committee to coordinate the development and use of highway safety data and traffic records; (2) a systematic assessment of the state's highway safety data and traffic records; and, (3) a strategic plan for the continued improvement of highway safety data and traffic records. However, TEA–21 recognizes that some states may not be able to meet all three prerequisites for multiple-year grants in the first or even second year of the Section 411 program. Accordingly, the section provides for three types of grants: an ''implementation'' grant, to each state that has all three components (a coordinating committee, a traffic records assessment within the last five years, and a developed strategic plan); an ''initiation'' grant, to each state that has a coordinating committee and a traffic records assessment within the past five years, but which has not completed development of its strategic plan; and a ''start-up'' grant, to each state that is not eligible for the other grants. Most of the information that a state is required to submit is already generated and is easily accessible. Specifically, copies of traffic records assessment reports and strategic plans are readily attainable, and routinely are filed with the sponsoring agencies. Names, addresses and organizational affiliations of the members of the traffic records coordinating committee also are usually on file or can be easily assembled.

Estimated Annual Burden: 2 hours (average), for each state that elects to apply.

Number of Respondents: 57 (all 50 states, the District of Columbia, Puerto Rico, American Samoa, Guam, the Commonwealth of the Northern Marianas Islands, the Virgin Islands and the Bureau of Indian Affairs).

Issued on: November 4, 1999.

Adele Derby,

Associate Administrator for State and Community Services.

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DEPARTMENT OF TRANSPORTATION

National Highway Traffic Safety Administration

[Docket No. NHTSA–99–6092; Notice 2]

Lotus Cars Ltd.; Grant of Application for Temporary Exemption From Federal Motor Vehicle Safety Standard No. 201

This notice grants the application by Lotus Cars Ltd. (''Lotus'') of Norwich, England, through Lotus Cars USA, Inc., for a temporary exemption from S7, Performance Criterion, of Federal Motor Vehicle Safety Standard No. 201 *Occupant Protection in Interior Impact,* as described below. The basis of the application was that compliance would cause substantial economic hardship to a manufacturer that has tried in good faith to comply with the standard.

We published a notice of receipt of the application on August 24, 1999, and asked for comments (64 FR 46225) but received none.

The material below is taken from Lotus's application.

Why Lotus Says That It Needs a Temporary Exemption

In August 1995, when S7, the new head injury criteria portion of Standard No. 201, was promulgated, Lotus was owned by the Italian owners of Bugatti, a company then in bankruptcy. That year, Lotus was able to produce only 835 cars, selling 152, or 18.2%, in the United States.

This country was the primary market for the Lotus Esprit, which, by then, was an aging design. With the limited resources that it had and the uncertainties of the future, in 1996 Lotus made the decision to invest primarily in an all-new model, the Elise, and to modernize the Esprit, rather than to replace it with an all-new design. Developed on a small budget, the Elise was not designed or intended for the American market. The Esprit was fitted with a new V8 engine meeting current U.S. emissions standards.

At the end of 1996, Lotus was sold to its current owners, a group of Malaysian investors, who reviewed the company's fortunes. The Elise was becoming successful in its markets, while losses in the United States in the previous two years approached $2,000,000, primarily due to the declining appeal of the Esprit. The company's overall sales in 1996 had declined to 751, including sales of 67 Esprits in the U.S. (8.9% of total sales). Nevertheless, the new owners decided to continue in the U.S. market. Sales were marginally better in the U.S. in 1997, 72 Esprits, and vastly improved elsewhere with the great success of the Elise. Lotus sold 2414 cars in 1997 (with the U.S. sales representing only 3% of total sales, approximately the same as in 1998). However, it lost almost 2,000,000 Pounds in its 1996/7 fiscal year.

In early 1997, Lotus decided to terminate production of the Esprit on September 1, 1999, and to homologate the Elise for the American market beginning in 2000. This decision allowed it to choose the option for compliance with S7 provided by S6.1.3, Phase-in Schedule #3, of Standard No. 201, to forego compliance with new protective criteria for the period September 1, 1998–September 1, 1999, and to conform 100% of its production thereafter.

But, in addition to the new owners of Lotus, the new year saw the appointment of new CEOs of Lotus and Lotus Cars USA, with the result that a fresh look was taken at the direction of the company, and the plans of early 1997 were abandoned. In due course, new management decided to continue the Esprit in production beyond September 1, 1999, until September 1, 2002, while developing an all-new Esprit, and to remain in the American market without interruption. However, as described below, the company found itself unable to conform the current Esprit to Standard No. 201. In the meantime, the company had turned the corner with the success of the Elise, and had a net profit for its fiscal year 1997/8 of slightly more than 1,000,000 Pounds.

Lotus's Reasons Why Compliance Would Cause It Substantial Economic Hardship, and How It Has Tried in Good Faith To Comply With Standard No. 201

When Lotus decided to continue production of the Esprit, it re-engineered the car's front header rail and installed energy-absorbing material. After these modifications, the Esprit's HIC value was reduced from an already-complying 840 to 300.

However, the side rail was not so simple. The small Esprit cockpit precluded any padding from being added at that location, without compromising ingress/egress and visibility. In order to comply with Standard No. 201, the Esprit ''greenhouse'' would have to be substantially modified. Modification costs could not be recovered for the relatively few cars that would be involved in the 1999–2002 period without raising the retail price to an unacceptable level. Further, Lotus was encountering major problems sourcing design-specific energy absorbing materials without being compelled to buy a 10-year supply; it was therefore forced to consider materials being produced for high-volume users, with attendant problems.

As redevelopment plans progressed in 1998, Lotus determined that a redesign of the ''greenhouse'' for the 1999–2002 period would cost in excess of $950,000, and require retesting to confirm continued compliance of its airbag system with Standard No. 208. But the company did not have the personnel to deploy to both the redesigned and new Esprit projects, and it has chosen to devote its human resources to the all-new Esprit.

The Elise continues to contribute to the company's newly found financial solidarity, and its cumulative net income for the past three fiscal years is 2,466,000 Pounds, or, $4,068,900 (at an exchange rate of 1.65 to 1). Although a denial of the petition would substantially reduce Lotus's net income but not result in a net loss, the decrease would come primarily at the expense of Lotus Cars USA which Lotus believes could not remain in existence without cars to sell during the period required to develop the new Esprit. Lotus estimates that it would sell 200 Esprits in the U.S. during the period of a 3-year exemption.

Lotus's Reasons Why an Exemption Would Be in the Public Interest and Consistent With the Objectives of Motor Vehicle Safety

After 10 years of sales of the Esprit with its current body shape, Lotus knows of no head injuries suffered by occupants contacting the upper interior of the cockpit. The number of vehicles anticipated to be sold during the exemption period is insignificant in terms of the number of vehicles already on the roads. The Esprit will be in full compliance by the same date that the phase-in ends for all manufacturers and when there will be 100% compliance across the board, September 1, 2002.

If Lotus USA is required to close because of a denial, its 10 employees will be out of work. In addition, a denial is bound to affect Lotus dealers in unknown ways. An exemption would be consistent with the public policy of affording consumers a wide choice of motor vehicles.

Our Decision To Grant Lotus's Application, and the Reasons for This Decision

It is evident that Lotus Cars Ltd. has experienced severe management problems during the 1980s and 1990s with successive changes of ownership, from an independent company in the United Kingdom to an acquisition of General Motors which sold it to Bugatti of Italy, which, in turn, on the verge of bankruptcy, accepted an offer from a group of Malaysian investors. The company's fortunes and product decisions were necessarily affected by these continuing changes which, in themselves, worked an understandable hardship upon the core company, Lotus Cars Ltd. We note, also, that in the years 1996–97 Lotus sold a total of less than 150 cars in the United States through Lotus Cars U.S.A.

We accept, therefore, Lotus's arguments that it had intended to remove the Esprit from the American market at the end of the delayed optional compliance date of September 1, 1999, but, as a result of a subsequent management decision, now must retain it in the U.S. to assist it in its continuing recovery while a new Esprit is prepared, and to enable its American subsidiary, Lotus Cars USA, to remain viable. We note that it is the only Lotus offered in the U.S. market, and that the applicant's estimate of a total of 200 Esprit sales over the next three years is consistent with the sales figures of this model in recent years. We understand that the next generation Esprit is being designed to comply with S7, as of the date that all vehicles must comply with the standard, September 1, 2002. Accordingly we find that compliance would cause substantial economic hardship to a manufacturer that has tried to comply with the standard in good faith.

We concur that an exemption would be consistent with the public policy of affording consumers a wide choice of motor vehicles. We note Lotus's remark that it knows of no head injuries suffered by occupants contacting the upper interior of the Esprit cockpit during the production run of the current vehicle, and that the small number of vehicles anticipated to be covered by the exemption further reduces the number of occupants to possibility of injury. Accordingly we also find that an exemption would be in the public interest and consistent with the objectives of motor vehicle safety.

For these reasons, Lotus Cars Ltd. is hereby granted NHTSA Temporary Exemption No. 99–12 from S7 Performance criterion of 49 CFR 571.201 Standard No. 201 Occupant Protection in Interior Impact. This exemption applies only to the Esprit model that is currently in production, and expires on September 1, 2002.

(49 U.S.C. 30113; delegation of authority at 49 CFR 1.50)

Issued on: November 3, 1999.

L. Robert Shelton,

Executive Director.

[FR Doc. 99–29366 Filed 11–9–99; 8:45 am]

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