

**Statement of James A. Rubright
Chief Executive Officer, Rock-Tenn Company
House Subcommittee on Energy and Power Hearing on
EPA Regulatory Relief Act September 8, 2011**

Chairman Whitfield, Ranking Member Rush, and Members of the Subcommittee, my name is Jim Rubright, and I am the Chief Executive Officer of the Rock-Tenn Company. Thank you for the opportunity to testify on EPA's Boiler MACT rules¹ and the EPA Regulatory Relief Act (HR 2250), which is critical legislation for the forest products industry and U.S. manufacturers in general.

RockTenn is one of North America's leading producers of corrugated and consumer packaging and recycling solutions, with annualized net sales of approximately \$10 billion. Based in Norcross, Georgia, we employ approximately 26,000 people and operate in more than 245 facilities in 38 States, Canada, Mexico, Chile, Argentina and China.

We strongly endorse quick action and passage of HR 2250 into law. The great regulatory and litigation uncertainty of the Boiler MACT rules requires a legislative solution. Congress should stay the rules for 15 months so EPA can get them right, reset the date for defining new sources, allow facilities more time to comply, clarify that renewable and recyclable materials are traditional fuels, and ensure the rules are achievable and less burdensome. H.R. 2250 ably addresses these needs. EPA has the statutory discretion to answer the call from hundreds of elected officials to produce rules that are achievable and affordable while protecting jobs and public health.

We applaud this subcommittee for your leadership on this important legislation and for your commitment to ensuring that laws are implemented in a reasonable and fair manner. The forest products manufacturing industry is proud of its environmental stewardship and will adapt to regulations that are achievable and affordable.

But we cannot respond to regulations in a vacuum. Businesses in our sector must consider the global competitive environment in which they operate. They must compete for capital globally and have the time needed to build new regulatory requirements into capital planning. They also must be able to rely on the government so that once a regulation is in place, it will not be selectively enforced or changed within a short timeframe.

Of course, the Boiler MACT rules are not the only challenge facing the forest products industry. Under the Clean Air Act alone, we are facing over twenty regulations,

¹ On March 21, EPA published the Boiler MACT rule and three related rules -- the Commercial and Industrial Solid Waste Incinerator (CISWI) rule (setting emissions limits for non-hazardous solid waste incinerators); the definition of Non-Hazardous Secondary Materials (a Resource Conservation Recovery Act rule determining which materials are wastes and thus covered under the CISWI rule when burned); and Boiler GACT (Generally Achievable Control Technology for boilers at smaller sites). These four rules often are collectively referred to as the "Boiler MACT rules."

including the Boiler MACT rules, which could have a dramatic impact on the long term viability of our industry. Attached to this testimony is a diagram of Clean Air Act regulations in the pipeline that will affect forest products industry manufacturing facilities. I should note that there are many others of concern in addition to these, including EPA regulations on waste, greenhouse gases, water, OSHA regulations, chemical security standards, and others.

In most cases, significant capital investment will be required for equipment needed to meet the regulation that would otherwise go to growth in manufacturing capacity and the attendant production of jobs. The suite of potential clean air regulations could prevent new expansion or upgrade of existing forest products industry facilities in the U.S.

State of the Industry

The U.S. forest products industry – both paper and wood products-- has been facing trying economic times for more than a decade. Since early 2006, the forest products industry has lost about 32% of its workforce – 415,000 jobs. In total, these losses included 79,000 jobs at pulp and paper mills and converting plants, 243,000 jobs at lumber and wood panel mills, 76,000 jobs at wood cabinet plants, and 18,000 logging jobs. Excluding converting operations, primary pulp and paper mills alone lost 26,000 jobs, or 19% of their workforce since early 2006. According to a research paper by the Economic Policy Institute, for every 100 paper industry jobs, an additional 325 jobs are sustained in other industries resulting from the purchase of supplies and the re-spending of worker incomes.²

U.S. production of paper and paperboard declined 10% between 2007 and 2010. While we experienced some rebound in 2010, production has been on the decline again this year. The setbacks reflect the still-weak economy, competition from digital media, and cost pressures, including government regulations. As a result, the paper industry has earned its cost of capital in only two of the past ten years, and has been forced to restructure to meet global competitive pressures.

The Impact of the Boiler MACT Rules

Flawed government regulations that are not cost-effective can exacerbate what is already a bad situation. As now drafted, the final Boiler MACT rules would be unsustainable for the forest products industry and many others.

According to URS, a respected consulting firm, the capital cost estimate of the final Boiler MACT rules is about \$7 billion for the forest products industry. This is even higher than the \$6.8 billion capital cost of the proposed rules for our industry. By comparison, forest product industry pre-tax profits averaged \$3.6 billion from 2008-2010.

According to a recent study conducted for AF&PA by Fisher International, that degree of expense at this time would place at risk 36 mills and over 20,000 jobs in the pulp and paper sector alone, about 18% of its workforce.

² Economic Policy Institute, "Updated Employment Multipliers for the US Economy" (2003).

If impacts on jobs in pulp and paper industry suppliers and surrounding communities also are factored in, the 20,000 direct jobs at risk soar to over 87,000 jobs -- largely in small, rural communities that can least afford to lose them. Since many paper and wood products mills are located in rural areas where high-paying jobs are scarce, the effect of these job losses on local communities can be devastating. The closure of a mill in a small town has an enormous ripple effect when that mill is the largest employer and a major contributor to local taxes and community civic programs.

The annual capital spending by pulp and paper mills and by wood products facilities averaged \$5.1 billion a year, according to data from the U.S. Census Bureau for the 2008-2009 period. The \$7 billion capital cost of the Boiler MACT rules exceeds that entire annual capital outlay of the industry. Thus, the Boiler MACT spending will likely crowd out other forms of capital spending and undermine the competitiveness of the U.S. forest products industry.

In addition to the economic impacts, these regulations would create unintended consequences for the environment. EPA's final rule on the definition of non-hazardous secondary materials classifies many alternative fuels, including carbon-neutral biomass residuals from wood and paper production, as wastes instead of fuels, leading to regulation under extremely costly and stigmatizing incinerator standards. As a result, some mills would not be economically viable, and millions of tons of valuable alternative fuels will be diverted to landfills and replaced with fossil fuels – a bad result for both the environment and jobs.

Job losses due to regulations also can have long-term impacts on workers' lives. For example, economist Jacob Kirkegaard of the Peterson Institute for International Economics observed that workers' skills atrophy as a result of unemployment because they are less able to keep up with developments in their field. And if the worker is able to shift to a new field, the human capital associated with the former occupation may wind up being of little or no use.³

Conclusion

We know that the current wave of regulations is unsustainable. Living with such an uncertain regulatory environment not only costs current jobs, but also prevents new jobs from being created.

Companies frequently find themselves tangled in a web of rules that result in the decision to simply not make an investment because of the uncertainty of the regulatory process – or they decide to invest overseas. Others roll the dice, hoping that the rule they are making decisions under today will still be in place when their project is completed. When regulations such as the Boiler MACT rules create such uncertainty and are not affordable or achievable, investing in an energy efficiency project, modernization programs, or a new biomass boiler can be very risky, preventing investment and job creation in rural communities that desperately need it.

³ (See "Economists Suggest Long-Term Unemployment Holds Hidden Dangers," 11/19/2010) www.job.com/career-advice/employment-news/economists-suggest-long-term-unemployment-holds-hidden-dangers.html

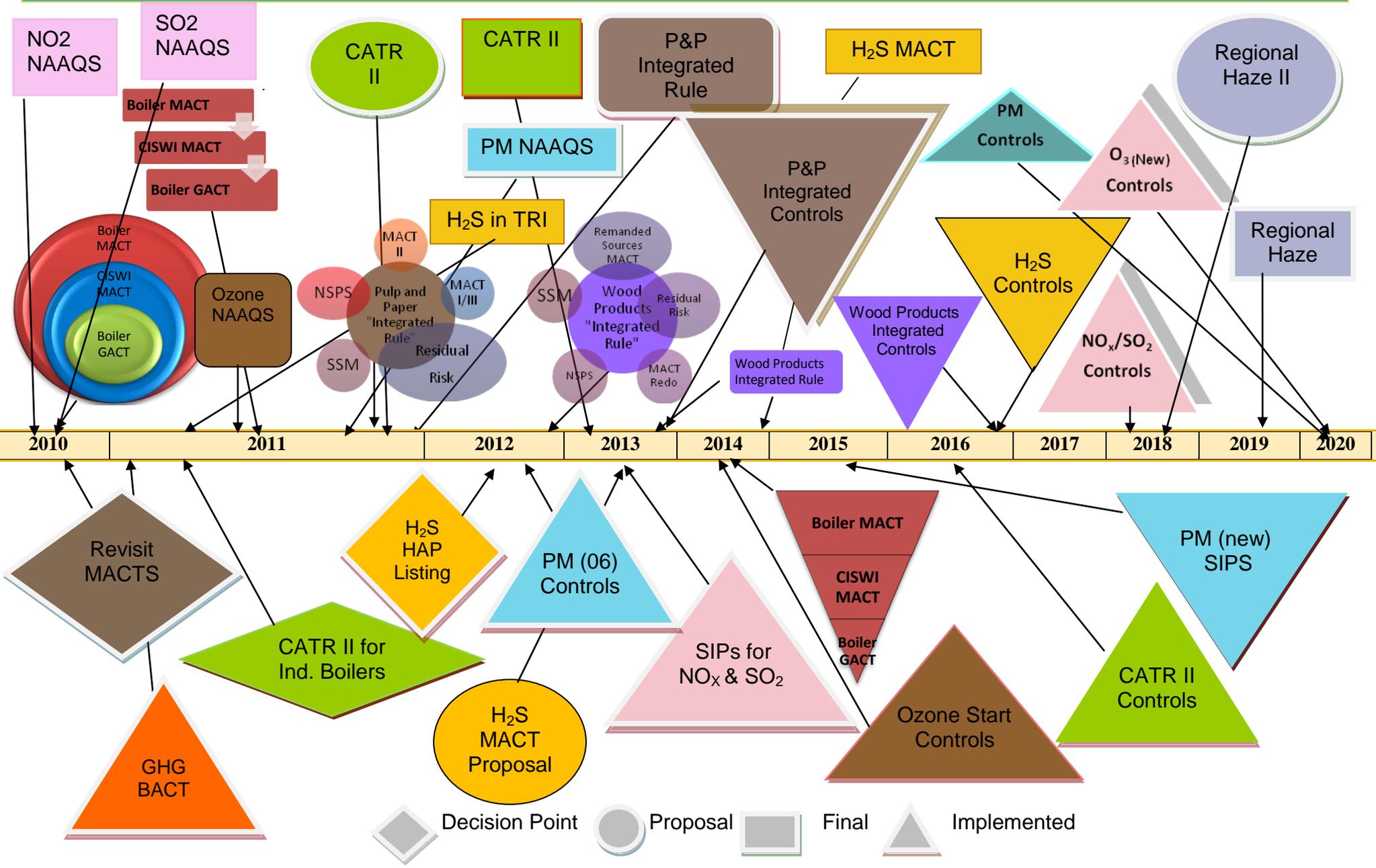
Unfortunately, it is easier to see the jobs that are lost after the fact. But the greatest damage may be unknowable -- the projects never built, the products never made, the jobs never created, or the entrepreneurial ideas drowned in the sea of red tape.

All of these concerns -- about the future global competitiveness of the United States, the need to not only create new jobs but also to keep existing jobs, and the risks to economic recovery -- must be considered against the backdrop where environmental quality in the United States is the best it has been in decades, and it continues to improve. This is due in part to existing regulatory programs that are in full force today and still creating gains in environmental quality without further regulatory actions. This is also due in no small part to the fact many companies including RockTenn recognize that being a responsible global citizen, satisfying our customers, and caring for the communities in which we operate is simply good business. It is about creating a business that is sustainable.

In conclusion, we urge Congress to enact the EPA Regulatory Relief Act as soon as possible. Thank you for taking the time to listen to some of the many regulatory challenges facing the forest products industry, and thank you for your leadership to maintain the global competitiveness of U.S. manufacturers.

Attachment

Potential Air Regulations Affecting Forest Products (2010-2020)



Boiler MACT	CATR	P&P Integrated	WP Integrated	NSR	H ₂ S	PM	Ozone	NO _x	SO ₂	Haze II
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