

Using data of equipment sales by equipment manufacturers that qualify as small businesses under Small Business Administration (SBA) guidelines, we have analyzed the effects of a small-volume allowance program that would set an exempted engine allowance lower than 700 units over seven years but allow manufacturers to exempt engines from more than one engine family. Based on sales information for small businesses, we believe we could revise the small-volume allowance program to include lower caps and allow manufacturers to exempt more than one engine family while still keeping the total number of engines eligible for the

allowance at roughly the same overall level as the 700-unit program described above.³⁰³ Such a program would in general provide sufficient leadtime for equipment manufacturers, allowing them to temporarily exempt greater numbers of equipment models from the proposed Tier 4 standards, but, as noted above, keeping the total number of engines eligible for the allowance at roughly the same overall level as the existing program would allow (and so not allow more leadtime than necessary). Based on our analysis, the small-volume allowance program could be revised to allow equipment manufacturers to exempt 525 machines

over seven years (with a maximum of 150 in any given year) for each of the three power categories below 175 horsepower, and 350 machines over seven years (with a maximum of 100 in any given year) for the two power categories above 175 horsepower. Concurrent with the revised caps, manufacturers would be allowed to exempt engines from more than one engine family under the small-volume allowance program. Table VII.B-1 compares the proposed small-volume allowance program to the variation described in this paragraph.

TABLE VII.B-1.—SMALL-VOLUME ALLOWANCE PROGRAM COMPARISON

	Engines exempted over 7 years	Maximum exempted engines in one year	Single engine family restriction?
Proposed program	—700 for each power category	200	—Yes
Variation under consideration	—525 for power categories < 175 hp	100	—No
	—350 for power categories > 175 hp		

We request comment on adopting a small-volume allowance program with the lower caps noted above that allows manufacturers to exempt more than one engine family in each power category. We specifically request comment on allowing equipment manufacturers to choose between the two small-volume allowance programs described above. Alternatively, we request comment on whether we should replace the current program (which allows 700 units over seven years with a one engine family restriction) with this revised small-volume allowance program (which would allow fewer units over seven years but without the single engine family restriction). Our analysis of small businesses noted above did show that there were a very limited number of companies that could potentially get fewer total allowances under a revised program with the lower caps compared to the existing program (i.e., a company that sells an equipment model that utilizes one engine family whose sales over a seven year period are above the revised limits noted above but less than 700). Allowing an equipment manufacturer to choose between the two programs would help to ensure that manufacturers are able to retain the current level of flexibility they have under the current program.

Because we are proposing fewer power categories for the Tier 4 standards, the proposed equipment flexibility program is designed to reflect those changes. Therefore, under the proposed small-volume allowance, the specified unit allowances will apply separately to each of the five power categories being proposed for the Tier 4 standards.

As noted earlier, we are also proposing to allow manufacturers to start using a limited number of the new Tier 4 flexibilities once the seven-year period for the existing Tier 2/Tier 3 program expires (and so continue producing engines meeting Tier 1 or Tier 2 standards). Under the proposed small-volume allowance, any engines used by the manufacturer prior to Tier 4 would be subtracted from the proposed 700 unit allowance (for the appropriate Tier 4 power category), resulting in fewer allowances once the Tier 4 standards take effect. As with the proposed percent-of-production allowance, we are proposing to limit the number of Tier 4 small-volume allowances that can be used prior to the effective dates of the Tier 4 standards to a total of 100 units in each of the Tier 4 power categories. We are taking comment on requiring equipment manufacturers to take a two-for-one loss of Tier 4 small-volume allowances for

each allowance used prior to the Tier 4 effective date. As explained above, we view this proposal as providing reasonable leadtime for introduction of Tier 4 engines by providing the possibility of earlier introduction of such engines with a net cost savings.

c. Hardship Relief Provision

We are proposing to extend the availability of the “hardship relief provision” with the Tier 4 transition provisions for equipment manufacturers. Under the proposal, an equipment manufacturer that does not make its own engines could obtain limited additional relief by providing evidence that, despite its best efforts, it cannot meet the implementation dates, even with the proposed equipment flexibility program provisions outlined above. Such a situation might occur if an engine supplier without a major business interest in the equipment manufacturer were to change or drop an engine model very late in the implementation process. As with other equipment manufacturer transition provisions, the equipment Small Entity Representatives indicated that the availability this allowance was useful to them in the transition to the Tier 2/3 standards, and they urged that it be continued in any Tier 4 rule. Report of the Small Business Advocacy Panel, section 8.4.1.

³⁰³ “Analysis of Small Volume Equipment Manufacturer Flexibilities,” EPA memo from Phil Carlson to Docket A-2001-28.