

Empire mine. In the face of continuing financial pressures from mini-mills and imports, steel companies may close or sell taconite facilities if they cannot obtain financing for compliance. A USGS iron ore expert contacted by EPA, however, stated that 2002 financial and market conditions were somewhat better than 2001. This was confirmed by reviewing financial statements for these firms; while still experiencing difficult conditions, in 2002 conditions improved somewhat compared to 2001.

Comment: One commenter from National Steel stated that it will likely be forced to shut down because it will be unable to make the upgrades necessary to comply with the rule as proposed. National currently employs nearly 500 people. The rule as proposed is anticipated to put these people out of work for a reduction of less than 5 tons of HAP. In addition to the anticipated closure of National's operations, the EPA analysis concluded that another one or two taconite ore processing plants may also close.

Response: As noted in the previous response, EPA's analysis suggests that the costs of achieving compliance are not sufficient alone to result in taconite plants becoming unprofitable. However, EPA recognizes that there are long-standing trends in the industry, such as increased imports of iron and steel and increasing use of mini-mill technology, that have resulted in decreasing demand for U.S.-produced taconite pellets over time. Due to these trends, four companies owning taconite facilities were unprofitable in 2000, and three of them (including National Steel) were operating under the protection of Chapter 11 of the bankruptcy code. The EPA's analysis recognizes that firms that are unprofitable or in bankruptcy may have difficulty obtaining financing for the capital investments needed to comply. Such firms may choose to sell or shut down their taconite plants. The EPA does not feel that such a decision should be entirely attributed to the final rule. However, note that recent industry data seem to show that in 2002, prices and profits improved somewhat due in part to the decrease in taconite supply (due in part to LTV's closing of the Hoyt Lakes facility) and in part due to tariff protection of several steel products.

Comment: According to one commenter, the statement in the EIA that two or three mines may close implies that Minnesota would see an additional loss of approximately 900 direct employees and \$20 million in local taxes. The loss of 900 jobs equates to \$67.5 million in wages and benefits. These figures represent a realistic social impact and create a different scenario

than the one represented by the EPA in the EIA. These economic impacts will be "devastating" to an area heavily dependent on the mining industry.

Response: Chapter 4 of the EIA contains a regional impact analysis carried out by EPA. The analysis is carried out using IMPLAN, a regional-level input-output model. The total direct impact on each region (a State in this analysis) is defined in the EIA as the change in local expenditures resulting from final rule implementation. The direct impact of the final rule is estimated based on the results of the market model, and includes expenditures for compliance (in this case, positive) and adjustments in outputs in response to price changes (in this case, negative or positive). Generally, the direct impact includes the net effect of reduction in local spending because of output declines and the increase in local spending to implement the controls. For the State of Minnesota, the EIA shows a net reduction in local spending of \$2.7 million. This is due to a loss of government revenues since a portion of state revenues comes from taxes on the total production from taconite iron ore. With the value of changes in total output included, the total impact to Minnesota is a reduction of \$3.9 million in local spending.

Minnesota is estimated to experience a reduction of 30 full-time employees as a result of the reduction in taconite production. Thus, EPA estimates do show a reduction in local spending and employment in Minnesota from final rule implementation, but not anywhere close to the amounts asserted by the commenter.

A separate financial assessment examined the financial condition of companies that own taconite facilities. Because of long-standing trends in the iron and steel industry (including increasing use of electric arc furnace mini-mill technology and increasing imports of iron and steel), several of the owner companies have experienced financial stress, and three are operating under Chapter 11 protection. For these reasons, EPA concluded that at least those three firms may have some difficulty obtaining the financing needed to make capital equipment investments at their plants, including investments associated with environmental compliance. The EPA stated that as many as two or three additional taconite facilities were in danger of closing or selling their taconite plants at the time of the analysis, due mainly to factors unrelated to the rule as proposed. However, the additional costs associated with the

final rule will put additional stress on these already stressed companies. Recent USGS data indicate that in 2001, financially-strapped taconite firms did sell assets to Cleveland Cliffs. Since the original EIA, however, conditions have improved somewhat in the industry. The reduced output due to the closure of Hoyt Lakes, and the tariff, which has increased the effective price of imported iron and steel commodities, have resulted in increased prices and profits for iron and steel companies over the past year. Thus, the companies are somewhat less vulnerable than they were at the time of EPA's earlier analysis.

B. How Did We Revise the Performance Testing Requirements?

Comment: Two commenters stated that language should be included in the final rule either authorizing some discretion on behalf of State agencies or otherwise allowing testing completed between the promulgation date and the compliance date to be counted as initial compliance testing. The commenters stated that this will allow additional time to spread out the compliance testing requirements.

Response: At proposal, plants were given 2 years after the compliance date to conduct their initial compliance tests for ore crushing and handling and pellet handling units, and 180 days after the compliance date to conduct their initial compliance tests for indurating furnaces. However, since the time of proposal, EPA has determined that allowing more than 180 days for initial compliance is not consistent with the 40 CFR part 63 General Provisions. Therefore, we have written the initial compliance testing deadline for ore crushing and handling and pellet handling units at 180 days after the compliance date.

More than 180 days are needed to conduct compliance testing and to reduce the burden of the final rule on the industry. Therefore, the EPA has written the final rule to allow source tests conducted between the promulgation date and the compliance date to be used for compliance demonstration, as long as the tests are performed in accordance with the requirements of the final rule. Since the compliance period is 3 years, plants will have a total of 3½ years to conduct the initial compliance tests for all of their units.

Comment: Two commenters supported the part of the proposed standard that allows plants to conduct initial performance tests by testing a representative sample of units within a group of similar units. However, in a