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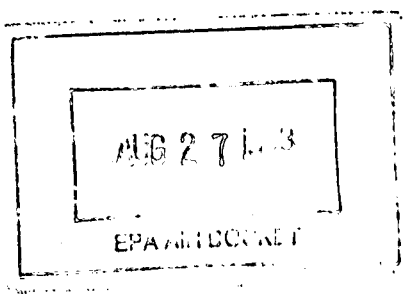
UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
NATIONAL VEHICLE AND FUEL EMISSIONS LABORATORY
2565 PLYMOUTH ROAD
ANN ARBOR, MICHIGAN 48105-2498

OFFICE OF
AIR AND RADIATION

November 25, 1997



Mr. Michael Block
Engine Manufacturers Association
401 North Michigan Avenue
Chicago, IL 60611-4267

Dear Mr. Block:

Rick Bishop recently sent us an advance copy of the cost study performed by National Economic Research Associates (NERA) on the over 50 hp portion of EPA's nonroad diesel engine proposal. Rick mentioned that supporting information will also be provided to help us in understanding the study and its results.

After reading the report, we wish to reiterate and detail our request for supporting information. The report's findings and methodology description lead us to believe that it will not be useful in the Agency's rulemaking process without this information. For example, the report finds that the cost of Tier 2 machines in the 451 to 560 kw category will average $49,000 more than Tier 1 machines, including $18,000 in engine variable (component) costs. Considering that engine technologies needed to meet Tier 2 standards are already in use on the highway, with no indication of such extreme cost increases, we have not been able to identify what engine design changes could provide the basis for these costs. As a result, the detailed supporting information is absolutely essential to an effective evaluation of the NERA study in comparison to our own analysis.

We therefore request that you provide all input data, assumptions, and equations used to perform the study, including:

1) The basis for determining the engine and equipment models for which detailed cost estimates were developed
2) Copies of the completed surveys used to determine the costs
3) A detailed breakdown of the components and component costs that form the basis for manufacturer variable cost estimates

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4) Details of the methods and inputs used by the manufacturers in determining production, R&D, and fuel costs for each model
5) Electronic spreadsheets, if any, used in calculating the results
6) The data points used to perform each of the curve fits described in Appendix C
7) Error margins for the curve fits and the corresponding statistical analysis (standard deviations, chi^2, t, F)

We recognize that some of this information may be considered confidential and we wish to assure your members that it will be treated as such according to prescribed EPA procedures. We also believe it will be helpful to meet with some of your members individually to discuss the information provided, and will make arrangements to do so. We ask that parts of the requested information that are readily available be transmitted as soon as possible, and that the remainder be provided no later than the close of comment period on December 22. Your assistance is greatly appreciated.

Sincerely yours,

Don Kopinski, Nonroad Engine Program Manager
Engine Programs and Compliance Division

cc: M. Delaney
C. France
M. Oge