda vehicles from the past, and we are urging those customers to get their vehicles fixed. If there is not a recall, then I think we do believe that those customers are safe.

I do want to address the situation --

Mr. Lance. And there are enough airbags so that for those that are being recalled the problem can be fixed immediately?

Mr. Schostek. That is where I was going, sir. Yes, at the present time, we have seen the supply of replacement parts is adequate to match the demand.

We appreciate the attention on this issue. It is actually causing more customers to come forward and to get their vehicles repaired. These are usually older vehicles, and getting a high completion rate on recalls is difficult to do.

Mr. Lance. And you are confident that the recalls you have

This is a preliminary, unedited transcript. The statements within may be inaccurate, incomplete, or misattributed to the speaker. A link to the final, official transcript will be posted on the Committee's website as soon as it is available.

suggested are inclusive of all of the problems?

Mr. Schostek. Yes, sir.

Mr. Lance. And that there is not likely to be further recalls of Hondas?

Mr. Schostek. There is a safety information campaign where Takata has not yet identified the defect or cause of that. We are participating, as are other industry members, with that. We are going to expand that to a national campaign, as we talked about this morning. And there may be, sir, a time when replacement parts become a little short.

That is why we are working with not only Takata but two other manufacturers, Autoliv and Daicel. And we believe, based on recent discussions with those others companies, that there are good prospects to reduce the shortage.

There is not a shortage right now, sir. We expect there may be a shortage in the foreseeable future but that we are trying to do our best to --

Mr. Lance. Thank you. Thank you.

Mr. Shimizu, I have in front of me the letter that Takata sent in response to the request of the government. The letter is dated yesterday. It is from Mike Rains, the director of product safety.

Does he work for you?

Mr. Shimizu. Yes.

This is a preliminary, unedited transcript. The statements within may be inaccurate, incomplete, or misattributed to the speaker. A link to the final, official transcript will be posted on the Committee's website as soon as it is available.

Mr. Lance. And he is director of product safety in this country or throughout the entire system?

Mr. Shimizu. Mainly focused on this country.

Mr. Lance. This country. Thank you.

I find the response tendentious, argumentative, and not particularly helpful.

For example, Takata complains that you have only had 2 working days to respond, given the intervening Thanksgiving holiday. How long has Takata known about this problem? Certainly more than 2 working days.

Mr. Shimizu. Excuse me. Could you repeat the question again?

Mr. Lance. I find the response -- and we will be asking NHTSA about this later, because NHTSA is our next witness. I find the letter very unhelpful and extremely tendentious.

"Takata's current view, based upon reliable information, does not support a nationwide determination of a safety defect in all vehicles equipped with the subject driver-side inflators."

That is not the view of the agency at the Federal Government that protects the American people. And so you are dramatically and diametrically in opposition to the view of NHTSA. Is that accurate?

Mr. Shimizu. Can I confirm the question?

Mr. Lance. Certainly.

Mr. Shimizu. Excuse me.

This is a preliminary, unedited transcript. The statements within may be inaccurate, incomplete, or misattributed to the speaker. A link to the final, official transcript will be posted on the Committee's website as soon as it is available.

[Confers with interpreter.]

Mr. Shimizu. Congressman, sorry to take so long.

Mr. Lance. Certainly. You have every right to confer with your colleague.

Mr. Shimizu. Yes. Correct. That is our statement.

Mr. Lance. Thank you.

In conclusion -- and we will be asking this of NHTSA later in the hearing -- on November 26, NHTSA demanded a national recall of driver-side frontal airbags in writing, with a deadline of December 2nd. You have responded in the negative. If the company fails to act, NHTSA will continue the statutorily required process needed to force Takata to act. And, certainly, my line of questioning this afternoon will be related to that.

I think that we have to work more closely together to make sure that the American people are safe.

Thank you, Mr. Chairman.

Mr. Terry. Thank you.

And the chair recognizes the gentleman from Mississippi, Mr. Harper, for 5 minutes.

Mr. Harper. Thank you, Mr. Chairman.

Thank each of you for being here today.

Mr. Shimizu, you know, this is a matter of safety and concern for everyone who is a driver and families, children, those that might be

This is a preliminary, unedited transcript. The statements within may be inaccurate, incomplete, or misattributed to the speaker. A link to the final, official transcript will be posted on the Committee's website as soon as it is available.

impacted.

Can I ask you, the propellant that is used, the ammonium-nitrate-based propellant that is used now, when was the decision made to -- and when did you stop using tetrazole and move to the ammonium-nitrate-based propellant?

Mr. Shimizu. I am not sure, Congressman, exactly which year, but I believe it was added to them 2003 or -- let me confirm the exact date, so I will get back to you.

Mr. Harper. It has been at least more than 10 years ago, correct?

Mr. Shimizu. Yes.

Mr. Harper. Maybe late 1990s, early 2000?

What is the cost difference between the propellant tetrazole versus what is used now? How much does that affect the price of an airbag?

Mr. Shimizu. According to my knowledge, there is not much difference, but I don't know the actual cost.

Mr. Harper. Okay. But isn't tetrazole much more expensive as a propellant?

Mr. Shimizu. Only I can guess, is ammonium nitrate is not more expensive than tetrazole.

Mr. Harper. Well, why was the decision made to switch from one to the other but for cost?

Mr. Shimizu. No, the reason to change -- the reason to change

This is a preliminary, unedited transcript. The statements within may be inaccurate, incomplete, or misattributed to the speaker. A link to the final, official transcript will be posted on the Committee's website as soon as it is available.

to ammonium nitrate is not the cost. It is because of the -- there are many other reasons why we choose ammonium nitrate.

Mr. Harper. What is the propellant for the replacement airbags that you are manufacturing as we speak?

Mr. Shimizu. Excuse me?

Mr. Harper. What propellant is used on the replacement airbags, the ones that you are manufacturing now?

Mr. Shimizu. Yes, it is same propellant we used before.

Mr. Harper. Do you foresee changing the propellant as you move forward with ramping up your production of those to approximately 450,000 per month?

Mr. Shimizu. If we have to change the materials to replace parts for the recalls, then it is -- because of characteristics of the inflator itself is different. So we have to go through the validation test. That is the main reason we continue to use the same inflator. And of course that would come from the current production line, so it is considered safe.

And one more thing, sir, if I can. We have second-generation inflator also, which we use for another type of models, and we continue to work on improving the performance of the propellant or inflator.

Mr. Harper. Do you believe that the cause of the ruptures or the early deployment of these airbags or the ineffectiveness of that, is that due to the propellant, or do you believe that it is some other

This is a preliminary, unedited transcript. The statements within may be inaccurate, incomplete, or misattributed to the speaker. A link to the final, official transcript will be posted on the Committee's website as soon as it is available.

cause?

Mr. Shimizu. My understanding is this cause of the problems is not materials we use. It is because of the manufacturing processes and the humidity control in the plant.

Mr. Harper. I certainly want to -- I would like to ask Mr. Saadat some questions, if I may, with Toyota on the approach that you have had. How many vehicles, Toyota vehicles, are impacted by the recall?

Mr. Saadat. Approximately 878,000.

Mr. Harper. Okay. And it is my understanding that Toyota was the first to initiate a nationwide recall. Is that correct?

Mr. Saadat. Our nationwide recall has been in effect since 2013, April of 2013.

Mr. Harper. And just as a matter of convenience, are you providing loaner vehicles to the customers who come in? Are you giving them a vehicle, a loaner or a rental?

Mr. Saadat. Yes, if that is what they -- if that is what they desire, yes.

Mr. Harper. Okay.

Mr. Westbrook, is that something that BMW is doing?

Mr. Westbrook. That is what we are doing, yes.

Mr. Harper. Okay.

And Honda?

Mr. Schostek. Yes, Congressman. Right now, as I said, parts are

This is a preliminary, unedited transcript. The statements within may be inaccurate, incomplete, or misattributed to the speaker. A link to the final, official transcript will be posted on the Committee's website as soon as it is available.

in adequate supply right now, but if a customer needs a loaner vehicle or a rental car, we provide that to them at no charge.

Mr. Harper. Mr. Saadat, if I may ask, you mentioned earlier, and I know you covered it, but you said there are not any driver-side airbag issues for Toyota. Why is that?

Mr. Saadat. The problematic inflators that Takata has identified, they are not installed in our driver side in the U.S.

Mr. Harper. Different supplier for your driver-side airbag?

Mr. Saadat. Yes.

Mr. Harper. Okay.

What prompted you, Mr. Saadat, to start supplying inflators to Takata for testing?

Mr. Saadat. There was a preliminary evaluation that was open by NHTSA in June of this year and requested all automakers to send parts that they have collected --

Mr. Harper. Okay.

Mr. Saadat. -- and send them to Takata for testing. And that is what prompted us.

Mr. Harper. What about independent testing? What are we doing there?

Mr. Saadat. In terms of independent testing, we have retained the service of an independent engineering firm to be able to help us and give us more assurances on the root cause of this issue.

This is a preliminary, unedited transcript. The statements within may be inaccurate, incomplete, or misattributed to the speaker. A link to the final, official transcript will be posted on the Committee's website as soon as it is available.

Mr. Harper. Okay.

Mr. Westbrook, any independent testing that BMW is engaging in yet?

Mr. Westbrook. We are under contract to begin engaging in that. We are collecting the airbags under, you know, this regional campaign, and we will start that shortly and make those results available.

Mr. Harper. Thank you very much.

My time has expired. I yield back.

Mr. Terry. The chair recognizes the gentleman from Missouri, Mr. Long, for 5 minutes.

Mr. Long. Thank you, Mr. Chairman.

Mr. Shimizu, how many people would need to die before you would be willing to do a nationwide recall?

Mr. Shimizu. Five people died from the incident.

Mr. Long. That is what have died now, but my question is, how many more would need to die before you do what NHTSA recommends, which is a nationwide recall?

Mr. Shimizu. I don't think --

Mr. Long. Do you have a litmus test? I mean --

Mr. Shimizu. Again, we are still doing regional recalls for researching purpose, and we didn't identify the root cause of this problem yet. But such an incident, serious incident, a chance to have such an incident in outside region is minimal, according to the data

This is a preliminary, unedited transcript. The statements within may be inaccurate, incomplete, or misattributed to the speaker. A link to the final, official transcript will be posted on the Committee's website as soon as it is available.

we have.

Mr. Long. It is my understanding that the airbag, when it explodes, it is metal projectile, shrapnel, so to speak, that has cut veins and led to some of these deaths. Is that correct?

Mr. Shimizu. Once it has happened, that is the phenomenon, yes.

Mr. Long. So it is sort of tantamount to driving down the highway with possibly a shotgun aimed at you behind the steering wheel or behind the glove box, I guess, and not knowing which airbag is going to explode at what time and act as a shotgun would, such as shrapnel.

Mr. Shimizu. Congressman, in the past, 2 million times the airbag deployed as designed and saved the people lives and also saved the peoples from the serious injury from the accident. And, yes, we have some issues, and we have to address that, as we did in the past.

So we considered products we are making right now today is safe, and also we have some concerns on the region, which is with the high temperature, the high humidity. That is why we are continuing to investigate to identify the root cause right now.

Mr. Long. You are confident the ones you are making now are safe, but we all know that the ones that are on the road now, there is a possibility they are not safe, correct, that would be covered with a nationwide recall?

Mr. Shimizu. Excuse me. Let me confirm the question.

Mr. Long. Sure.

This is a preliminary, unedited transcript. The statements within may be inaccurate, incomplete, or misattributed to the speaker. A link to the final, official transcript will be posted on the Committee's website as soon as it is available.

[Confers with interpreter.]

Mr. Shimizu. Congressman, sorry to take time.

For the area outside regional recall, all data we have doesn't support such a risk at this moment. So we consider it safe.

Mr. Long. I don't know that I understood the answer.

Mr. Shimizu. Yeah, okay. I --

Mr. Long. My question is, the ones that are being manufactured today you are confident are safe, but the ones that are out there on the road now that will be not be recalled because you are not willing to do a nationwide recall, those are not safe, perhaps, correct?

Mr. Shimizu. We considered it safe --

Mr. Long. You think they are safe.

Mr. Shimizu. Pardon?

Mr. Long. You think they are safe?

Mr. Shimizu. Yes.

Mr. Long. Okay.

And you are confident -- from the testimony I have heard today, I am given to understand that you think that it is a humidity and a heat -- function of heat and humidity. Is that a one-time situation, or is it a compound situation?

And let me give you an example. If I live in Cheyenne, Wyoming, low humidity, and I want to go a wedding in Jacksonville, Florida, in my Honda that has a Takata airbag, should I make that trip? Am I okay

This is a preliminary, unedited transcript. The statements within may be inaccurate, incomplete, or misattributed to the speaker. A link to the final, official transcript will be posted on the Committee's website as soon as it is available.

to go down there? I am only going to be there a few days in the heat and humidity. Would that be a safe trip to take or not?

Mr. Shimizu. Congressman, I consider it is a kind of compound situation, which is the vehicles or products have to be extensive period of time under a high-temperature, high-humidity condition.

Mr. Long. Okay. So if I was going to move from Cheyenne, Wyoming, to take a job in Jacksonville, Florida, and I was going to there, then you would recommend that I get my airbag replaced, correct? If I was going to live there year-round and there was going to be heat and humidity year-round, you would recommend I get the airbag replaced.

Mr. Shimizu. There are many --

Mr. Long. I want to keep my family safe.

Mr. Shimizu. I consider it safe, but that is why -- we still didn't identify root cause yet, so that is why we continue to test. Sorry, it is hard to answer to the question.

Mr. Long. Let me ask the gentleman from Honda.

Mr. "Schostek" -- is that correct?

Mr. Schostek. "Schostek." That is right, sir.

Mr. Long. Same question to you. I live in Cheyenne, Wyoming, and I want to go to Jacksonville, Florida, take the family down there for a wedding. Are you confident I am safe in a Honda to do that, or is it a compound effect on the heat and humidity? Should people not travel to high heat and humidity areas with Takata airbags for short

This is a preliminary, unedited transcript. The statements within may be inaccurate, incomplete, or misattributed to the speaker. A link to the final, official transcript will be posted on the Committee's website as soon as it is available.

trips?

Mr. Schostek. Again, we have had national recalls related to Takata manufacturing defects --

Mr. Long. That is not my question. I appreciate you have done that.

Mr. Schostek. Okay.

Mr. Long. I mean, that is what I think Takata should do, is a national recall. And I appreciate that Honda has done that.

My question is, if someone was going to make a trip and had not done the recall process --

Mr. Schostek. Yeah, Congressman Long, the phenomena of inflator ruptures that we have seen over the years is occurring in vehicles that are fairly old vehicles -- 8 years old, 10 years old, 12 years old. It seems to be some function of time --

Mr. Long. So the five deaths in Hondas have been in older cars?

Mr. Schostek. Yeah. And I think the discussion about heat and humidity, the theory about that is it is over a prolonged period of time of that heat and humidity cycle potentially affecting the propellant.

Mr. Long. What is the newest car someone has deceased in in a Honda? What is the latest year model?

Mr. Schostek. Sir, I believe it was a 2004, but I would have to check.

This is a preliminary, unedited transcript. The statements within may be inaccurate, incomplete, or misattributed to the speaker. A link to the final, official transcript will be posted on the Committee's website as soon as it is available.

Mr. Long. And that would have been what year that the tragedy occurred?

Mr. Schostek. The most recent one occurred this year, sir, but in a 2004 model.

You know, there have been four fatalities in Honda vehicles. All --

Mr. Long. I thought there had been five, so --

Mr. Schostek. I am sorry. Four in the U.S. and one in Malaysia. So there have been four fatalities in the U.S. in Honda vehicles. All of those vehicles were subject to that national recall. One was --

Mr. Long. Right. No, no, and I appreciate Honda doing that. I appreciate that, but --

Mr. Schostek. And, sir, we wish that we had gotten --

Mr. Long. -- I just think Takata should do that.

Mr. Terry. The gentleman's time has expired.

Mr. Long. I don't have any time, but I would yield it back if I did. Thank you.

Mr. Terry. The gentleman from Illinois is recognized for 5 minutes.

Mr. Kinzinger. Thank you, Mr. Chairman.

We are going to miss you. You have been a fantastic chairman, a good friend. And I know you have some great chapters ahead, but congratulations on the work you have done on this committee.

This is a preliminary, unedited transcript. The statements within may be inaccurate, incomplete, or misattributed to the speaker. A link to the final, official transcript will be posted on the Committee's website as soon as it is available.

To all of you, thank you for being out here.

Just a couple of quick questions. I may not even take all my 5 minutes. We will make up for Billy Long there.

Sorry, Billy.

To the three of you, I will just ask generally: Do you believe there is currently sufficient data available to support NHTSA's call for a national safety recall for all Takata driver-side airbags?

Mr. Westbrook. No.

Mr. Kinzinger. Okay.

We will just ask down the line for you guys. Go ahead.

Mr. Saadat. In reference to driver side, as I stated, we don't have any of those problematic inflators on our driver side.

Mr. Kinzinger. Okay. So you haven't seen that.

Mr. Schostek. And as we informed the committee today, we are taking the action to expand our safety improvement campaign for driver-side recalls from regional to national. We want to get more information to help others in the industry, as well as Takata and ourselves, to understand what the defect is, if there is a defect, and to determine the cause.

I think it is important to understand from the customer's viewpoint, Congressman, that, you know, we use these words, "safety improvement campaign" and "recall," and I know it can be confusing to customers, and we are certainly sympathetic and empathetic toward that.

This is a preliminary, unedited transcript. The statements within may be inaccurate, incomplete, or misattributed to the speaker. A link to the final, official transcript will be posted on the Committee's website as soon as it is available.

The notice that arrives in the customer's mailbox, whether it is one or the other, says, "Your vehicle is subject to recall. Please bring it in."

So we have really focused, ourselves, our attention on, okay, what is happening in the field, what is happening with our customers, how do they understand what is going on here. And we are really trying to redouble our efforts to make sure that they understand that we want them to bring that vehicle in so that we can replace the inflator.

And then we need to do testing. Takata needs to do testing. We, as OEMs, need to do testing. We have talked about engaging a third-party expert engineering firm to do testing.

Mr. Kinzinger. Okay.

Mr. Schostek. Because there is still engineering work to do. We are all engineering companies here.

Mr. Kinzinger. Yeah, I got you.

Mr. Schostek. We want to find the answer to this.

Mr. Kinzinger. I am going to --

Mr. Schostek. In the meantime, I think our focus has to be on what we can do to our customers.

Mr. Kinzinger. Okay.

Mr. Schostek. And just --

Mr. Kinzinger. I got you.

Mr. Schostek. Okay.

This is a preliminary, unedited transcript. The statements within may be inaccurate, incomplete, or misattributed to the speaker. A link to the final, official transcript will be posted on the Committee's website as soon as it is available.

Mr. Kinzinger. Yeah. I appreciate it.

I am going to shift gears. There has been a significant discussion about regional recalls and the movement of recalled vehicles from high-humidity States to other States outside of those regions.

I believe an area that needs focus by automakers is the commerce of recycled original equipment manufacturer parts. Each day, over a half-million recycled OEM parts, the very same parts designed by your companies to meet your fit, finish, and durability standards, are sold by professional automotive recyclers. These parts play an important part in the automotive supply chain and are readily sold from one State or region of the country to another.

Recently, GM reached out to professional automotive recyclers offering to buy back or purchase recalled GM ignition switches. To accomplish this, GM provided specific OEM part numbers for the ignition switches that were critical to ensure that automotive recyclers could identify the specific recalled parts in their companies' inventories.

To the those representing the car companies, do you agree that sharing OEM part numbers and other identifiable information with the professional automotive recycling industry would increase safety?

And -- yeah. So we will start with that.

Mr. Schostek. Congressman, I myself am not familiar with the GM action that you described, and I will gladly check into it and get back to you on that.

This is a preliminary, unedited transcript. The statements within may be inaccurate, incomplete, or misattributed to the speaker. A link to the final, official transcript will be posted on the Committee's website as soon as it is available.

But I would bring up another point. Counterfeit airbags are a problem in this country, as well. And we have been working hard to, State by State, try to stop the use of counterfeit airbags. That is a big danger to consumers. We think it is a big danger to our customers.

Mr. Kinzinger. All right.

Mr. Schostek. We have had some success in some States.

But on the recyclers, sir, I would like to check and get back to you.

Mr. Kinzinger. And you two?

Mr. Westbrook. We have a process called the Automated Parts Return. And any component, like an airbag, is subject to this process. As far as I know, whether it is a recall or not, those go back to us. If a company like a recycler wants our mirror caps, they can have them.

Mr. Saadat. Sir, I am an engineer, and I can't really comment on legislative issues, but I will be happy to provide a response to you later.

[The information follows:]

***** COMMITTEE INSERT *****

This is a preliminary, unedited transcript. The statements within may be inaccurate, incomplete, or misattributed to the speaker. A link to the final, official transcript will be posted on the Committee's website as soon as it is available.

Mr. Kinzinger. Okay. And would sharing that information, would that assist your companies in tracking recalled parts?

Mr. Westbrook. Sharing what information, please?

Mr. Kinzinger. The OEM part numbers with recyclers.

Mr. Westbrook. I can't say that.

Mr. Kinzinger. Okay. All right.

Do Honda, Toyota, and BMW currently have a similar buyback problem in place with professional automotive recyclers? You guys might have already addressed that.

Mr. Schostek. I am sorry, Congressman. I am not aware of that. I will be happy to check and get back to you.

Mr. Kinzinger. Okay. Great. Thanks.

[The information follows:]

***** COMMITTEE INSERT *****

This is a preliminary, unedited transcript. The statements within may be inaccurate, incomplete, or misattributed to the speaker. A link to the final, official transcript will be posted on the Committee's website as soon as it is available.

Mr. Kinzinger. And, Mr. Chairman, I will yield back 10 seconds.

Mr. Terry. Thank you.

And now the chair recognizes the gentleman from Florida, Mr. Bilirakis, for 5 minutes.

Mr. Bilirakis. Thank you, Mr. Chairman. I appreciate all your good work in this committee and in Congress as a whole, and we are going to miss you.

This is a fundamental issue of safety, and Americans must be able to trust that the cars they drive are safe. I am sure you will agree with that. Instead, millions of Americans have been driving cars with potentially deadly airbags.

The area that I represent, of course, has an increased risk because this defect has generally been in parts of the country with high humidity, and that has been stated. Florida has many residents that are transient. I know you know that, too.

Mr. Saadat, Mr. Schostek, and Mr. Westbrook, the question is for you: What measures are you taking to correctly identify customers whose vehicles have been in high-humidity areas for prolonged periods? How are you contacting them?

We will start with Mr. Saadat.

Mr. Saadat. First of all, in terms of region, what we have is we basically look at the latest registration, number one. We are also looking at snowbirds. You know, if a vehicle is transferred and

This is a preliminary, unedited transcript. The statements within may be inaccurate, incomplete, or misattributed to the speaker. A link to the final, official transcript will be posted on the Committee's website as soon as it is available.

brought to, you know, the region. And, in general, if there is a regional recall, we contact our customers outside of a region who had their vehicles in the region or vice versa. So that is --

Mr. Bilirakis. What about if somebody buys a used car? How would you address that?

This is a preliminary, unedited transcript. The statements within may be inaccurate, incomplete, or misattributed to the speaker. A link to the final, official transcript will be posted on the Committee's website as soon as it is available.

RPTS ZAMORA

DCMN ROSEN

[12:02 p.m.]

Mr. Saadat. We look at the latest registration.

Mr. Bilirakis. Yeah.

Mr. Saadat. And based on that, we get information, we will contact them.

Mr. Bilirakis. Okay. Mr. Schostek.

Mr. Schostek. Yes, thank you, Congressman. Thank you for asking that question. Florida has been the site of 17 of the incidents that involve Honda vehicles, by far the most of any State and by far our biggest concern. In fact, there was an article, I think, in late September in one of the newspapers that inaccurately reported that Honda was asking dealers not to contact customers. They were misconstruing a message that we had sent to our dealers.

In fact, what had happened at that very same time, sir, in the State of Florida, we had begun 93,000 calls, sent out 125,000 emails, and sent out 76,000 postcards. We believe the risk is highest in your State, and we are putting extra effort into locating customers in your State and having some success with that, sir.

Mr. Bilirakis. Okay. Next, I would like to hear from Mr. Westbrook.

This is a preliminary, unedited transcript. The statements within may be inaccurate, incomplete, or misattributed to the speaker. A link to the final, official transcript will be posted on the Committee's website as soon as it is available.

Mr. Westbrook. We have maybe half of it covered. We have a way to track the car that was bought in Florida because it would be subject to the recall and that is linked to the VIN by our database. I do not have an answer to how we would have a way to track a car. Maybe it was bought in Michigan and spent the other half of the year in Florida, but I would like to get back on that.

Mr. Bilirakis. Well, please, work on that, and I would like to hear from you.

Mr. Westbrook. I will.

Mr. Bilirakis. Okay. Again, for the entire panel, would you let a family member drive a car with a Takata airbag? I would like for you to answer that. Would you let a family member drive a car with a Takata airbag?

Mr. Schostek. If the car was subject to recall, I would advise that family member to get it in as soon as possible and get it fixed. If the car is not subject to a recall, yes, I would let my family member. I would drive a car with a Takata airbag.

Mr. Bilirakis. I would like to hear from the entire panel.

Mr. Shimizu. Yes, I do. I would drive the car with our airbag.

Mr. Bilirakis. Mr. Westbrook.

Mr. Westbrook. I would drive a BMW with the passenger recall in place.

Mr. Saadat. If a family member lives in the high-risk area, I

This is a preliminary, unedited transcript. The statements within may be inaccurate, incomplete, or misattributed to the speaker. A link to the final, official transcript will be posted on the Committee's website as soon as it is available.

urge them to take the vehicle, and actually -- first of all, follow the instruction, the letters that we have sent to them and they can operate it safely and take the vehicle. We will try to take care of them.

Mr. Bilirakis. Would you let them drive it after they went through that? Or in other words, would you allow them to drive it, or would you prefer that they drive it?

Mr. Saadat. After the remedy is done, based on the information that Takata has indicated, you know, that they have addressed the root cause, yes. But --

Mr. Bilirakis. And you would trust Takata?

Mr. Saadat. As I said before, we have retained the service of an independent engineering firm to give us more assurances, sir.

Mr. Bilirakis. Okay. Next question. I know I don't have much time. Mr. Shimizu, Takata has known there were potentially issues with its airbags as far back as 2004. A decade has passed by, a full decade. Why hasn't your company been able to fix this life-threatening defect since then?

Mr. Shimizu. Congressman, every time we recognize the incident or issues, we immediately jump on to the problems and try to find root cause of the issues and as soon as we identify the root cause, we took care of that. We addressed the issues and we take care of the problems.

Mr. Bilirakis. Yeah, but, sir, I mean, it has been a full decade.

This is a preliminary, unedited transcript. The statements within may be inaccurate, incomplete, or misattributed to the speaker. A link to the final, official transcript will be posted on the Committee's website as soon as it is available.

10 years.

Mr. Shimizu. It is a series of --

Mr. Bilirakis. I don't think there is any excuse for not solving the problem.

Mr. Shimizu. It is every time we found problems and we immediately take action; however, it is true that we have series of recalls and different timing and we have some different cause of the problems. So it is not the same problems all the time.

Mr. Bilirakis. Okay. Thank you. I yield back, Mr. Chairman.

Mr. Lee. Thank you.

Gentleman from West Virginia is recognized for 5 minutes.

Mr. McKinley. Thank you, Mr. Chairman.

Let me try to focus a little bit on the recall notices, because we are not going to have success with this unless people bring their cars in and get this thing taken care of. And we also know that traditionally, 30 to 40 percent of people ignore their recall notice. And if you think back a little bit about when Moses came down from the mountain, he came down with Ten Commandments. He didn't come down with 10 good ideas.

So I am concerned about how much of an emphasis is in that notice that you better get your car back in. Because I have got two notices on my car. I have got a Chevy Cruise and I haven't done anything with it yet, because I don't know yet whether or not it is a life-threatening

This is a preliminary, unedited transcript. The statements within may be inaccurate, incomplete, or misattributed to the speaker. A link to the final, official transcript will be posted on the Committee's website as soon as it is available.

situation in my car and I have ignored it. So I know that 30 to 40 percent of people ignore them. How effective is the notice that you all are giving that this car could provide, as Mr. Long said, a shotgun flashing at you. I am just curious, what is the content of your notice? Is it just a good idea to bring it in, or if you don't bring it in, we are going to come after it?

Mr. Saadat. If I may answer first. We have recently implemented a second-day outreach program, and one, in particular, is contacting each customer by phone, emails, and follow-up mail to urge them to bring their vehicle in. If they don't feel safe, we ask them -- we will tow the vehicles to, you know, to the dealership. And so that is the second-day outreach program. We have improved our --

Mr. McKinley. Could you share with us a notice that you put out. You are doing the telephone call as well, with it. I don't know what BMW or anything -- I mean, we have got 10, 12 manufacturers are using these. I am just curious, could you send our office just a typical notice when you put out a recall. I am just curious to see what value is it. You really -- do you scare them? Is this a commandment or is this just a good idea?

Mr. Schostek. I think, Congressman, you are hitting on a fundamental problem. It is a very important question, because, you know, we need to reach our customers. We have to convince our customers to get these recalls. We are talking about older vehicles here. We

This is a preliminary, unedited transcript. The statements within may be inaccurate, incomplete, or misattributed to the speaker. A link to the final, official transcript will be posted on the Committee's website as soon as it is available.

will send you, sir, both the notice that we send with regard to a recall and the notice we send with regard to a safety improvement campaign. I have looked at both of them. The letter is pretty strong. The request is pretty strong. Please bring --

Mr. McKinley. If you just send that to me, I would appreciate it very much.

Let me go to another step with this recall notice. CARFAX apparently doesn't tell you where your car is. So if I am going to buy a used car, I don't know -- and maybe you can inform me or educate me about it -- but I don't know, I don't believe CARFAX says that car came from Florida. But now I own a car that has been in Florida for 12 years, and I buy the car in West Virginia. Am I going to get a notice that there is a recall?

Mr. Schostek. If that car is recalled, sir, we are checking our VIN numbers with --

Mr. McKinley. It is a yes-or-no answer. Thank you.

Mr. Schostek. Yes, you should. If a car has ever been registered in one of those States --

Mr. McKinley. I guess if you go by the VIN number it will say --

Mr. Schostek. Yes.

Mr. McKinley. -- that you know that car. Because let's just say I bought a car in West Virginia so it is registered in West Virginia, but then I take it to Florida and then I use it in Florida for 12 years

This is a preliminary, unedited transcript. The statements within may be inaccurate, incomplete, or misattributed to the speaker. A link to the final, official transcript will be posted on the Committee's website as soon as it is available.

and then I bring it back to West Virginia, or however.

Mr. Schostek. Right.

Mr. McKinley. Who knows where that car really is?

Mr. Schostek. It is a very good question, and, obviously, we can't sit here and provide you with 100-percent assurance that we are able to track a car. We do check registration information in the various States, so we do know it that way, but it is an area that we need to work harder at, sir.

Mr. McKinley. That is Honda. What about BMW? What about Toyota? What are you all doing? I am just curious from a pure mechanical standpoint, how are we checking this?

Mr. Westbrook. This is similar to the answer that I gave to Congressman Bilirakis from Florida. I think we have it in the car going the one ways. In other words, if the car is registered in Florida and we have a campaign in Florida, it is going to be cross-linked to that vehicle identification number. The other way around is more difficult to figure out, and as committed earlier, we will try to get to the bottom of that.

Mr. McKinley. Okay. Let me ask, the final question with this, is that if I have a concern about my car, and I have not received a recall notice and I take it to a dealer and I say, I am just uncomfortable. I see across the Nation there have been deaths reported of this, and I would like to have my airbag replaced. What does a dealer

This is a preliminary, unedited transcript. The statements within may be inaccurate, incomplete, or misattributed to the speaker. A link to the final, official transcript will be posted on the Committee's website as soon as it is available.

do? He says, sure, I will take care of it next week? Or does he say, you don't fit the profile, therefore we are not going to replace it? If that is the case, if he says no, where is the liability then?

Mr. Schostek. Congressman, we have instructed our dealers that we want our customers to be taken care of and want them to feel comfortable. If they are concerned about their car, we have loaner cars available, we have rental cars available if a part is not available to be -- and just this week, Congressman, I requested our service division to contact each and every dealer we have in the United States. We have more than 1,300 Honda and Acura dealers, to contact them individually and ensure that the treatment that the customers are receiving and the respect that the customers are receiving with regard to these inflator issues is up to our expectations. We expect our dealers to accommodate our customers' individual needs.

Mr. McKinley. Even though they have not been recall noticed, they are going to be taken at no cost to the owner?

Mr. Schostek. At no cost to the owner.

Mr. McKinley. Thank you very much. I yield back my time.

Mr. Lee. Chair recognizes the gentleman from Ohio for 5 minutes.

Mr. Johnson. Thank you, Mr. Chairman. And I would like to also add my thoughts to you as you make this transition. It has been great serving with you on this committee, and I wish you the absolute best.

Mr. Shimizu, I want to get a little bit into the manufacturing.

This is a preliminary, unedited transcript. The statements within may be inaccurate, incomplete, or misattributed to the speaker. A link to the final, official transcript will be posted on the Committee's website as soon as it is available.

Prior to coming to Congress, I worked for an automotive supplier. We made electronic components. Some of the plants were located near where some of your plants are located. We understand that there are five inflator types that have been subjected to these recalls. In terms of producing replacement kits for those that have to be replaced, can Takata simultaneously produce new inflators for each type as well as replacement kits for each type simultaneously?

Mr. Shimizu. Congressman, most of the case, each type of inflator has their own exclusive line, so the answer is yes, we can do it.

Mr. Johnson. You can do replacements and new? Okay.

Mr. Shimizu. Yes.

Mr. Johnson. Along these same lines, are passenger and driver airbag inflators produced on the same line or on separate lines?

Mr. Shimizu. Passenger inflator and driver inflator would produce a completely different line but from the same plant.

Mr. Johnson. Same plant but different line?

Mr. Shimizu. Yes.

Mr. Johnson. Okay. Does an increase in the production of replacement parts, driver's side replacement parts, affect your ability to produce passenger airbag inflators?

Mr. Shimizu. Could you repeat your question again?

Mr. Johnson. Does an increase in the production of driver's side

This is a preliminary, unedited transcript. The statements within may be inaccurate, incomplete, or misattributed to the speaker. A link to the final, official transcript will be posted on the Committee's website as soon as it is available.

airbags, does that affect your ability to produce passenger sides bags? Since they are on separate lines, I think the answer to that is no, correct?

Mr. Shimizu. Correct.

Mr. Johnson. Okay. All right. For our folks at Honda, what analysis, and I saw the press release about the analysis that you are going to be doing, I think, if I have got it right here. "Honda today called for a coordinated industry-wide, third-party testing of Takata airbag inflators with the goal of ensuring that all of the inflators that require replacement are accurately identified and fixed as quickly as possible."

What analysis did Honda undergo, if any, and have you done any independent analysis to date to determine if a recall of the airbags are necessary -- or the inflators, rather?

Mr. Schostek. Thank you, Congressman. I think we need to separate the recall decision versus testing. So the recall decision that we make is based on information that we receive, for example, from Takata with regard to manufacturing defects, they told us what those manufacturing defects were. We did not simply blindly accept their analysis, but our engineers looked at it and was it reasonable, and therefore, based on that, we have effected recalls over time.

With regard to the current problem, which is trying to understand is there a defect and what could be the contributing causes, for

This is a preliminary, unedited transcript. The statements within may be inaccurate, incomplete, or misattributed to the speaker. A link to the final, official transcript will be posted on the Committee's website as soon as it is available.

example, heat, humidity, we began some independent testing very recently, but we were really appreciative that others in the auto industry, and especially with Toyota's leadership that we were able to announce yesterday that many of us are coming together to share information about testing.

So we still have high expectations of Takata to continue to do their testing, but I think I can speak for Honda, I can't speak for the other OEMs, but I can speak for Honda that we feel a need to validate that and see what else we can come up with using an expert third-party engineering firm.

Mr. Johnson. Just real quick, we know that at least some of the data has indicated that humidity, temperature, climate has had an effect on these inflators. Are you folks doing testing on virtually every climate scenario in America, the different regions of the country, and seasonal? Because it changes from season to season and from region to region of our country. So are you looking at things other than humidity, like dryness, you know, whatever?

Mr. Schostek. A very good question. And I can't go as far as to say every climactic condition in the country, because that would be going a little too far, I think, but we are testing from the humid areas but also from other areas of the country. The purpose of a good engineering study is to have, you know, different samples to look at.

Mr. Johnson. Yeah.

This is a preliminary, unedited transcript. The statements within may be inaccurate, incomplete, or misattributed to the speaker. A link to the final, official transcript will be posted on the Committee's website as soon as it is available.

Mr. Schostek. And that is what we are doing.

Mr. Johnson. Mr. Chairman, I am prepared to yield back, but let me just make this statement. Again, coming from an automotive supplier myself, and I appreciate your candor, but I think it is a little bit shortsighted to say that we can't test for all the different climate conditions in the country. If we already know these inflators are affected by humidity, for God sakes, we don't know what other climate situations affect the inflators as well, and I think we need to get to the bottom of that as well.

So with that, Mr. Chairman, I yield back, and thank you.

Mr. Lee. Thank you.

Does the gentleman from Texas, Dr. Burgess, have any questions?

Dr. Burgess. Thank you, Mr. Chairman, for letting me be here. I will not seek time from this panel. I am anxious to hear from our next witness.

Mr. Lee. Thank you.

There has been a request from the full committee chair, therefore, by my set of rules, he is recognized for 5 minutes.

Mr. Upton. Just to pose another question. And, you know, there has been a number of different articles that have been written over the last number of weeks regarding secret tests, and I am looking at -- we will give you this for the record -- this is a CNBC story. And it reads, "The Japanese manufacturer at Takata secretly conducted

This is a preliminary, unedited transcript. The statements within may be inaccurate, incomplete, or misattributed to the speaker. A link to the final, official transcript will be posted on the Committee's website as soon as it is available.

tests on 50 airbags that it retrieved from scrap yards, according to two former employees involved in the test, one of whom was a senior member of its testing lab. Results were so startling that engineers began designing possible fixes in preparation for a recall, but instead of alerting Federal safety regulators to possible danger, Takata executive discounted the results and ordered the lab technicians to delete the testing data from their computers and dispose of the airbag inflators in the trash, they said." It goes on, and USA Today, other publications have reported similar stories.

This particular story indicates that a Honda spokesman, this must have been last week, on Thursday, Chris Martin from Honda said in a statement, "This is a serious allegation about actions taken by Takata. It is our intention to determine whether anyone at Honda has any evidence that these claims are credible," so I am anxious just to get a quick response. But more disturbing, of course, is that a Takata spokesperson, Alby Berman, declined to comment on the disclosure of the testing.

So if I could just hear from Takata and Honda briefly, if you would like to respond in writing, you can. But I am truly troubled by these stories, which is what helped lead us to this hearing today, and will be asking similar questions of NHTSA who follows you now. But I ask for the indulgence of the committee to get a response and maybe we will hear --

This is a preliminary, unedited transcript. The statements within may be inaccurate, incomplete, or misattributed to the speaker. A link to the final, official transcript will be posted on the Committee's website as soon as it is available.

Mr. Schostek. Congressman Upton, you mentioned Mr. Martin, a Honda representative quoted in there. We are continuing to look and to see if we have any reason to add any credibility to that. Up to this point, sir, as I sit here, I cannot add any credibility to that. We will continue to look, but I don't know of any Honda awareness of that testing in 2004, sir.

Mr. Upton. And this story indicates that testing was done in Auburn Hill, that is in Michigan. And, of course, this was about the time that we were doing the TREAD Act, which was a pretty big story in Michigan.

Mr. Shimizu. Congressman, my answer to your question is, first, we don't conduct any secret test during 2004. However, according to our record, we conducted a series of tests in 2004 because of the cushion issues. And we have some cushion tear issues that happened, and after NHTSA, the one is found during the test, and then NHTSA informed automakers and then end up to request us to do a series of tests within a limited time.

So we conduct a series of tests because of cushion tear problems, not inflators. And we don't use any inflator from junk yard either. So I think that article is not accurate. But the fact is, we did conduct a series of tests because of cushion issues, and actually NHTSA knows about it because it is an original request from NHTSA. And then after we finished the test, we found the root of cause, which is the abrasion

This is a preliminary, unedited transcript. The statements within may be inaccurate, incomplete, or misattributed to the speaker. A link to the final, official transcript will be posted on the Committee's website as soon as it is available.

between seat cover and the cushions that weaken the cushion and end up to cause the cushion tears, which it was reported back to automakers and NHTSA, and automakers end up to do the actual recall later in 2004.

Mr. Upton. When was it reported to NHTSA?

Mr. Shimizu. I believe it is during 2004. Before NHTSA back, I believe it is from automakers because they have to do the recall and I believe November 2004.

Mr. Upton. Well, if you could confirm that in writing before the end of the week, we would certainly appreciate it.

Mr. Shimizu. Yes. We can get back to the subcommittee by the end of this week, yes.

Mr. Upton. Yield back.

Mr. Lee. Thank you, Mr. Chairman.

Now the ranking member has one additional question as well.

Ms. Schakowsky. Mr. Schostek, another news report from November in The New York Times reported that after a 2004 airbag rupture in a Honda vehicle, your company reached a nonpublic settlement agreement with the injured party and also reported that you reached nonpublic settlement agreements after three airbag ruptures in 2007. So I am just wondering how many settlements like that there are, and if the company feels itself required to inform NHTSA or the public about these nonpublic settlements?

Mr. Schostek. Thank you, Congresswoman, for the question.

This is a preliminary, unedited transcript. The statements within may be inaccurate, incomplete, or misattributed to the speaker. A link to the final, official transcript will be posted on the Committee's website as soon as it is available.

There certainly are settlements in lawsuits; that is not unusual in our legal system. But with regard to these airbag inflators, we have made NHTSA aware of every inflator rupture that has occurred in a Honda vehicle. So we do not intend to -- you know, the confidentiality of legal settlements is part of our system here, but that is not to us a reason that is going to cover up any safety information. We are providing the safety information regarding inflators to NHTSA.

Ms. Schakowsky. So in all of these particular cases, you did also give NHTSA the information?

Mr. Schostek. We provided NHTSA with information about all inflator ruptures, yes, Congresswoman.

Ms. Schakowsky. Okay. And in a timely way, 2004, 2007?

Mr. Schostek. So let me just be clear, because there is two ways. We have been sharing with NHTSA all information about inflators. We have fallen short on our TREAD obligations, as I mentioned before. There were eight of them, eight out of the 1,700 related to Takata airbag inflator ruptures. Did we report those on our TREAD report? The answer to that is no, Congresswoman. But NHTSA had that information on the basis of our other communications with them, so it did not, in our view, hinder the process of continuing to investigate, as we have been, since 2007, these Takata airbag inflator ruptures.

Ms. Schakowsky. So these legal settlements have nothing to do, you are saying, with the actual reporting of the problem for which the

This is a preliminary, unedited transcript. The statements within may be inaccurate, incomplete, or misattributed to the speaker. A link to the final, official transcript will be posted on the Committee's website as soon as it is available.

lawsuit arose?

Mr. Schostek. Congresswoman, what I am saying is that we have shared information about Takata inflator ruptures with NHTSA.

Ms. Schakowsky. Okay. Thank you. I yield back.

Mr. Lee. Thank you, and that does conclude the questions for our first panel. As discussed throughout, there was mentions of written questions, QFRs. We want to let the panel know that it is likely you will have written questions submitted to you. We will do our best to get those to you in a timely manner, which always means a couple of weeks. And if you could, likewise, then answer them within a couple of weeks, we would greatly appreciate them and get them back to us.

So this panel, thank you for your contribution in helping us better understand. Obviously, this committee is dedicated to making sure that the people that are driving vehicles are as safe as they can possibly be. I think you share that as well. So appreciate your time here today. You are dismissed.

All right. I think it looks like we are set. Acting Administrator, Mr. Friedman, I appreciate you being here. I hope you enjoyed the last couple hours of their testimony. And now you are recognized for your 5 minutes, and welcome.

This is a preliminary, unedited transcript. The statements within may be inaccurate, incomplete, or misattributed to the speaker. A link to the final, official transcript will be posted on the Committee's website as soon as it is available.

**STATEMENT OF DAVID J. FRIEDMAN, DEPUTY ADMINISTRATOR, NATIONAL HIGHWAY
TRAFFIC SAFETY ADMINISTRATION**

Mr. Friedman. Thank you, Mr. Chairman, ranking member, and members of the subcommittee. Thank you for inviting me to testify about the serious issues of safety defects in Takata airbags. Over 10 million vehicles across ten automakers have been recalled because of inflators that can rupture when airbags deploy. More than half of these are part of older recalls associated with known manufacturing problems and four related deaths that have occurred in the United States.

Many of these vehicles have already been repaired, but many have not. That is why NHTSA alerted consumers this year to bring their vehicles in for repairs. Recalls are serious safety issues and vehicle recall completion rates remain far too low. I encourage all owners to go to SaferCar.Gov/vinlookup to find out if their vehicle needs to be repaired under these or any existing recalls.

In addition to NHTSA's efforts to help consumers, industry must step up. Automakers must do a better job to aggressively reach out to consumers to get their vehicles repaired, and they must report all information required under the TREAD Act. Dealers have to check VIN numbers for open recalls every time a vehicle is brought in for service.

This is a preliminary, unedited transcript. The statements within may be inaccurate, incomplete, or misattributed to the speaker. A link to the final, official transcript will be posted on the Committee's website as soon as it is available.

And, as the administration proposes in the Grow America Act, rental car companies and used car dealers should never be allowed to rent or sell vehicles without fixing them first. Congress can also provide help to States to implement programs directly linking vehicle regulation to the repair of open recalls.

Now I want to address the latest airbag recalls. NHTSA moved to open an investigation based on three consumer complaints about airbags from three different manufacturers. We connected the dots. Takata was the common supplier and all were from Florida and Puerto Rico. We reached out to Takata and the manufacturers, discovered three additional ruptures, and the airbags with these or similar inflators are used by several more manufacturers.

Initial data suggested that the defects in the driver and passenger airbags were related to prolonged exposure to high heat and humidity, and so NHTSA acted quickly. And within days of opening investigation, obtained recalls in areas of demonstrated risk from manufacturers with the same or similar inflators. Automakers responded to our call and declared defects based on a handful of incidents, and, thankfully, no reported deaths.

Our policy is clear: Vehicle recalls are nationwide, and we have denied and will continue to deny requests for regional recalls unless the manufacturer provides solid information indicating that the risk is regionally limited. The data we had at the time on the regional

This is a preliminary, unedited transcript. The statements within may be inaccurate, incomplete, or misattributed to the speaker. A link to the final, official transcript will be posted on the Committee's website as soon as it is available.

nature of the problem was compelling, and we wanted the manufacturers to quickly recall the vehicles of those that demonstrated risk. But that was far from the end of our efforts.

We are actively looking into other claims of injury or death to determine if they could be related. And while we continued those efforts, we refused to wait until someone else got hurt. We had Takata begin testing airbags from vehicles across the country. The tests so far have provided data supportive of the regional recall approach for passenger side airbags, as you can see in this chart.

But when we quickly connected a more recent driver's side injury in North Carolina to one in California, as you can see in this chart, and others that did happen in Florida, we acted. And I called on Takata and the vehicle manufacturers with driver's side airbags with the same or similar inflators to expand the driver's side recall nationwide.

Mr. Chairman, it is time again for industry to step up and put safety first. But we learned last night that Takata has refused to issue a nationwide notice of a defect in these driver's side airbags. Until they and automakers act, affected drivers won't be protected. We are now engaged in a detailed review of Takata's response to our demand and special order and will follow up with all appropriate steps to ensure Takata and automakers protect the driving public nationwide.

Takata must also increase their testing to provide us with more data to determine the extent and full nature of the defects. I was

This is a preliminary, unedited transcript. The statements within may be inaccurate, incomplete, or misattributed to the speaker. A link to the final, official transcript will be posted on the Committee's website as soon as it is available.

encouraged by Toyota, Honda and Ford's agreement to engage in coordinated, independent testing in response to our general order and expect all automakers to step up. In addition, Takata and the manufacturers must quickly ramp up production of replacement parts and make these remedies available to vehicle owners, including by working with other airbag suppliers.

Finally, if our continued investigation or added testing show that the passenger side airbag defects are not limited to regions of high heat and humidity, we will act quickly. Until then, we want to ensure that the limited supply of passenger side replacement parts are made available to those that demonstrated risk.

Mr. Chairman, each day more than 90 Americans lose their lives due to drunk driving, not wearing a seat belt, and the many other causes of traffic fatalities. Each hour more than 200 Americans are injured in traffic crashes. As we work each day at NHTSA, these are tragic reminders of the importance of our efforts and how we must build on our many successes and continue to work hard and even harder to protect the American public.

The case of defective Takata airbags is no different, and so let me be clear to you: We will continue our aggressive efforts to protect Americans from defective Takata airbags. We have acted swiftly and based on the evidence and we will continue to do so. And if we find any evidence of wrongdoing, those responsible will be held accountable.

This is a preliminary, unedited transcript. The statements within may be inaccurate, incomplete, or misattributed to the speaker. A link to the final, official transcript will be posted on the Committee's website as soon as it is available.

Thank you.

Mr. Lee. Thank you for your testimony.

[The prepared statement of Mr. Friedman follows:]

***** INSERT 3-1 *****

This is a preliminary, unedited transcript. The statements within may be inaccurate, incomplete, or misattributed to the speaker. A link to the final, official transcript will be posted on the Committee's website as soon as it is available.

Mr. Lee. Now I will recognize myself for 5 minutes to start the questions. So bluntly: Does NHTSA believe that humidity is the problem?

Mr. Friedman. It is clear that humidity is one of the factors and clearly is a major factor when it comes to passenger side airbags. When it comes to driver's side airbags, we have to follow the evidence, and the evidence is clear that the problem is not limited to areas of very high absolute humidity.

Mr. Lee. All right. So Takata believes that a national recall of driver's side airbags is unnecessary. Can you explain with some level of specificity why NHTSA now disagrees, especially in light of the fact that NHTSA had initially called for a regional action?

Mr. Friedman. Mr. Chairman, first of all, I was deeply disappointed by Takata's response and Takata's failure to take responsibility for the defects in their products. The fundamental explanation is we have followed the data. Initially, all of the incidents that occurred in the real world, with both passenger and driver's side airbags, all occurred exclusively in Florida and Puerto Rico. When we expanded the testing and pushed Takata to do the testing, the same held true for the testing of all passenger airbags, as you can see in this chart over here.

However, when we saw real-world incidents on the driver's side, one in California, we pushed Honda to make sure that their recall

This is a preliminary, unedited transcript. The statements within may be inaccurate, incomplete, or misattributed to the speaker. A link to the final, official transcript will be posted on the Committee's website as soon as it is available.

covered that region. Then, very recently, we became aware of a driver's side incident in North Carolina. With six total incidents, two of which are outside that region, we can no longer support a regional recall.

Our policy is clear: Recalls must be nationwide unless the manufacturers can demonstrate that they are regional. With the new data, it is clear, they can no longer demonstrate that the region that was used before was appropriate for driver's side airbags.

Mr. Lee. Specifically, the cars that you referenced, North Carolina, and the California, Santa Monica area, what is the level of absolute humidity there, and is it so different that you can say, backing up what you are saying is that it needs to go to a more national level?

Mr. Friedman. If we could put up chart D over here. What chart D is, is data from NOAA indicating the median annual dew point temperature. And dew point dumper is basically the measure of the total amount of water in the air or the absolute humidity.

As you can see, the brown areas are where we saw initially all the incidents. Then we started to see some passenger incidents in the red areas. The new incidents in California and in North Carolina are roughly around the edge of the yellow and green areas, clearly indicating that they are outside of the areas of the regional recalls and in areas of lower humidity.

This is a preliminary, unedited transcript. The statements within may be inaccurate, incomplete, or misattributed to the speaker. A link to the final, official transcript will be posted on the Committee's website as soon as it is available.

Mr. Lee. This is why this issue is particularly difficult to get my mind around. So if the issue is the absolute humidity, what caused the defect in California and North Carolina autos?

Mr. Friedman. Mr. Chairman, you are asking the exact same questions we are asking. One of the most frustrating parts about this is that neither the automakers nor Takata have been able to get to the bottom of the root cause on this. We have been pushing them to do so. We are also working and hope to within a week hire outside expertise and begin standing up our own testing capabilities so that we can supplement the work that they are doing.

But they are responsible legally for getting to the bottom of this, and we have pushed them to do so including requiring answers to questions under oath to force them to do so. But between the fact that the root cause on the driver's side is not clear, now that it is clear that it is outside of those areas of high temperature and high humidity, and the fact that we now have six total incidents, it is clear to us that a regional recall is no longer appropriate for the driver's side airbags.

Mr. Lee. Very good. I appreciate that. So in regard to the humidity aspect, the three automakers testify that they believe humidity is the root cause. I don't have the level of confidence in that, but they have said they are going to hire a third-party independent inspection of whether it is related to the humidity or

This is a preliminary, unedited transcript. The statements within may be inaccurate, incomplete, or misattributed to the speaker. A link to the final, official transcript will be posted on the Committee's website as soon as it is available.

something else. So my question -- very quickly answer -- do you believe that as well, that a third-party independent inspector is absolutely necessary?

Mr. Friedman. I believe we need to put all resources forward to address this issue. But also, let me be clear: A root cause is not required for a recall. All that is required for a recall is an unreasonable risk to safety, and that is clear on the driver's side that there is an unreasonable risk to safety outside of the areas of the highest humidity and temperature.

Mr. Lee. I agree with that latter part, but the reality is for the consumer is if the root cause isn't identified, how can you have confidence that they have solved the problem by putting in a new airbag?

Mr. Friedman. And we share your concern and we will evaluate the adequacy of the remedy to make sure that the American public is safe.

Mr. Lee. Thank you.

Mr. Friedman. Thank you.

Mr. Lee. Recognize the ranking member, Jan Schakowsky.

Ms. Schakowsky. Thank you, Mr. Chairman.

On November 26, NHTSA issued a recall request letter to Takata acknowledging that, as you have just said, that there is a safety-related defect regarding the driver's side airbags. I wanted to know why did this request go to Takata alone, either instead of or in addition to the manufacturers? Why hasn't NHTSA issued recall

This is a preliminary, unedited transcript. The statements within may be inaccurate, incomplete, or misattributed to the speaker. A link to the final, official transcript will be posted on the Committee's website as soon as it is available.

request letters to the automakers demanding that they expand the recalls of the driver's side airbags?

Mr. Friedman. Ranking member, on November 17, I called on Takata and then followed up the next day and called on all the involved manufacturers to recall these vehicles. So I made a verbal demand to them. The reason why we put a written demand to Takata is because once Takata does the right thing and agrees to this, it doesn't matter what the automakers do. There is a clear statement of a defect and all the automakers must recall those vehicles. So what we are looking to do is to get these vehicles recalled as quickly as possible.

Ms. Schakowsky. No, I understand that, but Takata has said no to you.

Mr. Friedman. Absolutely.

Ms. Schakowsky. And so it would seem to me, since that was their option, that it would make sense to go to the automakers as well.

Mr. Friedman. So we are evaluating Takata's response, and in our next steps, we will work to push Takata and the automakers to recall these vehicles nationwide. I noted the action by Honda today --

Ms. Schakowsky. Correct.

Mr. Friedman. -- which is a clear and promising action, but clearly also not enough. Much more needs to be done and we will push and use all the extent of our authority to push Takata and the manufacturers to address the safety --

This is a preliminary, unedited transcript. The statements within may be inaccurate, incomplete, or misattributed to the speaker. A link to the final, official transcript will be posted on the Committee's website as soon as it is available.

Ms. Schakowsky. Well, what is the authority now that Takata has said --

Mr. Friedman. Well, our authority under the Safety Act is, our next step could be to issue an initial decision of a defect and then we would hold a public hearing giving Takata the opportunity to provide any evidence they have. So far they have not provided any compelling evidence. We would give the same opportunity to the automakers. After that hearing, we would weigh all the evidence and make a final determination.

Ms. Schakowsky. And how long would that take?

Mr. Friedman. I cannot tell you yet because we just got the materials --

Ms. Schakowsky. Frame of reference. Order of magnitude. How long?

Mr. Friedman. Order of magnitude before a hearing could be certainly multiple weeks and likely multiple months.

Ms. Schakowsky. Okay. Let me also ask you a question about your climate map. The darkest part -- well, there is Florida, but then there is also Texas. And yet, on the original regional recall, you didn't include any part of Texas. Why is that?

Mr. Friedman. So all of the original incidents occurred in Florida or Puerto Rico, and so Florida and Puerto Rico were included in those regions. You know, this chart doesn't show all the gradations

This is a preliminary, unedited transcript. The statements within may be inaccurate, incomplete, or misattributed to the speaker. A link to the final, official transcript will be posted on the Committee's website as soon as it is available.

in humidity levels. That said, we have pushed all of the automakers involved to cover the same region, at least the same region, not just in Florida and Puerto Rico, but all around the Gulf Coast to ensure not just that the darkest color is included, that that there is a significant buffer zone outside of the darkest area and the red area.

Ms. Schakowsky. No, I understand. It is just curious to me, if you think that at least humidity is a key factor, why the first choices wouldn't be those areas of highest humidity in your initial recall?

Mr. Friedman. Well, it was because all of the data pointed to incidents in initially kind of the more southern parts of Florida and Puerto Rico. So we went with the initial data, but as we got more data, we acted quickly to make sure that the recalls were expanded. That was one of the benefits of the testing that we pushed Takata to do is that we started seeing failures outside of that area and that made clear to us that the evidence was pointing to the need for a broader recall. Every time the evidence has pointed to the need for a broader recall, we have pushed industry to act on that evidence.

Ms. Schakowsky. Okay. I want to go to another topic. You know that our ranking member of the full committee, Waxman, and I, had introduced new auto safety legislation this year, which, among other things, would improve the early warning reporting system by requiring manufacturers to provide more information making more information public. Could you -- let's see, maybe I will just put this in writing.

This is a preliminary, unedited transcript. The statements within may be inaccurate, incomplete, or misattributed to the speaker. A link to the final, official transcript will be posted on the Committee's website as soon as it is available.

If you could briefly describe how the early warning reporting system currently works. If you could provide us that information, that would be great.

Mr. Friedman. We will do so. Thank you.

Ms. Schakowsky. Okay. Thank you.

Mr. Lee. Thank you.

The chair now recognizes the full committee chairman, Mr. Upton for 5 minutes.

Mr. Upton. Thank you, Mr. Chairman.

And welcome back, Mr. Friedman. So you have seen these reports --

Mr. Friedman. Yes.

Mr. Upton. -- the one that I cited earlier and USA Today. I think you might have actually written a response to that in terms of the editorial, as I recall, a number of weeks ago. So as you try to connect the dots, since these stories have emerged, what have you done as it relates to going back to Takata and seeing whether or not do they really do these? I mean, were they really off hours and weekends, and what do they do with the evidence, and how does that comply?

I mean, I don't know if there is enough evidence -- I am not a lawyer -- enough evidence to go back to the TREAD Act and see if, A, they were true, if there is actually someone as liable for criminal sanctions. I mean, what is your response behind the scenes to what

This is a preliminary, unedited transcript. The statements within may be inaccurate, incomplete, or misattributed to the speaker. A link to the final, official transcript will be posted on the Committee's website as soon as it is available.

has been reported publicly?

Mr. Friedman. Mr. Chairman, we took two steps: First of all, we looked into all of our information; but second of all, we issued special order to Takata compelling them under oath to provide us with all information on any testing that they have done related to the use of the bags.

Mr. Upton. And have they done that? Have they reported back yet?

Mr. Friedman. They have. They provided their submission as of December 1, and my team is now pouring through the voluminous data to get to the bottom of this. I share your concerns. When we saw those reports, we acted quickly to ensure that we could get to the bottom of this.

Mr. Upton. So since they only reported back Monday, will you be able to share with us what they submitted?

Mr. Friedman. We will dig into all that information, and we will be more than happy to brief you and the committee on what we find.

Mr. Upton. What has been your response to the, you know, the reports and the underreporting, the 1,700-some cases by Honda as relates to how you-all are supposed to function?

Mr. Friedman. My personal response was shock and frustration that Honda has failed so significantly to follow the TREAD Act. Again, we issued a special order to Honda to get to the bottom of this and

This is a preliminary, unedited transcript. The statements within may be inaccurate, incomplete, or misattributed to the speaker. A link to the final, official transcript will be posted on the Committee's website as soon as it is available.

to push them to discover not only about the 1,700 failures, but what other failures are associated with their reporting of early-warning data and information. Our team has gotten back that information, also just recently. We are digging through that information and to determine -- they have already basically admitted their guilt. Now the question that we are trying to determine is how many different ways did they fail, and how many different ways might we have to consider fining them to the full extent of the law?

Mr. Upton. And have you communicated with the other auto companies, all of them, in terms of what Honda did and to make sure that, in fact, the other companies have not followed that same type of pattern?

Mr. Friedman. So we have two steps along those lines. One, and my expectation is, you would have asked me that exact same question, and so today I am calling on each and every automaker to do an audit of their early-warning reporting and provide that information to us to ensure that they are fully following the TREAD Act and can demonstrate that to us.

We are looking at other measures, potentially compelling them to provide such information. But I think every automaker should take the responsible step right now of doing their own audit to determine and ensure that they are appropriately following the TREAD Act, and, if they are not, report that information to us and fix the problem

This is a preliminary, unedited transcript. The statements within may be inaccurate, incomplete, or misattributed to the speaker. A link to the final, official transcript will be posted on the Committee's website as soon as it is available.

immediately.

Mr. Upton. Now, you indicated in your testimony that you have been responsible for Takata quadrupling their testing. Have you determined that by quadrupling that rate, would that be sufficient to generate the needed data to understand the current problems?

Mr. Friedman. No. In fact, I was very encouraged to hear -- well, first of all, we continue to push Takata to do more; second, I was very encouraged to hear Toyota, Ford, and Honda agree to do additional testing; further, we issued a general order to each and every automaker involved to require them to provide us with all the information they have on testing. We are trying to push the entire industry to ramp up their testing. We are also working to stand up some test facilities of our own so that we can verify the work that they are doing.

Mr. Upton. Appreciate it. I yield back.

Mr. Lee. Chair recognizes the full committee ranking member, Mr. Waxman.

Mr. Waxman. Thank you very much, Mr. Chairman.

On November 18, NHTSA announced that it was calling on Takata and automakers to expand the current regional recall of defective driver's side airbags to a national recall. NHTSA based this decision to expand the recall on airbag failures that occurred outside of the high-humidity areas covered by the regional recall.

This is a preliminary, unedited transcript. The statements within may be inaccurate, incomplete, or misattributed to the speaker. A link to the final, official transcript will be posted on the Committee's website as soon as it is available.

Mr. Friedman, have you determined that humidity is no longer a key factor or contributing factor to ruptures in these airbags, and have you determined that consumers outside of high-humidity regions are potentially in danger from ruptures?

Mr. Friedman. Regarding passenger side airbags, all the data continues to point to an issue associated with high temperatures and high humidity over long periods of time. On the driver's side airbag, while humidity may still be a contributing factor, it is now clear based on the evidence, that that is not simply the dominant factor, which is why we have called on them and made clear to them that while we accept regional recalls where the evidence supports it, the evidence no longer supports a recall limited to those previous areas.

Mr. Waxman. Uh-huh. In September, Ranking Member Schakowsky introduced a bill that requires that all recalls occur on a national basis. Mr. Friedman, cars are mobile and often moved from State to State. Can you commit to reevaluate the procedure that allows for regional recalls based on climate or environmental conditions?

Mr. Friedman. Ranking member, each and every day we are looking at how we can do more and do better for the American public. This issue has certainly caused us to continue to look into this issue.

Mr. Waxman. Uh-huh. Mr. Friedman, the committee has received Takata's testing results from over 2,500 airbags that were collected as part of the regional recalls or safety improvement campaigns. These

This is a preliminary, unedited transcript. The statements within may be inaccurate, incomplete, or misattributed to the speaker. A link to the final, official transcript will be posted on the Committee's website as soon as it is available.

results are a bit perplexing. They show no ruptures from the driver's side airbags but they show more than 60 ruptures of passenger side airbags. In the case of one auto manufacturer with one type of airbag, one of every eight airbags from southern Florida vehicles ruptured during tests.

Can you help us understand why NHTSA has asked for a national recall on the driver's side airbags but has not done so with the passenger side airbags, even though Takata test results seem to show higher risk for those airbags?

Mr. Friedman. So if you look at chart A, the red dots are multiple cases during the testing of where there have been failures in passenger side airbags. Each and every one of the failures in the real world and in testing have all happened in areas of high temperature, high humidity, consistent exposure to those areas. In this case, we must follow the data, and the data on the passenger side clearly indicates that the problem is in those areas.

That said, our investigation is far from over. We are pushing for additional testing. And if we receive any evidence indicating that the problem is broader, we will act and we will act quickly to protect the American public.

Mr. Waxman. Is the issue with the driver's side airbags a different issue than with the passenger side airbags? What is the difference that makes you confident in calling for a national recall

This is a preliminary, unedited transcript. The statements within may be inaccurate, incomplete, or misattributed to the speaker. A link to the final, official transcript will be posted on the Committee's website as soon as it is available.

only on the driver's side airbag?

Mr. Friedman. We are following the data and that is the basis for our decision. We do know that there are design differences between passenger side and driver's side airbags. But let me be clear: As Takata and the automakers indicated, they have not yet gotten to the bottom of the root cause of this issue. That is a critical step that we are pushing for and we are involved in because getting to the root cause will help dramatically clarify things for consumers, for automakers, for suppliers, and for the actions that each and every one must take.

That is a critical step, and we will continue to push ourselves and industry to get to the bottom of this. That is one of the reasons why we are now looking to get under contract hopefully within about a week and expert in propellents and airbag production and design so that we can have added expertise on top of the experts we already have to get to the bottom of this as quickly as possible. We will leave no stone unturned in our efforts.

Mr. Waxman. Honda failed to report 1,729 serious accidents resulting in injuries or deaths to NHTSA between 2003 and 2014. Eight of these incidents involved Takata airbags. Can you explain how this information could have been used by NHTSA if Honda had reported it like it was supposed to, and can NHTSA penalize Honda for this failure to report? And in your view, would increasing the penalties help ensure

This is a preliminary, unedited transcript. The statements within may be inaccurate, incomplete, or misattributed to the speaker. A link to the final, official transcript will be posted on the Committee's website as soon as it is available.

that manufacturers report the information they are supposed to do?

Mr. Friedman. Ranking member, the way we would use and the way we use all of the early-warning information is to spot trends the spot cases where there are potential defects. Anytime an automaker fails to provide that information to us, it leaves us more hamstrung in our ability to find these problems quicker and to get these problems fixed sooner.

One of the things that we are determining right now, based both on Honda's admission of their failure and on the information they have provided, is to what degree penalties are appropriate, but I can assure you we will hold them accountable to the full extent of the law. That said, as you indicate, our maximum penalty for any single incident is only \$35 million. Sadly, for too many car companies, that is pocket change. That needs to change.

And under the Grow America Act, the President and the Secretary have called for the maximum penalty to be increased to at least \$300 million so that it will send a much clearer message. We have worked over the last 6 years and have fined automakers more than \$160 million using our authority, more than any administration ever has before, but it is clear to us that we need a bigger stick.

Mr. Waxman. Thank you. Thank you, Mr. Chairman.

This is a preliminary, unedited transcript. The statements within may be inaccurate, incomplete, or misattributed to the speaker. A link to the final, official transcript will be posted on the Committee's website as soon as it is available.

RPTS YORK

DCMN ROSEN

[1:02 p.m.]

Mr. Terry. Thank you, Mr. Waxman.

Now recognize the vice chairman, Mr. Lance, for 5 minutes.

Mr. Lance. Thank you very much. Mr. Chairman.

I am interested in the time frame moving forward.

In answer to Congresswoman Schakowsky's question, you said it might be weeks or months. I would like a little more specifics on that.

Your November 26 letter -- well, there was a response on December 2nd, a response with which you fundamentally disagree, and I would imagine I disagree as well.

What is your next step, Mr. Friedman?

Mr. Friedman. Thank you, vice chairman.

Our next step -- in fact, my team already began, once we received that -- the information from Takata both on Monday in response to our special order and yesterday in response to our recall demand, we are digging into that data. We are evaluating their arguments. We are marshaling our evidence.

Mr. Lance. Is their argument in the three-page response that they gave you? Because --

Mr. Friedman. That is the extent of their argument.

This is a preliminary, unedited transcript. The statements within may be inaccurate, incomplete, or misattributed to the speaker. A link to the final, official transcript will be posted on the Committee's website as soon as it is available.

Mr. Lance. Rather weak, weak tea, in my judgment.

Mr. Friedman. I would agree.

Mr. Lance. So what is the timeframe? Because the American people need to be assured that their automobiles are safe, and what is your next step and when will that occur?

Mr. Friedman. Our next step after evaluating all that information would be to issue an initial determination -- initial decision of a defect to Takata and the automakers. After that we would hold a public hearing.

Mr. Lance. And how soon can you initiate that?

Mr. Friedman. As soon as humanly possible. Vice chairman, the key -- because we want to protect the American public, we need to make sure that we build the strongest case possible because at the end of the day, if Takata and the automakers continue to refuse to act, we are going to have to take them to court, and we want to make sure that we have a case prepared that we will win in that circumstance.

Mr. Lance. You can build a court case over time. So can you estimate for the committee and through the committee to the American people when your next step will be taken?

Mr. Friedman. We have already begun our next step of diving into the data.

Mr. Lance. That doesn't answer my question, Mr. Friedman. The next legal step, not just diving into the data, when will you next do

This is a preliminary, unedited transcript. The statements within may be inaccurate, incomplete, or misattributed to the speaker. A link to the final, official transcript will be posted on the Committee's website as soon as it is available.

something officially regarding Takata and the automakers?

Mr. Friedman. Vice chairman, I apologize, but at this point because there is voluminous data from Takata, I can't give you an exact estimate. My team is working furiously and as quickly as possible, and as I indicated earlier, it could be weeks, it could be months, but it certainly won't be many months if it is. I could see something happening --

Mr. Lance. And then if that were to occur, let's say it occurs by the 1st of February, and I would hope sooner than that, and then what happens?

Mr. Friedman. We will hold the hearing if they refuse --

Mr. Lance. And the hearing has to be held within what time frame?

Mr. Friedman. The Safety Act does not establish a specific --

Mr. Lance. Does not 45 days or 30 days or --

Mr. Friedman. Right. The Safety Act does not establish that. We will move to have that --

Mr. Lance. So from our perspective, I think it should be time of the essence?

Mr. Friedman. I agree.

Mr. Lance. And then what happens after that?

Mr. Friedman. And then after that we will -- if the evidence still points to the need for a broader recall, we will issue a final determination that will compel Takata and the automakers to act. If

This is a preliminary, unedited transcript. The statements within may be inaccurate, incomplete, or misattributed to the speaker. A link to the final, official transcript will be posted on the Committee's website as soon as it is available.

they fail to act, then we will have to work with the Justice Department to bring them to court and force that action.

Mr. Lance. And it is the Justice Department that brings Takata, potentially, and the manufacturers to court.

Mr. Friedman. I would have to get back to you on the exact process, but my understanding is yes, that we would work with the Justice Department.

Mr. Lance. And this is a civil action?

Mr. Friedman. I believe that is the case, yes.

Mr. Lance. And then do you refer situations for criminal prosecution?

Mr. Friedman. Under certain circumstances, the law does allow us to do that.

Mr. Lance. And, for example, Honda's significant underreporting under the TREAD Act, is that then referred to DOJ for civil action or for criminal action or for both?

Mr. Friedman. Well, we have the authority, and we expect Honda, frankly, to come in and agree to a significant penalty associated with that. So --

Mr. Lance. That would be a civil penalty.

Mr. Friedman. Yes, that we won't have to move to the Justice Department on that specific matter.

Mr. Lance. Thank you, Mr. Chairman. I yield back the balance

This is a preliminary, unedited transcript. The statements within may be inaccurate, incomplete, or misattributed to the speaker. A link to the final, official transcript will be posted on the Committee's website as soon as it is available.

of my time.

Mr. Terry. Thank you.

The chair recognizes the gentleman from Mississippi, Mr. Harper, for 5 minutes.

Mr. Harper. Thank you, Mr. Chairman.

And, Mr. Friedman, what is a reasonable period of time to notify someone?

Mr. Friedman. Automakers are required by law to notify NHTSA within 5 days of either determining a defect or 5 days of when they should have known that there was a defect. Then under regulation, they have no more than 60 days to get a letter like this into the hands of consumers notifying them that this is an important safety recall and that they must take action.

That said, even that 60 days, to me, is longer than I would like to see, which is why we have a VIN look-up tool that every American can go to at safercar.gov/vinlookup, and even before you receive these recall notices, you will be alerted of whether or not there is an open recall for your vehicle. You can also sign up for added alerts from our app.

Mr. Harper. Sure. Because it is important for the public, the driving public and passengers in those vehicles, to know when there is a safety issue. Correct?

Mr. Friedman. It is critically important. Any recall is an

This is a preliminary, unedited transcript. The statements within may be inaccurate, incomplete, or misattributed to the speaker. A link to the final, official transcript will be posted on the Committee's website as soon as it is available.

unreasonable risk to safety. Automakers must act quickly to inform consumers, and consumers should act quickly to get their vehicles repaired.

Mr. Harper. Well, explain to me how it is that NHTSA knew that Honda had underreported back in 2012, yet delayed on doing anything about that?

Mr. Friedman. Well, in 2012, we became aware of a limited number of unreporting and --

Mr. Harper. A limited -- 1,700, right?

Mr. Friedman. At the time we were only --

Mr. Harper. Is that a limited number? Why wasn't something -- if we are talking about timeliness being important, NHTSA didn't meet your own standard.

Mr. Friedman. At the time, we were only aware of eight. It was only recently that we became aware of these 1,700 problems. Based on those eight, we pushed Honda to follow standard process, which is to update their records. Once we found out that the problem was bigger, we went after Honda. We forced them under oath to provide us extensive information, and we will hold them accountable for their failings.

Mr. Harper. But nothing was really done on those eight at that point, and those 8 were important to the eight incidents that were involved, obviously. Were they not?

Mr. Friedman. They were important, and we made sure once we

This is a preliminary, unedited transcript. The statements within may be inaccurate, incomplete, or misattributed to the speaker. A link to the final, official transcript will be posted on the Committee's website as soon as it is available.

discovered this, that Honda reported that information to us so that we could act on it. At the end of the day, the safety of the American public is always our top priority, and making sure we had that information was critical to us.

Mr. Harper. Well, it sounds good, but it doesn't seem that that was exactly the case back in 2012, but I will move on and ask you, Mr. Friedman, at the November 20th Senate Commerce Committee hearing, you said NHTSA acknowledged a plan authorizing dealers to disable potentially defective passenger side airbags where replacement parts were unavailable as long as they also tell consumers not to put someone in that passenger seat.

Is NHTSA's acknowledgement of this approach an endorsement and should it be an opinion for all manufacturers of vehicles with passenger side airbags subject to recall?

Mr. Friedman. Congressman, if -- the first and foremost priority should be getting those passenger airbags fixed.

Mr. Harper. I understand, but is this an acknowledgement that this is the appropriate plan until you can get a replacement?

Mr. Friedman. If the parts aren't available and if the vehicle doesn't have an occupancy set, sir, that would disable those airbags, then yes, it is clearly an appropriate step to take in the interest of safety.

Mr. Harper. Can I ask this. As the Nation's top highway safety

This is a preliminary, unedited transcript. The statements within may be inaccurate, incomplete, or misattributed to the speaker. A link to the final, official transcript will be posted on the Committee's website as soon as it is available.

traffic official, can you tell this subcommittee that you will put into writing the legal and policy basis supporting the disabling of recalled airbags until replacement parts are available, or is that already in writing?

Mr. Friedman. Well, this is -- so it has been part of our standard process, one, if a part is broken, then an automaker can disable it without facing any legal penalties, and we have made that clear to the automakers involved.

Mr. Harper. So is that a written formal policy of NHTSA?

Mr. Friedman. No.

Mr. Harper. Will it become one?

Mr. Friedman. We will investigate that.

Mr. Harper. Okay. Let me ask you, you were in here for the testimony on the first panel. Correct?

Mr. Friedman. Yes.

Mr. Harper. Did you hear when Mr. Shimizu at Takata discussed manufacturing versus design and he classified this as a manufacturing issue? Do you believe it is a manufacturing problem or design problem, or do you just not know at this point?

Mr. Friedman. Well, I would argue his testimony was inconsistent because he was clear that the industry is not clear yet on the root cause of the problem, which is why we are pushing to get to the bottom of this.

This is a preliminary, unedited transcript. The statements within may be inaccurate, incomplete, or misattributed to the speaker. A link to the final, official transcript will be posted on the Committee's website as soon as it is available.

Mr. Harper. And I know we don't know yet, but do you view the propellant as the prime suspect right now?

Mr. Friedman. It is clear that the propellant is involved. That said, we know that other manufacturers in the 1990s used the same propellents. We are looking to determine whether or not there have been any ruptures associated with those. So far we have not found it. If there are no ruptures with those, it is an indication that if you have a good design and good manufacturing, the propellant may on its own be safe to use, but clearly no matter what, if you don't have the appropriate design and you don't have the appropriate manufacturing, you have failed to live up to your responsibilities.

Mr. Harper. Even some previous Takata scientists have indicated early that using an ammonium nitrate base propellant was not a safe or good idea. Do you agree with that or disagree with that?

Mr. Friedman. We are asking the exact same questions, which is why we have compelled under oath all information from Takata on all the changes that they have made to the propellant and why we are bringing in outside expertise who has actually had experience with these propellents.

Mr. Harper. Thank you, Mr. Friedman. My time is expired and I yield back.

Mr. Friedman. Thank you.

Mr. Terry. Does Dr. Burgess wish to ask any questions?

This is a preliminary, unedited transcript. The statements within may be inaccurate, incomplete, or misattributed to the speaker. A link to the final, official transcript will be posted on the Committee's website as soon as it is available.

Dr. Burgess. Yes. Thank you, Mr. Chairman, I would appreciate the ability to ask questions of our witness.

Mr. Terry. You are recognized for 5 minutes.

Dr. Burgess. I thank the chairman for the courtesy of the recognition.

And, Administrator Friedman, thank you for being here. Obviously we have had a chance to interact on other subcommittees in other roles, particularly with the Cobalt ignition problem earlier this year.

Let me ask you a question. Mr. Yarmuth of Kentucky posed a question to Takata, and then he posed it generally to the manufacturers, but his time was running short. So he said he is going to request an answer in writing, and his question basically was how can we be confident that the replacement airbags are safe. So let me pose that question to you. There is a recall going on. Various manufacturers are providing replacement parts. To the extent -- can the public be reassured that these replacement parts are indeed safe?

Mr. Friedman. We believe that the replacement parts, for example, on the passenger side are safer than the ones that are in the vehicles. The data points to a median time of over 10 years before the failures have occurred. That said, we are looking into the adequacy of this remedy, and if we determine that it is not adequate and it doesn't ensure the safety of the American public, we will push

This is a preliminary, unedited transcript. The statements within may be inaccurate, incomplete, or misattributed to the speaker. A link to the final, official transcript will be posted on the Committee's website as soon as it is available.

them to take other steps. This ties in part back to the root cause question. Getting to the root cause is part of the key of determining the appropriateness and the effectiveness of this remedy.

Dr. Burgess. I would just point out there is more than a semantic difference between safe and safer.

Mr. Friedman. I agree, and I use that term intentionally because we are still looking into the adequacy of this remedy. That said, our job is to protect the American public, and if the American public can be provided with airbags that are safer, I truly believe that is the right step because that can save lives.

Dr. Burgess. Well, let me ask you a question, because, I mean, you just dealt with the propellant a bit, and that has come up several times this morning, and the fact is the propellant did change from the '90s to the last decade. Currently are there ongoing studies to look at the type of propellant, and, in fact, are there safer 21st Century propellents that ought to be considered?

Mr. Friedman. Certainly we are aware of the industry looking at a variety of different propellents. Different manufacturers use different propellents. Takata themselves has evolved the formulation of their propellant, and that is one of the reasons why, as we learn more about that, we have compelled them to provide all the information under oath of those changes. We have also been reaching out and been --

Dr. Burgess. Can I stop you there for a second?

This is a preliminary, unedited transcript. The statements within may be inaccurate, incomplete, or misattributed to the speaker. A link to the final, official transcript will be posted on the Committee's website as soon as it is available.

Mr. Friedman. Yes. Absolutely.

Dr. Burgess. And it is just -- I don't want to project, but in many ways, the answers today provided by Takata seemed less than forthcoming, and I don't know whether that is just me that picked up on that, but do you have similar concerns?

Mr. Friedman. I share your concerns, and that is why, one, we have required them to answer questions under oath because now it is not just their word that is at stake. It is much more, because we can penalize them or ultimately they can be held much more broadly responsible if they lie under oath.

Second, we are not simply trusting Takata. We are in conversations with multiple other airbag suppliers, and we are bringing in outside expertise on this propellant, because we agree with you. We cannot simply trust the information that Takata gives us. We need to make sure that we are covering all our bases to get to the bottom of this for the safety of the American public.

Dr. Burgess. Well, let me go back to something I think both Mr. Lance and Mr. Waxman brought this up. Many, many years ago when not this sub committee but our committee in Energy and Commerce was doing an investigation into uncommanded accelerations in vehicles in 2009, ultimately there was -- and you, in response to Mr. Waxman, your -- the amount that you can fine someone is capped at \$35 million, but in that instance, there was, over and above that fine, there was

This is a preliminary, unedited transcript. The statements within may be inaccurate, incomplete, or misattributed to the speaker. A link to the final, official transcript will be posted on the Committee's website as soon as it is available.

an action by the Department of Justice. At this point, are you contemplating additional referral to the Department of Justice on anything that you have uncovered in this investigation?

Mr. Friedman. We have actually been working and cooperating with the Department of Justice and helping them in their efforts since September.

Dr. Burgess. So that is -- that is on the table as far as a future action would be concerned?

Mr. Friedman. My understanding is the Department of Justice is looking into this matter. I would direct you to them for additional comment.

Dr. Burgess. Well, I appreciate that, but it -- certainly when that occurred in response to the uncommanded acceleration issue, while I might agree that your ability to fine is limited, certainly the past seems to be a fairly significant legal stick that you had at your disposal and another tool that might be useful in compelling cooperation.

Mr. Friedman. Well, fundamentally, it was discovered that Toyota lied to us. Despite their lies, we got to the bottom of that problem, determined the problem, and got those vehicles recalled.

That said, we fined them not just once but multiple times because of their failings, and in that case, we also worked very closely with the Justice Department in efforts that ultimately led to their fine

This is a preliminary, unedited transcript. The statements within may be inaccurate, incomplete, or misattributed to the speaker. A link to the final, official transcript will be posted on the Committee's website as soon as it is available.

of more than a billion dollars, so we --

Dr. Burgess. For the record, I did not mention a manufacturer, you did. I want that to be clear.

Mr. Chairman, I appreciate the time and I will yield back.

Mr. Terry. Thank you.

Recognize the gentleman from Maryland for 5 minutes.

Mr. Sarbanes. Thank you, Mr. Chairman.

I just have a question about your capacity as an agency and whether you feel that you have the resources you need to do the job, and, you know, what your capacity currently is in terms of reinforcing public disclosure and encouraging greater transparency, and looking at this particular incident that we are investigating or that we are having testimony on today; would enhanced capacity, additional staff dedicated to the Office of Defect Investigations to the early warning reporting and so forth, would that have assisted your agency in this instance? And then more broadly, if you could speak to your capacity. That would be helpful.

Mr. Friedman. If mean, the simple and straightforward answer is yes. I mean, we are a small agency that I would argue punches well above our weight. Over the last decade, our efforts have led to the recall of nearly one million vehicles, but it is also clear when you have a fleet of over 260 million vehicles and multiple manufacturers, multiple potential safety issues, that we need more resources to ensure

This is a preliminary, unedited transcript. The statements within may be inaccurate, incomplete, or misattributed to the speaker. A link to the final, official transcript will be posted on the Committee's website as soon as it is available.

that we can do everything we can to keep the American public safe. The President's budget has continued to request additional resources both for our Office of Defects investigation, but also for the rest of our agency.

Congressman, 33,561 people died in 2012. 33,561 tragic lives lost because of issues such as drunk driving, people not wearing their seat belts, vehicles that could have had more technology on board to keep them safer. There is no doubt in my mind that with more resources, we can do more to address the epidemic that faces Americans in terms of fatalities and injuries every year on our roads.

Mr. Sarbanes. I would imagine that those resources would help you both kind of chase information on the front end, it would get you to a place of, you know, pushing for solutions as well as not having to maybe triage or prioritize in ways once you have got the information in because you have the capacity to address a number of these things simultaneously.

So I appreciate your providing that testimony, and with that, Mr. Chairman, I yield back.

Mr. Terry. Thank you. Having no other members requesting time that then concludes your testimony and questions, and this committee, as you know, we can submit written questions to you. I would expect that. We will try to be timely, and request that your office be timely in their providing us responses to those questions.

This is a preliminary, unedited transcript. The statements within may be inaccurate, incomplete, or misattributed to the speaker. A link to the final, official transcript will be posted on the Committee's website as soon as it is available.

Thank you. You were very informative. We like charts. So nice job with the visual aids.

Now, have any other closing?

A quick note before we adjourn here is that this subcommittee and full committee bipartisanly have concerns about the role NHTSA plays in continuing these -- continuing large-scale recalls, and I hope that NHTSA will fully cooperate with the GAO as GAO carries out the bipartisan request to look at NHTSA's internal procedures and processes.

Mr. Friedman. Mr. Chairman, we will definitely cooperate, and I look forward to working with the committee on ways that NHTSA can get additional resources, additional people, additional computer tools so that we can do the very best job for the American public.

Mr. Terry. Very good.

Mr. Sarbanes. Mr. Chairman, could you acknowledge me for --

Mr. Terry. Yes. Gentleman from Maryland.

Mr. Sarbanes. Just wanted to take the occasion to thank the chairman for his service on this committee and in this House. We have appreciated his leadership and wish him well.

Mr. Terry. Thank you. I appreciate that.

So we are adjourned.

[Whereupon, at 1:19 p.m., the subcommittee was adjourned.]

This is a preliminary, unedited transcript. The statements within may be inaccurate, incomplete, or misattributed to the speaker. A link to the final, official transcript will be posted on the Committee's website as soon as it is available.