

April 20, 2012

RE: Questions from Chairman Barbara Boxer and Ranking Member James M. Inhofe

Dear Chairman Boxer and Ranking Member Inhofe:

Thank you again for inviting me to appear before the Committee on Environment and Public Works to discuss EPA's MATS Rule and its devastating impact on businesses and job creation. This is, as I explained in my testimony, a crucially important issue for the Black business community that I represent.

Senator Inhofe's thoughtful questions for the record demonstrate a deep and correct understanding of this issue. My answers to his questions are as follows:

1. The National Black Chamber of Commerce warned that "cap-and-trade" legislation could drive up unemployment across an area where 76% of African-Americans live. Are you concerned that Utility MACT could have a similar effect?

Yes, there is not a dime's worth of difference between cap and trade and the MATS Rule in terms of the kinds of impacts that they will have on Black businesses and employment. The fundamental similarity is that both policies will drive up energy prices at all levels. Energy is an essential input to all business activity, and when it costs more to keep the lights on, a business has only three options: pass those price increases onto customers, cut back on other inputs, or close because the business is no longer economical. These responses cause a ripple effect, because those who are affected have less money to spend in their communities, and that leads to more stress on more businesses and more lay-offs. This is why even relatively small increases in energy prices are projected to cause enormous numbers of job losses.

It is virtually certain that Black communities will be disproportionately injured, for several reasons. First, due to the weak economy, unemployment among African-Americans is already

near record highs, with an unemployment rate in March 2012 of 14.0 percent. By reducing job opportunities, EPA's MATS Rule will stop many already unemployed workers from returning to the workforce or limit their opportunities to lower-wage jobs. Second, a disproportionate number of African-Americans live in those parts of the country that are projected to suffer the greatest increases in energy prices. Indeed, the NERA consulting firm projects the greatest number of job losses to be concentrated in the South and industrial Midwest. Third, Blacks are disproportionately represented in the energy-intensive industries—such as transportation, boiler operation, and appliance manufacturing—that will bear the brunt of job losses.

Unfortunately, because EPA has never seriously evaluated the impact of its MATS Rule on jobs, I am unable to provide a precise answer as to what percentage of African-American communities will be impacted. Having seen the damage that overzealous regulation can do to communities, I agree with proposals that would require federal agencies to perform detailed and realistic estimates of job losses as part of the rulemaking process. It would be prudent, in this instance, for Congress to insist that EPA delay the MATS Rule until it undertakes such an analysis—otherwise, neither EPA nor Congress can even begin to evaluate whether the rule's benefits truly outweigh its costs.

2. What are some of the unique challenges that minority-owned businesses face when confronting regulations that raise energy prices like Utility MACT?

Although minority-owned businesses will be disproportionately harmed by regulations like the MATS Rule that raise energy prices, the challenges they face are not unique. As even EPA concedes, the MATS Rule will force the retirement of power plants, and this will, in turn, push up electricity rates. For a business, a rate hike is a cost increase. It raises the cost of production, putting pressure on profits. It decreases the productivity of capital, because it now costs more to make the same amount of product or to provide the same amount of services. It may force the business to raise prices on products and services. For a business in a competitive market, it will force the business owner to cut other costs, such as labor expenses, by reducing hours or laying off employees. In the worst case, an energy-intensive business like a factory may be forced out of business due to rising electricity prices and competition from foreign countries that do not artificially inflate energy prices with inefficient environmental regulations. And when a business like a manufacturer closes, that injures the entire community, not just those workers who previously held good jobs.

These effects are common to all businesses, not just those owned by minorities. The MATS Rule is bad for business.

3. EPA claims that the Utility MACT contains “several flexibilities” that will “lower costs” for small businesses. How do you respond?

My response is simple: nonsense. This rule imposes requirements on electric utilities, not small businesses, and so no amount of “flexibility” in the rule will help small businesses unless it keeps energy rates low and electric service reliable. But that is the exact opposite of EPA’s approach, which is to quickly ratchet up the cost of coal-fired electricity generation and force long-running plants to retire. Enormous compliance costs and widespread retirements can only boost energy prices and impair reliability, and those effects are amplified when compliance is mandated within just a few short years. For EPA to “lower costs” for small businesses, it would have to abandon its MATS Rule altogether, start over from scratch, and craft a rule that targets hazardous air pollutants without attempting to reconfigure the entire energy industry in the process—something that Congress never intended and that is not even implied by the Clean Air Act. That is what EPA should do.

4. Job loss or inability to pay electric bills surely impacts one's health. Are you concerned that Utility MACT disproportionately impacts the health of minority populations?

EPA trumpets its projections of the health benefits of its MATS Rule, but it plain ignores the direct and immediate health consequences that are certain to result as a result of unemployment and impaired electric reliability. There is an undeniable link between unemployment and adverse health outcomes that is not reflected in EPA’s lopsided estimates of the costs and benefits of its MATS Rule. Sociological, economic, and public health research indicates that unemployment itself dramatically increases the risk of poor health.

This is consistent with what I have witnessed over the years as an entrepreneur and business advocate, and it is just common sense. The unemployed earn less income. This may lead to economic strain and make it difficult for them to lead healthy lifestyles. They may have impaired access to preventative health care services. They are more likely to experience stress—which has its own effects on health—as well as depression. Unemployment is a major shock and a major stress, not just for the individual but also for his family. Those consequences will disproportionately impact minorities and their communities. How could they not, given the job impact of the MATS Rule? But once again, we have no numbers or analysis on this from the EPA, which chooses simply to ignore the problem. That is unjustifiable and inexcusable. No agency should rush forward with a major regulation that is intended to benefit public health when it has never even studied the impact on public health. This is just more evidence that

EPA's goal is not reasonable environmental regulation but to shut down disfavored technologies, no matter the consequences.

Again, I thank you for the opportunity to provide information to the Committee on this crucially-important issue and appreciate your interest in my views.

Sincerely,

Harry C. Alford

President/CEO