

Administration Approves Stiff Penalties for Diesel Engine Emissions, Angering Industry

By KATHARINE Q. SEELYE

WASHINGTON, Aug. 2 — Over the fierce objections of the long-haul trucking industry and Republican lawmakers, including Speaker J. Dennis Hastert, the Bush administration has approved hefty new penalties for the makers of diesel engines that do not reduce their emission pollutants by October.

The penalties run up to \$12,000 for every engine that is made after Oct. 1 and violates federal emission standards.

Environmentalists hailed the move as a strong step toward curbing diesel pollutants, which contribute to thousands of cases of asthma, heart disease and premature deaths every year.

Diesel vehicles are responsible for 34 percent of all nitrogen oxide emissions in the United States, although they are only about 12 percent of all vehicles. In Southern California, 71 percent of the airborne cancer risk is attributed to the 2 percent of vehicles that are diesel-fueled.

But engine makers said the new rule could cost trucking interests billions of dollars a year and would devastate their business and wreak havoc throughout the industry.

Industry officials have known for several years that the new rule was likely to be imposed, and some trucking companies chose to come into compliance while others went to court to fight it. They now say they will continue their legal challenge.

The opponents add that the new rule is unlikely to achieve its desired effect because it has already prompted a huge surge in the sales of trucks that do not meet the cleaner air standards. Truck prices, which start at about \$70,000, are expected to soar after Oct. 1 when they will have to be assembled with big-bore diesel engines that comply with the more stringent emission standards.

Caterpillar Inc., of Peoria, Ill., the home state of Mr. Hastert, will almost certainly have to pay millions of dollars in fines because its new engines do not meet the new standards. Two of its rivals, Cummins and Mack Trucks, decided years ago to comply, and their trucks meet the standards. Their different approaches have deepened a rift within the industry.

Caterpillar says it is working on new technologies that will reduce emissions, but the work is not complete and more time is needed for testing. And that, the company says, is the reason for insisting on a delay.

The rule, approved by the White House yesterday, was developed as part of a settlement between engine manufacturers and the Clinton administration in 1998 after the companies were charged with violating emission limits that contribute to smog.

Christie Whitman, administrator of the Environmental Protection Agency, had already affirmed the Bush administration's intention of adhering to the Clinton position on diesel emissions as part of a major long-range plan to require diesel trucks and buses to cut emissions by 90 percent by 2007. The environmental agency estimates that the requirement could prevent 8,300 premature deaths annually.

John D. Graham, administrator of the Office of Information and Regulatory Affairs at the Office of Management and Budget, which advises the president on regulatory change and approved the rule this week, said the fines penalized an engine manufacturer according to the degree to which each engine was out of compliance.

"The penalty structure is designed to protect engine suppliers who innovate and meet clean-air goals," Mr. Graham said. "We faced a difficult dilemma. If the penalties are set too high, it would punish truckers unnecessarily. If we set it too low, it would punish engine suppliers who had the most innovative engines. We believed the right balance was struck."

Several groups that have denounced the administration for what they said were pro-industry policies praised the move.

"This is a pro-environmental decision by the E.P.A.," said Sandra Schubert, an air expert with the Earthjustice Legal Defense Fund. "The environmental community has a lot of skepticism about the Bush administration, but in the area of diesel emissions, they have been very pro-environment. This is a good move."

Less happy were some truck makers and Republican lawmakers, who met earlier this summer with Ms. Whitman to complain that the new rule and penalties could have "devastating consequences" for the industry, which may have to spend as much as \$4 billion a year to comply.

James J. Parker, vice president of Caterpillar, said that his company was disappointed with the ruling and that the proposed penalties were "significantly higher than the levels included in the consent decree."

Jim Whittinghill, spokesman for the American Trucking Associations, which represents owners of trucking companies and lobbied the White House to delay the new rule, said it was spreading fear in the marketplace. "Anyone who can afford it is buying a new truck now," Mr. Whittinghill said, noting that Paccar Inc., a major maker and seller of commercial trucks in North America, reported a 75 percent increase in sales in the first half of 2002 compared with the first half of 2001.

"When the truck sales plummet on Oct. 1, which will happen, the people who will suffer will be the people who make the suspensions, the brakes, the lights, and they had nothing to do with the engines," Mr. Whittinghill said.

He also predicted that with fewer people buying new trucks after the crackdown, because they will be more expensive and get fewer miles to the gallon, the air would not become cleaner.