Appendix C

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TO

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March 12, 1999

To: Dave MacKinnon

cc: M. Kolin T. Grulikowski

From: Chuck Seilnacht

Subject: Explorer/Mountaineer Firestone Tires

Had another meeting today with the Firestone rep., John Behr.

1) John had figures on tires and failures in the U.S.; over 1.75 million in service in the U.S. and their adjustment rate is .1 %. This adjustment rate includes all claims, including shake and vibration, workmanship, road hazard, etc. This compares very favorably with other Firestone tires, car and truck.

2) John has already advised personnel in the Firestone operations in Saudi that all failed tires are to be returned directly to Akron for analysis. He will also ask the Firestone reps to contact the dealerships to facilitate the procuring of the failed tires, and he will provide me with the names of the appropriate contacts, which I will forward (although you may already know who they are).

3) Current practice at the Firestone stores in Saudi, when someone brings in an Expl./Mtnr. for tires, is to ask about usage. If the customer indicates a large amount of high-speed driving, they recommend the Euro "H" rated tire. If there is a lot of off road or unimproved road operation, they recommend a "special service" tire developed for Australia/New Zealand. This tire is an "S" rated tire but is more resistant to puncture. If the customer is satisfied with the OEM tire, they replace with the OEM tire. John also reaffirmed that the "H" rated tire is the most resistant to damage from underinflated operation.

4) Firestone legal has some major reservations about the plan to notify customers and offer them an option. First, they feel that the U.S. D.O.T. will have to be notified of the program, since the same product is sold in the U.S. Second, they are afraid that the Saudi government will see this as a recall and react dramatically, including prohibiting the import of the current OEM tire. They believe the best course of action for the vehicles already in the market is to handle the tire issues on a case-by-case basis.

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Related to the Firestone legal concerns is the possibility that we will be expanding the owner relatior issue. The owners who receive the notification letter may see the program as a recall and not be willir to pay anything to upgrade the tires. So, instead of 8 owner relations issues, we now have X times as many.

I tt Corey MacGillivray in the OGC last Monday about the proposal. He didn't think that working c a case-by-case basis with the owners of the damaged vehicles presented a problem, but he was concerned about the implications of the owner letter (similar to the Firestone concerns). He was goir to check with one of his colleagues to get more info. Unfortunately, Corey went to China before he could get back with me. He did reply to my PROFS note of 10 March, and asked one of his colleagues in OGC to help us.

The implication of this conversation seems to be that <u>most</u> of the elements of the current proposal (current production and 2000 MY to "H" tires; address damaged units on a case-by-case basis; all suspect tires shipped to Akron) EXCEPT the owner letter are still applicable.

I will follow up with OGC (Corey or one of his colleagues) to get a definitive answer on the customer letters and advise.

(It's interesting to note that there is no reference to this issue in the 9 March communication from Abdullah F. Al-Kraidees that raised Khalid Al-Shubaily's issues from the conference.)

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