



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
WASHINGTON, D.C. 20460

JUN 29 2010

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

OFFICE OF
AIR AND RADIATION

Mr. Quiping Wang
Peace Industry Group (USA), Inc.
6600 B Jimmy Carter Boulevard
Norcross, Georgia 30071

Dear Mr. Wang:

This letter is to inform you that the U.S. Environmental Protection Agency (EPA) is voiding five of your certificates of conformity for all-terrain vehicles (ATVs).

EPA issued to you certificates of conformity for the following ATV engine families: 6PCGX.150APX (Certificate Number: 6PCGX.150APX-002, issued on July 26, 2006), 7PCGX.150AA1 (Certificate Number: 7PCGX.150AA1-001-R01, issued on January 19, 2007), 6PCGX.110APX (Certificate Number: 6PCGX.110APX-001, issued on July 26, 2006), 7PCGX.110AM3 (Certificate Number: 7PCGX.110AM3-002-R01, issued on January 19, 2007), and 7PCGX.250AM5 (Certificate Number: 7PCGX.250AM5-003-R01, issued on February 15, 2007). These certificates were issued based upon information and statements you made in your applications for certification, as required in 40 C.F.R. Part 1051. Specifically, you stated that the ATVs described in the certification application "have been tested in accordance with the provisions of Subpart E, Part 86 Title 40 of the Code of Federal Regulations (C.F.R.), and on the basis of these tests are in conformity with that subpart." You stated that "[a]ll data records required by that subpart are on file and are available for inspection by the administrator." You further stated that: "The tested and compliant vehicles, with respect to which data are submitted, have been completely tested in accordance with the applicable testing procedures set forth by EPA guidelines. They meet or exceed the minimum requirements of such tests, and on the basis of such tests, they conform and exceed the requirements of the regulations in this part (40 C.F.R. § 86, 1051)."

EPA's decision to issue the certificates of conformity was based on our review of the information and statements in your certification applications, and most importantly, our presumption the information and statements in the application were true and complete. We concluded that the above-referenced engine families met all the requirements of Part 1051 and the Clean Air Act; consequently, we issued the certificates of conformity.

After issuing these certificates of conformity, EPA received information concerning the certification practices used by your certification consultant, MotorScience. EPA investigated MotorScience and discovered several problematic practices, including inconsistencies between the emissions data vehicle (EDV) described in your certification applications and those vehicles

actually used to generate testing and other data. The above-identified engine families exhibit the exact same inconsistencies between the application data and the actual data.

On July 22, 2009, EPA notified you of these inconsistencies and provided a 30 day opportunity for you to demonstrate or achieve compliance with all the applicable requirements governing these certificates of conformity. We specifically requested that you provide us with evidence that would support the statements of compliance made in your original certification applications. We received your response letter dated August 20, 2009, but that response does not demonstrate that the statements in your certification applications were accurate or that your ATVs comply with the applicable regulations.

In our July 22, 2009 letter, we explained to you that for each certificate, the test vehicle described in the certification application you submitted to EPA did not match the vehicle that was actually tested on behalf of that engine family. We discovered this discrepancy through information obtained in response to our Clean Air Act section 208 information request. Specifically, we obtained the original emissions test reports from Automotive Testing and Development Services, Inc. (ATDS) (the primary laboratory used by MotorScience); these reports enabled us to determine the true identity of the test vehicles used for each engine family. In comparing the information in these reports against the information contained in your certification applications, we discovered that for each engine family, the description of the test vehicle in your certification applications did not match the actual test vehicle used, as described in the original emissions test reports. This demonstrates that you intentionally submitted false or incomplete information and is a basis for voiding these certificates under 40 C.F.R. 1051.255(e).

Additionally, in our July 22, 2009 letter, we explained to you that our investigation determined that no durability accumulation records and no maintenance records had been kept for any of your certificates. In response, your August 20, 2009 letter did not provide any emission testing records or supporting documentation to support your certificate applications. Furthermore, you did not explain why you were unable to provide that information. This is information that must be maintained for eight years under 40 C.F.R. § 1051.250(c). Failure to maintain these records is further basis for voiding these certificates under 40 C.F.R. § 1051.255(d).

For the reasons set forth above and as described in greater detail in the attachment to this letter, EPA concludes that you intentionally submitted false and incomplete information in your applications for certification, and that you failed to maintain the records as required by our regulations.

Therefore, EPA is voiding your certificates of conformity for ATV engine families 6PCGX.150APX (Certificate Number: 6PCGX.150APX-002, issued on July 26, 2006), 7PCGX.150AA1 (Certificate Number: 7PCGX.150AA1-001-R01, issued on January 19, 2007), 6PCGX.110APX (Certificate Number: 6PCGX.110APX-001, issued on July 26, 2006), 7PCGX.110AM3 (Certificate Number: 7PCGX.110AM3-002-R01, issued on January 19, 2007), and 7PCGX.250AM5 (Certificate Number: 7PCGX.250AM5-003-R01, issued on February 15, 2007), effective immediately. By voiding your certificates of conformity, the certificates are

deemed void from the beginning of the model year. 40 C.F.R. § 1068.30. Accordingly, all ATVs introduced into U.S. commerce under those engine families are considered noncompliant.

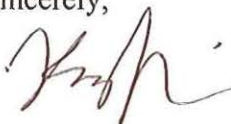
Sections 203 and 213(d) of the Clean Air Act prohibit the sale of vehicles and engines unless such vehicles and engines are covered by a valid certificate of conformity. *See also* 40 C.F.R. § 1068.101(a)(1). Each introduction of an ATV into U.S. commerce under these certificates during the model year (2006 or 2007, depending upon the certificate's model year) and thereafter is a violation of sections 203 and 213 of the Clean Air Act, and you may face civil penalties up to \$32,500 per ATV, as well as criminal penalties. CAA §§ 203(a)(1) and 205(a), 42 U.S.C. §§ 7522 and 7524; 40 C.F.R. § 1068.101(a)(1).

You may request a hearing on EPA's decision to void your certificates in accordance with the procedures set forth in 40 C.F.R. §§ 86.1853-01, 1051.820, and 1068.601. A request for a hearing must be in writing, signed by the certificate holder or authorized representative of the certificate holder, and include a statement, with supporting data, specifying objections to the action taken by EPA. The request must be received by EPA within 30 days of receipt of this letter and should be sent to:

Linc Wehrly, Light-Duty Vehicle Group Manager
Compliance and Innovative Strategies Division
U.S. EPA Office of Transportation and Air Quality
2000 Traverwood Drive
Ann Arbor, MI 48105

Should you have any questions, please contact Mr. Linc Wehrly of my staff at (734) 214-4286.

Sincerely,



Karl Simon, Director
Compliance and Innovative Strategies Division
Office of Air and Radiation

ENCLOSURE

cc: Bryon Wang
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Baihuashan Industrial Park
Economy Development Zone
Wuyi, Zhejiang China 321200

Herbert Hu
MotorScience Enterprise, Inc.
719 Nogales Street
City of Industry, CA 91748

Bob Bock
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ATTACHMENT

On July 26, 2006, January 19, 2007, and February 15, 2007, the EPA issued Peace Industry Group (USA), Inc. (Peace) certificates of conformity for the all-terrain vehicle (ATV) engine families 6PCGX.150APX (Certificate Number: 6PCGX.150APX-002, issued on July 26, 2006), 7PCGX.150AA1 (Certificate Number: 7PCGX.150AA1-001-R01, issued on January 19, 2007), 6PCGX.110APX (Certificate Number: 6PCGX.110APX-001, issued on July 26, 2006), 7PCGX.110AM3 (Certificate Number: 7PCGX.110AM3-002-R01, issued on January 19, 2007), and 7PCGX.250AM5 (Certificate Number: 7PCGX.250AM5-003-R01, issued on February 15, 2007). After the certificates were issued, EPA received information regarding the veracity and completeness of the certification practices of MotorScience Enterprise, Inc. (hereinafter “MotorScience”),¹ who is Peace’s certification consultant. EPA completed a comprehensive investigation of MotorScience’s certification practices and found several problems, including multiple inconsistencies between the identities of the emission data vehicles (EDVs) described in Peace’s certification applications and the EDVs actually used to generate the testing and other data. These inconsistencies indicated that Peace had intentionally submitted false or incomplete information to EPA as part of the certification process for these engine families. EPA also discovered a complete failure to maintain the requisite records for these engine families. Such behavior violates the regulations governing your certificates of conformity for these vehicles and calls into question the validity of the certificates issued to Peace. EPA’s letter dated July 22, 2009, provided Peace with notice of the facts we uncovered that demonstrates these violations.

¹ Zhejiang Peace Industry and Trade Co. Ltd. (Zhejiang) is the original engine manufacturer located in China. Zhejiang hired Peace Industry Group USA, Inc. (Peace) to be the importer of record and MotorScience Enterprises Inc. (MotorScience) to act as consultant. Both Peace and MotorScience were specifically authorized by Zhejiang to serve as authorized representatives on all matters related to the application and certification process. Peace further authorized MotorScience to also act on its behalf as well. Therefore, all acts by MotorScience are imputed to Peace as the certificate holder. *See* 40 C.F.R. § 1051.201(e).

EPA also provided Peace with an opportunity to demonstrate or achieve compliance with all applicable requirements governing these certificates of conformity before voiding the certificates. While Peace responded in a letter on August 20, 2009, its explanation did not sufficiently account for the inconsistencies in the data or the lack of records. Thus, EPA is now taking action to void Peace's certificates; a detailed explanation for that action follows.

Applicable Statutory and Regulatory Requirements

Section 203 of the Clean Air Act (CAA or Act) prohibits a manufacturer from introducing a new motor vehicle or new motor vehicle engine into commerce "unless such vehicle or engine is covered by a certificate of conformity issued (and in effect) under [the] regulations prescribed..." 42 U.S.C. § 7522(a)(1). Section 213(d) of the Act requires that standards for ATVs and other nonroad engines be enforced in the same manner as standards for motor vehicles. 42 U.S.C. § 7547(d); *see also* 40 C.F.R. § 1068.101(a)(1). To obtain a certificate of conformity, an application must be submitted to EPA. Title 40, Part 1051, of the Code of Federal Regulations ("C.F.R.") contains the applicable requirements for recreational vehicles, such as ATVs and off-highway motorcycles. For example, Part 1051 prescribes the specific information that must be included in the application, 40 C.F.R. § 1051.205, the emissions testing that must be performed to demonstrate compliance with the applicable emission standards, 40 C.F.R. § 1051.235, and the records that must be kept and made available to EPA. 40 C.F.R. § 1051.250.

40 C.F.R. § 1051.201(b) requires that "the application must...not include false or incomplete statements or information." Additionally, 40 C.F.R. § 1051.250 specifies that a detailed history of each emission data vehicle, including the following, must be organized and maintained by the certificate holder for at least eight years following certification:

- (i) The emission-data vehicle's construction, including its origin and buildup, steps you took to ensure that it represents production vehicles, any components you built specially for it, and all the components you include in your application for certification.
- (ii) How you accumulated vehicle or engine operating hours, including the dates and the number of hours accumulated.
- (iii) All maintenance, including modifications, parts changes, and other service, and the dates and reasons for the maintenance.
- (iv) All your emission tests, including documentation on routine and standard tests, as specified in 40 C.F.R. part 1065, and the date and purpose of each test.
- (v) All tests to diagnose engine or emission-control performance, giving the date and time of each and the reasons for the test.
- (vi) Any other significant events.

40 C.F.R. § 1051.255 specifies what actions EPA may take regarding your certificate of conformity. Under 40 C.F.R. § 1051.255(d), “we may void your certificate if you do not keep the records we require or [you] do not give us information as required under this part or the Act.” Also, under 40 C.F.R. § 1051.255(e), “we may void your certificate if we find that you intentionally submitted false or incomplete information.” A voided certificate is considered never to have been granted and all engines introduced into commerce under the certificate are considered noncompliant. 40 C.F.R. § 1068.30. No vehicles may be introduced into commerce using a voided certificate, and the holder of the voided certificate is liable for all engines/equipment introduced into U.S. commerce under the voided certificate, and may face civil and criminal penalties. 40 C.F.R. §§ 1068.30, 1068.101, 1068.125.

Facts and Actions Which Warrant Voiding Peace’s Certificates

EPA’s investigation into MotorScience’s certification practices found that the specific facts and actions, described below, show that all five of Peace’s certificates of conformity for engine families (6PCGX.150APX, 7PCGX.150AA1, 6PCGX.110APX, 7PCGX.110AM3 and

7CPGX.250AM5) were issued based on the intentional submission of false or incomplete information and that Peace failed to comply with the applicable recordkeeping requirements for these engine families. As explained above, these facts and actions warrant the voiding of Peace's certificates.

Recordkeeping Violations

John Chan and Herbert Hu of MotorScience signed and submitted certificate of conformity applications for ATV engine families 6PCGX.150APX, 7PCGX.150AA1, 6PCGX.110APX, 7PCGX.110AM3 and 7CPGX.250AM5, to EPA as the authorized representatives of Peace. EPA's inspection of MotorScience's facilities revealed that MotorScience failed to maintain any durability mileage accumulation or maintenance records on behalf of Peace for these applications, in violation of 40 CFR § 1051.250. In its July 22, 2009 letter, EPA informed Peace about this lack of records and gave Peace an opportunity to provide those records to us or explain why those records were not available. Peace's August 20, 2009 letter provides no explanation regarding why these records are not available or why these records may never have been kept. Therefore, Peace has not demonstrated that it complied with the applicable recordkeeping requirements at 40 C.F.R. § 1051.250, and EPA is voiding the certificates of conformity for these five engine families under 40 C.F.R. § 1051.255(d).

Intentional Submission of False or Incomplete Information

As explained above, 40 C.F.R. § 1051.201(b) requires that your "application must...not include false or incomplete statements or information." Additionally, 40 C.F.R. § 1051.255(e) authorizes the voiding of your certificates if we find that you intentionally submitted false or incomplete information. EPA identified such information for these engine families through its

investigation of MotorScience's certification practices. Specifically, for each engine family, EPA identified important inconsistencies between the EDV described in your certification application and the EDV that was actually used to generate the testing and other data for your engine family. Through its CAA section 208 information request, EPA obtained the original emissions test reports ("original reports") from Automotive Testing and Development Services, Inc. (ATDS), the primary laboratory used by MotorScience, for each EDV used for each engine family. The original reports were generally six to seven pages long and contained ATDS quality assurance stamps with handwritten notes that identified the size and the manufacturer of the EDV used for each engine family, as well as other information regarding the EDV. We compared these original reports with the test reports submitted by Peace and found that the test reports submitted by Peace did not match those obtained from ATDS. In other words, the original reports and the test reports you submitted were not identical. For example, the ATDS quality assurance stamps with their accompanying handwritten notes were not present on the test reports you submitted with your certification applications. Additionally, we found that you only submitted two pages of the test reports rather than submitting the whole report. Such discrepancies prompted our investigation of the differences in the data contained in the two reports as well as the differences in other information we obtained through our information request when compared against information you included in your certification applications.

After comparing the data in the original reports with the information contained in the test reports that you submitted, we discovered that—for each engine family discussed herein—the EDVs described in your certification applications were different from the EDVs actually used by ATDS for testing. As you know, the original reports, including the handwritten notes accompanying the ATDS stamps, and other information in the test reports for the EDV actually

tested by ATDS, indicate the size and the manufacturer for the EDV for each engine family. However, since you removed the ATDS stamp, the handwritten notes and the other pages from the copy of the test report that you submitted, we did not discover this problem until we obtained copies of the original reports through our investigation. Had you submitted a complete copy of the original test report, EPA would have had this information when reviewing your certification applications and could have identified this discrepancy before issuing certificates of conformity for these engine families. Instead, your intentional removal of the ATDS stamps, their accompanying handwritten notes, and other pages from the test reports, led EPA to rely on erroneous information in your certification applications for issuing your certificates of conformity. Moreover, separate and apart from the information missing in the test reports submitted to EPA, we discovered other discrepancies between the information we obtained through our investigation and the information you submitted in your certification applications. This information further verified that the actual EDVs used for testing were different than those described in your certification applications and that the actual EDVs are not representative of the requisite characteristics of the products in your engine families. Examples of all of these types of discrepancies are detailed below for each engine family.

Engine Families 6PCGX.150APX and 7PCGX.150AA1. In your application, you state that the EDV is a Peace 147 cc ATV. However, the original reports (ONT06482 and ONT06900) show that the true manufacturer of the EDV is Qingqi/ODES and the EDV is a 150 cc motorcycle. Additionally, your application indicates that the test report is from a “new” EDV; instead, your application should have indicated that you were using “carry-across” data for certifying these engine families.

Engine Family 6PCGX.110APX and 7PCGX.110AM3. In your application, you state that the EDV is a Peace 107 cc ATV. However, the original reports (ONT04877 and ONT05168) show that the true manufacturer of the EDV is Loncin. Additionally, your application indicates that the test report is from a “new” EDV; instead, your application should have indicated that you were using “carry-across” data for certifying these engine families.

Engine Family 7CPGX.250AM5. In your application, you state that the EDV is a Peace 244 cc ATV. However, the original reports (ONT06138 and ONT06558) show that the true manufacturer is Roketa (Goldenvale, Inc.), and that the EDV is a 250 cc dirt bike. Additionally, your application indicates that the test report is from a “new” EDV; instead, your application should have indicated that you were using “carry-across” data for certifying these engine families.

In its July 22, 2009 letter, EPA informed Peace about these discrepancies, explained that the intentional submission of false or incomplete information is grounds for voiding your certificates, and gave Peace an opportunity to demonstrate or achieve compliance with applicable regulations. Peace responded in a letter dated August 20, 2009, but your response did not explain these discrepancies and did not provide any demonstration that your products are in compliance with the applicable regulations. For example, in your response letter you state that pre-May 2007 ATDS reports “did not always include a quality assurance stamp,” so Peace used both stamped and unstamped reports “because the stamp is not a prerequisite for test reports.” However, as explained above, these particular test reports did in fact contain ATDS stamps, with accompanying handwritten notes, as well as additional pages of the report. Your response does not explain why you chose to remove the ATDS stamps, the handwritten notes and the various pages from the copies of the test reports you submitted, especially since the information you

withheld clearly demonstrates that the actual EDV tested was not accurately described in the application submitted to EPA. The information contained in the ATDS stamps, handwritten notes and other pages of the test reports would have enabled EPA to identify these discrepancies before issuing certificates of conformity for these engine families, but your intentional withholding of this information misled EPA into erroneously issuing these certificates. When asked about this missing information, MotorScience admitted to EPA that they intentionally obscured the test reports submitted with Peace's certification applications to hide the EDV identification information. Additionally, your August 20, 2009 letter admits that you submitted test reports for EDVs made by manufacturers other than Peace for certifying all of your engine families.

Other responses in your August 20, 2009 letter are similarly inadequate in explaining these discrepancies. In response to our statement that your "application claimed the EDV was manufactured by Zhejiang Leike Machine Industry Co., Ltd. (Zhejiang)," you respond by stating that "this manufacturer's name does not appear anywhere in our applications." This is technically correct since EPA inadvertently stated the above manufacturer's name when your certification application for this engine family actually lists the manufacturer as Zhejiang Peace Industry. However, clearly your response does not explain why you intentionally withheld information from us that indicates that the true manufacturer of this EDV is Qingqi. Your letter also references voluntary confirmatory exhaust emission testing on your 100 cc, 150 cc, and 250 cc vehicles and your assertion that your vehicles comply with EPA's exhaust emission standards. This testing is not relevant to our voiding decision because it provides no explanation for the discrepancies found in the information you submitted for certifying these engine families.

Additionally, these tests were done on a different model year vehicle and you provide no information to demonstrate that the engine families in the various model years are identical.

Therefore, based on all of the above, we conclude that these discrepancies demonstrate that the information that was not submitted from the original test reports was intentionally withheld, with the intention to mislead. The missing portions of the test reports, as well as other information we obtained during our investigation, makes it clear that you intentionally submitted false or incomplete information to EPA as part of the certification process for these engine families.

Peace's Certificates are Void Effective Immediately

Therefore, based on your failure to keep records, which is in direct violation of 40 C.F.R. § 1051.250, and your intentional submission of false or incomplete information, certificates 6PCGX.150APX-002, 7PCGX.150AA1-001, 6PCGX.110APX-001, 7PCGX.110AM3-002 and 7PCGX.250AM5-003 are now void pursuant to 40 C.F.R. §§ 1051.255(d) and (e). Each introduction of any ATV into U.S. commerce under these certificates during the 2006 or 2007 model year, as appropriate to the certificate, and thereafter is a violation of sections 203 and 213 of the Clean Air Act, and you may face civil penalties up to \$32,500 per ATV, as well as criminal penalties. *See* CAA §§ 203(a)(1), 205(a), and 213(d); 42 U.S.C. §§ 7522 and 7524; 40 C.F.R. §§ 1068.101(a)(1) and 1068.125. In addition, Peace may not introduce into commerce any additional vehicles covered by the voided certificates. 40 C.F.R. § 1068.30.

You may request a hearing on EPA's decision to void your certificates in accordance with the procedures set forth in 40 C.F.R. §§ 86.1853-01, 1051.820 and 1068.601. A request for a hearing must be in writing, signed by the certificate holder or authorized representative of the certificate holder, and include a statement, with supporting data, specifying objections to the

action taken by EPA. The request must be received by EPA within 30 days of receipt of this letter and should be sent to:

Linc Wehrly, Light-Duty Vehicle Group Manager
Compliance and Innovative Strategies Division
U.S. EPA Office of Transportation and Air Quality
2000 Traverwood Drive
Ann Arbor, MI 48105

Such a request must include a description of your objection and any supporting data. 40 C.F.R. §§ 1051.255(f), 1051.820. We may decide to approve your request if we find that it raises a substantial factual issue. If we agree to hold a hearing, we will use the procedures specified in 40 C.F.R. part 1068, subpart G, 40 C.F.R. § 86.1853-01, and 40 C.F.R. § 1051.820(c).

Please contact Mr. Wehrly by telephone at (734) 214-4286, or email at wehrly.linc@epa.gov, should you have any questions.