TABLE 30.—PERCENTAGE CHANGE IN PROFITS OF SUPPLIERS AS A RESULT OF THE REVISED STANDARD

Industry sector	Percent change in profits
Primary manufacturing:	
A/C pipe	1.9
A/C sheet	−38.4
Friction materials	−11.5
Textiles	−3.7
Flooring	N/D
Gaskets	−5.5
Papers	−3.4
Coatings	−N/D
Plastics	−1.4
Secondary manufacturing:	
A/C sheet	2.5
Friction materials	−6.0
Gaskets	−23.2
Textiles	−2.4
Plastics	−2.5
Auto remanufacturing	−3.4

N/D=Not detectable.

Source: U.S. Department of Labor, OSHA, Office of Regulatory Analysis.

Profits are projected to decline by approximately 11.5 percent for primary friction products and by approximately 38 percent for the primary asbestos-cement sheet producers. These declines occur primarily because of a large reduction in demand for these products by consumers (i.e., these products are associated with highly elastic demand curves due to the availability of substitutes). For example, OSHA estimates that the costs to the construction industry of using A/C sheet would increase by about 40 percent as a result of the new standard. OSHA does not anticipate a major adverse impact on firms in these sectors, however, because firms can switch to the production of non-asbestos substitute products. Firms currently producing A/C sheet can shift some of their production to the manufacture of products such as glass-reinforced cement sheet, calcium silicate cement sheet, and polypropylene-layered cement sheet, and firms currently producing asbestos friction products can switch to the production of non-asbestos friction products.

A profit decline of 23 percent is also projected for secondary gasket manufacturers. This decline primarily results from the small volume of gaskets produced by most firms in this sector relative to the projected compliance costs. Most firms in the secondary asbestos gasket manufacturing sector primarily produce non-asbestos gaskets and only manufacture asbestos gaskets on an intermittent basis. In order to comply with the requirements of the revised standard, firms in this sector would have to make major capital investments in ventilation equipment. It may be unprofitable for firms to pay for this capital investment, however, given the current industry practice of only producing asbestos gaskets intermittently. Thus, OSHA anticipates that many firms in this sector will choose to forego this investment and shift production entirely to the manufacture of non-asbestos gaskets. This will concentrate the secondary manufacture of asbestos gaskets among fewer firms (289 firms currently compose this sector), each of which will have higher production levels and thus will be better able to afford the required capital expenditures.

Regulatory Flexibility. OSHA also considered the differential impacts of the revised asbestos standard on small businesses in primary and secondary manufacturing. Primary A/C pipe, sheet, textiles, floor tile, and friction products sectors, and the secondary friction products sector were omitted from this analysis because they are characterized entirely by medium and large firms. In addition, since secondary textiles and plastics are predominantly comprised of small firms, OSHA assumed that there will be no differential impacts in these sectors. Thus, OSHA's differential impact analysis focused on primary gaskets, paper, coatings and plastics, and secondary A/C sheet, gaskets, and automotive remanufacturing.

First, OSHA considered the relative magnitude of the profit declines in each sector (see Table 30). In those markets where profits do not decline significantly there will be no negative impact, and thus, OSHA assumed that there will also be no significant differential negative impact between small and large firms. Based on this analysis, OSHA determined that small firms in the primary asbestos coatings sector would assume a profit non-detectable decline, and that small firms in the secondary A/C sheet industry would assume an increase of 2.5 percent and therefore would not be at a competitive disadvantage. This leaves primary gaskets and paper, and secondary gaskets and automotive remanufacturing as markets in which significant differential impacts might occur.

Next, OSHA compared the differences in unit compliance costs between small firms and larger firms since a negative differential impact will obviously not occur in those markets in which there is no significant difference in unit compliance costs. The difference in unit compliance costs between small and medium-sized producers of primary gaskets is only $0.0023 per pound. This represents only 0.274 percent of the post-regulation price of primary gaskets. For primary paper, the difference in unit compliance costs between small and medium-sized firms is only $0.0021 per pound, a differential representing only 0.214 percent of the post-regulation price of primary paper. These are negligible differences.

In the automotive remanufacturing of asbestos-containing products, the compliance costs will increase the cost of production by less than 2 percent. Further, the difference in compliance costs per unit of output between small and medium-sized automotive remanufacturing firms will be about $0.0322 per piece, which represents 1.312 percent of the post-regulation price. This case shows an extremely small differential impact on small versus medium-sized automotive remanufacturing firms.

OSHA anticipates a significant negative differential impact on small firms in the secondary gasket manufacturing sector. The compliance costs per unit for small producers are well over twice those for the large producers, and OSHA's model predicts a large (23.2 percent) decline in profits in the secondary gasket sector. Thus, most small secondary asbestos gasket producers will probably stop manufacturing asbestos gaskets and will shift production entirely to the manufacture of non-asbestos gaskets. This will result in a concentration of production of secondary asbestos gaskets among medium and large firms which will be better able to afford the capital expenditures (for ventilation) required by the revised standard.

Service and Construction Industries

Economic Impacts. In order to analyze the economic impacts of the revised standard on the service and construction sector, OSHA employed a methodology similar to the one used in the CONSAD report [Exhibit 84–474, Chapter 5]. Using this methodology, the impacts were based on estimates of the elasticity of demand for the goods and services of the various sectors. In general, OSHA determined that the demand in these sectors is inelastic, and that firms in these sectors will be able to comply with the requirements of the revised standard by passing the compliance costs on to their customers.

The revised asbestos standard should have a negligible impact on firms in the service and construction industries because the estimated compliance costs are a minor percentage of the value of the object being produced or repaired. This will allow costs to be passed on to the consumer. For example, it is unlikely that the additional cost of a spray can for brake repair will have a significant