The Finishing Touch

OAMF News February/March 2005

Next Meeting:

NEORSD Wednesday, March 23, 2005

Due to the national convention in February, the next OAMF membership meeting is scheduled for Wednesday, March 23. Be sure to save this date, this will be the annual meeting with the NEORSD and will be a joint event with AESF.

Additional details will follow in the coming weeks.

News from The Policy Group

A Surface Finishing Government Relations News Service January 2005

OSHA Chrome Standard, Senator Joe Lieberman To Highlight Launch of New Industry Event in Washington DC – May 11-12, 2005 – www.sficwashingtonforum.com

New global pressures, technology innovation and unprecedented regulatory developments are recasting the manufacturing landscape and introducing new complexities for surface finishing operations. To keep industry experts and executives prepared for what comes next, the Surface Finishing Industry Council and the industry's Government Relations program are introducing a brand new event – the SFIC Washington Forum – to bring the finishing industry and national policy leaders together for an exchange on vital issues facing the surface coatings industry.

The Forum's agenda comprises two days of activity in Washington, DC, and fuses technical offerings of the AESF-USEPA Conference on Environmental Excellence with cutting edge policy topics from the SFIC's annual Washington "fly in." Connecticut Senator Lieberman has been invited to deliver the keynote address on U.S manufacturing and the future. Among the topics covered at the session are:

- Globalization and Small Manufacturing
- OSHA, the European Union and the Future of Metal Finishing
- U.S. Nanotechnology Strategy and the Coatings Industry
- Emerging Environmental Regulatory Trends

Register TODAY electronically and check event updates for the SFIC Washington Forum at www.sficwashingtonforum.com. This is an event you cannot afford to miss! For further questions, please contact Christian Richter or Jeff Hannapel at The Policy Group at (202) 457-0630, or crichter@thepolicygroup.com.

Finishers Comment on OSHA Chrome Limit, Prepare for February Hearings

The finishing industry in early January submitted a substantial set of comments to OSHA outlining a range of problems with the proposed Chrome exposure limit of 1.0 ug/m^3. The document advances major arguments recently made by Government Relations to the White House and Congress. In essence, the industry asserts that OSHA's technical justification for such a stringent standard is strained, that the rule will pose substantial technical feasibility hurdles for firms, and that costs imposed on the finishing industry will deal a severe blow to operations across the nation, forcing more than 50 percent of affected facilities to shut down (see a summary of Government Relations comments below).

Since filing comments, the industry has been planning for OSHA's administrative hearing on the proposal scheduled for February 1-15, 2005, in Washington, DC. The issues to be covered by industry witnesses include key problems with OSHA's analytical work anchoring the new limit, the actual compliance costs on both chrome operations as well as other processes drawn into the rule, such as zinc plating using chromate conversion, plating on plastics, passivation and others. Additional focus will be the implications of the OSHA standard for compliance with USEPA's chromium NESHAP, the primary federal air emissions rule governing chromium finishing operations.

Pentagon Develops Steering Committee for 2005 Surface Finishing R&D Workshop

Finishing industry discussions with the Department of Defense have prompted environmental R&D officials there to advance plans for a strategic workshop on environmentally preferable metal finishing processes. The 2-day event – planned for August 2005 – will bring together for key discussions senior researchers and engineers within the Department of Defense, academia and industry. Development of papers and a final report from the event will help guide future DoD research investments and improve the DoD's ability to address its pollution prevention and compliance requirements.

A steering committee has been formed to plan the workshop, which will:

- Examine the current state of practice within the defense manufacturing and maintenance community;
- Identify the current and emerging regulatory and other pressures both within the US and abroad;
- Identify the current state of science and engineering for alternatives to and control technologies for current metal finishing and plating practices;
- Identify the gaps in knowledge and technology which limit both the transition of emerging technologies and the development of new approaches;
- Prioritize those gaps where investments in research and development can have the greatest impact on DoD's practices; and
- Prioritize those gaps where investments in field demonstrations or related activities could have the greatest impact on the transition of technologies.

The outcome of this workshop will be a strategic plan for the two primary environmental R&D programs at DoD – the Strategic Environmental Research and Development Program (see www.serdp.org) and the Environmental Security Technology Certification Program (www.estcp.org).

Finishing Industry to Participate in National Dialogue on Manufacturing Policy

The finishing industry in March 2005 will take part in a high-level policy dialogue on revamping U.S. manufacturing policy with leaders from industry, Congress and the Bush Administration. The event, sponsored by the National Council on Advanced Manufacturing (NACFAM), will take stock of over 50 industry recommendations to the Bush Administration and Congress on trade, tax and energy issues, as well as reform of the health care, legal and regulatory system. The recommendations stem from NACFAM's 2004 "Manufacturers Answer" report and include input from the Surface Finishing Industry Council on several topics.

Industry Engages USEPA on New Air Emissions Rule

Government Relations continues to work with EPA as the Agency develops a series of new area source or minor source air emissions control regulations for over 50 industry sectors, including plating and polishing. The new rule would cover all air emissions from all plating and polishing operations,

including antimony, cadmium, chromium, cobalt, lead manganese, mercury, nickel and selenium. The new standards now likely will be based on generally available control technology (GACT), which are generally less stringent than the technology-forcing MACT standards for chrome plating operations.

The industry recently engaged with EPA air officials to recommend the development of a voluntary-oriented compliance program to reduce affected area source air emissions in lieu of a more traditional "command and control" regulation. To this end, the industry has already submitted a proposal to EPA to identify best management practices and pollution prevention practices that reduce air emissions from plating and polishing operations. In the coming months, Government Relations will continue to closely assess EPA's technical work, emerging regulatory options, and the Agency's overall commitment to avoiding the imposition of more stringent and unnecessarily burdensome regulatory framework.

U.S. Treasury, Other Reports Shows Economy Improving for Small Business

A January report from the U.S. Treasury indicates the U.S. manufacturing sector is picking up momentum. The Institute for Supply Management said its monthly index of manufacturing activity jumped to 58.6 in December from 57.8 in November. The December reading was the highest in four months (readings above 50 indicate the manufacturing sector is expanding). The share of small businesses saying the next three months are a good time to grow jumped to 29%, highest in more than five years, according to a recent survey of 574 firms by NFIB. NFIB says 19% of firms surveyed plan to hire, up from as few as 11% in June. Hiring plans now rival those in 2000.

A full 44% of small companies plan to spend on technology and other expensive goods, one of the past year's highest shares, according to a recent PricewaterhouseCoopers survey of 355 firms. The U.S. economy will perform well in 2005, according to a survey of economists' predictions, with healthy growth, subdued inflation and only slight rises in interest rates. The consensus outlook of 56 economists surveyed by The Wall Street Journal was that gross domestic product will expand at a rate of about 3.6% in 2005. That pace would be a tad slower than last year's, which was 3.9% through the first nine months of the year.

OECD Countries Pressed to Increase R&D Investments

OECD countries are responding to China's rapid growth in manufacturing capabilities by stepping up investment in research and development. According to OECD's Science, Technology and Industry Outlook, China doubled its spending on R&D between 1995 and 2002 as a percentage of GDP, a higher rate than any other OECD country. In contrast, overall spending in OECD countries on R&D rose only moderately in proportional terms, to 2.26% of GDP in 2002 from 2.09 % in 1995. European Union and Japanese businesses increased their R&D commitments in this period, but spending by U.S. firms fell slightly. See www.oecd.org.

For more information, please contact Christian Richter (crichter@thepolicygroup.com) or Jeff Hannapel (jhannapel@thepolicygroup.com) or call (202) 457-0630.

SFIC Government Relations Brief Summary of Industry Comments January 2005

OSHA Chromium Workplace Exposure Rule

Litigation Prompting OSHA to Change Existing Workplace Standard

A federal appellate court has ordered OSHA to change the existing workplace standard for hexavalent chromium. While the court has allowed OSHA considerable latitude in selecting an appropriate permissible exposure limit (PEL), OSHA's recently proposed standard would dramatically lower the existing workplace limit of 52 ug/m^3 to 1 ug/m^3. A new limit must be finalized by January 2006.

No Major Industrialized Nation Has an Occupational Exposure Limit as Stringent as OSHA's Proposed Standard of 1 ug/m^3

Most major U.S. trading partners have set an exposure limit of 50 ug/m^3, including Japan, China, the European Union and South Africa. Most EU member states such as Germany, France, the United Kingdom and Finland have set limits at 50 ug/m^3. Sweden has a limit of 20 ug/m^3. The most restrictive among EU member states is Denmark, with a limit of 5 ug/m^3.

Proposed Rule Has Broader, Deeper Impact on U.S. Manufacturing Than OSHA Considers

Lowering the standard so sharply will impact a wide range of manufacturing operations and their suppliers (e.g., aerospace/defense, automotive, industrial/medical equipment, shipbuilding, steel, welding, metal finishing, pigments and dyes), some of which are not included in OSHA's analysis. Many of these operations are not traditionally viewed as chromium-based processes and involve relatively small amounts of chromium (e.g., zinc finishing operations, plastics coating). These operations would incur large costs with few, if any, benefits, and should be appropriately identified and evaluated by OSHA. And, among industries that do use chromium extensively (e.g., chrome plating, stainless steel), the very tight standard will bring under regulation large numbers of employees who are not directly involved in chromium operations (supervisors, maintenance and shipping personnel, etc.). The rule also affects large numbers of service activities that OSHA does not recognize, including auto repair shops, HVAC contractors, industrial laundries, etc.

OSHA Has Substantially Underestimated Compliance Costs

OSHA asserts that to achieve the new limit facilities will simply need to "tweak" existing control systems, with minimal additional costs. To illustrate, OSHA estimates the new limit will cost small metal finishing operations $14,000 annually, yet industry's engineering studies show annual costs at least 10 times this level, and as high as $226,000. This amounts to 15 percent of annual sales for typical, family-owned metal finishing firms, many of which would likely close under the new rule. Total costs of the rule will likely exceed $2 billion per year, not $220 million as OSHA estimates.

OSHA's Estimate of Benefits From the Rule Are Greatly Exaggerated

OSHA asserts the proposed rule has benefits exceeding its costs, yet relies on questionable methodologies and data to draw this conclusion. OSHA estimates that the benefits associated with the PEL option of 1 ug/m^3 could range anywhere from $25 million to $700 million annually, an astonishingly wide range reflecting considerable uncertainty with respect to health protection. To demonstrate that the rule has positive net benefits, OSHA selects the midpoint of this range and compares it with an unreasonably low compliance cost estimate. Industry has re-estimated benefits using more accurate methods, and benefits fall well short of even OSHA's underestimated costs.

OSHA's Risk Modeling Efforts Are Characterized by Significant Uncertainty

OSHA's risk modeling efforts on potential adverse health effects are based on worst-case scenario assumptions and considerable scientific uncertainties. Using this approach, OSHA assumes that health effects will occur at 1 ug/m^3 in direct proportion with those found to occur historically (i.e., 50 to 70 years ago) at exposure levels significantly greater than 52 ug/m^3. A more

reasonable and scientifically defensible approach recognizes the uncertainties and lack of precision with the data and employs more reasonable assumptions regarding the cancer slope factor, latency period, value of a statistical life, and baseline for existing workplace exposure levels. Accordingly, credible health experts assessing the same data as OSHA have concluded that 23 ug/m^3 is a protective workplace standard.

State of the Art Engineering Controls Cannot Ensure Compliance for Key Industry Sectors

Industry sectors that handle significant amounts of hexavalent chromium generally have engineering controls in place to reduce workplace exposure levels to protect their employees. The proposed workplace exposure level of 1 ug/m^3 and action level of 0.5 ug/m^3 are so low that even these facilities with the most advanced engineering controls cannot ensure consistent compliance with the new standard.

Economic Impact of Proposed Rule Will Be Severe, Including Facility Closures, Job Losses, Supply Chain Disruptions and Continuing Movement of Manufacturing Jobs Abroad

OSHA concluded that the proposed standard would have no significant economic impact on any affected industry sectors. Industry strongly disagrees with this conclusion. For a different regulatory action potentially affecting the metal finishing industry, EPA recently estimated that annual compliance costs of $61,000 per facility would close more than 50 percent of the industry. This rule may cost more than $200,000 annually per metal finishing facility, yielding even more severe impacts than EPA predicted. More than 80,000 U.S. jobs will be lost in this industry alone. Intense global competition and continuing downward pressure on prices for domestic manufactured goods suggest that key U.S. industry sectors affected by the rule will be unable to absorb these costs and survive in today's markets.

Lowering the Existing Limit by More Than Half – to 23ug/m^3 Provides Protection for Workers and is Technically and Economically Feasible

Based on independent evaluations of health data, risk modeling, control measures, economic impacts and benefits assessment, lowering the standard to 23 ug/m^3 is both protective and operationally feasible. This level represents a reduction by more than half from the existing standard of 52 ug/m^3 and would avoid unnecessary compliance costs and economic impacts for operations that already have relatively low workplace exposure levels.

Spill Program Review

Through the joint efforts of the OAMF, NEORSD, Cleveland Clean Air Century Campaing, LEPC and EPA, we were able to provide members an opportunity to learn about accident prevention and to discuss any particular questions with people who are the experts on what should be done in the event of a chemical spill (or fire).

The keynote luncheon speaker, Fire Chief Collova, spoke to attendees on the events that occurred around the Garfield Alloys fire. In addition, members of the Cleveland Fire Department also showed their support.

Presenters Included:

Suzanne Prusnek, Ohio EPA – solid & hazardous waste regulations for the MF industry, with emphasis on release prevention.

Marc Snitzer, OSHA Cleveland Area Office – health & safety standards for the MF industry, with emphasis on release prevention.

Steven Miller, Chubb Group – "failure modes" typical to the MF industry, with emphasis on release prevention

Kathy Royle, Cuyahoga County LEPC – reporting requirements for releases, with emphasis on minimizing the impact of the release through proper and timely reporting.

At the end of the presentations, there was a panel discussion which provided attendees the chance to ask any questions that were not answered during the program.

Special thanks to Rich Connelly, Herb Mausser and Linda Kimble for putting together an exceptional program!

Coming Soon: www.OAMF.org

OAMF is pleased to announce that our website is currently under construction! Once it is officially up and running, notices will be sent.

This is great news for members. On the OAMF website, users will be able to access a list of members and the processes that they handle.

The site will also contain other various information that will be useful to you including:

Regulatory forms
The latest news and regulatory information
Meeting information
Links to various websites -
NAMF, AESF, MFSA and
newsletter sponsors

Look for the official launch soon!

OAMF Welcomes New Members:

OAMF is pleased to welcome two new members to the association:

Olymco and American Trim!