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Congress Kicks off Hearings on US-China Trade, Finishers Focus on Pentagon Priorities for Surface Finishing

The Latest on Capitol Hill . . .

The Democratic takeover of Congress has prompted a new round of hearings related to U.S. manufacturing competitiveness and jobs. While the intense lament over “offshoring” has subsided, new House and Senate committee chairs are exploring a long list of issues that reflect the considerable economic anxiety across the country even as broader economic indicators are improving. In recent weeks, hearings were rolled out to focus on everything from the impact of the U.S. trade deficit and the role of labor standards in U.S. trade agreements to advancing investments in science and technology.

The tone in Congress on trade was best put recently by Rep. Sander Levin (D-MI), who chairs the House Ways & Means Trade Subcommittee. Levin just kicked off a series of hearings in mid-February on all aspects of U.S.-China trade with the pronouncement that “trade policy is at a new crossroads in our nation.” The Chairman had reached out to metal finishers and suppliers this past year after accepting an invitation to tour a job shop in Michigan. Then, in his Capitol Hill office during the surface finishing *Washington Forum* last May, Levin solicited NASF leaders for insight on how to improve competitiveness in the finishing industry and for American manufacturing.

With the trade debate taking on a new cast this year, it’s important for finishers and suppliers to consider attending the May 2007 *Washington Forum* at the L’Enfant Plaza Hotel, May 1-3. Finishing



industry participants who led discussions with Levin last year found the *Washington Forum* to be an important opportunity to engage with him and other lawmakers on vital issues affecting the finishing industry. The Forum will again be packed with issues, information and opportunities to meet with members of Congress this year as well. Once again, the event is not to be missed!

The remaining entries in this month’s update touch on some opportunities and challenges for finishing. Read on to learn more about what’s happening, and what the NASF and its Government Relations program are doing for the industry.

U.S.-China Commission Hold Hearings on Manufacturing, Trade and Security Issues

The U.S.-China Economic and Security Review Commission announced its new chairman in January, as well as its plans to hold a wide range of hearings in 2007 and advise Congress on “serious questions in the U.S.-China relationship.” The Commission, a bipartisan entity created by Congress to analyze issues and make recommendations on U.S. policy toward China, will examine this year such issues as China’s compliance with its obligations under the World Trade Organization (WTO), the impact of trade with China on U.S. manufacturing and the defense industrial base, and U.S. security implications of China’s military modernization and emerging force deployments.

The Commission elected as its new chairman a current commissioner, Carolyn Bartholomew, who is an expert on U.S.-China relations and former senior policy advisor and chief of staff for House Speaker Nancy Pelosi. Last May, Commissioner Patrick Mulloy discussed U.S.-China issues with finishers during the industry’s annual *Washington Forum*. In his exchange with attendees, he underscored the Commission’s concerns about the impact on U.S. manufacturing competitiveness of China’s runaway growth, as well as its currency, IP policies and its increasing trade surplus with the United States.

As mandated, the Commission annually holds hearings with testimony from various experts, and develops four annual reports for Congress. The Commission held a hearing in early February on *The U.S.-China Relationship: Economics and Security in Perspective*. This hearing featured expert testimony from Capitol Hill, the Administration, academia and other economic and trade organizations. The commission has scheduled another hearing for February 23, 2007 entitled, *The Extent of the Government's Control of China's Economy and the Implications for the United States*. At this hearing the Commission will address the impact of state enterprises on the Chinese and U.S. economies and implications for WTO compliance.

For last year's reports and updates about this year's hearings and other activities on U.S. economic and manufacturing issues, go to www.ussc.gov.

DOD Metal Finishing Workshop May 15-17, 2007 to Focus on Alternatives for Conversion Coatings and Sealers

The surface finishing industry has been working cooperatively with the Department of Defense (DOD) on critical metal finishing technical issues. In May 2006 at the industry's Washington Forum, the Pentagon's Strategic Environment Research and Development Program (SERDP) and Environmental Security Technology Certification Program (ESTCP) funded a metal finishing workshop that focused on technology issues for surface finishing processes, primarily within the DOD depots repair and maintenance system as well as applications and alternatives in the defense manufacturing base.

As a follow up to the workshop in Washington, a second workshop was held November 28-29, 2006 as part of SERDP's and ESTCP's larger annual "Partners in Environmental Technology: Technical Symposium and Workshop." This workshop focused on best approaches for applying commercial finishing successes to "clean" technologies for defense uses and reducing potentially hazardous materials in defense weapons systems and facilities. An open forum for DOD and industry representatives was also held to discuss what clean technologies were being used successfully in the surface finishing industry.

Another workshop to focus on the commercial applications of chromate alternatives for conversion coating and sealing

is being planned for May 15-17 at Hill Air Force base in Ogden, Utah. This technical workshop is intended to bring together DOD and industry experts to identify specific needs, solutions and performance data for replacing hexavalent chromates processes used for overhaul and new weapons systems in vehicles, aircraft and vessels. Participants will offer perspectives on how emerging commercial materials and processes can be used for military applications or modified to meet DOD's needs for specific applications. In addition, a site tour of the Ogden Air Logistics Center at Hill Air Force Base is also being planned to educate commercial finishers and suppliers regarding the surface finishing applications at a DOD facility.

For more information about this valuable and informative workshop, please contact Christian Richter at crichter@thepolicygroup.com or Jeff Hannapel at jhannapel@thepolicygroup.com.

Homeland Security Issues New Chemical Facility Security Regulations

Congress passed legislation on chemical plant security and President Bush signed it on October 4, 2006. The new measure was part of the 2007 appropriations bill for the Department of Homeland Security (DHS) and required DHS to establish risk-based and performance-based standards for chemical plants to help protect against terrorist attacks. Specifically, DHS must promulgate regulations within six months for those chemical facilities that "present high levels of security risk."

In the legislation, DHS was given broad and largely undefined powers to define what it means to be a "high risk" chemical plant, and thus subject to the regulation. Similarly, other terms such as "risk-based performance standards" are not defined in the legislative language and must be defined by DHS in the new regulation.

On December 28, 2006, DHS issued an advanced notice of rulemaking seeking comments on the proposed text of the interim final regulations and some practical and policy issues integral to the development of a chemical facility security program. The regulations require chemical facilities complete a secure online risk assessment to assist in determining overall level of risk. Facilities determined to be "high-risk" will then be required to conduct vulnerability assessments and submit site security plans that meet the appropriate performance standards. DHS will validate the information provided by the facilities through audits and inspections.

Performance standards will be designed to achieve specific outcomes such as securing perimeters and critical targets at the facility, controlling access, deterring theft of potentially dangerous chemicals and preventing internal sabotage. Security strategies necessary to satisfy these standards will depend on the level of risk at each facility. Failure to comply with the performance standards could result in civil penalties (up to \$25,000 per day). Egregious noncompliance could result in an order to cease operations.

Under the legislation, the regulations must be in effect by April 4, 2007. DHS expects immediate implementation for the highest risk facilities and a phased implementation at other chemical facilities that present security risks beginning in April 2007 and continuing through 2008. For more information on this regulation visit the DHS website at www.dhs.gov.

Burden Reduction on TRI Reporting from EPA

On December 22, 2006 EPA expanded the eligibility for companies to use Form A to reduce the reporting burden associated with Toxic Release Inventory (TRI) reporting requirements while continuing to provide valuable information to the public. Companies subject to the TRI reporting requirement now can use the short Form A (in lieu of the longer Form R) to report chemicals that are *not* persistent, bioaccumulative and toxic (PBT) provided that facilities do not have total annual reportable amounts that exceed 5,000 pounds. Companies can also use the Form A to report PBT chemicals with zero releases. Allowing the expanded use of the Form A will result in a considerable burden reduction for TRI reporting because companies need only report the name of the chemical on the Form A.

EPA also provided notice to Congress in September 2005 that it intended to explore potential options for modification of reporting frequency, by considering alternate year reporting instead of every year. This proposed option was strongly opposed by several states and six Democratic senators. In December 2006, EPA announced that it had rejected the alternate year reporting and will keep the annual reporting requirement.

For more information on the TRI Burden Reduction rule visit the EPA website at www.epa.gov. P&SF