

Final Report

of the

SBREFA Small Business Advocacy Review Panel

on EPA's Planned Proposed Rule for

**Effluent Limitations Guidelines
and Pretreatment Standards**

for the

Industrial Laundries Point Source Category

August 8, 1997



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Ms. Carol M. Browner
Administrator
United States Environmental Protection Agency
401 M Street, S.W.
Washington, D.C. 20460

Dear Administrator Browner:

Enclosed for your consideration is the Report of the Small Business Advocacy Review Panel convened for EPA's proposed rulemaking entitled "**Effluent Limitations Guidelines and Pretreatment Standards for the Industrial Laundries Point Source Category.**" These proposed regulations are currently being developed by the Environmental Protection Agency (EPA) under Clean Water Act sections 304 and 307. They will control the discharge of pollutants that pass through or interfere with the operation of publicly owned treatment works (POTWs) by establishing for the first time, pretreatment standards for industrial laundries.

The Panel was convened on June 6, 1997, by EPA's Small Business Advocacy Chairperson (Thomas E. Kelly) under Section 609(b) of the Regulatory Flexibility Act (RFA) as amended by the Small Business Regulatory Enforcement Fairness Act of 1996 (SBREFA). In addition to its chairperson, the Panel consists of Sally Katzen, Administrator of the Office of Management and Budget's (OMB) Office of Information and Regulatory Affairs; Jere W. Glover, Chief Counsel for Advocacy of the Small Business Administration (SBA); and Tudor Davies, Director of the Office of Science and Technology in EPA's Office of Water.

It is important to note that the Panel's findings and discussion are based on the information available at the time this report was drafted. EPA is continuing to conduct analyses relevant to the proposed rule, and additional information may be developed or obtained during the remainder of the rule development process and from public comment on the proposed rule. Any options the Panel identifies for reducing the rule's regulatory impact on small entities may require further analysis and/or data collection to ensure that the options are practicable, enforceable, environmentally sound and consistent with the Clean Water Act.

Summary of Small Entity Outreach

The proposed pretreatment standards for industrial laundries would apply to facilities that launder industrial textile items from off site as a business activity (i.e., launder industrial textiles items for other business entities for a fee or through a cooperative arrangement), unless they are covered by one of the specific exclusions discussed below.

Industrial textile items include, but are not limited to: shop towels, printer towels, furniture towels, rags, mops, mats, rugs, tool covers, fender covers, dust-control items, gloves, buffing pads, absorbents, uniforms, filters and clean room garments. This rule would not apply to laundering exclusively through dry cleaning; laundering exclusively of linen items (such as sheets or blankets), denim prewash or other new items; oil-only treatment of mops; or to on-site laundering at industrial facilities (e.g., laundering of industrial textile items originating from the

same business entity).

Since the inception of this project in 1992, EPA has solicited input from the industry, other federal agencies, the States, municipalities, and the environmental community to ensure the quality of information, understand potential implementation issues, and explore regulatory alternatives. EPA has performed over 35 site visits to industrial laundry facilities, including small businesses, and has participated in numerous meetings, seminars and workshops that included substantial small business representation. A more complete summary of EPA's outreach activities is contained in the final Panel report.

In January of this year, EPA decided that it would convene a Small Business Advocacy Review Panel for this proposal due to the large number of small businesses potentially affected by the regulation. In February, seven small entity representatives (SERs) were identified by EPA to formally advise the Panel on this proposed rulemaking. Throughout the development of the proposed rule, EPA has involved these SERs in many aspects of regulatory development from questionnaire design to identification of regulatory options and compliance issues. An additional SER identified by the SBA Chief Counsel for Advocacy and one identified through a public meeting in March were included in recent outreach activities directed toward reviewing the projected impacts of the proposal on small businesses and advising the Panel on regulatory alternatives to minimize these impacts. The SERs were sent extensive background materials about the industrial laundries industry and the proposed regulation. A meeting for the SERs was held on April 15, 1997, to discuss the background materials and provide an opportunity to submit initial comments. Specific times were set aside during their eleven week review and comment period to answer questions and provide clarification as needed. Additional information that was requested by the Panel was also provided to the SERs in early June. They were given another opportunity to provide their comments directly to Panel members during a conference call on June 19, 1997. At the request of the Panel, EPA then performed additional analysis of regulatory alternatives and provided this analysis to the SERs for comment on June 27, 1997.

Altogether, six SERs provided written comments to the Panel. The full Panel Report lists the SERs; summarizes their comments, oral and written; and appends their written comments and the materials provided to the SERs. In light of these comments, the Panel considered the regulatory flexibility issues specified by RFA/ SBREFA and developed the findings and discussion summarized below.

Panel Findings and Discussion

Under the RFA, the Panel is to consider four regulatory flexibility issues related to the preparation of an Initial Regulatory Flexibility Analysis (IRFA) to determine potential impact of the rule on small entities: (1) the type and number of small entities to which the rule will apply; (2) record keeping, reporting and other compliance requirements applicable to those small entities; (3) the rule's interaction with other Federal rules; and (4) regulatory alternatives that would minimize the impact on small entities consistent with the stated objectives of the statute

authorizing the rule. The Panel's findings and discussion with respect to each of these issues are summarized below.

Type and Number of Affected Small Entities. As indicated above, the types of small entities to which the rule would apply include small entities that launder industrial textile items from off site as a business activity. Based upon a survey of the industry, EPA anticipates that an estimated 903 firms, representing approximately 1,747 facilities are involved in the commercial laundering of industrial textile items. Of these 903 firms, 837 (93%) are small businesses under SBA's small business definition for this industry. These 837 small firms operate 900 facilities. SBA's size standards define "small business" for SIC 7218 and 7213 as firms with less than \$10.0 and \$10.5 million in annual revenues, respectively. EPA's IRFA for the industrial laundries regulation uses the higher of these two revenue thresholds.

EPA examined possible exclusions from the regulation to eliminate significant and disproportionate adverse economic impact on the smallest facilities (in terms of production and processing of heavily contaminated textiles) without compromising environmental benefits, and suggested an exclusion for facilities with less than 1 million pounds of total production and less than 255,000 pounds of "heavy" items (shop/printer towels) annually. Under this option, 141 of the 1,747 facilities, accounting for about 2% of the pollutant removals that would be achieved without an exclusion, would be exempted. An estimated 69 small firms would still incur compliance costs exceeding three percent of revenues (one of the criteria used by EPA in its small entity impact assessment), and 33 individual facilities affiliated with small firms would still be projected to close. SERs generally favored such an exclusion, but recommended that it apply to a larger number of facilities. The SERs also expressed concern about increased competition as a result of the rule from on-site laundries (e.g., self-laundering by industrial facilities of their own textile items) and disposable items, neither of which is covered by the proposed rule. The Panel notes that EPA generally regulates on-site laundries as part of the facility-wide effluent guidelines of the industries that operate them, and disposable items under its solid waste program. At the same time, the Panel agrees that the existence of these alternatives contributes to the need to consider regulatory relief for those small facilities that are contributing relatively little of the total pollutant loadings and can least afford expensive new treatment technology.

Record keeping, Reporting and other Compliance Requirements. The proposed rule contains no specific record keeping or reporting requirements. Monitoring for compliance with the limitations being established on eleven pollutant parameters will be determined under existing Title 40 of the Code of Federal Regulations Part 403.

Interaction with Other Federal Rules. The Panel received comments that the proposed rule may impose or involve new Resource Conservation and Recovery Act (RCRA), Superfund and Clean Air Act liabilities, compliance costs, and burden for laundries. The Office of Solid Waste (OSW) is currently examining the use of shop towels and the disposal of "disposable" shop towels for potential regulation as a hazardous waste under RCRA. The Panel recommends

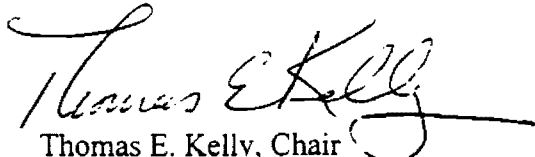
that any new requirements imposed on customers of laundries as a result of this proposed rule and the OSW effort be coordinated.


Regulatory Alternatives. The Panel received comments supporting the exclusion of small industrial laundries (using various definitions of small), as well as some suggesting that no further regulation of the industry is needed because it is already subject to oversight by local POTWs. During the course of the Panel discussions, EPA evaluated various small business exclusion options, including its preferred option based on 1 million pounds of total production and 255,000 pounds of shop/printer towel production annually. In light of the range of predicted economic and environmental effects, and concerns that EPA may have overestimated pollutant loadings from and underestimated economic impact on small businesses (see report for more detail), the Panel discussed several production based exclusion options with higher thresholds than the one initially suggested by EPA. In discussing these options the Panel considered, among other factors, the total pollutant loadings from the industry, the cost effectiveness of pollutant removals, and the fact that all facilities are indirect dischargers and thus already potentially subject to local limits set by POTWs. Throughout the Panel discussions, EPA maintained that the 1 million/255,000 pound combination was the most appropriate for the proposed rule based upon analysis to date. EPA agreed with other Panel members that exclusion options based upon higher production thresholds are worthy of serious consideration, but expressed concerns that further analyses might not be completed in time for consideration in advance of proposal, given its Court ordered deadline of September 30, 1997. The Panel thus recommends that EPA summarize its analysis of alternative exclusion options in the preamble to the proposed rule and solicit comment on a range of alternative small business exclusions, specifically including total production limits of from 3 to 5 million pounds annually and "heavy" (or shop/printer towel) production limits of from 250,000 to 500,000 pounds. The Panel also recommends that EPA complete analyses evaluating five specific additional small business exclusion options (described in the report) and other appropriate options for future consideration in the regulatory development process. The Panel further recommends that EPA solicit comment on the option of not regulating all or part of this industry.

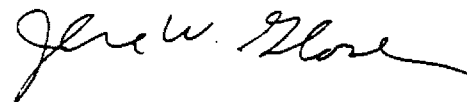
Finally, the Panel report discusses several methodological issues involved in the determination of economic impacts on small businesses. SBA and OMB recommend that EPA consider additional or alternative methodologies for projecting facility closures, for determining facility cash flow, and for evaluating the full impacts of the regulation on facilities that appear not to be profitable even without the additional compliance costs imposed by the regulation. EPA maintains that its current analysis is sound, but agrees to explore these issues further. It also plans to consider alternate calculations of compliance costs, including the use of alternate interest rates and amortization periods, and will modify analytical assumptions, as appropriate, based upon data received subsequent to proposal.

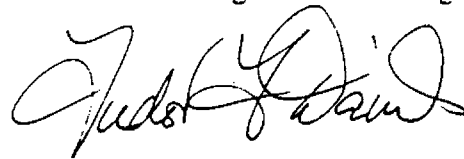
In addition to the above package of regulatory alternatives, the Panel believes EPA should carefully consider all comments received during this outreach process on these and other issues of concern to small entities. A full discussion of comments received and Panel recommendations are included in the final report.

Sincerely,


Thomas E. Kelly, Chair
Small Business Advocacy
U.S. Environmental Protection Agency


Sally Katzen, Administrator
Office of Information and Regulatory Affairs
Office of Management and Budget


Jere W. Glover
Chief Counsel for Advocacy
U.S. Small Business Administration


Tudor T. Davies, Director
Office of Science and Technology
Office of Water
U.S. Environmental Protection Agency

Enclosure

**Report of the Small Business Advocacy Review Panel
on
EPA's Planned Proposed Rule
for
Effluent Limitations Guidelines and Pretreatment Standards
for
The Industrial Laundries Point Source Category**

INTRODUCTION

This report is presented by the Small Business Advocacy Review (SBAR) Panel convened for the rulemaking entitled "**Effluent Limitations Guidelines and Pretreatment Standards for the Industrial Laundries Point Source Category**" that the Environmental Protection Agency (EPA) is currently developing. The Panel was convened by EPA's Small Business Advocacy Chairperson under Section 609(b) of the Regulatory Flexibility Act (RFA) as amended by the Small Business Regulatory Enforcement Fairness Act of 1996 (SBREFA). In addition to its chairperson, the Panel consists of the Director of the Office of Science and Technology within EPA's Office of Water, the Administrator of the Office of Information and Regulatory Affairs within the Office of Management and Budget, and the Chief Counsel for Advocacy of the Small Business Administration.

The purpose of the Panel is to collect the advice and recommendations of representatives of small entities that will be affected by the rule and to report on those comments and the Panel's findings as to issues related to the key elements of an initial regulatory flexibility analysis (IRFA) under Section 603 of the RFA. The elements of an IRFA are:

- The number of small entities to which the proposed rule will apply.
- Projected reporting, recordkeeping, and other compliance requirements of the proposed rule, including the classes of small entities which will be subjected to the requirements and the type of professional skills necessary for preparation of the report or record.
- Other relevant Federal rules which may duplicate, overlap, or conflict with the proposed rule.
- Any significant alternatives to the proposed rule which accomplish the stated objectives of applicable statutes and which minimize any significant economic impact of the proposed rule on small entities.

Once completed, the Panel report is provided to the agency issuing the proposed rule and is included in the rulemaking record. In light of the Panel report, the agency will consider changes to the proposed rule or the IRFA for the proposed rule, where appropriate.

This report by the Panel for the Industrial Laundries proposed rule includes a summary of the advice and recommendations received from each of the small entity representatives identified for purposes of the panel process. Written comments submitted by the representatives are provided in Attachment 1 to the report. The report also presents the Panel's findings and a discussion of issues related to the elements of an IRFA identified above.

BACKGROUND

The objective of the Clean Water Act (CWA) is to "restore and maintain the chemical, physical, and biological integrity of the Nation's waters." EPA is developing pretreatment standards for existing and new industrial laundries (PSES and PSNS) to limit the discharge of pollutants into waters of the United States and Publicly Owned Treatment Works (POTWs).

EPA defines industrial laundries as certain facilities that launder industrial textile items from off site as a business activity (i.e., launder industrial textile items for other business entities for a fee or through a cooperative arrangement). Laundering means washing with water, including water washing following dry cleaning. This rule would not apply to laundering exclusively through dry cleaning. Industrial textile items include, but are not limited to: shop towels, printer towels, furniture towels, rags, mops, mats, rugs, tool covers, fender covers, dust-control items, gloves, buffing pads, absorbents, uniforms, filters and clean room garments.

For facilities covered under the industrial laundry definition, wastewater from all water washing operations would be covered. This would include wastewater from washing linen items except at facilities that wash only linens, since the proposed rule would exclude such facilities. Linen items are specifically defined in the following list: sheets, pillow cases, blankets, bath towels and washcloths, hospital gowns and robes, tablecloths, napkins, table skirts, kitchen textile items, continuous roll towels, laboratory coats, family laundry, executive wear, mattress pads, incontinence pads, and diapers.

Additionally, EPA does not plan to propose to regulate wastewater at facilities that exclusively launder denim prewash, new items (i.e., items directly from textile manufacturers, not yet used for intended purpose), any other items that come from hospitals, hotels, or restaurants or any combination of linen, denim prewash, or new items. This proposed rule would not apply to the discharges from oil-only treatment of mops. Also, the proposed rule would not apply to on-site laundering at industrial facilities of industrial textile items originating from the same business entity.

EPA found that certain wastestreams are responsible for the vast majority of priority pollutant loadings. EPA would like to identify these "heavy" wastestreams and structure the regulation to focus on them.¹ For the analysis conducted to date, EPA has been able to identify two items, shop and printer towels, that can be characterized consistently as "heavy" in terms of pollutant loadings. Thus, in some of EPA's analysis, these two items were used to define exclusions (identified throughout this report as shop/printer towels). These two items, however, are not the only items that generate a large amount of the priority pollutant loadings discharged

¹Specifically, the production-based exclusion would be limited to facilities with less than a defined amount (in pounds per year) of production of shop/printer towels.

by the industry, and an expanded list of five items was used in other exclusion scenarios (identified as "heavy" in the table on page 7).

In the early stages of economic analysis for this proposed regulation, EPA divided the industry into segments by annual revenue to look at various financial impacts and evaluate if small facilities may be disproportionately affected. EPA relied on a set of economic assumptions and on information obtained from the industry survey. EPA found that one revenue group, facilities with less than \$1 million a year in revenues, was the source of more than 50 percent of the projected facility closures under most regulatory options, even though those facilities made up less than 10 percent of the facilities in the closure analysis. EPA determined that approximately 29 percent of these low-revenue facilities might close as a result of the proposed rule. Because of the disproportionate impact on this subset of small facilities (most of which are single-facility firms), EPA investigated a number of options to minimize these impacts and tentatively selected one, exclusion of facilities with less than 1 million pounds of total production annually and less than 255,000 pounds of shop/prINTER towels (see below). EPA's evaluation of whether or not the proposed rule would have a significant impact on a substantial number of small entities and the decision to convene a SBAR Panel were based upon that recommended exclusion. This evaluation considered a variety of economic measures at both the firm and facility level.

PROFILE OF THE INDUSTRY

EPA conducted a survey of the industrial laundries industry, using a detailed questionnaire that gathered technical, economic and financial data on potentially affected firms and facilities. This survey was conducted under the authority of Section 308 of the Clean Water Act and provides the data for EPA's profile of the industry, which is summarized below.

EPA estimates that the industry consists of approximately 1,747 facilities. Facilities in this industry are in all 50 states and most are in urban areas. These facilities are owned by an estimated 903 firms, 92 percent of which own only one facility. Of the 903 firms, 837 (93%) are small businesses under SBA's definition for this industry. These 837 small firms operate 900 facilities. SBA's size standards define "small business" for SIC 7218 and 7213 as firms with less than \$10.0 and \$10.5 million in annual revenues, respectively. EPA's IRFA for the industrial laundries regulation uses the higher of these two revenue thresholds.

In addition to revenues, there are at least three other ways to categorize industrial laundries by size. These are according to:

- The types and volume of items they clean,
- The amount of wastewater they generate, and
- The number of people they employ.

Although the industrial laundries industry includes many single-facility firms, there are also large corporations that operate many facilities nationwide. Employment ranges from one or two employees at a single-facility firm to hundreds of employees at large, multi-facility corporations. Annual laundry production per facility ranges from 107,000 to 47,300,000 pounds. Annual revenues average \$4.3 million per facility, with facilities owned by multi-facility firms averaging about \$5.0 million and single-facility firms averaging about \$3.4 million.

APPLICABLE "SMALL BUSINESS" DEFINITIONS

SBA's size standards rely on the North American Industry Classifications System (NAICS) to describe the industry. The predominant NAICS codes for industrial laundries are 812391 and 812331, which correspond to the old Standard Industrial Classification (SIC) codes Industrial Launderers 7218 and Linen Supply 7213. SBA's size standards define "small business" for both SIC 7218 and 7213 as firms with less than \$10.0 and \$10.5 million in annual revenues, respectively. EPA's IRFA for the industrial laundries regulation relies on the higher of the two definitions.

SUMMARY OF OUTREACH ACTIVITIES

Outreach to the regulated community is an important part of regulatory development. EPA has actively involved stakeholders in the development of this rule in order to ensure the quality of information, identify and understand potential implementation and compliance issues, and explore regulatory alternatives. EPA has performed over 35 site visits to industrial laundry facilities and has participated in numerous meetings, seminars and workshops that included substantial small business representation. EPA also conducted a survey of the industry and received completed detailed questionnaires from 193 facilities, the vast majority of which are operated by small businesses. Since this rulemaking effort began in 1992, EPA has involved the two major trade associations (Textile Rental Service Association of America and the Uniform and Textile Service Association) and representatives of several small businesses in a variety of activities from questionnaire development to identification of regulatory options and compliance issues.

SUMMARY OF SBREFA OUTREACH

As part of its SBREFA outreach, EPA tentatively identified 7 small entity representatives (SERs) "for the purpose of obtaining advice and recommendations . . . about the potential impacts of the proposed rule;" (SBREFA, § 244(b)(2)) and provided the following list to the Chief Counsel for Advocacy of the Small Business Administration in February of 1997:

SERs	Company or Trade Association
Mr. David Dunlap	Uniform and Textile Service Association
Mr. David Trimble	Textile Rental Service Association of America

SERs	Company or Trade Association
Mr. John Williamson	Milliken and Company
Mr. Jerry Blucher	Industrial Towel Service, Inc
Mr. Jim Vaudreuil	Huebsch Linen and Uniform
Ms. Marcia Kinter	Screen Printing and Graphic Imaging Association International
Ms. Mary Scalco	International Fabricare Institute

In March of 1997, two additional SERs were identified, the first through a public meeting on the proposed rule and the other by the Chief Counsel:

SERs	Company or Trade Association
Mr. Gene Leonard	Rite-Way Laundry & Dry Cleaners, Inc
Mr. Douglas Greenhaus	National Automobile Dealers Association

The Panel's subsequent outreach to those 9 SERs consisted of the following:

- EPA sent background materials about the industrial laundries industry to the SERs on February 20, 1997.
- EPA held a SER meeting to discuss the background materials and to address any questions they might have on April 15, 1997.
- Deadline for SER comments on the initial materials was May 12, 1997.
- EPA provided additional information on projected impacts and regulatory options to the SERs on June 4, 1997.
- EPA held a SER conference call on June 11, 1997 to address any questions on the June 4th information.
- The Panel held a SER conference call on June 19, 1997, to obtain additional input. The conference call summary is Attachment 2 to this report.
- EPA sent Panel material on additional small business exclusion options to the SERs on June 27, 1997.
- SERs provided additional written comments through July 9, 1997.

EPA requested information from the SERs about each of the areas specifically mentioned in the RFA as amended by SBREFA:

- The number of small entities to which the proposed rule would apply.
- Projected reporting, record keeping, and other compliance requirements of the proposed rule, including the classes of small entities which would be subject to

the requirements and the type of professional skills necessary for preparation of the report or record.

- Other relevant Federal rules which may duplicate, overlap, or conflict with the proposed rule.
- Any significant alternatives to the proposed rule which accomplish the stated objectives of applicable statutes and which minimize any significant economic impact of the proposed rule on small entities.

Of the nine representatives, six responded to EPA's request for comments. The majority of comments did not specifically address all of the issues presented above but tended to focus on the issue of significant alternatives. Most of the SERs focused their comments on suggesting small business exclusions from the standards.

In the material initially presented to SERs for comment, EPA discussed four possible exclusions to minimize impacts on small businesses: facilities with under \$1 million in annual revenues, facilities with fewer than 30 employees, facilities with less than 2.65 million gallons per year in flow, and facilities processing fewer than 1 million pounds of laundry annually.

EPA expressed a preference for an exclusion based on pounds processed because EPA's modeling showed it to be effective in reducing small business impacts (see discussion below) and it would be relatively easy to implement. EPA subsequently provided the SERs with an evaluation of various production-based regulatory exclusions that included an analysis of economic impacts in terms of facility closures, costs to revenues, and costs to profits, and of environmental impacts in terms of excluded pollutant removals. That information is presented on the next page.²

EPA initially suggested a 1 million pound annual production exclusion. In response to concerns raised at a public meeting, EPA subsequently examined the types of laundry processed by these potentially excluded facilities to ensure that they were not processing large quantities of heavily contaminated laundry (thus discharging larger pollutant loadings than other regulated laundries). EPA then determined that limiting the exclusion to those facilities processing less than 255,000 pounds of shop/printer towels would not change the number of projected plant closures but would ensure that the wastestreams with the highest pollutant loadings are adequately controlled.

EPA is thus currently considering an exclusion for facilities with less than 1 million pounds of total production per year and less than 255,000 pounds of shop/printer towel production. This exclusion balances three major concerns: that disproportionate small business impacts be minimized, that the pollutant reduction benefits of the proposal not be lost, and that the number of excluded facilities be small in order to minimize competitive impacts in a local market. It would eliminate about half of the 71 facility closures projected to result from the rule,

²This information was also provided to the Panel members on June 27, 1997.

Summary of Small Business Exclusion Options

June 27, 1997

Exemption Cutoff	Total Annualized Pretax Cost	Number of Facilities Exempted	Total Baseline Closures Excluded	Total Baseline Closures Remaining After Exemption	Total Compliance Closures Excluded	Total Compliance Closures Remaining After Exemption	Pound Equivalent Removals Excluded (%)	Average Annual Cost as a Percent of Average Revenue	Average Annual Cost as a Percent of Average Pretax Profit (1) (2)
No exemptions	\$89,260,396	0	0	148	0	71	0 (0%)	1.19%	11.65%
< 1,000,000 million pounds production and < 255,000 shop/printer towel production	\$84,627,995	141	40	107	37	34	5,545 (2.2%)	1.15%	11.10%
< 1,000,000 pounds production	\$83,296,962	167	63	85	37	34	5,582 (2.2%)	1.14%	10.90%
0 pounds "heavy" production (3)	\$81,961,855	220	24	124	7	64	508 (0.2%)	1.21%	11.40%
< 1,500,000 pounds production	\$74,977,901	330	65	83	39	31	12,518 (5.0%)	1.06%	10.05%
< 50,000 pounds "heavy" production	\$72,949,419	445	30	118	16	55	4,774 (1.9%)	1.32%	12.14%
< 1,000,000 pounds production	\$68,431,982	431	98	50	39	31	20,367 (8.1%)	0.99%	9.49%
< 1,000,000 pounds production	\$57,821,140	641	98	50	39	31	38,497 (15.3%)	0.90%	8.75%
< 200,000 pounds "heavy" production	\$44,353,632	999	85	63	17	54	33,409 (13.3%)	1.11%	9.91%
< 5,000,000 million pounds production and < 255,000 shop/printer towel production	\$37,258,558	958	75	72	39	31	74,115 (29.4%)	0.74%	7.35%
< 5,000,000 pounds production	\$31,805,250	1,127	121	27	70	1	93,242 (37.0%)	0.74%	7.12%
< 350,000 pounds "heavy" production	\$23,468,650	1,310	88	60	39	31	84,933 (33.7%)	0.84%	6.92%
< \$10,500,000 in revenue	\$5,416,488	1,682	148	0	71	0	214,125 (84.9%)	0.61%	4.70%

(1) Note that pretax profit is approximated by earnings before interest and taxes (EBIT) in single-facility firms and by operating earnings in facilities owned by multifacility firms. EBIT is a standard measure of pretax profit. Operating earnings are used for facilities owned by multifacility firms since data to determine EBIT are typically not available at the facility level.

(2) Excluding facilities with negative baseline profits.

(3) "Heavy" production is production of shop towels, printer rags, mops, fender covers, and filters. All other industrial laundry items are not included in this category.

Note: Averages are calculated over those facilities remaining as nonexempted facilities. Total number of facilities is 1747 and pounds is 252,126.

but would exclude only about 2% of the projected pollutant loading reductions, and would exclude less than 8% of the covered facilities. A higher production cutoff (at 5 million pounds of production per year) would be needed to eliminate most of the remaining closures; however, this exclusion option would sacrifice over one third of the potential pollutant loading reductions, which EPA considers unacceptable.

SUMMARY OF INPUT FROM SMALL ENTITY REPRESENTATIVES

General Comments

In general, SERs expressed concern that the proposed rule could well have a significant impact on a substantial number of small entities, including not only industrial laundries themselves, but their small business customers.

James F. Vaudreuil of Huebsch Services discussed local pretreatment requirements his company has been required to meet for the past 10 years. Some of his competitors are not required by their local POTW to pretreat their industrial laundry wastewater. He supports a national standard to "level the playing field." He expressed concern that the standards should be "reasonable," since unreasonable standards would result in additional costs that would place reusable textiles at a distinct disadvantage compared with disposables. He was also concerned that some firms that process health care or linens could be able to use dilution to avoid pretreatment, and he wanted to know how EPA would enforce pretreatment standards.

Gene Leonard, President of Rite-Way Laundry and Dry Cleaners, Inc, gave a brief history of the market fluctuation in the industrial laundry industry. He stated that the proposed rule has the potential to eliminate the remaining few small laundries in the United States.

Douglas Greenhaus of the National Automobile Dealers Association (NADA) suggested that the rule would include or involve new RCRA, Superfund, and Clean Air Act liabilities, compliance costs, and burden for laundries.

David Dunlap from the Uniform & Textile Service Association (UTSA), stated that his trade association has had very little access to information that EPA and others would use to make decisions relative to this regulation's effect on small businesses. Because of the lack of data, he posed several questions that he hopes will encourage further investigation. He asked for pollutant discharge limits. (EPA explained in subsequent meetings that the limits were not yet calculated.) He also expressed concern that UTSA did not have enough time to poll its membership and committees to determine its final position on a small business exclusion for the proposed rule.

David Trimble of the Textile Rental Services Association of America (TRSA) expressed a concern about lack of data to evaluate the effect of the rule and of the exclusion for facilities with less than 1 million pounds per year of production, which EPA is considering. He

recommended that EPA provide commenters with information on how this exemption threshold was derived.

Impacts on Customers

David Dunlap noted that the SBREFA review panel should not just consider small laundries but also the many small businesses (including printers, food establishments, health services, contractors, manufacturers, retail sales, and automobile repair shops) that laundriers service. Laundries touch the entire business community and thus any effects that categorical standards have on the laundry industry may be felt by small businesses in other industries as well.

Marcia Y. Kinter from the Screenprinting & Graphic Imaging Association International (SGIA), noted that their membership is not composed of industrial laundry facilities; therefore, the initial impact of this new regulation would be minimal on their industry. The association's concern is that the regulation will indirectly affect the printing industry due to its use of shop towels. Provisions regarding "best management practices" for shop towels or any type of language indicating the acceptance state of used shop towels should not be included in the industrial laundries proposal.

Douglas Greenhaus (NADA) expressed concern that the rule would result in costly new pretreatment technologies, the cost of which would be passed on to the laundries' customers. He also noted that adoption of pollution prevention strategies may require laundry customers to remove contaminants from materials prior to sending them to a laundry facility, resulting in economic impacts on small business customers.

Reporting, Recordkeeping and Other Compliance Requirements

David Dunlap (UTSA) stated that categorical standards are just another administrative and bureaucratic burden adding costs to a small business' bottom line.

Gene Leonard (Rite-Way) noted that he would incur the increased cost of hiring a person to oversee operations.

David Trimble (TRSA) stated that many small businesses lack the skills and resources to comply with additional record keeping and reporting requirements that they have not been subject to in the past.

Interaction with other Federal Rules

David Dunlap (UTSA) stated that all laundries are indirect dischargers and thus are already burdened by complying with the national pretreatment program and local pretreatment

limits. He believes categorical standards would be redundant. David Trimble (TRSA) made a similar comment and suggested that EPA issue a finding that categorical pretreatment standards are not necessary for the textile rental industry.

Marcia Kinter (SGIA) stated that inclusion of any type of language in this rule concerning management practices for shop and printer towels might appear to set standards for the acceptance and management of used towels from the end user (i.e., the printing facility) and would be in direct conflict with a current effort being undertaken by the Office of Solid Waste on this issue (OSW is looking at use of reusable and disposable shop towels and disposal of disposable shop towels).

Suggested Regulatory Alternatives

The primary comments on regulatory alternatives dealt with EPA's consideration of possible small business exclusions.

Gene Leonard (Rite-Way) discussed each method EPA considered to minimize impacts on small facilities and how each would create a problem for small facilities.

Mr. Leonard began by addressing the revenue exemption option. He noted that other federal programs define "small" as a company with revenues less than \$10.5 million annually. The revenue level EPA suggested, \$1 million, is considerably lower. He also noted that his company's annual revenues are \$1.15 million, so they would exceed the limit. He went on to say his industry is dominated by large multi-state and national companies and that he is indeed a very small operation.

With respect to EPA's second option examined (to exempt facilities with 30 employees or less), Mr. Leonard pointed out that small firms have less automation than large firms and may be located in rural areas where customers are more spread out. For both of these reasons, they may require more labor per pound of production than large facilities. He also noted that a large percentage of his own business is from health care facilities, which also require more labor per pound of production than shop towels or uniforms.

With respect to EPA's remaining options (based on wastewater flow and facility production), Mr. Leonard gave a description of his company and how it would be affected by the suggested exemptions. He also noted several ways in which the exclusions EPA considered were inconsistent with each other:

- 1) One million pounds a year cannot generate enough dollars in sales to pay the salaries of 30 employees.
- 2) Most firms cannot generate \$1 in revenue for a pound produced, as EPA seemed to imply by consideration of either 1 million pounds or \$1 million sales.

- 3) A facility can not produce 1 million pounds of laundry with 2.65 million gallons of wastewater flow.

Mr. Leonard recommended the following alternatives to EPA:

- 1) Allow the local POTW facility to determine if the laundry is contributing pollutants that constitute a problem for the facility to treat. Require regular testing by the laundry at the point of discharge into the sewer line. If the local POTW determines that it can treat the effluent to EPA standards then the laundry does not have to pretreat, regardless of size or volume.
- 2) Use concentration based limits. As a matter of survival, most small laundries produce a mix of linen and industrial items. Linen items are not of concern to EPA, and concentration based limits allow for a mix of product types. Compliance with concentration based limits would also be easier to monitor. Large firms may prefer mass-based limits because many of these firms are already in compliance with such limits, which may force small firms out of business.
- 3) If revenue is used, raise the cut-offs to \$3 million. At this volume a facility may be able to afford installation and maintenance of treatment operations.
- 4) If number of employees is used, raise it to at least 50. This number has been used in other regulations, such as the Family and Medical Leave Act, to define companies exempt from regulations.
- 5) If production is used, raise the cut-off to 4 or 6 million pounds. His facility generates about 72 cents per pound for the "EPA items of concern" and 49 cents per pound overall. Health care is being done at 27 cents per pound. It takes 6,000,000 pounds at 49 cents or 4,000,000 pounds at 72 cents to raise \$3 million in revenue. At 72 cents, the proposed 1,000,000 pounds limit will only raise \$720,000 and a pretreatment system cannot be supported with that sales volume.
- 6) Do not use gallons of wastewater as a measure of "small." It is not a good indicator. Different laundries have vastly different products mixes, and some products require more water per pound processed than others. Small laundries are not as efficient with water use as are their larger counterparts. At the proposed 2,650,000 gallons and his facility's consumption rate, they could only bill for 77,941 pounds. At their average price of 49 cents, this would generate only \$38,191.09.
- 7) Eliminate the exemption for on-site facilities unless they process only "pure linen." Any laundry contributing pollutants to the waste stream that creates a compliance problem for the local treatment facility should be covered by this regulation. If the intent of the regulation is to reduce pollution, any facility that meets the criteria (e.g., prisons, military bases) should be covered.
- 8) Regulate shop towels only, since they constitute 90% of the problem.

Mr. Leonard also raised concerns regarding EPA's recommended exclusion for facilities under 1 million pounds of production. These included implementation by POTWs, enforcement, and existing facilities versus new facilities.

Other SERs also commented on possible exclusions.

David Dunlap (UTSA) noted that the Agency needs to ensure the enforceability of any exclusion. A threshold based on something other than production (lb/yr) may be easier to enforce and thus be less burdensome to the local authority and the launderer. Any exclusion threshold should be based on a characteristic that the local authority can easily measure (e.g., wastewater flow rate, number of washers or design capacity of the washers [lb/load]). He also commented that on-site facilities should not be excluded. He also asked EPA to consider the competitive factors associated with reusable and disposable products.

James Vaudreuil (Huebsch Services) suggested an exclusion for facilities processing less than 3 million pounds per year total and less than 255,000 pounds per year of shop towels.

PANEL FINDINGS AND DISCUSSION

It is important to note that the Panel's findings and discussion are based on the information available at the time this report was drafted. EPA is continuing to conduct analyses relevant to the proposed rule, and additional information may be developed or obtained during the remainder of the rule development process and from public comment on the proposed rule. Any options the Panel identifies for reducing the rule's regulatory impact on small entities may require further analysis and/or data collection to ensure that the options are practicable, enforceable, environmentally sound and consistent with the Clean Water Act.

Disposable vs. Reusable Items

Several commenters expressed concern that the substitution of disposable items for laundered ones could cause negative impacts on laundries whose customers chose to switch rather than pay the higher laundering costs that could result from the rule. EPA investigated this possibility during rule development. It found that for many of the applications where laundered items are currently being used, disposable items would not necessarily be a suitable substitute. Its economic modeling, based on data from its survey of the industry, shows only a 0.3 percent decrease in production industry-wide in response to the estimated price increases that would result from the rule. Finally, EPA notes that many of the disposable items that might compete with laundered items are already regulated under other environmental statutes. However, in view of EPA's policy promoting resource conservation, the Panel would prefer to preserve the option of reusing towels, rather than forcing customers to disposable towels that are likely to be landfilled after use.

The Panel is sympathetic to the concerns of small laundries about increased competition from disposable items and OMB and SBA note that the impact on individual small facilities may be significantly greater than the industry-wide effect estimated by EPA. At the same time, the Panel also notes that the most significant competition involves items that are also responsible for a large share of the pollutant loadings from this industry (i.e., shop towels). It would thus be difficult to structure an exemption to fully address this concern while still achieving the rule's primary purpose of eliminating the majority of loadings from the industry. However, this concern does underscore the need for an effective small business exemption that excludes those small facilities that are contributing relatively little of the total pollutant loadings and can least afford expensive new treatment technologies.

Exclusion of On-Site Laundries

Commenters also expressed concern that the exclusion of on-site laundries would give such facilities a competitive advantage over covered industrial laundries that compete with them. EPA believes it is appropriate to address on-site laundry discharges at industrial facilities as part of the effluent from the facility as a whole, for several reasons. First, many such facilities commingle laundry wastewater with wastewater from other processes. Second, EPA anticipates that contaminants removed from laundered items can best be treated with process wastewater containing similar contaminants. EPA has already established effluent limitations guidelines and standards for 51 industries. These regulations apply to wastewater generated from on-site laundering where appropriate. For industries not yet covered by effluent limitations guidelines and standards, EPA believes it should address on-site laundry discharges along with other wastewater at the time that guidelines and standards are promulgated. The economic impacts of regulating on-site laundries in these industries can also best be evaluated in this wider context.

The Panel believes that EPA has sound reasons for regulating discharge from on-site laundries along with the other wastewater of the facilities that operate them rather than in this proposed rulemaking. Given that most such facilities are either already regulated or eventually would be considered for regulation, the Panel does not believe that excluding them from the current rulemaking will produce a long-term competitive advantage.

Record keeping, Reporting and other Compliance Requirements. The proposed rule contains no specific record keeping or reporting requirements. Monitoring for compliance with the limitations being established on eleven pollutant parameters will be determined under existing Title 40 of the Code of Federal Regulations Part 403.

Interaction with Other Federal Rules. The Panel received comments that the proposed rule may impose or involve new Resource Conservation and Recovery Act (RCRA), Superfund and Clean Air Act liabilities, compliance costs, and burden for laundries. The Office of Solid Waste (OSW) is currently examining the use of shop towels and the disposal of "disposable" shop towels for potential regulation as a hazardous waste under RCRA. The Panel recommends

that any new requirements imposed on customers of laundries as a result of this proposed rule and the OSW effort be coordinated.

Additional Small Business Exclusion Options

At the time the Panel convened, EPA identified a regulatory alternative to decrease regulatory burden on small entities. For Pretreatment Standards for Existing Sources (PSES), EPA suggested an alternative that would exclude existing facilities processing less than 1 million pounds of incoming laundry per calendar year and less than 255,000 pounds of shop/printer towels per calendar year.

During the course of small entity outreach and as a result of Panel discussions, EPA evaluated various other small business exclusion options; these are summarized in the table on page 7. In light of the range of predicted economic and environmental effects, and concerns that EPA may have overestimated pollutant loadings from and underestimated economic impacts on small businesses (see below for more detail), the Panel discussed several production based exclusion options with higher thresholds than the one initially suggested by EPA. In discussing these options the Panel considered, among other factors, the total pollutant loadings from the industry, the cost effectiveness of pollutant removals, and the fact that all facilities are indirect dischargers and thus already potentially subject to local limits set by POTWs. Throughout the Panel discussions, EPA maintained that the 1 million/255,000 pound combination was the most appropriate for the proposed rule based upon analysis to date. EPA agreed with other Panel members that exclusion options based upon higher production thresholds are worthy of serious consideration, but expressed concerns that further analyses might not be completed in time for consideration in advance of proposal, given its Court ordered deadline of September 30, 1997.³ The Panel thus recommends that EPA present the information in the table on page 7 in the preamble to the proposed rule and solicit comment on a range of alternative small business exclusions, specifically including total production limits of from 3 to 5 million pounds total and "heavy" (or shop/printer towel) production limits of from 250,000 to 500,000 pounds.

The Panel also recommends that EPA complete analyses evaluating the following additional small business exclusion options and other appropriate options for future consideration in the regulatory development process:

- Less than 3 million pounds of production and less than 255,000 and 500,000 pounds of shop/printer towels production
- Less than 4 million pounds of production and less than 255,000 and 500,000 pounds of shop/printer towels production

³EPA and NRDC (the plaintiff in the original court case) recently petitioned the Court to extend this deadline to November 7, 1997; the Court has not yet acted on this petition.

- Less than 5 millions pounds of production and less than 500,000 pounds of shop/prINTER towels production.⁴

No Regulation Option

SBA noted that the EPA has the authority to choose not to regulate a given industry or a given subcategory of facilities based upon a variety of considerations. SBA expressed some concerns that much of EPA's analysis of potential exclusions began with an analysis of "economic achievability" in terms of facility closures and firm failures, and was then amended to ensure that the environmental goals of the Clean Water Act were not compromised. SBA pointed out that "economic achievability," though one of the statutory factors the Agency must assess in establishing effluent limitations guidelines and standards on toxic and nonconventional pollutants, is not the only decision criterion available to the Administrator with respect to whether or not to regulate an industry or a specific subcategory of an industry.

The Panel understands that EPA may decline to regulate subcategories of facilities on a national basis, based on considerations other than economic achievability, and has done so in the past. For example, consistent with the June 1994 recommendations of the EPA Effluent Guidelines Task Force, EPA may decline to regulate subcategories based on small total pollutant loadings. In this manner, EPA may be able to exclude subcategories of small facilities from the scope of the guidelines. The Panel recognizes that in the absence of national effluent limitations guidelines and standards, direct dischargers would still be subject to BAT limits on their discharges (determined on a best-professional judgment basis) and indirect dischargers would still be subject to the general prohibitions in the general pretreatment regulations and potentially subject to local limits on their discharges to POTWs. EPA could still provide nonbinding guidance to permit writers in the event no effluent guidelines are promulgated for those subcategories, an option also discussed by the Effluent Guidelines Task Force.

In considering no regulation options, the Panel notes that one of the SERs (Gene Leonard of Rite-Way) believes that the small laundry share of the national market may have significantly declined since EPA's survey of the industry was conducted. A significant shift in total or "heavy" production away from small businesses would cause EPA's projections of loading and environmental impacts attributable to them to be overstated and its projections of impacts attributable to larger businesses to be understated. The Panel also notes that the total pollutant loadings (pre-regulation) are not as high for this industry as they were (pre-regulation) for most industries with effluent guidelines in place and that the regulatory options are not as cost-effective as those selected for most other effluent guidelines.

⁴The impacts of an exclusion based on less than 5 million pounds of production and less than 255,000 pounds of shop or printer towel/rag production has already been analyzed and is part of the rulemaking record.

SBA expressed interest in having EPA explore a "no regulation option" for small facilities based on factors beyond facility closures and firm failures. Examples of such factors include environmental impacts and other economic impacts considered by the Agency in its regulatory analysis (e.g., cost to revenue ratio, community impacts, domestic market impacts).

The Panel recommends that EPA solicit comment on a no regulation option in the proposal.

Methodological Issues

The Panel discussed the determination of "significant" impact, and agreed that this analysis should go beyond the determination of facility closures and should include assessment of other economic measures. Several such measures, including the ratio of costs to revenues, the ratio of costs to profits, domestic market impacts, and local community impacts, were considered by EPA in its analysis of small business impacts for the proposed rule.

The Panel also discussed some methodological aspects of the way closure analysis is performed by EPA as part of its economic achievability determination under the Clean Water Act. This analysis is typically based on the assumption that facilities will close only if net cash flow becomes negative. SBA and OMB suggested that a return to assets test may be a more appropriate way to estimate closures. (Presumably, if the return that the owner of an affected firm might make by liquidating the firm's assets and investing them elsewhere is greater than the return being made by continuing to operate the firm, liquidation may become an attractive option and the firm may well be closed, even if it is earning a positive cash flow.) Although EPA does not include a return to assets test in its facility closure analysis, EPA believes that the Altman Z test, which employs return to assets in its analysis of firm failures, is appropriately incorporated into EPA's analysis.⁵ EPA, SBA, and OMB agreed to further explore this issue during inter-agency review of the draft proposal.

⁵In the current proposal, for example, EPA used the Altman Z-score, which directly incorporates numerous financial variables, including return on assets, for the firm-level failure analysis of multifacility firms. In the case of single facility firms, EPA conducted both a negative cash flow test and an Altman Z-score test. EPA also notes that although incorporation of the salvage value of assets adjusted for any associated legacy costs is the most appropriate methodological approach when reliable estimates of salvage values are available, EPA's experience has indicated that firms are generally unable to provide usable estimates of salvage value and legacy costs. Furthermore, EPA believes that for this industry, net salvage value is rarely used to determine whether to liquidate a facility, since its analysis indicates that if salvage value is taken into account, nearly a third of all facilities appear to be candidates for liquidation. A complete discussion of EPA's rationale for not using salvage value in the closure analysis will be contained in the Economic Assessment report.

In addition, SBA and OMB expressed concern with the measure of cash flow used by the Agency. EPA uses net income, *plus depreciation*, as its measure of cash flow. SBA and OMB believe that this approach overstates actual cash flow, as it does not account for the cost of acquiring or replacing capital assets. In any given year, depreciation may be overstated (or understated) but on average it should just cover the cost of new or replacement assets. It is possible that an expanding business will consistently overstate "true" depreciation because of front-loaded depreciation schedules allowed under the current tax code, but even in this case, it would not be appropriate to add all of its reported depreciation back into cash flow. SBA and OMB recommend that EPA revise this approach in future small entity economic impact analyses to more accurately reflect the cash flow that is actually available to regulated entities for environmental compliance purposes. EPA agreed to explore ways to refine its cash flow analysis to address this concern.

Finally, the Panel discussed the treatment of "baseline" closures. These are facilities or firms that, according to EPA's modeling, should be closed already. As the first step in its economic analysis, EPA defines the baseline. The baseline should be the best assessment of the way the world would look absent the proposed regulation. The definition of the baseline requires the Agency to forecast changes between the time of data collection and the time of implementation of the proposed rule. Baseline closures are facilities which, given the financial conditions at the time of data collection, the nature of the forecast (typically, a conservative assumption of the future resembling the present) and the structure of the economic and financial analysis, are projected to close by the time of implementation of the rule. EPA does not usually include baseline closures when determining the economic achievability of a rule, but instead, focuses on the incremental closures associated with compliance costs. EPA believes this approach is consistent with the discussion of baseline selection in OMB's Economic Analysis of Federal Regulations under Executive Order 12866. SBA and OMB are concerned that baseline closures, to the extent that they do not close by the time a rule goes into effect, are precisely the firms that may be most vulnerable to any economic stress the rule may impose. They believe a more conservative approach is appropriate, that takes into account the inherent uncertainty of projecting baseline closures in the future using survey data. One such approach would count baseline closures among the casualties of the rule, along with closures which, according to Agency modeling, result directly from the added costs of the rule. The Panel recommends that EPA solicit comment on this issue in the proposal, and encourages EPA (resources permitting) to conduct a retrospective analysis to determine the accuracy of past projections of baseline closures.

In general, EPA follows the OMB guidelines for performing economic analysis, takes into consideration lessons learned over the years, and adapts the analysis to the available data and the industry's characteristics. EPA's economic analyses have received significant reviews by both OMB and the affected industries. The Agency feels they are sound and generally conservative, and seeks to base regulatory decision-making on the best, most recent data available. EPA will continue to explore alternative approaches, such as those suggested here by SBA and OMB. Also, based on Panel discussions and SER comments, EPA plans to consider

alternate calculations of compliance costs, including alternate interest rates and amortization periods.

ATTACHMENT A:

**COMPLETE WRITTEN COMMENTS RECEIVED
FROM SMALL ENTITY REPRESENTATIVES**

Uniform & Textile Service Association

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(703) 247-2600

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June 13, 1997

Mr. Susan Burris
Engineering and Analysis Division (4303)
U.S. EPA
401 M Street, SW
Washington, DC 20460

RE: SBREFA Comments - Industrial Laundries Effluent Guideline

The Uniform & Textile Service Association (UTSA) appreciates the opportunity to submit additional comments on the effects of a categorical standard on small business launderers. The additional information distributed by EPA has been helpful but still has not provided us with all that is necessary to adequately judge this regulation's effect on small business. The actual pollutant discharge limits, the most telling piece of information, have not been released. The impact of this regulation cannot be determined without these numbers.

The SBREFA process is designed to allow an industry the opportunity to comment on the impacts of a potential regulation on its smaller entities, prior to the making of decisions. It is also intended to be an open exchange of pertinent information so that each side can make informed recommendations. In this current effluent guideline process, UTSA and other small business stakeholders are at a distinct disadvantage in developing comments. We have had little or no access to the relevant data.

EPA has had the opportunity to evaluate the industry data and develop its own set of conclusions. It is true that this data is industry data; it was provided to EPA by laundries across the country. UTSA and its members have spent considerable time and expense assisting EPA's data collection. However, UTSA and other stakeholders have not had the opportunity to view the data in aggregate, perform analysis nor develop its own interpretations that would support any findings that may differ from EPA. This does not seem to comport with SBREFA's intentions. This may be a function of the timing of the SBREFA process and the effluent guidelines process. Yet, it would seem that regardless of the timing, data relevant to the evaluation of small business impacts should be released to stakeholder at any stage of either process. UTSA suggests that the effluent guidelines process be modified to allow the release of more substantial data earlier in the process.

The following comments are based on a review of released data as well as our participation in the phone conference of June 11. Once again, UTSA hopes that these comments provide the review panel with insight into the problems which small businesses will face if this regulation, in its current form, becomes final.



65th Annual
Convention
Marriott Eaton Centre
Toronto, Canada
September 20-24, 1997

"Keeping Businesses Looking Their Best"

Economic Feasibility

The latest data indicates that the selected wastewater treatment option has a cost-effectiveness (CE) rating of \$528 (in 1996 dollars) per pound of pollutant removed. This is about eight times less cost-effective, on average, than the technologies selected for 26 other effluent guidelines promulgated by EPA (based on Table 5.1, Industry Comparison of Cost Effectiveness Values for Indirect Dischargers.) EPA has explained that they only use CE values to compare and select treatment options and that other factors are used to decide if this regulation is economically feasible. Though this may be the current procedure, UTSA questions its validity.

Because we are a service industry, our service can be provided by other means (i.e. replaced with disposables). Launderers, therefore, also compete with other industries, primarily the pulp and paper industry. UTSA believes EPA has not fully considered the competitive factors involved with reusable and disposable products. The same intense competition which exists between launderers also exists between launderers (who rent textile items) and companies which sell disposable products. In most cases disposables are cheaper than reusables. The additional cost burden on launderers will shift the current balance.

EPA contends that this economic shift has not manifested itself through their data manipulations. With no access to the EPA data on which these conclusions were drawn, stakeholders can not judge or counter this assertion. Additionally, the EPA's data may be characteristic of the present situation, but the injection of a cross-cutting regulation will undoubtedly change the marketplace. This potential change should be evaluated and forecasted, not merely dismissed because it has yet to occur.

100% of launderers are indirect dischargers (as shown by EPA's data), which means that 100% of laundry wastewater is discharged into sewers and treated by the biological processes at the local publicly owned treatment works (POTWs). The National Pretreatment Program, which regulates indirect discharges, is one of the most effective environmental regulations ever. UTSA questions the use of an obviously cost-ineffective treatment scheme to develop regulations for launderers when our wastewater is already adequately regulated and managed by local pretreatment limits and POTWs. This latest data further supports my claim (May 8, 1997 letter) that a laundry industry categorical standards is redundant. The National Pretreatment Program and local limits are adequate to control the actual or perceived impacts which launderers have on POTWs. EPA has presented no documentation of laundry impacts on POTWs or the environment.

EPA has provided no documentation of laundry impacts on POTWs or the environment. They have based their assertion that these impacts exist on anecdotal information. It seems a bit inconsistent that EPA may base certain conclusions about the existing

Ms. Susan Burris
June 13, 1997
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environmental impacts of the situation on undocumented information, while the laundry industry has been asked to provide actual documentation of potential economic impacts from a regulation yet unproposed.

We believe, based on the little information received to date, that EPA's economic analysis underestimates the impact on small business. EPA indicates that their annualization of costs includes the amortizing of wastewater pollution control equipment over 15 years. UTSA believes this to be both incorrect and unrealistic. A quick and informal survey of our membership indicates that launderers classify industrial wastewater pollution control equipment as "machinery & equipment" and thus amortize over ten years (with an actual useful life probably around seven years). EPA classifies industrial wastewater pollution control equipment as "municipal wastewater treatment system." It is obvious to us the difference between municipal and industrial wastewater equipment. The industrial atmosphere, coupled with the higher strength wastes which are encountered, make the useful life of industrial laundry wastewater equipment less than municipal wastewater equipment. This change in recovery period would increase the annualized costs incurred by launderers by between \$8 to \$16K. This is a 22% to 33% increase over EPA's estimated annualized costs.

Enforcement

UTSA agrees that production (lb/yr) is a characteristic to use in classifying laundries and identifying those groups which may suffer adverse economic impact from the regulation. We disagree with the notion that production is the proper characteristic with which to implement and enforce the regulation. As stated at EPA's March 4 public meeting, POTWs believe that a regulation based on production will be burdensome to them. In addition, POTW pretreatment inspectors do not have the knowledge to adequately judge if a facility is properly reporting its production. Finally, it has been brought to my attention, that many smaller laundries, may not even track the weight of items processed, thereby, making production conclusions impossible. This would cause additional problems with the enforcement of the categorical standard as it is proposed. What does the 308 questionnaire data show concerning the collection of production data by small launderers?

During the phone conference, EPA noted that such a regulation relies on the honesty of the regulated entity. Though that may be true, it is not justification for promulgation of a regulation which contains inherent flaws which create opportunities for deception. If we were all honest and good hearted there would be no need for laws and regulations. EPA will be doing a disservice to small launderers, especially the honest ones, by implementing a regulation which requires the tracking of a value difficult for a POTW to assess and so easily falsified.

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June 13, 1997
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Definition/Exemptions

The current standard exempts on-site laundering at industrial facilities. UTSA believes that this will adversely affect small businesses. All industrial facilities, whether private, government or military must comply with this guideline unless such a facility is already covered by an existing guideline. This requirement prevents the loss of business to on-site laundries which would be allowed to discharge their pollutants unfettered by the categorical standard. A common response to this matter by EPA has been that, under the National Pretreatment Program, POTWs have the authority to regulate an on-site laundry and that they can adequately make such a decision when necessary. Our response is, then why regulate any laundry which discharges into a POTW when such confidence exists at the Agency? Why is a distinction between types of business entities being made when the pollutants discharge by all parties are identical? This distinction appears to purposefully unlevel a playing field at a disproportionate disadvantage to small launderers.

Dissemination of Information

Multiple, regional public hearings need to be held in order to facilitate the full participation of the small businesses in the laundry industry and those of its customers.

We hope that the above comments have been helpful. If you should have any questions please contact me at (703) 247-2608 or dunlap@utsa.com.

Sincerely,



David D. Dunlap, REM
Director, Environmental & Regulatory Affairs

cc: B. Keegan
J. Schultz
D. Hobson

h:\dd\dunlap\comments.kr

4/15/97

To: Susan Burris, Project Manager
U.S. E.P.A.
Fax 202-260-7185

From: Jim Vaudreuil
Huebsch Services
Fax 715-836-6863

RE: Industrial Laundries Effluent Guidelines

Dear Ms. Burris,

Thank you for the opportunity to participate in the small business conference call this morning. I was advised prior to the meeting to fax any questions to be addressed. During the conference I made three comments and I was asked to put them in writing for you.

1. My company is a family owned business with 110 employees. We have been required to pretreat our waste water for the past ten years. Our primary competitors are large national chains which operate plants in the Minneapolis St. Paul, Minnesota area. The sewer treatment agency there does not require the industrial laundries to pretreat their waste water. This creates unfair competition. We support a federal standard which will level the playing field. Our concern is that the standard that is enacted is reasonable. If the standards are unreasonable, the additional costs will place reusable textiles at a distinct disadvantage with disposables.

2. E.P.A. officials are welcome to tour our facilities.

3. I appreciate the problem the agency is having trying to provide regulatory relief for very small firms. I am concerned about how some firms that process healthcare or linens will be able to use dilution to avoid pretreatment. How would the agency enforce the pretreatment standards?

I process 1,000,000 pounds of shop towels annually. Could I open a new plant and not have to pretreat at that plant if the poundage stays below the threshold?

Thank you for your consideration,

James F. Vaudreuil

- Rite-Way Cleaners
- 16th St. Car Wash

RITE-WAY

Laundry & Dry Cleaners, Inc.

SINCE 1945

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May 6, 1997

Susan Burris
Engineering and Analysis Division (4303)
U.S. EPA
410 M Street, SW
Washington, DC 20460

RE: Request to convene a SBREFA panel on Categorical Pretreatment Standards

Dear Ms. Burris,

I believe that some of the information you are using to determine the number of "SMALL" facilities may be out of date. In recent years our trade area has seen a continual trend towards acquisition of smaller companies by larger ones, many since the deadline for your initial survey of commercial laundries. I believe that it is principally this survey and your later comprehensive questionnaire upon which you base the number of SMALL facilities in the United States.

To the best of my recollections, I will relate the acquisitions in Kansas (not necessarily in order of occurrence):

- A. Since the initial survey was completed.
 1. Ineeda, a single plant operation in Hutchinson, Ks was purchased by Aramark, who operated the plant in Hutchinson for awhile, but has since closed it. The work is processed in Wichita at the old National Linen facility.
 2. Domestic, a single plant operation in Wichita, Ks was purchased by Aramark. The plant is closed, and the work is being done at the old National Linen facility.
 3. National Linen, a large multi-plant company with a facility in Wichita, Ks was purchased by Aramark. The Wichita plant is still open and is processing work previously done by Ineeda, Domestic and all their combined previous acquisitions.
 4. Todd Uniform, a large multi-plant company with a depot in Wichita was purchased by Aramark. Todd processed the work in Oklahoma City but Aramark processes the Wichita area work at the old National Linen facility.
 5. MUST, a single plant operation in Wichita, Ks was purchased by RUS, who continues to operate the facility.
 6. Wee Care, a single plant operation in Lyons, Ks was purchased by Apparel Master. The plant has been closed and the work is processed at Hoisington.
 7. Winfield Laundry, a single plant operation in Winfield, Ks sold its Uniform, Entrance Mat, Shop Towel, Dust Mop and other related business to Centas. Centas processes this work in Tulsa, Oklahoma. Winfield still processes hospital linen.
 8. Acme Towel, a single plant operation in Manhattan, Ks was purchased by American Linen who processes the work in Topeka, Ks. The facility has been closed.

B. In years prior to completion of the initial survey.

1. Hutchinson Towel & Linen, a single plant operation in Hutchinson, Ks sold to Ineeda. The plant closed and the work was processed in Hutchinson.
2. Quality Laundry, a single plant operation in Pratt, Ks was purchased by Ineeda. The plant was closed and the work processed in Hutchinson.
3. New Process Laundry, a two plant operation in Emporia and Newton, Ks was purchased by Ineeda. Both plants were closed and the work processed in Hutchinson. Ineeda has sold to Aramark and the Hutchinson facility has closed.
4. Scotch Industries, a single plant operation in Lawrence, Ks sold to Centas, who operated the plant in Lawrence for awhile, but has since closed it. The work is processed in Olathe.
5. Suburban Laundry, a two plant operation in Hoisington and Hays, Ks, was purchased by Apparel Master. Hays was closed and Hoisington is still in operation.
6. Triple A, a single plant operation in Moundridge, Ks was purchased by Apparel Master. The plant was closed and the work is being done at Hoisington.
7. Dodge City Laundry, a one plant operation in Dodge City, Ks sold to Western Towel & Uniform. They continue to operate the facility.
8. Whites Laundry, a one plant operation in Garden City, Ks sold to Western Towel & Uniform. The plant was closed and the work is done in Dodge City.
9. Goodland Laundry, a one plant operation in Goodland, Ks sold to Western Towel & Uniform. The plant was closed and the work is done in Dodge City.
10. Keep Kleen, a two plant operation in Wichita and Hutchinson, Ks sold to Wichita Towel & Linen. Both plants were closed.
11. Wichita Towel & Linen, a single plant operation in Wichita, Ks, sold to Domestic that has since sold to Aramark. Both the Wichita Towel and Domestic plants are closed.
12. Peerless Laundry, a single plant operation in Wichita, Ks, sold to National Linen, a company that has since sold to Aramark.
13. Rather than rebuild after a fire, Manhattan laundry a single plant operation in Manhattan, Ks, sold its accounts to American Linen. The work is processed in Topeka.
14. American Uniform, a two plant operation in Wichita and Hutchinson sold to Misco. The plant in Hutchinson was closed and all work done in the Wichita facility.
15. Misco, a one plant operation in Wichita sold to Servisco. They operated the facility.
16. Servisco sold the Wichita facility to American Linen. The plant is still in operation.
17. Laundry in Anthony, Kansas sold to a firm that I cannot identify. The plant is closed.
18. Laundry in Great Bend, Kansas sold to a firm that I cannot identify. The plant is closed.

To summarize the above: Eight facilities now operate where there were once at least thirty, and Aramark alone operates one facility in the place of eleven. I am aware of operations in the western half of the State, but I'm sure that many plant sales have occurred in areas I am less familiar with. Over the years, many other facilities have closed as the larger companies have priced them out of business. For example, Salina, Ks (50,000 population) used to have two laundries and now has none. To the best of my knowledge, In Kansas only three independent companies remain that launder products affected by the proposed Categorical Pretreatment Standards. They are:

1. Western Towel & Uniform of Wichita, Ks: Western is a family owned business. They service the entire state of Kansas through their plants in Wichita and Dodge City. Even though Western is an independent, they are quite large in comparison.
2. Rite Way Laundry & Dry Cleaners Inc. of Concordia Kansas: A third generation family business that is processing about 1,014,000 pounds of industrial and 1,344,000 pounds of healthcare annually. Most of our healthcare work comes from one organization. If we were to lose this healthcare account, we would barely be over the proposed exemption level. Our

wastestream concentration would significantly increase and pretreatment would become an immediate necessity. Please refer to my previous letter for what I believe will be the impact of compliance.

3. O'Dell's of McPherson, Ks: A second generation family business that is considerably smaller than Rite Way. I am certain that under the proposed exemption level, they will not be required to pretreat.

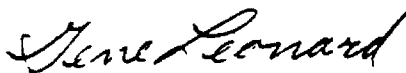
Supply companies are also impacted by the closing of smaller facilities. Large corporations negotiate directly with chemical companies, hanger manufacturers, equipment manufacturers and other suppliers to the industry. This takes away volume from our supply companies/distributors and most have eventually gone out of business. For example, we used to have three chemical supply firms call on us and now we have just one that services our area. I only know of two that service the State, one in Wichita and one in Kansas City, Missouri.

In our April 15th conference call, you stated that if we apply the Small Business Administration definition of SMALL, our industry is dominated by SMALL businesses. I suggest that the high number of acquisitions occurring over the last few years have significantly altered the number of SMALL laundries actually in operation. This trend has been a cancer throughout the United States and is continuing yet today. Instead of just counting the number of facilities when you consider the impact of SMALLS, please compare the poundage they process as a group against the poundage processed by large firms. As attrition continues to erode the number of SMALLS, their impact to the environment will be even less of a factor..

Once again I must state that I believe these regulations have the potential to put us out of business. There is a significant "gap" between those that will be exempt, and the size at which a company will be able to absorb or pass on costs of compliance. Those that fall into the "gap" will be forced to close prior to compliance date because they cannot be competitive at the prices they will need to charge. Please reexamine the proposed exemption level and either raise it significantly or stage different levels of treatment as industrial poundage increases.

Please don't let the EPA hurry the demise of the few SMALL laundries left. To the best of my knowledge, Kansas is already down to two. I urge you to convene the SBREFA panel to look into this further.

Respectfully,



Gene Leonard
President

CC:

Senator Pat Roberts
Senator Sam Brownback
Senator Christopher Bond
Representative Jerry Moran
Representative David McIntosh
David Trimble - Textile Rental Services Assn.

May 14, 1997

TO: Susan Burris, Project Manager

FROM: Marcia Y. Kinter, Vice President-Government Affairs
Screenprinting and Graphic Imaging Association
International

RE: Industrial Laundries Effluent Guidelines

**Screenprinting & Graphic Imaging
Association International**

10015 Main Street, Fairfax, Virginia 22031-3489 USA

Telephone: 703-385-1335 • Fax: 703-273-0456

Web-site: <http://www.sgia.org>

E-mail: sgia@sgia.org

Marcia Y. Kinter

I apologize for the tardiness of my response to your memo of Feb. 20, 1997 to the Small Entity Representatives regarding the proposed effluent guidelines for industrial laundries. I offer the following brief comments to you in hopes that you can still utilize the information.

You requested information on the number of small entities to which the rule will apply. Due to the fact that the membership of the Screenprinting and Graphic Imaging Association International (SGIA International) is not composed of industrial laundry facilities, the initial impact of this new regulation will be minimal on the small screen print facility.

You have also requested information on the projected reporting, recordkeeping and other compliance requirements of the proposed rule. While the rule does not directly impact the small printing facility, we are concerned with the possibility that the proposed rule on effluent guidelines for laundry facilities will contain requirements that may indirectly impact the printing industry. During the teleconference held on April 15, 1997, it was mentioned that 90 percent of the laundries' pollutants come from used shop towels. Since a major user of shop towels within the industrial setting is the printing industry, we have concerns that requirements regarding whether or not laundry facilities will accept used shop towels will be included in this rulemaking thereby creating an unknown regulatory burden on the small printing industry. Inclusion of provisions regarding "best management practices" for shop towels or any type of language indicating the acceptance state of used shop towels should not be included in this regulatory activity.

My rationale for this position lies in the fact that the printing industry is currently working on a project with the Agency's Office of Solid Waste regarding the use and disposal of used shop towels, both reusable and disposal towels. Your third comment asks for information regarding other Federal activity that might overlap or conflict with the proposed rule. Inclusion of any type of language in the effluent guideline that might appear to set standards for the acceptance and management of used shop towels from the end user's, i.e., the printing facility, point of view would be in direct conflict with the current effort being undertaken by the Office of Solid Waste on this issue. We would recommend that the Office

of Water continue to work with the Office of Solid Waste on the development of a program that seeks to clarify the U.S. EPA's policy position on used shop towels, and not attempt to include any type of regulatory language in the effluent guideline proposal that may conflict with current efforts.

Thank you for including SGIA International as one of the Small Business Entities for this proposed rulemaking, and we look forward to continue working with you in this capacity.



NATIONAL AUTOMOBILE DEALERS ASSOCIATION
8400 Westpark Drive • McLean, Virginia 22102
703/821-7040 • 703/821-7041

Legal & Regulatory Group

April 18, 1997

**Ms. Susan Burris
Engineering and Analysis Division (4303)
U. S. Environmental Protection Agency (EPA)
401 M Street, S.W.
Washington, D.C. 20460**

**Re: Industrial Laundries Effluent Guidelines Small Business
Regulatory Enforcement Fairness Act (SBREFA) Process**

Dear Ms. Burris:

The National Automobile Dealers Association (NADA) is a national trade association of 20,000 franchised automobile and truck dealerships involved in the retail sale of new and used motor vehicles, both foreign and domestically produced. NADA members also engage in automotive service, repair and parts sales. Over 80% of NADA's members are "small businesses" as defined by the Small Business Administration.

I want to thank you for allowing NADA the opportunity to participate in the April 15 Industrial Laundries Effluent Guidelines SBREFA meeting. It seems clear from the discussion that EPA has not yet determined whether to certify that the Guidelines "will not, if promulgated, have a significant economic impact on a substantial number of small entities." NADA urges EPA to continue to carefully consider small business concerns prior to developing its proposed Guidelines in order to eliminate any significant impacts on a substantial number of small businesses and the need to convene a formal SBREFA Review Panel.

EPA has correctly identified both that the overwhelming majority of industrial laundries potentially subject to the Guidelines are small businesses and that they will be adversely impacted. EPA's Guidelines also will impact on the many small business customers of these laundries. Thus, if promulgated, they will impact on "a substantial number of small entities." For example:

1. EPA's performance-based Guidelines will likely result in new and costly pretreatment technologies. Small business customers faced with price increases resulting from the implementation of these new technologies can be expected to explore alternatives (i.e., disposable rags and wipes), with laundry revenues decreasing commensurately.

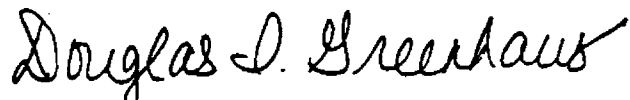
Ms. Susan Burris
U. S. Environmental Protection Agency (EPA)
April 18, 1997
Page 2

2. EPA's Guidelines are also likely to result in the adoption of pollution prevention strategies. These strategies may require laundry customers to remove contaminants from materials (i.e. solvents from rags and wipes) prior to sending them on to laundries. Such up-front pollution "prevention" will involve economic impacts on small business.
3. EPA's Guidelines will likely involve new RCRA, Superfund, and Clean Air Act liabilities, compliance costs, and burdens for laundries and/or their customers.

EPA should recognize, account for, and where possible address the above-listed concerns in its pre-proposal analysis and regulatory development. Although the Effluent Guidelines will clearly impact on a substantial number of small entities, it is possible for EPA to take steps pre-proposal to ensure that these impacts not be "significant." Otherwise, a formal initial regulatory flexibility analysis will have to be prepared and a formal SBREFA panel will have to be convened.

NADA recognizes that small business will be afforded an opportunity to provide substantive comment to EPA once the Guidelines are actually proposed. EPA must recognize that its proposal and SBREFA will best be served if small business' concerns are addressed early on in the regulatory development process. On behalf of NADA, I thank EPA for the opportunity to comment on this matter.

Respectfully submitted,



Douglas I. Greenhaus
Director, Environment, Health and Safety

cc: Tom Kelly, US EPA

• Rite-Way Cleaners
• 16th St. Car Wash

RITE-WAY

Laundry & Dry Cleaners, Inc.

SINCE 1945

P.O. Box 328
Concordia, KS 66901

(913) 243-1432
FAX (913) 243-7808

March 7, 1997

Susan Burris
Engineering and Analysis Division (4303)
U.S. EPA
410 M Street, SW
Washington, DC 20460

RE: SBREFA comments - Effluent Limitations Guidelines/Standards for Industrial Laundries

Dear Ms. Burris,

Rite-Way is a third generation family business started by my Grandfather in 1945. I have been involved in the industry since 1968 and during that time, have seen most small operators either squeezed out through price wars or be bought out by larger, mostly national companies. There are relatively few of us left! The proposed Categorical Pretreatment Standards have the potential to eliminate the remaining small laundries in the United States, and I have serious concerns with the proposed subcategorization defining small facilities. EPA has tentatively settled on less than one million pounds as being exempt from regulation, however you have considered different methods and I need to address each of them so that you are aware of the difficulties they create for "SMALLS". I will use our own facility as representative of the problems and address the scenarios presented at the March 4th meeting.

First is revenue. You considered exempting facilities with less than \$1 million in annual revenues. We are currently at about \$1.15 million in sales, so we exceed that limit. The \$1 million level is considerably less than the number used in other federal programs to define a "SMALL" business; for example, the SBA considers \$10.5 million as the limit for a small laundry (section 601 of the small business act). Our industry is dominated by large multi-state and national companies and we are indeed a very small operation. In Kansas I know of only one smaller operation that processes shop towels and uniforms. The company next up in size is an independent that is large and covers the entire state. To my knowledge, all the rest are major national companies.

Second is number of employees. You considered exempting facilities with 30 employees or fewer. Counting myself we currently have 27 full and one part time, so we are less than the limit. Consider the following:

1. Small operations typically have less automation and use more employees per pound of product produced than will a larger firm.
2. Consider that many small firms are located in rural areas. These firms drive more miles to service a customer and require more drivers to pick up and deliver the same pounds of product as will a company located in an urban area.
3. A large percentage of the poundage we process is from hospitals or other healthcare related customers. This type of work commands a lower price and requires more hours of labor per pound of product produced than will shop towels or uniforms. If

small firms are forced out of health care their customers will face problems, especially in rural areas where they may not have another commercial alternative. If they are unable to send soiled linen off premise, small clinics and mortuaries will have difficulty in complying with the laundry requirements of OSHA's Bloodborne Pathogens Rule. Hospitals may have to install on premise laundries, incurring significant expense at a time when rural healthcare is already in financial crisis. An even less desirable solution would be for each of these facilities to begin using disposables, creating more solid waste problems.

Third is flow and fourth is production. These two issues are so interrelated that I will address them together. You proposed that facilities with less than 265,000 gallons per year of wastewater flow or one million pounds of laundry per year be exempt. This year we expect to consume over 8,300,000 gallons of water to process 2,360,000 pounds of laundry. If we consume 4% of our water in personal hygiene and other in plant needs, we will use approximately 8,000,000 gallons in laundry processing. If 90% of that total becomes wastewater, we could have over 7,000,000 gallons of effluent to treat. The following is a breakdown of pounds processed by product type and percent of sales

%	PRODUCT TYPE	POUNDS	TOTALS
30.0%	Healthcare (customer owned linen)	1,344,395	
4.5%	Motel & similar	107,506	
11.1%	Restaurant & Grocery linen	178,464	
45.6%	Subtotal of pure linen items		1,630,925
15.2%	Entrance mats	403,401	
6.5%	Dust mops	86,007	
15.9%	Uniforms	145,125	
7.8%	Shop Towels	93,355	
45.4%	Subtotal of EPA items of concern		727,888
9.0%	Outright sales of garments, loss charges, finance charges & misc.		
100.0%	TOTAL OF ALL POUNDS PROCESSED		2,358,813

Please note that Healthcare accounts for 30% of our sales and 57% of our pounds processed.

Using ours numbers, which are obviously heavy with labor intensive healthcare laundry, there does not appear to be a relationship between the various subcategories being considered. The use of one million pounds per year as a limit has the following problems when comparing it to the other proposed limits:

1. It cannot generate enough dollars in sales to pay the salaries of 30 employees.
2. As an industry, most firms cannot generate \$1 in revenue for a pound produced, as you seem to anticipate with the use of 1 million pounds or \$ 1 million in sales.
3. I have not seen a facility that can produce 1 million pounds with only 265,000 gallons of wastewater flow (.265 gallons per pound). We average 3.4 gallons to produce a pound. While we may not be as efficient as some plants, I don't believe we use 12 times as much as others. Please see the attached copy of a page from an equipment manual. This chart displays the gallons required to process different types of laundry, with hospital at three and industrial at four gallons per pound of work processed.

At the March 4th meeting you stated that "the cost increase to customers as a result of compliance will be minimal". In trying to determine our cost for compliance, some pretty

frightening numbers have come up. Our best estimate is that we will need to spend around \$500,000 in purchasing and installing a pretreatment process. We will need one additional full time person to oversee and maintain its operation. Ongoing costs of operation are in the range of 3 1/2 to 4 cents per gallon of treated effluent. To finance the original investment over ten years @ 9%, our monthly payment will be \$6,333.80. If we split our waste stream and treat only 31% of our effluent at the minimal 3 1/2 cents per gallon, our monthly cost will be \$6329.16. Maintenance on the system, cost of the additional employee and local property taxes will total another \$70,000. Total annual cost comes to \$221,950, over 19% of our annual gross. I do not believe that our customers will consider a 19% increase in prices to be "minimal". It is also not likely that we could arrange financing for the original investment of equipment and installation.

Economy to scale plays a significant part in any laundry's ability to absorb the cost to comply with the new regulations. Using the proposed definition of "SMALL", I believe that there is a significant gap between those that will be exempt, and the size at which a company will be able to absorb or pass on costs of compliance. Those that fall into the "gap" will be forced to close prior to compliance date because they cannot be competitive at the prices they will need to charge. I recommend the following:

1. Allow the local Publicly Owned Treatment Works facility to determine if the laundry is contributing pollutants that constitute a problem for the facility to treat. Require regular testing by the laundry at their expense, testing to be performed at the point of discharge into sewer line. If the local POTW determines that they can treat the effluent to EPA standards then the laundry does not have to pretreat, regardless of size or volume.
2. Use concentration based limits. As a matter of survival, most "SMALL" laundries produce a mix of linen and industrial. Linen is not of concern to the EPA and concentration based limits allow for the mix of product types. Concentration based limits will be easier for all regulating agencies to monitor compliance. Larger firms within the industry will urge for "massed based limits". Because of local POTW limits, many of these firms are already in compliance with what the new categorical regulations may require under the massed based method. Since massed based limits are more difficult to comply with, these firms recognize that most "SMALL" firms will not be able to comply, forcing them out of business and creating a windfall of new business opportunities. These closures will reduce competition and possibly create higher prices with a reduced level of quality.
3. If revenue is used, raise the limits to \$ 3 million. At this volume a facility may be able to afford installation and maintenance of a treatment operation.
4. If number of employees is used, raise it to at least 50. This number has been used in other regulations, such as the Family and Medical Leave Act, to define companies exempt from regulations.
5. If poundage is used, raise the limit to 4 to 6 million pounds. We generate about 72 cents per pound in the "EPA items of concern" listed above, and 49 cents overall. Healthcare is being done at 27 cents per pound. It takes 6,000,000 pounds at 49 cents or 4,000,000 pounds at 72 cents to raise the sales volume to \$ 3 million. At 72 cents, your proposed 1,000,000 pounds limit will only raise \$720,000 and a pretreatment system cannot be supported with that sales volume.
6. Do not use gallons of wastewater as a measure of "SMALL". It is not a good indicator. Different laundries have vastly different product mixes, and some products require more water per pound processed than others. Small laundries are not as efficient with water use as are their larger counterparts. At your

proposed 265,000 gallons and our consumption rate, we could only bill for 77,941 pounds. Our average price of 49 cents would generate only \$38,191.09.

7. Eliminate the OPL or CoOp laundry exemption for facilities that process anything other than "pure linen". Any laundry contributing pollutants to the wastestream which creates a compliance problem for the local treatment facility, should be covered by this regulation. If the intent of the regulation is to reduce pollution, any facility that meets the criteria should be covered, including but not limited to prisons and military bases.

You stated at the March 4th meeting that 90% of a laundries wastewater problem comes from shop towels. If 90% of the problem comes from shop towels, why not regulate just shop towels. The cost to the regulating community and the industry would be significantly less and the "big" problem is solved.

I recognize that you fear a facility gearing up to produce as much as 999,999 pounds of shop towels a year, be exempt and create a terrible concentration problem for the POTW. Less than 4% of our gross poundage comes from shop towels and because of the interrelationship of our products to customers we cannot give it up and maintain our customer base. Please don't allow the "fear" of a few trying to circumvent the regulations cause you to create an unnecessarily burdensome set of regulations.

Rather than be forced out by the pretreatment standards I could sell my rental business to one of the major players in our industry. They would pay us a good price and I could let someone else deal with all the headaches. The problem is that they will close our plant and truck everything in from Topeka or Wichita. Ours is a small community of less than 6000 population and we serve 33 other rural communities, some with populations as small as a few hundred. Some of the services we offer would not continue to be offered and some of the towns would not continue to be served by a larger national company. Very few of our employees would be offered positions and our community would lose a significant employer.

Our City Water Treatment Facility has received awards for the level of treatment they achieve, even though we have been processing shop towels and uniforms. The wastewater we currently produce is apparently not a problem. Given that, please consider the following: If we are forced to sell out or close because of the new regulations, how will the USA, Kansas or Concordia in particular be better off by processing our laundry in Topeka or Wichita.

Respectfully,

Gene Leonard

Gene Leonard
President

CC:
Senator Pat Roberts
Senator Sam Brownback
Senator Christopher Bond
Representative Jerry Moran
Representative David McIntosh
David Trimble



TEXTILE RENTAL SERVICES ASSOCIATION OF AMERICA

Representing The Textile Rental Industry: Linen Supply, Uniform Service, Duet Control, And Commercial Laundry Services



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Environment

ROBERT SPENCE

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Long Range Planning

JIM DIVERS

DON DENNING

Marketing

MAX STETNER

Meetings

PAT DEMPSEY

Membership

LARRY STONER

Recognition

TIM TOPORNICKI

Standards

ROGER COOKNER

Research & Development

RANDY BARTSCH

Strategic Management

ROBERT BUCHMOLTZ

Textile Management

JIM POMERANZ

Textile Specifications

June 16, 1997

Ms. Susan Burris

U.S. EPA

Office of Water (4303)

Engineering and Analysis Division

401 M Street SW

Washington, D.C. 20460

Dear Ms. Burris:

The Textile Rental Services Association of America (TRSA) would like to submit the following comments in response to our conference call held on Wednesday, June 11. In reviewing further the packet of information you supplied for the conference call, several issues and questions have come up.

In your document, you state that EPA recommends basing the categorical standards on a treatment technology using chemical precipitation. Could you provide more detail in terms of what this technology consists of and how it differs from a DAF treatment system, excepting the introduction of dissolved air.

Second, could you provide more detail on what you mean by treated effluent allowable long-term average, as discussed on page 5 under the sixth bullet. The statement seems to be implying that redundant treatment is needed. If non-treated streams are being treated properly by the POTW why require pretreatment?

Third, on page 7 you use total post-tax annualized cost. This concept is confusing. Could you provide a more detailed explanation of what this cost is as I have had several questions about it and I can't explain it properly.

In addition, for tax purposes, the wastewater equipment could not be depreciated for more than ten years. EPA's use of a 16-year amortization period is therefore not appropriate and wrong. The per annum cost to the laundries should be revised to reflect a 10-year amortization period to more accurately reflect annual industry costs and practices.

Ms. Susan Burris

June 13, 1997

Page 2

Please explain why the capital cost for the DAF-a system is less than that for the CP-a system, yet the total annualized cost for the DAF-a is significantly greater than the CP-a system.

Regarding the organics control option discussed on page 16 under Regulatory Strategy, is this option considering just the use of BMPs and dry cleaning or tumbling to remove organics, with no categorical standards applied? Or will categorical standards be developed based on the removal of solvents by these methods or in combination with chemical precipitation?

Finally, as stated before, TRSA is concerned that EPA's proposed definition of an industrial laundry will push textile rental customers to use disposables, to purchase textile items and install their own OPLs, or to switch to home laundering since these operations are specifically excluded from the regulation as proposed. POTW operators also have expressed similar concerns with the definition because they would face numerous uncontrolled discharges rather than a limited number of regulated laundries. TRSA recommends changing the industrial laundry definition as proposed by EPA to the following—*Any non-regulated facility that launders industrial textile items from off-site or on-site sources*. This definition would cover any laundry, including on-premise, cooperative, or not-for-profit laundries, that process a regulated textile item. It would establish an even playing field and close loopholes that would allow a facility to install its own on-premise laundry and be excluded from the regulation, regardless of what items are being processed. In addition, it would give no incentive for customers to switch to cooperative or nonprofit laundries such as Veterans Affairs (VA) laundries since there would be no market advantage to do so. This definition also provides the greatest environmental benefit because it would cover discharges from all laundries that process regulated industrial items rather than just a portion of the laundries as the existing proposed definition does.

TRSA appreciates the opportunity to comment on these issues and supports EPA's attempt to address small business concerns before the proposed rule is issued. If you have any questions, please contact me at 202/853-6395.

Sincerely,



David C. Trimble

Manager

Environmental Affairs

DCT/ss

Uniform & Textile Service Association

May 8, 1997

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Mr. James Covington
Engineering and Analysis Division (4303)
U.S. EPA
401 M Street, SW
Washington, DC 20460

RE: Comments on Proposed Laundry Categorical Standard Relative to SBREFA

The Uniform & Textile Service Association (UTSA) would like to submit the following comments discussing the affects of the proposed laundry categorical standards on small business. UTSA hopes that these comments provide the review panel with greater insight into the potential problems for small businesses.

UTSA and the industry in general have had access to little of the information upon which the EPA and others will make their decisions relative to this regulation's affect on small business. We find this situation disconcerting because we have spent a great amount of effort in assisting the Agency in gathering this data. We have not seen the data nor any of EPA's interpretations. One of SBREFA's important goals is to involve small business as early as possible in the regulatory process. UTSA believes that access to this data would allow the higher involvement of small business which the government seeks.

Because of the lack of data, suggestions concerning the affects of this regulation on small business have been difficult to make. Therefore, we have also posed many questions which we hope will encourage further investigation.

- The SBREFA review panel should not just consider small laundries but also the many small businesses which launderers service. Launderers provide service to many small businesses including printers, food establishments, health services, contractors, manufacturers, retail sales and automobile repair shops. Laundries touch the entire business community and thus any affects which categorical standards have on the laundry industry may be felt by the many small businesses in the other industries which we service.
- All small launderers, in fact all launderers no matter their size, are indirect dischargers and thus already burdened with the responsibility and costs associated with complying with the National Pretreatment Program and local pretreatment limits. In today's atmosphere of heightened environmental awareness, local pretreatment limits are tighter thus making categorical standards redundant for an industry which sends all its wastewater to publicly owned treatment works. Categorical standards are just another administrative and bureaucratic burden adding costs to a small businesses' bottom line.



65th Annual
Convention

Marriott Eaton Centre
Toronto, Canada
September 20-21, 1997

"Keeping Businesses Looking Their Best"

Mr. James Covington

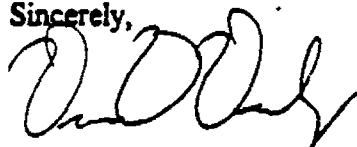
May 8, 1997

Page 2

- The Agency has proposed a 1 million lb./yr. threshold, below which a facility would be exempt from the categorical standard regulation. How does a laundry prove its small business status and how does a regulatory authority consistently confirm this status with any confidence?
- Over what time period does a business determine its status? Will a business use the most recent fiscal year's data or multiple years?
- Is this exemption based on a facility's size or a company's size?
- Is the currently proposed 1 million lb./yr. exemption based on soiled or clean weight?
- Is it the Agency's intentions to exempt all facilities which process less than 1 million lb./yr. even if said facility processes 100% shop towels? Such a facility could be discharging a greater mass of pollutants than a facility 10 times its size which only processes 10% shop towels.
- How will this exemption be enforced by the local wastewater treatment authority?
- How does an exempt facility's status change when it exceeds the 1 million lb./yr. threshold? Does it become a new source or revert to an existing source?
- The Agency needs to ensure the enforceability of any exemption. A threshold based on something other than production (lb./yr.) may create a more feasible enforcement scenario which is then less burdensome to the local authority and launderer. The threshold must be based on a characteristic which the local authority can easily measure [e.g. wastewater flow rate, number of washers or design capacity of the washers (lb./load).]

UTSA has not had enough time to poll its membership and committees to determine its final position on a small business exemption from the categorical standards regulation. We hope though, that the above comments have been helpful. If should have any questions please call me at (703) 247-2608 or dunlap@utsa.com.

Sincerely,



David D. Dunlap, REM
Director, Environmental & Regulatory Affairs

cc: S. Burris
B. Keegan
J. Schultz
D. Hobson

Attachment

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TEXTILE RENTAL SERVICES ASSOCIATION OF AMERICA

Representing The Textile Rental Industry: Linen Supply, Uniform Service, Dust Control, And Commercial Laundry Services



Headquarters:

1130 E. BEACH BLVD
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Meetings
PAT DEMPSEY

Membership
LARRY STEINER

Nominating
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Plant
ROGER COCIVERA

Research & Development
RANDY BARTSCH

Strategic Management
ROBERT BUCHHOLTZ

Textile Management
JIM POMERANZ

Textile Specifications

June 10, 1997

Ms. Susan Burris
Engineering and Analysis Division (4303)
U.S. EPA
401 M Street, SW
Washington, D.C. 20460

Sent via facsimile

Dear Ms. Burris:

Attached is a copy of my letter dated May 8, 1997 concerning small business issues related to the industrial laundry effluent guidelines. Evidently the original was lost in the mail. I also have sent another original in the mail.

If you have any questions, please contact me at 202/833-6395.

Sincerely,

David C. Trimble
Manager
Environmental Affairs

DCT/ss

Enclosure



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May 8, 1997

Ms. Susan Burris
Engineering and Analysis Division (4303)
U.S. EPA
401 M Street, SW
Washington, D.C. 20460

Dear Ms. Burris:

The Textile Rental Services Association (TRSA) would like to submit the following comments in response to your letter concerning the potential effects the industrial laundry effluent guidelines may have on small businesses. In your letter you asked for responses on four items and I have addressed these below.

- 1) EPA's data (from the March 4 meeting) indicates that 96% or 1,682 facilities are considered small business using the Small Business Administration's definition of \$10.5 million in revenues for laundries. These facilities are typically mixed plants, processing both linen and industrial items and so the vast majority of these facilities will fall under the effluent guidelines and categorical pretreatment standards.

TRSA and the industry do not have much of the data that EPA has collected to assess the potential effects this regulation may have on small laundries. In addition, I have had time to obtain input but from a limited number of companies. Therefore, it is not possible to fully assess the potential impact the effluent guidelines may have on the industry. However, approximately 167 facilities would be excluded under EPA's proposed one-million-pound annual production exemption threshold, leaving 1,515 facilities potentially affected. It is likely that at least 90% of these facilities are mixed plants, which means approximately 1,364 facilities are potentially affected by the regulation. Assuming 50% of the facilities would have to put in some type of treatment system, the cost of compliance for small business laundries exceeds \$100 million, based on a cost of \$150,000 for a treatment system. Considering this analysis, it appears that this regulation will have a significant impact on small entities.

In addition, this proposed rule will affect textile rental customers, many of which are small businesses too. These customers will face price increases resulting from the installation and operation of pretreatment systems in the

Ms. Susan Burris
May 8, 1997
Page 2

laundries, forcing them to consider other alternatives such as on-premise laundries, direct sale items with employees laundering their own uniforms at home, or switching to disposable items. EPA needs to evaluate these small business effects too.

While TRSA supports a small business exemption, it is not possible to make an informed decision as to whether the 1 million pound threshold is an appropriate level for such an exemption, or whether production is the right parameter to use for such an exemption. It is recommended that EPA provide information to TRSA and the industry on how this exemption threshold was derived so the industry can comment further on the subject.

- 2) Because of the lack of data, it is difficult to tell at this time what the potential impact the reporting, recordkeeping, and other compliance requirements of the proposed rule will have on the industry. However, it is known that many of these small businesses lack the skills and resources to comply with the reporting and recordkeeping requirements because many of these operators have not had to keep such records in the past. A lot of training will be needed to bring these operators up to speed and most do not have the time to devote to this type of training and run their businesses too.
- 3) & 4) All textile rental companies are indirect dischargers that must comply with the requirements of the National Pretreatment Program (NPP) and local pretreatment limits. Categorical pretreatment standards will only add another level of bureaucracy and increase compliance costs for both the industry and publicly owned treatment works (POTWs) while having minimal beneficial effects on the environment.

Many POTW operators have said that this regulation is unnecessary because they feel they can control wastewater discharges from laundries under the existing regulations. In fact, many laundries do not currently have pretreatment systems installed because the POTWs can properly treat the effluent. The categorical standards will require many of these laundries to install expensive pretreatment systems that only serve to duplicate the operations of the POTWs. It was not Congress' intent to require duplicative treatment when it passed the Clean Water Act.

Ms. Susan Burris
May 8, 1997
Page 3

EPA should put its efforts into revising the NPP to address issues that will make it easier for POTWs to deal with industrial dischargers under the existing programs instead of unnecessarily imposing further compliance requirements and costs on industry. To minimize the economic impact of the proposed rule on small businesses, EPA should issue a finding that categorical pretreatment standards are not necessary for the textile rental industry.

TRSA appreciates the opportunity to comment on this issue and supports EPA's attempt to address small business concerns before the proposed rule is issued. If you have any questions, please contact me 202/833-6395.

Sincerely,



David C. Trimble
Manager
Environmental Affairs

cc: John Contney, Executive Director, TRSA

ATTACHMENT B:

**REPORT OF THE CONFERENCE CALL
WITH SMALL ENTITY REPRESENTATIVES
FOR INDUSTRIAL LAUNDRIES**

Attachment B

Report on the Conference call with Small Entity Representatives for Industrial Laundries

The Small Business Advocacy Review Panel held a conference call with the Small Entity Representatives (SERs) for the proposed Industrial Laundries Rule on June 19, 1997.

The purpose of the conference call was to allow the Panel members an opportunity to speak with the SERs directly, to hear their concerns, and to discuss possible alternatives regarding exemptions or other means to minimize impacts. A list of the participants is attached.

The meeting began with Tom Kelly, the Panel chair, introducing each person in the room and allowing the SERs to introduce themselves. The SERs raised the following issues and concerns:

David Dunlap, USA. Concerns are: (1) the exemptions of OPL's (On-Premise Laundries) and possible market shifts, (2) Not having adequate information to make a decision on possible cut offs for small businesses (3) Difficulty of enforcing a proposed production cut off. (4) Economic feasibility of the industrial laundries proposed rule.

David Trimble, TRSA. Supports comments made by Mr. Dunlap. Additional concerns: (1) Record keeping problems in the uniform rental business on pounds of production, (2) Needed clarification on the differences in technology options (DAF vs. CP), (3) Use of the 16 yr amortization for capital costs, suggests 10-yr is industry standard.

Marcia Kinter, SGIA. Noted that her association does not represent industrial laundries, but was concerned about: (1) possible secondary impacts, (2) Will the rule require any BMPs to printers or industrial laundry customers. (2) Will this rule have overlapping issues with OSW and their project on shop towels.

Gene Leonard, Rite-Way, concerns are (1) Accuracy of the estimated numbers of facilities (including small businesses) affected by the rule EPA is claiming to be in scope. (2) Disagrees with the 16 year amortization, and with 9% interest.

Douglas Greenhaus, NADA. Concerns are: (1) Secondary Impacts on customers (2) Customers may turn to disposables.

The Panel had several questions for the SERs:

Kevin Bromberg, SBA, inquired about hiring additional people for operation of a wastewater treatment system.

Gene Leonard responded that he would have to hire an additional person to operate the system and he believe this was the case for other facilities that currently have a pretreatment system.

Kevin Bromberg asked if small businesses could afford an annual cost of \$50,000?

Gene Leonard said he could afford an annual cost of \$50,000 but believes that \$50,000 is too low of an estimate for the recommended technology .

Kevin Bromberg also wanted to know if there is a better way to distinguish small businesses than on a production basis.

-David Dunlap said production is hard to measure and enforce. Suggested that flow (which is already monitored by POTWs) or revenue might be better basis for exemption.

Jim Laity, OMB, asked about using revenue instead of production as a basis for identifying small businesses.

-Gene Leonard said production is the best measure compared to flow, employment or revenue

-David Dunlap commented about not having enough data to make a cut off decision. He is concerned about a permit writer's ability to obtain production numbers from facilities.

-Gene Leonard said that production is the best way to determine cutoffs but agreed that determining pounds produced may be a problem.

-Both Gene Leonard & David Dunlap suggested that entrance mats should be taken off the list as possible items to regulate.

-David Dunlap suggested that EPA should only be concerned with soluble pollutants; if a pollutant doesn't pollute the water, it should not be a concern.

-Tudor Davies, EPA, responded that sludge can be contaminated by loose metal and grime and that solvents can be transferred to sludge.

Kevin Bromberg asked about regulating just those materials that have a high toxic content--the heavy materials, for example.

-Marv Rubin, EPA, discussed the difficulty of trying to set separate limitations for heavy materials versus light materials. EPA encountered problems in making this distinction in the analysis of the technology performance data, since the facilities sampled for treatment of heavy items only did not necessarily treat wastewater from items included in the draft regulatory definition.

-Gene Leonard commented that regulating heavy only may force small businesses to get out of that part of the business.

Jim Laity asked about the EPA hazardous (solid) waste regulation of shop towels on site (at the point of use and in transit to laundry). Marv Rubin explained the coordination between the Engineering and Analysis Division and the Office of Solid Waste and that EPA would continue

to talk with Jim O'Leary in OSW, who is working on the shop towel report, and is a member of the workgroup on the Industrial Laundries Effluent Guidelines.

Jim Laity, asked how will the 255,000 pounds of heavy only exemptions will impact small entities.

- Marcia Kinter and Douglas Greenhaus explained how their industry already has voluntary BMPs under which shop towels may not be used to clean up liquid hazardous spills. They already have a requirements prohibiting free liquids in towels sent for laundering.

- David Dunlap commented that regulating just shop towels would lessen the impacts on small entities. He agrees, however, that it would be difficult to separate the heavy from the light.

Kevin Bromberg was concerned about OPLs being a problem and how RCRA may change the current practices of items going to laundries.

- Marcia Kinter discussed her concerns with OSW Report on shop towels (disposable and reusable).

- David Dunlap also discussed industry wide practices and enforcement on customers. Competition with disposables. Worried about increase cost of laundering reusable and OSW action that might deregulate disposables.

- Marcia Kinter explained what she expects the OSW report or possible rule would require her type of industry to comply with. There is no national policy on shop towels.

- David Dunlap talked about reusable vs. disposable and the issue of disposing them to landfills.

- Douglas Greenhaus explained how laundries are not regulated as hazardous waste at the laundry. He encouraged EPA not to change that status.

- Marcia Kinter suggests that EPA give the users options.

David Dunlap noted that the cost effectiveness results seemed especially high for laundries compared to other regulated industries. Susan Burris, Project Manager, responded that the comparison was between manufacturing industries and services and that some of the service industries on the list had higher cost effectiveness.

Gene Leonard commented on economies of scale: large firms can use about 1.7 gallons of water per pound. He can't do that. He uses about 3 gallons of water per pound. Large firms can get financing more easily and they can usually get a lower interest rates. Overall costs are not the same for large firms as for smalls.

Douglas Greenhaus wanted to know if emissions will be created by treatment. Marv Rubin responded by saying that emission will be generated by the treatment technologies. Both air

emission and residual sludge. The effects of these emission are being evaluated as part of the assessment of non-water quality environment effects of proposed rule.

In closing the conference call, Tom Kelly asked the SERs if they had any additional information they wanted to share with the panel.

- David Dunlap said that categorical standards are unnecessary for industrial laundries. They already have some local limits since they discharge to POTWs. Why set national standards.
- Gene Leonard suggested that EPA remember the economies of scale between small and large facilities.
- Douglas Greenhaus suggested we take into consideration overlapping issues

List of participants

Tom Kelly, EPA OPPE
Jim Laity, OMB OIRA
Jere Glover, SBA Advocacy
Tudor Davies, EPA OW
Damon Dozier, SBA Advocacy
Kevin Bromberg, SBA Advocacy
Debra Nicoll, EPA OW
Susan Burris, EPA/OW
James C. Covington, III EPA/OW
Mary Ellen Levine, EPA/OGC
Richard Witt, EPA/OGC
Stuart Miles-Mclean, EPA/OPPE
Marv Rubin, EPA/OW
Tom McCully, EPA/OPPE

via conference call

David Dunlap, Uniform and Textile Service Association
David Trimble, Textile Rental Service Association of America
Marcia Kinter, Screen Printing and Graphic Imaging Association International
Gene Leonard, Rite-Way Laundry & Dry Cleaners, Inc
Douglas Greenhaus, National Automobile Dealers Association