

Finishers Hear Good News, Talk to Officials About Environment and Trade Policy Issues



Christian Richter, The Policy Group
1120 Connecticut Ave., NW, Suite 490
Washington, DC 20036
crichter@thepolicygroup.com

It was a week of remembrance for the nation and for the surface finishing industry, as more than 80 conference attendees convened in Washington on September 9–10 for the 17th Annual Surface Finishing Legislative “Fly-In.” Participants arrived eager to hear the latest on the industry’s negotiations with U.S. EPA on the Metal Products & Machinery (MP&M) Rule, as well as the White House environmental innovation agenda and its meaning for the industry.

The conference also focused on some critical emerging issues for both the finishing and finishing supplier industries. With a larger than expected economic downturn, many companies have been negotiating rough waters for nearly eight consecutive quarters, while business continues to

move offshore. As a consequence, discussion of U.S. trade policy developments and global competitiveness took top billing this year. Furthermore, as Congress takes action on enhancing homeland security, suppliers were interested in hearing recent legislative efforts to mandate potentially more burdensome requirements for chemicals management, facility operations and reporting.

The conference served as the venue for reaffirming the industry’s credibility as a leading player on environmental sustainability at EPA, as well as its status as a vital link in the manufacturing supply chain.

The Future of Environmental Innovation

The White House kicked off the event with compelling remarks by Jim Connaughton, whom President Bush appointed last year to chair the Administration’s Council on Environmental Quality. Connaughton, a key Bush advisor and policy expert, highlighted the progress of the metal finishing industry in the past decade, particularly the industry’s role in forging a partnership with EPA under the Common Sense Initiative (CSI).

The industry’s recent move to transition its efforts with EPA under the Strategic Goals Program fits squarely in the President’s plans to advance voluntary environmental improvement in the private sector. One of the core tools of the future, Connaughton noted, is the use by firms of Environmental Management Systems to enhance performance and compliance, as well as generate potential bottom line returns and minimize liability.

The industry is now moving with EPA to introduce comprehensive training of jobshops in Environmental Management Systems. The first two states to sponsor the initiative are Michigan and Illinois. Additional states will, in the near future, introduce EMS training as well. Connaughton voiced solid support for industry’s efforts in this direction, and expressed a willingness to work with the

industry to promote the benefits of implementing an EMS at the facility level.

MP&M Rulemaking Looking More Favorable

The much-anticipated panel discussion to address the latest developments at EPA on the ever-controversial MP&M Rule featured EPA Office of Water official Sheila Frace, along with Small Business Administration advocate Kevin Bromberg. The two reported on the industry’s tremendous progress with the Agency since the rule was originally proposed in January 2001. Frace complemented the industry on its assertive participation in the rulemaking, and highlighted the significance of the industry’s thorough analysis as well as the numerous productive discussions with industry representatives in recent years. She noted that the Agency was moving closer to a favorable decision for jobshops and captive operations in the context of the rule.

Frace and Bromberg also pointed to the most recent round of negotiations with Government Relations and the Government Advisory Committee since EPA published its Notice of Data Availability, or NODA, in the *Federal Register* over the summer. Since NODA publication, industry’s points and critique have made visible some of the lingering challenges for the Agency regarding accurate compliance cost and pollutant removal estimates, as well as the likely closure rate for finishing operations.

The timing of the session was significant, as Frace had just come from EPA headquarters that afternoon after taking part in the Agency’s so-called regulatory “option selection” meetings for the rule. The option selection session is an EPA decision-making milestone, in which the Agency decides what should be in the rulemaking package prior to final review by the White House Office of Management and Budget (OMB).

While she shared some of EPA’s response to the industry’s demands for re-analysis

and corrections to the Agency's data and modeling, Frace was unable to confirm EPA's final decision on the rulemaking, because EPA Administrator Christie Todd Whitman will not sign the final MP&M regulation until December 31, 2002. She noted, however, that industry's analysis of likely firm closures that would be caused by the rule was largely correct, and that the firm closure rate associated with EPA's "compromise" regulatory option on MP&M was roughly double that of EPA's original estimate.

The MP&M rulemaking is clearly not yet over, and the rulemaking package will be scrutinized closely prior to final issuance in December. Industry Government Relations analysis of the latest EPA data and modeling corrections, however, demonstrates that the latest revisions dictate a "no further regulation" decision by the Agency for both jobshops and captive operations.

Trade & Competitiveness Emerge as Vital Issues

Conferees heard both positive developments and ominous warnings on U.S. trade policy and the finishing industry from Government Relations and a panel of trade policy experts. The larger economic downturn in domestic manufacturing has posed

difficult challenges for jobshops in particular. Problems have been exacerbated by the Bush Administration's steel tariff action taken several months ago, as plating customers that have been affected by supply shortages and high steel prices reduce demand for plating services. Significant anecdotal evidence shows a massive shift in plating business to China and other overseas markets.

Industry Government Relations highlighted key steps in strategy for the industry to undertake, including moving key congressional committees to call for a finishing industry market study by the International Trade Commission (ITC). Any corrective action or remedy to the current ailments in plating caused by low-cost overseas competition will rest on appropriate findings by the ITC. In addition, Government Relations outlined the importance of securing additional strategic hearings on Capitol Hill to raise visibility of the troubled state of small manufacturing in light of the current economic climate, the steel trade action, and unfair foreign competition.

Attendees also heard a disconcerting message from a Commerce Department representative on its aggressive efforts to expand U.S. markets in China. While access to and expansion of China and other foreign

markets is, on one level, a positive development in overall U.S. trade policy, many finishers expressed dismay with the continuing short and long-term adverse impacts on the jobshop industry.

As conferees went to Capitol Hill to convey concerns regarding trade issues, they were energized by a largely positive response from key congressional offices willing to assist the industry's efforts with the International Trade Commission. This positive response was embodied in the remarks of Illinois Republican Congressman Don Manzullo during the conference reception on Capitol Hill. Manzullo, who chairs the House Small Business Committee, has spoken out boldly on the need for Congress to address the current plight of U.S. small manufacturers through appropriate trade policies.

There are many remaining issues on the regulatory and legislative horizon, not all of which could be addressed at length during this session. The conference again served as a profoundly important venue for practical discussion of the industry's opportunities and challenges, as well as a platform from which committed finishers could exercise their constitutional right to free speech and deliver the industry's message to Capitol Hill. *P&SF*