



## INDUSTRY OPPOSITION TO GOVERNMENT REGULATION

For decades, corporations and their trade associations have opposed regulations aimed at protecting human health and the environment. Industry has repeatedly argued that the cost of complying is too high, the benefits to society don't justify the investment, or the regulations will cost jobs. When regulations have been implemented, however, the compliance costs have proved to be less and the benefits greater than industry officials predicted.

In fact, regulatory requirements to protect the environment, workers and consumers have often led to innovation, increased productivity, and new businesses and jobs. Most often, there is no conflict between economic competitiveness and regulation.

As the Environmental Protection Agency (EPA) prepares to reduce air pollution further by regulating greenhouse gas emissions, it is helpful to look back at industry statements and cost projections as well as the documented impacts and benefits of regulatory measures that have been implemented.

### OVERESTIMATING COSTS

The following table from an Economic Policy Institute report<sup>1</sup> compared pre-regulation estimates for the cost of reducing emissions of the following pollutants with the revised estimated or actual post-regulation costs. There is a clear pattern of overestimating the costs, especially when industry is involved in providing cost data.<sup>2</sup>

POLLUTANT	PRE-REGULATION ESTIMATE	POST-REGULATION ACTUAL COST OR REVISED ESTIMATE
Asbestos	\$150 million (total for mfg. and insulation sectors)	\$75 million
Benzene	\$350,000 per plant	Approx. \$0 per plant
CFCs—Car Air Conditioners	\$650-\$1,200 per new car	\$40-\$400 per new car
OSHA Coke Oven Emissions 1970s	\$200 million-\$1 billion	\$160 million
EPA Coke Oven Emissions 1980s	\$4 billion	\$250 million-\$400 million
Cotton Dust	\$700 million a year	\$205 million a year
Halons	1989: phase out not possible	1993: phase out considered technologically and economically feasible
Landfill Leachate	Mid-1980s: \$14.8 billion	1990: \$5.7 billion
Surface Mining	\$6-\$12 per ton of coal	\$0.50-\$1 per ton of coal
Vinyl Chloride	\$109 million a year	\$20 million a year

## EXAMPLES OF INDUSTRY OPPOSITION AND REGULATORY SUCCESS

### ACID RAIN

When the 1990 amendments to the Clean Air Act gave the EPA responsibility for regulating sulfur dioxide under the Acid Rain Program, the utility industry claimed the program would increase costs for ratepayers, jeopardize electricity reliability and thwart development of clean coal technologies. In testimony before the House subcommittee on energy and power, Southern Co. President Edward Addison cited a study from the Edison Electric Institute claiming the proposed law would initially cost ratepayers \$5.5 billion annually and increase to \$7.1 billion annually in 2000.<sup>3</sup> The Office of Management and Budget (OMB) reevaluated the program in 2003 (including the cost of acid rain permits, administering the allowance system, monitoring emissions and fees for excess emissions appeals) from the program's inception and found costs were between \$1.1 billion and \$1.8 billion a year.<sup>4</sup> The agency's report also examined the overall benefits and costs of all clean air regulations (including the Acid Rain Program) over the previous 10 years. OMB measured benefits by fewer hospital and emergency room visits, a lower rate of premature deaths and a reduction in workdays lost to illness. OMB valued these benefits to be between \$118 billion and \$177 billion annually, while it cost \$18 billion to \$21 billion to retrofit power plants to comply with the new clean air regulations.<sup>5</sup>

*"A law that sets unrealistic compliance dates will increase the cost, risk the reliability of electric service, disrupt the long-range planning of utilities, frustrate the regulatory process and foreclose the use of clean coal technologies."*

—Edward Addison, president of Southern Co., speaking about the Acid Rain Program in 1989

### AIR BAGS

As a result of the 1984 congressional mandate to automakers to install an automatic passive restraint for drivers, air bags became the more popular option over automatic seat belts. Automakers initially estimated that air bags would cost approximately

\$800 per vehicle and questioned their effectiveness. In reality, the cost per vehicle was closer to \$300<sup>6</sup> and additional cost savings were realized by consumers as medical costs and insurance premiums decreased for those who bought cars equipped with airbags.<sup>7</sup> Furthermore, reports about air bags saving lives in accidents increased consumer demand for cars with the devices. According to the National Highway Traffic Safety Administration, air bags saved 25,782 lives from 1987 to 2008.<sup>8</sup>

*"Air bags are one of those areas where the solution may actually be worse than the problem."*

—Lee Iacocca, former president of Ford and Chrysler, in *Iacocca: An Autobiography* (1984)

### ASBESTOS

Much like tobacco in cigarettes, asbestos was known by the industry to be toxic for decades before it was regulated. Concerned about the potential for lawsuits if asbestos were regulated in the workplace, companies claimed that settlements paid to exposed workers would bankrupt them, eliminating businesses and jobs. In response, Congress added amendments to the Bankruptcy Reform Act of 1994 allowing asbestos companies to take advantage of a clause in Chapter 11 of the bankruptcy code to stop pending lawsuits and set up a fund to pay for all previous and future claims.<sup>9</sup>

Between February 2000 and October 2001, the seven largest companies facing asbestos liability filed for bankruptcy under Chapter 11<sup>10</sup> and were protected from all future asbestos claims. Despite the assertion that regulation would eliminate jobs and wreck the economy, a study on asbestos bankruptcy found that Chapter 11 companies "have been able to maintain their assets and employment, meet their obligations to business creditors and employees, and make capital investments that will allow them to continue to prosper."<sup>11</sup>

*"If you have enjoyed a good life while working with asbestos products, why not die from it?"*

—**E.A. Martin** of Johns Manville Co., which at the time (1966) sold asbestos-containing products

## CATALYTIC CONVERTERS

The automotive emissions reductions mandated in the 1970 Clean Air Act raised an outcry from carmakers, particularly General Motors Corp. and Ford Motor Co., which contended that the reduction requirements were excessive and the time they had to comply was too short. Initial industry estimates for catalytic converters were \$860 per vehicle. In contrast, a report by the National Academy of Sciences in 1972 priced them at \$288 per vehicle.<sup>12</sup> Filing lawsuits against the EPA to delay the 1975 implementation deadline, GM and Ford used the time to boost research-and-development funding and to study how to make catalytic converters more efficient.<sup>13</sup> Carmakers never doubted the converter's ability to reduce emissions, but the industry did need the incentive of improved fuel economy to offset the increased costs. As a result, industry and the EPA both got what they wanted: The EPA revised its initial emissions-reduction requirement of 90 percent but set interim standards under which manufacturers installed catalytic converters in 80 percent of new cars by 1975. Due to the widespread use of more efficient converters, hydrocarbon emissions fell from 3.08 grams per mile in 1974 to 1.32 in 1975, and carbon emissions dropped from 35.9 grams per mile to 22.9 over the same time period.<sup>14</sup> The emissions reduction more than offset the 21 percent increase in vehicle miles traveled between 1970 and 1980.<sup>15</sup>

*"Complete stoppage of [auto] production could occur."*

—**Ernest Starkman**, GM vice president, testifying before Congress in 1972 on plan to require catalytic converters on all cars

## CHLOROFLUOROCARBONS

The United States began phasing out chlorofluorocarbons (CFCs) in 1978 because of their destructive effects on the ozone layer. Industries that used CFCs claimed that it would take too long to identify and deploy substitutes and would be too costly. Industry's estimate that it would take eight or nine years<sup>16</sup> to develop substitutes was soon proven false when cheaper and more environmentally acceptable alternatives emerged in less than two years. Northern Telecom (later Nortel) phased out CFCs in three years by investing \$1 million in new hardware. In return it saved \$4 million in chemical waste-disposal costs and CFC purchases.<sup>17</sup> The World Resources Institute estimated that switching to CFC substitutes saved U.S. businesses and consumers more than \$1.25 billion from 1974 to 1983.<sup>18</sup>

Recycling CFCs in automobile air conditioners proved beneficial as well; one study called it a "win/win/win situation for industry, consumers and the environment"<sup>19</sup> resulting in new equipment sales for manufacturers, a new procedure for service facilities that eliminated the need for consumers to refresh CFC coolants in their cars, and protection for the ozone layer from further depletion.

## LEAD PAINT

The Consumer Product Safety Commission banned lead paint in 1978 to reduce the risk of lead poisoning, especially among children who ingested lead-based paint chips or were exposed to lead in toys. Home-building associations and paint suppliers countered that removing lead from paint would raise the price, eliminate certain colors and glosses from the market and drive manufacturers out of business.<sup>20</sup> A cost-benefit analysis of reducing lead hazards among children found substantial benefits to health-care costs, lifetime earnings, IQ ratings and even crime rates.<sup>21</sup> The study concluded that the cost to control lead hazards would range from \$1 billion to \$11 billion, and the savings were estimated at \$181 billion to \$269 billion. Put another way, the return per dollar of investment in lead control was \$17 to \$211.<sup>22</sup>

*"This is a hastily conceived regulation done for political reasons alone to satisfy Congress."*

—**Robert Roland**, president of the National Paint and Coatings Association, on the decision by the FDA in 1972 to reduce lead content in paint

## SEAT BELTS

Certain automakers had begun installing seat belts in their vehicles as early as the 1930s, but two laws—the Highway Safety Act and the National Traffic and Motor Vehicle Safety Act—passed in 1966 set the stage for the mandate to install seat belts in all U.S. cars. Automakers objected, contending that manufacturing costs would rise, seat belts would imply increased accident rates and safety wasn't a selling

point with customers.<sup>23</sup> However, the regulation led to numerous studies and public safety campaigns that touted the benefits of seat belts. According to the National Highway Traffic Safety Administration, these restraints saved more than 226,000 lives between 1975 and 2006,<sup>24</sup> and usage increased from 69 percent in 1998 to 88 percent in 2009.<sup>25</sup> Additionally, the agency estimated that if the national usage rate increased to 90 percent, more than 1,600 additional lives would be saved and 22,000 injuries would be prevented annually.<sup>26</sup>

*"We'll have to close down."*

—**Henry Ford II**, commenting in 1966 on seat belt and safety glass mandates

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- 13 *Ibid.*
- 14 *Ibid.*
- 15 *Ibid.*
- 16 Economic Policy Institute, *Falling Prices*, p. 5.
- 17 Cook, E., (ed.), *Ozone Protection in the United States: Elements of Success*, World Resources Institute, 1996. [pdf.wri.org/ozoneprotectionunitedstates\\_bw.pdf](http://pdf.wri.org/ozoneprotectionunitedstates_bw.pdf).
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