

MANUFACTURERS AND PREVENTION POLICY

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As president of an American trade group, it is a pleasure to see the clear interaction and support for this conference by the business, government and environmental communities. The experience of the European and American industrial community is that the three-legged stool represented at this meeting, environment, business, and government, is essential in constructing a positive environmental policy.

The title of this presentation is "Government Environmental Policy - Business in the Balance", with apologies to Vice-President Gore. When he was a United States Senator, the Vice President authored a best selling book entitled "Earth in the Balance", which called for major policy changes to save the planet. Mr. Gore states: "the task of saving the earth's environment must and will become the central organizing principle of the post cold war world".

In his book, Vice-President Gore perceives large patterns in the global treatment of the environment around the world, whether it is the destruction of the Aral Sea in the former Soviet Union, or the rain forest in South America. The book lays down a formidable challenge to both the reader and society at large regarding individual responsibility for the future.

The Vice President's book describes earth as being in a state of critical balance between environmental health and destruction. This presentation supports a similar view of business, as it is currently understood. Manufacturing in particular is in a state of economic and environmental balance, with economic benefits constantly being weighed against the environmental harm that is produced by a given product or process. This symposium is to encourage a process that ensures that this balance between the environment and business will be maintained.

Partnering with Government

Several major environmental issues that transcend boundaries have presented themselves to governments and industries around the world. None has been more successfully resolved by achieving the sought for balance, than that of the stratospheric ozone protection issue. The industry of manufacturers of highly energy efficient, rigid-foam insulation, which is used in two thirds of all commercial buildings in the United States, has been at the center of this complex issue over the past ten years. The Montreal Protocol is the international agreement which re-regulates the utilization of ozone depleting chemicals around the world. This successful treaty was originally opposed by many chemical companies when, in its infancy in the mid 1980's, it was known as the Vienna Convention. It essentially provided a reasonable forum and framework for developing a world-wide phase-out of ozone-depleting chemicals.

The industry supported both the protocol and the United Nations environmental program on the ozone-depletion issue, from its inception. It worked hard to educate the United States representatives to the Montreal Protocol about the realities of substitutes for blowing agents in rigid-foam insulation. It worked equally hard to educate policy makers in the United States.

The overall social benefits of the industry's products must be considered. The dire environmental consequences should also be assessed. This would happen if there were a premature phase-out by international agreement, or by the United States government itself. A key element to success has been the government's recognition that they did not know enough about the issue. They therefore sought an expert input on advisory committees which also included very outspoken environmental groups. But the end result was a prudent regulatory framework that the impacted industries now endorse.

The effective manner for business to respond to environmental issues is by partnering with government. Government overreaction to a perceived environmental issue can result in overreaching legislation. In the United States many would agree that the acid rain legislation was ill considered and is having significant economic impact with very little environmental benefit. However, there are certain government initiatives that do not lend themselves to partnering. The CO2 tax debate presently underway in the European Union, and which is at least in suspension in the United States, is one of those.

To the business community, taxes are almost as repugnant a way to achieve an objective, as command and control regulations. However, the initiatives being discussed worldwide to reduce the output of climate-change related gases, such as CO2 and methane, will result in tremendous efforts to instill voluntary behavior changes in corporate and personal behavior. An example is the Netherlands who recently indicated their plan to nearly double their emission reduction goals. The Netherlands energy company group, Energy NED, aims to reduce

carbon dioxide emissions by 17.7 million tons by the year 2000, based on 1990 levels. Their previous goal was 9.6 million tons. Other members of the European Union, although unable to agree on a unified approach to reduce CO₂ emissions, are taking voluntary initiatives to reduce fossil fuel use. The United States, once seen as a potential outcast from the world environmental community because of its reluctance to sign the Rio Agreement, has recently issued a comprehensive national action plan to reduce global warming. This plan was formulated with significant input from both the environmental and business communities; it relies heavily on voluntary measures and is a collaborative effort between business and government, without a severely regulatory approach.

The Climate Action Plan consists of almost 50 actions involving all sectors: industry, transportation, homes, office buildings, forestry and agriculture. It is targeted at specific sectors to stimulate a market for those technologies which reduce emissions of CO₂, methane, nitrous oxide and halogenated compounds, which all contribute to global warming. Once again, this plan was developed through partnerships, the focal point being utilities, corporations, and state governments. The industry has also strongly supported very successful government programs called Green Lights and Energy Star Buildings, which call for voluntary agreements to perform energy-efficient retrofits. These cooperative partnerships encouraged the American business community, since they replaced the command-and-control mandates, which tend to stifle innovation and lock technologies into place. While not conceding that global warming was the threat which some opinion makes it out to be, American businesses still felt that it made economic and political sense to work with the government in developing this plan.

Trade Associations-Peer Pressure for Environmental Consciousness

The role of the business group, or trade association, in assisting the three elements, business, government, and environment referred to before, is important in developing a workable policy framework. Trade associations in the United States, just as in Europe respond to their members' needs. When environmental programs take on complex proportions, the role of the association has been to assist the government in understanding the constraints of the business members. At the same time it has pressured those businesses it represents to respond in a responsible manner to legitimate environmental issues. Associations assist companies to look at their product. The question that needs to be asked is: "What is the product doing - does it have social, economic and environmental benefits?" The Polyisocyanurate Insulation Manufacturers' Association, PIMA, is not a traditional association, in that it is more pro-active on environmental legislation than most. The key to its success is the commitment to environmental consciousness of all the Chief Executive Officers who are members, as an implementation of their collective agreement. However, some of the very large associations have the resources to dramatically affect environmental issues.

When the Environmental Protection Agency, EPA, found traces of dioxin in their dioxin study of paper mills, the American Paper Institute, API, spent millions of dollars on a joint study with EPA to locate the source of the chemical, and then develop ways to reduce its formation. It cost paper mills close to one million dollars to achieve industry-wide compliance, but in the end EPA gave the industry a clean bill of health. It was a great deal of money, but API felt that it was worth it. First, they removed a hazard from their products before the issue became contentious. Second, they are now working with the Agency on other issues. For the first time, they are being invited to sit down with the Agency, as it contemplates regulations for air and water pollution that will affect their operations.

The overall issue of risk is not the point of this discussion. There is much debate as to how to analyze it. The problem is that there is no exact figure for cost-to-risk. In practice, the process of assessing the relevance of cost-to-risk is called politics, and the political process usually assigns responsibility to someone. Environmental policy only works if responsibility does devolve upon someone. Those in control, the manufacturers, have to ask themselves what they are putting into the product. Not just what they are admitting into the air, but what will continue to exist for generations to come. To remove dioxin as a component part reflects the realities of regulatory and consumer expectations. The issue of risk analysis can be left to someone better qualified to explore.

Environmental Protection Advocacy - Profitability and Competitiveness

Corporate environmentalism used to be known as something called an oxymoron. In English this means a two-word paradox, but today this paradox has become a reality. Corporate environmentalism used to entail only communications, with little serious internal commitment to an overall environmental quality control program. Companies such as S.C. Johnson and Son Hellas, which is a co-sponsor here today, Allied-Signal, Dupont, Dow and many others, decided that leadership in environmental management had to come from within the business community, and they have gone further. They do not do this because of any new altruism, but rather because it makes business sense.

The rigid-foam insulation industry initiated aggressive phase-out of CFCs from their products two years ahead of the government's mandated date. It was recently awarded EPA's Stratospheric Ozone Protection Award. This award has been granted to only four other associations world wide and is in recognition of the responsiveness of the industry. It has taken what was once an environmental issue of grave economic consequences and made it a business and market issue. This has now resulted in the product having the strongest growth year in its history, in 1993. In some respects it is like the story of the shoe company which sent two representatives to the Australian outback. Some time later the company received two telegrams from their agents. The first one said: "No business here - natives don't wear shoes". The other agent's telegram read: "Great opportunity here-natives don't wear shoes!"

Corporations have felt strongly enough about this to form their own organization called the Global Environmental Management Initiative or GEMI. Major multinational corporations have decided that environmental management is not a luxury but rather a necessity for their business process. Originally the brain-child of a handful of environmental managers, GEMI has received the endorsement of the American Business Round Table.

The thesis of GEMI is the blending of total quality management with corporate environmental strategy. This is a process GEMI has identified as Total Quality Environmental Management or TQEM. This pro-active approach to environmental management reviews different facets of a company's performance. These include its compliance record, the extent of negative experiences with regulatory agencies, a review of the company's commitment to quality and customer orientation, as well as the company's impact on the environment. They also make comparisons between the company's environmental management processes and those of its peers. None of these assessments will mean anything if top management is not committed and prepared to translate its commitment into action. The GEMI approach is the tip of iceberg in the American business community; it is becoming the norm for environmental management in major American companies.

There is a clear recognition that environmental issues affect a country's ability to govern itself. Treaties can now impose specific requirements, such as those in the Montreal Protocol, the North American Free Trade Agreement, as well as the Rio Agreement on Climate Change. Business has learned that international agreements impact right down to the local city council level. Marketplace expectations have required this association's companies not just to manufacture thermal insulating material, but also to be non-harmful to the environment during manufacture. This material must contain recycled material, be recyclable, and maintain its status as an environmentally - preferable product in every way. To do this, its companies must look toward working with government and molding policies in a manner that has economic reality as its foundation. Above all it must maintain its credibility by producing the finest product in an environmentally - acceptable manner.

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