

selection of Option 2.5 + P as the basis of BAT for this subcategory.

EPA is also considering whether it should base BAT limitations on Option 2.5. As previously noted, EPA estimates the pre-tax annualized compliance costs for Option 2.5 to be approximately \$16.3 million (1999\$). EPA estimates that none of the analyzed facilities will close as a result of compliance with Option 2.5 limitations in this subcategory under either the primary or sensitivity closure analyses. This option would remove an additional 3.5 million pounds of Total N per year relative to Option 2 (as Option 2 is not designed to remove Total N), for an incremental nutrient cost effectiveness of \$2.28/pound Total N removed (1999\$). EPA solicits comment on the potential selection of Option 2.5 as the basis of BAT for this subcategory. EPA is also considering not establishing BAT limitations for this subcategory for the same reasons discussed above for Subcategories A–D, and solicits comment on this option.

D. Options Being Considered for New Source Performance Standards (NSPS)

When establishing the NSPS level of control, EPA considers the barrier that compliance costs due to the effluent guidelines regulation pose to entry into the industry for a new facility. The barrier to entry analysis compares estimated average incremental facility or company capital costs incurred to meet the effluent guidelines to average total assets of existing facilities or companies. To the extent that potential new entrants have similar total assets to existing industry participants, this provides a proxy for the potential barrier to entry that new facility compliance costs may represent. EPA does not have data on the assets of potential new entrants because in general they cannot be identified in advance. The analysis was performed to evaluate the effect of the MPP rule on the costs faced by new entrants into the meat and poultry products industry. Increased start-up costs resulting from the capital costs of the MPP regulation (as revised in this notice) may prevent entrepreneurs from entering the

industry. The calculated ratio of average capital costs to average total assets measures the potential for barriers to entry due to the MPP rule. If the barrier to entry ratio is large, then the possibility exists that the rule will discourage entry into the meat and poultry products market. EPA solicits comment on other measures of “barrier to entry” that would be appropriate for this industry.

For both the red meat (Subcategories A–D) and Poultry (Subcategory K) slaughtering facilities, EPA is considering setting the NSPS limitations equivalent to BAT or the next level of stringency. For example, if Option 2.5 is the basis for BAT for the final rule, then EPA would consider Option 2.5 as well as Option 2.5 + P for new sources and if Option 2.5 + P is the basis for BAT, then EPA would consider Option 2.5 + P as well as Option 4 for new sources. EPA has estimated the ratio of capital costs to assets for each of the options (see Section X of today’s notice). If EPA did not establish BAT limitations for existing facilities then EPA would establish NSPS equivalent to BPT or the next level of stringency. EPA solicits comment on NSPS for all MPP industry subcategories.

X. Revised Estimates of Costs, Loadings, Economic Impacts and Cost-Effectiveness

A. Revised National Estimates of Costs, Loadings, and Economic Impacts

EPA is providing the results of its preliminary economic analysis based on revised costs and selected changes in methodologies discussed above in Sections III and IV. All other aspects of the economic analysis methodology remain as described at proposal. Analyses presented in this section incorporate costs and loadings that reflect the sample weights discussed in Section III.B.3. of this document.

Results presented here remain in 1999 dollars, for purpose of comparison with the results of the proposed rule analysis. The analysis EPA will prepare for the final rule will be presented in 2002 dollars.

1. Results Using the Economic Impact Analysis Methodologies

Many of the surveyed facilities did not provide enough financial data for EPA to perform an adequate economic impact analysis. Thus, the total number of facilities in each class or subcategory is not equivalent to the number of facilities analyzed. In Subcategories A through D, 21 of 39 facilities in the national estimate could not be analyzed due to lack of data. In Subcategory K, 84 of 118 facilities in the national estimate were not analyzed due to lack of data. Thus, the facility closure analysis represents projected closures at only 46 percent (18/39) of facilities in Subcategories A–D and 29 percent (34/118) of facilities in Subcategory K nationally. There may be additional closures at the remaining 54 percent and 71 percent of Subcategory A–D facilities and Subcategory K facilities, respectively, that could not be analyzed.

For cost annualization and the closure analysis, a 6.6 percent discount rate was used if facilities did not provide a usable discount rate in their survey data. The 6.6 percent discount rate is a weighted average of the discount rate data provided in the surveys. If the facility provided a nominal discount rate greater than 3 percent but less than 19 percent in their survey then that value was used to run the impact analysis. Discount rates outside that range were deemed to reflect internal hurdle rates rather than the opportunity cost of capital.

2. Summary of Results

a. National Costs

Total pretax annualized costs of the rule range from \$13 million under Option 2 to \$131 million under Option 4. Pretax annualized costs per facility are consistently larger in Subcategories A through D (\$127,000 to \$1.2 million) than in Subcategory K (\$71,000 to \$707,000). See Table X.A–1 for compliance costs by subcategory and treatment option.

TABLE X.A—1.—TOTAL AND AVERAGE COMPLIANCE COSTS BY SUBCATEGORY AND OPTION

Option	Total costs (\$000)			Average costs (\$000)		
	Capital	Post-tax annualized	Pre-tax annualized	Capital	Post-tax annualized	Pre-tax annualized
Subcategories A through D (39 facilities)						
Option 2	\$6,646	\$3,037	\$4,951	\$170.4	\$77.9	\$127.0
Option 2.5	67,885	8,986	12,359	1,740.6	230.4	316.9
Option 2 + P	36,385	23,089	35,574	933.0	592.0	912.1
Option 2.5 + P	86,118	27,875	42,004	2,208.1	714.7	1,077.0