

**Testimony of
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**Assessing the Cumulative Impact of Regulation
on U.S. Manufacturers**

**House Subcommittee on Regulatory Affairs, Stimulus Oversight,
and Government Spending**

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I. Introduction

The American Chemistry Council¹ very much appreciates this opportunity to provide testimony on the need to improve the assessment of the cumulative impact of Federal regulations on the U.S. manufacturing base. At a time when the Nation expects manufacturing to make a significant contribution to our economic recovery, including the creation and maintenance of well-paying jobs, it is particularly important that we understand the role regulations will have in helping or hindering the attainment of that objective.

Earlier this year, both President Obama and the leadership of the House of Representatives called for an examination of existing rules to ensure they are not creating an undue burden on American businesses that will hinder innovation and competitiveness or cost U.S. jobs. While we agree that it is important to scrutinize specific rules, we also believe that the Congress and administration should take the opportunity to fix fundamental deficiencies in the regulatory process. Specifically, we have called for an improved assessment model that reflects cumulative impacts of regulations; consistent standards for the consideration of scientific data regardless of its source; and for greater transparency in the rule making process so methodologies and consequences can be more clearly understood. Therefore, we welcome today's hearing in particular because it shines a light on flaws in the process that must be resolved if we are to expect more rational regulatory outcomes in the future.

ACC believes that the process of Federal regulatory impact analysis can be improved significantly by regularly and comprehensively assessing cumulative regulatory impacts and

¹ The American Chemistry Council (ACC) represents the leading companies engaged in the business of chemistry. ACC members apply the science of chemistry to make innovative products and services that make people's lives better, healthier and safer. ACC is committed to improved environmental, health and safety performance through Responsible Care[®], common sense advocacy designed to address major public policy issues, and health and environmental research and product testing. The business of chemistry is a \$674 billion enterprise and a key element of the nation's economy. It is one of the nation's largest exporters, accounting for ten cents out of every dollar in U.S. exports. Chemistry companies are among the largest investors in research and development. It is also one of the nation's most heavily regulated industries.

employment impacts. Unfortunately, current practice relegates both of these elements to minor roles in impact analyses, if they are even acknowledged. Efficient and effective regulation can help markets function and address important public priorities that the market might otherwise not address, but that objective is compromised to the extent that regulations are not grounded by realistic impact assessments.

The business of American chemistry is the fundamental building block for the economy. Ninety-six percent of all manufactured goods are touched by chemistry at some point in the production cycle. Nearly 27% of U.S. GDP is generated from industries that rely on chemistry, ranging from agriculture to oil and gas production, from semiconductors and electronics to textiles and vehicles, and from pharmaceuticals to residential and commercial energy efficiency products.

Our industry directly employed 780,000 Americans as of 2010, in relatively high-paying, quality jobs. But because chemistry is a “force-multiplier” in the economy, each of those jobs supported an additional 5.5 American jobs in the industries that use chemistry to manufacture other goods, meaning that some 4.3 million Americans are working in the industries that rely on chemistry to drive economic growth, innovation, and American competitiveness.

The economic reality for the business of U.S. chemistry is that our companies operate in an intensely competitive global environment. Significant increases in the cost of doing business – such as the increases in capital and operating costs that may be experienced as a result of regulatory decisions – can directly impact jobs in our industry. As noted above, an impact on jobs in the chemical industry has a consequent ripple effect on jobs throughout the rest of the economy.

ACC members have recent experience in how higher costs translate to job losses. The chemical industry is the largest manufacturing consumer of natural gas in the United States. Chemical companies use natural gas for both fuel and feedstock purposes. Between 1999 and 2005, natural gas prices in the United States quadrupled as the result of Federal policy-induced supply constraints. At the same time, other federal policy (such as the Clean Air Act) had the effect of creating new demand for natural gas in the power generation sector. Growing demand thus crashed into scarce supply, and natural gas prices in the United States rose to more than \$12 per million BTU. Meanwhile, while some of our global competition still had access to gas supplies selling for as little as \$1 per million BTU. As a result of those significantly higher costs, our industry lost nearly 140,000 jobs, many of which have not returned to the United States. Attachment 1 to this testimony graphs the energy cost-jobs relationships in that period.²

The chemical industry's recent experience, then, helps explain our interest in assuring a comprehensive analysis of the economic impacts of Federal regulation, including an analysis of the impact on jobs.

II. Regulatory Impact Assessment

ACC believes that regulatory impact assessments are a key component of the Federal regulatory process. The impact, or cost-benefit, assessments can enhance the transparency of the regulatory process, create a consistent framework for data collection and the identification of data gaps and uncertainties, allow for a useful comparison of alternative approaches, and establish a basis for the measurement of net benefits.³

² Thankfully, natural gas prices have returned to much lower levels since 2005, largely due to reports that the United States has significantly larger natural gas reserves than had been thought to exist. In large part the return to improved energy economics has not been due to wholesale changes in Federal supply constraints, but rather reports that shale gas reserves in the U.S. could extend known reserves by at least 50 years.

³ Resources for the Future Report, "Reforming Regulatory Impact Analysis," W. Harrington, L. Heinzerling, R. Morgenstern, eds., 13 (April 2009). Available at http://www.rff.org/RFF/Documents/RFF.RIA.V4.low_res.pdf

Executive Order 12866, signed by President Clinton in 1993, outlines 12 “Principles of Regulation” intended to guide Agencies in their regulatory activities, including direction on the conduct of impact assessments. Notably, the Executive Order requires that each Federal agency

tailor its regulations to impose the least burden on society, including individuals, businesses of differing sizes, and other entities (including small communities and governmental entities), consistent with obtaining the regulatory objectives, taking into account, among other things, and to the extent practicable, the costs of cumulative regulation (emphasis added).⁴

The unfortunate reality, however, is that most Agency impact assessments contain no cumulative assessment consistent with Principle 11. Without such analysis, it is unlikely that agencies can identify the “least burdensome” means to achieve a desired regulatory outcome. Onerous regulations stem investment and job growth and agencies need to be explicit about alternatives that could achieve the same regulatory objective at less cost. In some cases, onerous regulation is the result not of an agency’s actions, but because Congress has limited the agency’s ability to consider costs in the authorizing statute.

There could be several reasons for the failure to completely adhere to Executive Order 12866. Under the terms of Principle 11, agencies need only conduct cumulative cost impact assessments “to the extent practicable.” A lack of information within and among agencies is also a barrier to improved cumulative impact assessment. Principle 11 also recognizes that there may be “other” unidentified factors that may apply to a given impact assessment. The net result, however, is that Federal agency cost-benefit assessments tend to focus on the unique and independent impact of the regulatory intervention under review. ACC is aware of no Federal agency impact assessment that attempts to quantify or monetize anything beyond the marginal impact of a specific rule or regulation.

⁴ Executive Order 12866, Section 1(b)(11).

The Office of Management and Budget (OMB) has provided important guidance to agencies in estimating the costs and benefits of proposed regulations in Circular A-4, produced in 2003. It is a “best-practices” document, providing direction to policy analysts on the myriad elements of a comprehensive economic impact assessment. Unfortunately, Circular A-4 contains no direct guidance to agencies on conducting an assessment of the cumulative costs of regulation.⁵

Circular A-4 is very clear that Agency assessments of significant regulatory actions shall include an analysis of the competitive impacts of regulations. Section 6(a) requires agencies to provide additional information to OMB that cover the “costs anticipated from the regulatory action . . . and any adverse effects on the efficient functioning of the economy, private markets (including productivity, employment and competitiveness) . . . together with, to the extent feasible, a quantification of those costs.”⁶ Yet again, most Agency impact assessments appear to largely ignore this element. In ACC’s view, any assessment of competitiveness impacts necessitates, by definition, an analysis of the cumulative impact of regulations on the economy.

Among the Federal agencies, the Environmental Protection Agency’s (EPA) impact assessments are generally fairly thorough. They suffer, however, from a consistent lack of cumulative impact assessment, even for regulatory proposals generated by the same office within EPA. While ACC believes the EPA should have some flexibility in designing impact analysis, a more consistent approach across the Agency – including a more consistent analysis of cumulative impacts -- could be achieved.⁷

⁵ Office of Management and Budget, Circular A-4, 15 (2003). Available at <http://www.whitehouse.gov/sites/default/files/omb/assets/omb/circulars/a004/a-4.pdf>

⁶ OMB Circular A-4, Section 6(a)(3)(C)(ii) (emphasis added).

⁷ In this respect ACC agrees with the conclusion outlined in the Resources for the Future report on the deviation between the analyses conducted by the Environmental Protection Agency and the guidance developed by the Agency for preparing economic analyses. The Report recommends that, among other actions, the use of a “check-list” approach on the minimum elements all impact analyses should contain. Resources for the Future, op.cit. fn.3,

EPA has provided some guidance on including multiple regulatory requirements in the baseline assumptions underlying the regulation being reviewed:

Although regulations that have been finalized clearly belong in the baseline of a proposed rule, the baseline specification may be complicated if other regulations in addition to the one being implemented are under consideration or nearing completion. In this case it becomes difficult to determine which regulations are responsible for the environmental improvements and can "take credit" for reductions in risks. It is also necessary to determine how these other regulations affect market conditions that directly influence the costs or the benefits associated with the policy of interest. This is true not only for multiple rules promulgated by EPA, but also for rules passed by other federal, state, and local agencies. In addition to agencies that regulate environmental behavior, other agencies that regulate consumer and industrial behavior (e.g., OSHA, DOT, DOE) develop rules that may overlap with upcoming EPA regulations. Even the potential implementation of another such rule may affect the benefits and costs of an EPA regulation being analyzed due to the strategic behavior of regulated entities. Therefore, it is important to consider the impact of other rules when establishing a baseline. If another federal agency, state or local agency is legally required to impose a regulation but is still in the process of finalizing that regulation, then a baseline which includes this impending regulation should be considered. The intent of the baseline should always be to characterize the world in the absence of regulation being analyzed.⁸

Unfortunately, the limitation of this guidance is that it only applies to the development of a baseline set of assumptions about the rule being reviewed. At best, the guidance may result in an understanding of the marginal impacts of the rule under review, but does not necessarily shed light on the cumulative costs and impact of regulation on any specific sector, or on the economy as a whole.

Several examples illustrate ACC's concerns with the lack of cumulative impact analysis.

In 2010, EPA proposed a significant rule related to emissions limitations on industrial boilers and process heater, a suite of four regulations generally known as the "Boiler MACT" rules. EPA's own analysis of the regulation, conducted using an outdated 1999 vintage model,⁹

at 223. In ACC's view, the assessment of the marginal and cumulative economic impact of regulations, including the anticipated impact on jobs, should be considered an element fundamental to all impact analyses.

⁸ U.S. Environmental Protection Agency, "EPA Guidelines for Preparing Economic Analyses," Pre-Publication Edition, Page 5-12 (December 2010). Available at [http://yosemite.epa.gov/ee/epa/eed.nsf/pages/Guidelines.html/\\$file/Guidelines.pdf](http://yosemite.epa.gov/ee/epa/eed.nsf/pages/Guidelines.html/$file/Guidelines.pdf).

⁹ Regulatory Impact Analysis: National Emission Standards for Hazardous Air Pollutants for Industrial, Commercial, and Institutional Boilers and Process Heaters, page 4-1 (Feb. 2011). Available at http://www.epa.gov/ttn/ecas/regdata/RIAs/boilersriafinal110221_psg.pdf.

indicated that the rules would result in some \$9.5 billion in direct costs on the regulated community; an analysis conducted by the Council of Industrial Boiler Owners (CIBO) anticipated capital costs alone would total some \$20 billion. The CIBO study also estimated that 330,000 associated jobs were at risk under the Boiler MACT proposal, 70,000 of which were directly tied to the affected industries/facilities.¹⁰

EPA recently adjusted its Boiler MACT economic analysis as it prepared for the publication of the final rule. The Agency's new analysis reduces capital costs associated with the rule by nearly one half to \$5 billion, and a 40% reduction in annual operating costs through alternatives not contemplated in the proposed rule. Interestingly, EPA also explained that its economic model now suggests that 10% of the capital costs can be passed on to consumers in the form of higher prices.¹¹

The Boiler MACT Regulatory Impact Analysis (RIA) does not provide a comprehensive analysis of employment impacts, although EPA noted that it anticipates the employment impact to be "small."¹² The Agency further noted that it intends to follow the direction of President Obama's recent Executive Order 13563 to explore ways to "quantify the job impacts in the pollution control sector that result from these and future regulations."

As a companion to the Boiler MACT rule, EPA published the Commercial Solid Waste Incinerator (CISWI) rule with an economic analysis outlining capital costs of \$0.4 billion and

¹⁰ The Economic Impact of Proposed EPA Boiler/Process Heater MACT Rule on Industrial, Commercial, and Institutional Boiler and Process Heater Operators, (Aug. 2010). Available at http://www.cibo.org/pubs/boilermact_jobsstudy.pdf. ACC's analysis concluded that the chemical industry would shoulder some \$3.8 billion in direct capital costs under the proposed rule, while losing between 8,000 and 16,000 jobs.

¹¹ Regulatory Impact Analysis: National Emission Standards for Hazardous Air Pollutants for Industrial, Commercial, and Institutional Boilers and Process Heaters, at page 4.3.

¹² *Id.* at pg. 4-7

annual costs of \$ 0.23 billion.¹³ Similarly, EPA finalized new source performance standards and emission guidelines for new and existing sewage sludge incineration units. However, EPA explained that due to the timing for publication of the final rule it was not able to perform a comprehensive economic or employment analysis, but estimated that capital costs and benefits were reduced by approximately 80% each based on modifications applied since the original proposal.¹⁴

Unfortunately, EPA's analysis of the Boiler MACT proposal contained no assessment – indeed not even an acknowledgement – that the very industries impacted by the rule would also be facing substantial compliance costs under other regulations then in effect or anticipated in the near future. For example, EPA finalized the NO₂ and SO₂ NAAQS in 2010, and began its reconsideration of the 2008 ozone NAAQS in 2009. The proposed rule and accompanying RIA were released in January 2010. EPA estimated that the potential compliance costs associated with the three NAAQS rules could exceed \$40 billion.¹⁵ The Boiler MACT RIA did not include these potential substantial compliance costs from these NAAQS standards.

In some cases, EPA's economic impact analysis has not been extensive enough to permit a cumulative analysis. In 2010, EPA proposed the so-called “tailoring rule” to apply greenhouse gas (GHG) permitting requirements to stationary sources of emissions under the Clean Air Act. The affected regulatory community includes all industries with the potential to emit more than a threshold amount of GHGs, including utilities, manufacturing facilities, universities and

¹³ Standards of Performance for New Stationary Sources and Emission Guidelines for Existing Sources: Commercial and Industrial Solid Waste Incineration Units. Available at <http://www.epa.gov/airquality/combustion/docs/20110221ciswi.pdf>.

¹⁴ Cost and Benefit Changes Since Proposal for Standards of Performance for New Stationary Sources and Emission Guidelines for Existing Sources: Sewage Sludge Incineration Units. Available at <http://www.epa.gov/ttn/ecas/regdata/RIAs/ssiria110201.pdf>.

¹⁵ Updated Regulatory Impact Analysis (RIA) for the Reconsideration of the 2008 Ozone National Ambient Air Quality Standard, Table S1-1: Total Monetized Costs with Ozone Benefits and PM_{2.5} Co-benefits in 2020 (Jan. 2010). Available at http://www.epa.gov/ttn/ecas/regdata/RIAs/s1-supplemental_analysis_full.pdf.

hospitals, among others. The Agency provided only an analysis of the costs that would be avoided by those facilities that would now be exempt from the permitting requirements due to an increase in the applicable emissions threshold. The Agency failed to provide an assessment of the economic impact of the tailoring rule on the stationary sources that would be required to seek permits, and furthermore failed to provide an assessment of the cumulative impact of regulations on those sectors.

For regulations that aim to reduce risks, effective cost-benefit analysis requires objective risk assessments. A typical chemical risk assessment requires numerous default assumptions to address uncertainty (e.g., assuming a particular impact of a chemical at human exposures below the lowest dose tested in laboratory animals). Sometimes, the Agency must choose between its default assumption and actual data that contradict the chosen assumption. Unfortunately, EPA often chooses to maintain a default assumption even in cases where the weight of scientific evidence would suggest otherwise. Such decisions create a disincentive for the collection and use of data and undermine the scientific credibility of the regulatory process. This problem occurs across program offices at EPA, but most notably in the Integrated Risk Information System (IRIS) program under the Office of Research and Development (ORD).

ACC is also concerned that EPA maintains the position that some of its decision have zero economic impact, and thus do not justify a cost-benefit analysis. For example, EPA has not conducted a regulatory impact assessment on its most recent draft Preliminary Remediation Goals (PRGs) for dioxins, apparently on the theory that the goals have zero economic impact. Because no remediation decision for dioxin has adopted a standard less stringent than the current guidelines, however, the PRGs are *de facto* regulations, and they very likely have an economic impact. In ACC's view, the PRGs should be subject to an impact assessment, including an

assessment of the cumulative impact of these and other regulations with similar impacts. A similar situation applies for risk assessments in EPA's Integrated Risk Information System (IRIS) process.

Federal agency assessments of the impact of regulatory proposals on jobs vary widely, despite the explicit direction in Executive Order 12866 that job impacts be covered.¹⁶ In testimony before the House Subcommittee on Environment and the Economy just three weeks ago, Randall Lutter (the former chief economist and deputy commissioner for policy at the U.S. Food and Drug Administration) provided a summary of four EPA regulatory assessments.¹⁷ Two of the assessments contained no information on job impacts and no explanation why that was the case. In the other two cases, the Agency outlined significant potential impacts on local job markets, and in the other, statistically insignificant positive effects.

Similar to ACC's comments regarding the guidance provided by OMB Circular A-4 on cumulative impacts, Mr. Lutter noted that A-4 provides no standards for the assessment of employment effects. He also noted that EPA's guidance on economic impact analysis states that "regulatory induced employment impacts are not, in general, relevant for a benefit-cost analysis" – a position that unfortunately leaves assessment of positive or negative employment impacts within the sole discretion of the analyst.

ACC submits that, without a regular and coherent assessment of the regulatory impact on jobs, a significant cost (or benefit) of a regulatory proposal will go unremarked. Perhaps even more importantly, the type and quality of the jobs created or affected by a proposed regulatory action need to be identified as specifically as possible. For example, it is important to know if a

¹⁶ Executive Order 12866, at Section 6(a)(3)(C)(ii).

¹⁷ Testimony of Randall Lutter before the House Subcommittee on Environment and the Environment, February 15, 2011. Available at <http://energycommerce.house.gov/hearings/hearingdetail.aspx?NewsID=8219>.

proposed rule will create or eliminate sustainable domestic manufacturing and service sector jobs, or if it simply creates more government jobs necessary to oversee implementation and compliance.

At this point in the Nation's economic recovery, understanding those impacts is necessary to ensure that Federal regulation does not erect unintended barriers to the capital formation and investments and protection of intellectual property that will drive future economic and job growth.

More to the point, the lack of cumulative and employment impact analyses is not consistent with either the letter or spirit of President Obama's Executive Order 13563, which he issued on January 18, 2011. In the Executive Order, the President outlined a clear vision for a regulatory system that protects "public health, welfare, safety and our environment while promoting economic growth, innovation, competitiveness and job creation."¹⁸ ACC applauds the President on this Order, and looks forward to the analysis now underway in several federal agencies to respond to the President's direction.¹⁹ To create value for the regulated community, of course, the analyses of federal regulatory programs (and the impact assessments that support those programs) need to result in substantive change.

III. Recommendations

ACC believes that the federal government's regulatory impact analyses can be significantly improved by, among other things, regular and comprehensive analysis of the cumulative impact of several regulations on a particular sector or sectors, or the economy as a whole. ACC recommends that OMB, and individual agencies, update their respective guidance on Circular A-4 and economic impact analysis guidance.

¹⁸ Executive Order 13563, Improving Regulation and Regulatory Review. Available at <http://www.archives.gov/federal-register/executive-orders/2011.html>.

¹⁹ See, e.g., EPA, Improving EPA Regulations, 76 Fed.Reg. 9988 (Feb. 23, 2011).

- Consistent with the direction outlined by President Obama in his recent Executive Order, OMB and the Agencies should reaffirm their commitment to complete transparency in cumulative regulatory and employment impact analysis. The regulated community and the public should be able to easily understand the reasons why, or why not, an Agency has assessed these particular impacts, and in what detail. Such written guidance should be developed only after public notice and comment and external, independent peer review.
- In addition to analysis of each regulatory intervention independently, Agencies should analyze the cumulative impact of multiple regulatory actions on the economy. The cumulative impact analysis should consider the effects within the sector or sectors affected by the proposed rule as well as other existing or anticipated regulations similarly affecting those sectors. The analysis should not simply sum direct compliance costs as a surrogate for cumulative impacts, but must also include indirect impacts (such as market and competitiveness impacts). As was the case for OMB Circular A-4, the new guidance should be developed only after public notice and comment and external, independent peer review.
 - Agencies should start identifying and cataloguing the sector impacted by a new regulation (by NAICS codes or other appropriate mechanism to identify sectors impacted by regulations, for example). Agencies could also extend this approach to all federal paperwork requirements, all of which are updated every three years. The OMB Office of Information and Regulatory Affairs (OIRA) could ensure that agencies took this step. In a few short years, the government would have a fairly comprehensive federal database of regulatory burden by sector, which could help identify the most heavily regulated sectors. It is likely that OIRA would require additional resources to accomplish this effort, as their resources are currently concentrated on reviewing rules.
 - OMB should develop appropriate guidance on, or Federal agencies should be tasked with developing, a methodology for assessing the cumulative impacts of regulation (including a common methodology for identifying benefits) that can be uniformly and regularly applied. It is unlikely that we will see much change in regulatory impact assessments without such guidance or methodology.
 - Agencies should seek input from the affected regulated community before developing a proposed regulation. "Early engagement" is a win-win for the agency, for the business community, and for the public. Only by understanding the industry being regulated can an agency begin to understand what factors are important for competitiveness purposes. To gain a better understanding, an agency must interact with the industry, as early as possible in the regulatory process. Agencies should more routinely consider approaches such as advance notices of proposed rulemaking (ANPR), regulatory negotiations, and dialogue with potentially affected stakeholders.
 - Agencies should be required to demonstrate why regulatory requirements already in place are inadequate to achieve the policy objective. Indeed, any useful alternatives analysis should include a "no change" option. In some cases, improved enforcement of requirements already established could achieve the policy goal more efficiently and effectively than new regulation. The analysis

would help support a better understanding of the incremental impact of the proposed regulation.

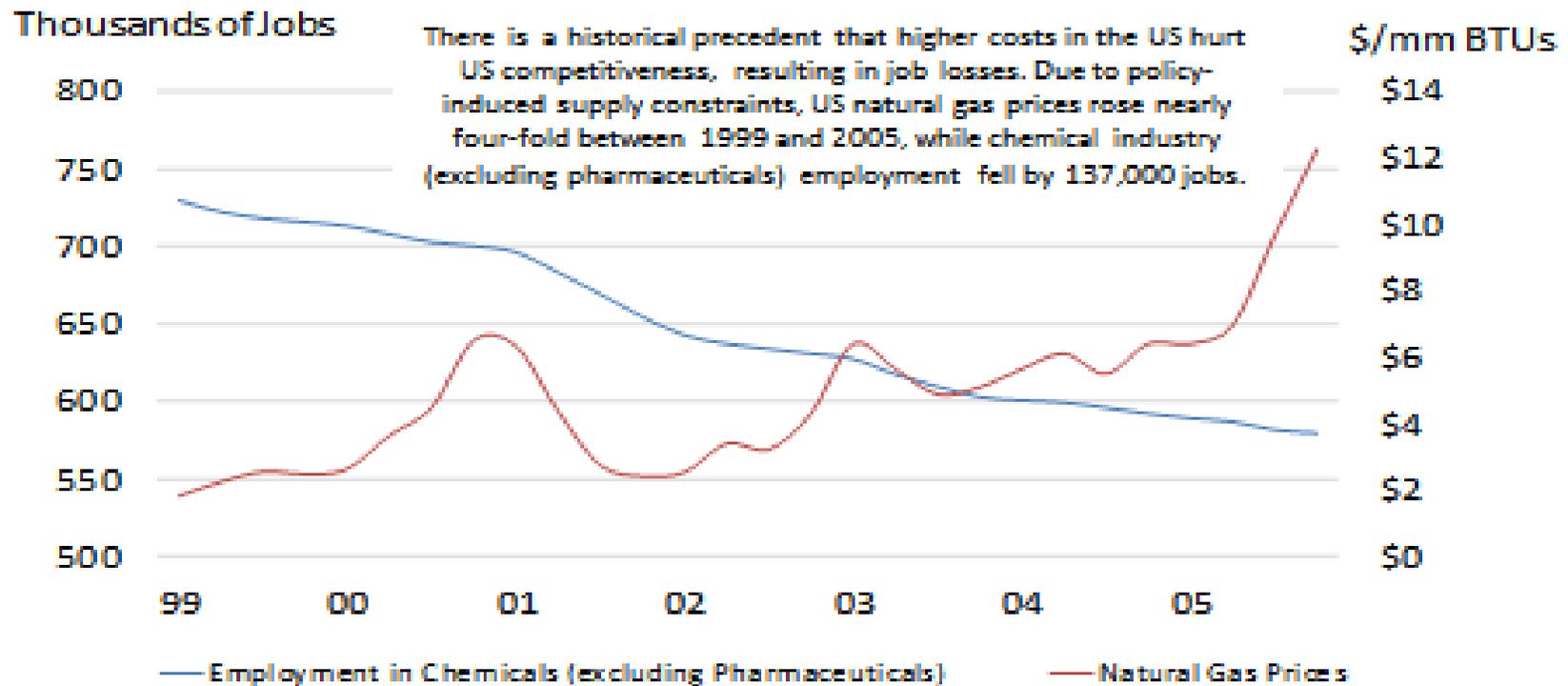
- Federal agencies should be directed to consider regulatory induced employment changes as a cost or benefit, and to provide supplemental analysis on employment impacts that may arise from curtailment of business activities due to a regulatory intervention. That analysis should be more extensive than a simple assessment of “net” job creation or destruction, and should include analysis of transitional and distributional impacts. Specific job losses – or indeed even jobs that will not be created – should be assessed.
- Agencies assessing regulations intended to reduce risks, including EPA, should affirm the commitment to follow the weight of scientific evidence when assessing risk. The agencies should also provide the public, the regulated community, and their own risk assessors examples of a weight-of-the-evidence approach through guidance, to promote a more certain regulatory environment and create an incentive for scientific information. Such written guidance should be developed on the basis of public notice and comment and external, independent peer review, consistent with the approach taken for similar guidance in the past.
- Congress may wish to identify and reconsider the existing statutory limitations on the consideration of costs in Federal agency rulemaking authority. Removal of those limitations could lead to improved regulatory outcomes.

ACC’s additional recommendations for improvements in Federal economic impact analysis are contained in Attachment 2.

IV. Conclusion

ACC looks forward to working with members of the Subcommittee to ensure that the important regulatory work of the Federal government is undertaken in a way that not only meets the policy objective(s), but relies on decision tools like cumulative impact analysis to create results that foster economic and job growth and competitiveness.

Higher Costs Bring Job Losses



Sources: BLS, EIA



AMERICAN CHEMISTRY COUNCIL Recommendations for Improving Federal Economic Impact Analyses

Since the 1990's, economic analysis of Federal regulations have improved considerably as the economics profession has refined tools to quantify costs and benefits so that policy-makers **and** stakeholders can evaluate and compare regulatory proposals. With ongoing development of new methods to quantify costs and benefits of policy initiatives, however, the quality of Federal economic impact analysis can be further improved. The Office of Management and Budget (OMB) last updated its guidance on best practices (OMB Circular A-4) in 2003. OMB Circular A-4 provides a broad framework for evaluating costs and benefits, but there remains variation among agencies in its implementation.

ACC believes there is additional analysis that agencies should be doing to better assess the true impact of regulations, including employment impacts from the curtailment of business activities due to a regulatory intervention. ACC recommends the following improvements to Federal economic impact analyses:

- In addition to analysis of each regulatory intervention independently, analyze the cumulative impact of multiple regulatory actions on the economy. The cumulative impact analysis should consider the effects within the sector or sectors affected by the proposed rule as well as other existing or anticipated regulations similarly affecting those sectors. The analysis should not simply sum direct compliance costs as a surrogate for cumulative impacts, but must also include indirect impacts (such as market and competitiveness impacts).
- Provide supplemental analysis on employment impacts that may arise from curtailment of business activities due to a regulatory intervention. That analysis should be more extensive than a simple assessment of “net” job creation or destruction, and should include analysis of transitional and distributional impacts. Specific job losses – or indeed even jobs that will not be created – should be assessed.
- Provide more analysis of alternative regulatory interventions.
- Achieve greater consistency among programs and agencies to allow for comparison of costs, benefits, and cost effectiveness of the regulatory portfolio.
- Improve monetization of costs and benefits, including full costs of regulatory interventions (i.e., market impacts, changes in consumer behavior) beyond the cost of compliance. Cost assumptions should be grounded in reality. They should not simply reflect a prospective expectation of cost impacts, but should account for the retrospective (actual) costs incurred.

- Develop better presentation and evaluation of key parameters, including sensitivity analyses.
- Improve description and measurement of baseline conditions subject to regulatory intervention.
- Improve treatment of non-monetized costs and benefits.
- Provide alternative discounting scenarios beyond the arbitrary 3% and 7%.
- Improve benefits estimation, including the cost of potentially foregone benefits due to a regulatory intervention.
- Assure that research is peer reviewed by diverse group of experts within the stakeholder community.
- Remove legislatively imposed constraints that prohibit agencies from basing regulation on cost-benefit analysis.
- Develop a process for incorporating new research and data.



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Required by House Rule XI, Clause 2(g)(5) Committee on Oversight and Government
Reform
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Required by House Rule XI, Clause 2(g)(5)

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1. Please list any federal grants or contracts (including subgrants or subcontracts) you have received since October 1, 2008. Include the source and amount of each grant or contract.
None

2. Please list any entity you are testifying on behalf of and briefly describe your relationship with these entities.

I am testifying on behalf of the American Chemistry Council, a national trade association representing chemical manufacturers in the United States. I am the Vice President of Regulatory & Technical Affairs at the Council.

3. Please list any federal grants or contracts (including subgrants or subcontracts) received since October 1, 2008, by the entity(ies) you listed above. Include the source and amount of each grant or contract.
None

I certify that the above information is true and correct.

Signature: 

Date: March 7, 2011