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Corporate Environmental Behavior and the Effectiveness of Government Interventions

**OPENING DAY
INTRODUCTORY REMARKS BY**

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Introductory Remarks by Mike Stahl

U.S. EPA, Director for the Office of Compliance

at the

Corporate Environmental Behavior and the

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Thank you, Matt. I don't know whether it's a good thing to be given the credit for having the vision to have started all of this—I guess that remains to be seen. I had a management professor once who used to tell me that there's a fine line between a vision and a hallucination, so I'm hoping that we end up with this being more of a vision than a hallucination. I think, based on what I've read about the discussion to come today, this is going to be a very promising and useful discussion for us.

First, I want to say that I am actually here pinch-hitting for Phyllis Harris, who is our Deputy Assistant Administrator in the Office of Enforcement and Compliance Assurance, who had hoped to be here but her schedule didn't permit her to come. I am only too happy to sit in for her because my roots with this effort do go back a ways, and I'm happy to see so many papers and so much research coming to fruition now, a little while later. So, it's a pleasure for me to be here.

I wanted to start out by mentioning that I consider myself both a practitioner in the field of compliance and enforcement, and something of an academician in that I am on the adjunct faculty at George Mason University in their master's degree in public administration. Now, that doesn't qualify me as being able to say I have a scholarly career that I'm pursuing on the side here, but it *has* caused me to think and reflect from time to time about this connection between social science research and academia generally and people in government agencies who are trying to get certain kinds of results and make certain things happen. I guess my observation is that having a foot sort of in both camps, as a practitioner and as an academician, I think the connection between those two worlds is much too faint and not nearly as strong as it should be, and I think there is a great deal that the two groups can learn from one another. So, I'm very pleased to see this effort, where I think we are beginning to blend folks from the social sciences and from an interdisciplinary background with practitioners who are actually on the front lines trying to increase compliance, protect the environment, and generally deliver government services in a more effective way.

One of the things I wanted to lay out for you as you begin your discussions today is the notion of "smart enforcement," and this is something that our program now at EPA is beginning to use as an umbrella concept for several directions that we're trying to move in simultaneously. Let me explain a little bit about smart enforcement and what it means and what are the components of it, because I think it will bear directly on a number of the papers that you have here today.

Essentially, smart enforcement means "using the most appropriate enforcement or compliance tools to address the most significant problems to achieve the best outcomes as quickly and effectively as possible." So, in order to try to carry out that notion of smart enforcement, we have a number of components now that we have actively under way or that we have moved toward over the last couple of years.

The first of those [components] is finding and addressing significant problems. We're doing much more to use data to try to determine what are the non-compliance patterns that really matter to us and which ones should we be focusing federal attention on.

The second component is to *use* data to *make* strategic decisions. We've got a number of national databases that talk about the compliance records and compliance behavior of facilities under the major environmental statutes, but it's really only been over the last three of four years that we have begun to use that data in much more expansive ways and in ways that allow us to manage the program in a smarter fashion.

The next component is to use the most appropriate tool to achieve the best outcomes. When we talk about tools in this program, we generally refer to four: The first is what we would call "compliance assistance," which is essentially just giving information to the regulated community to help them understand how to comply. Environmental requirements tend to be rather complex, so I think EPA, especially over the last seven or eight years, has put much more emphasis on trying to provide information to regulated entities to help them understand how to get into compliance and stay there.

The second tool that we talk about in our program are incentives, and the primary example there is our audit and self-policing policy, which provides incentives to companies to do facility audits, find violations, disclose them to EPA, and correct them. That policy, having been in place now for about four or five years, has led to a number of facilities stepping forward to do their own audits and their own self-policing to try to, in effect, get ahead of the curve and discover violations and correct them.

The next tool that I would talk about in terms of our smart enforcement approach is what I would consider to be the more traditional compliance monitoring—this includes inspections and investigations. Over the last several years, these have become more sophisticated, as we have done more-in-depth investigations at particular facilities and gone beyond just the normal onsite compliance check that our inspectors had been doing over the many years that EPA has been in business.

The final tool is enforcement, both civil and criminal. This is when we have reached the point where we feel that *we* have to take an action to correct some violation that is of significance to us and we feel that none of the other tools can work to get the result as effectively or as quickly as enforcement.

So, those four tools—assistance, incentives, monitoring, and enforcement—are the tools that we like to talk about in this program as being the ones that we're now trying to mix in the right combinations and apply to particular non-compliance patterns.

Another component of the smart enforcement approach is *assessing* the effectiveness of our program. We have put a great deal of effort in the last two or three years into looking at the performance information that we've now been collecting about EPA's enforcement and compliance program and getting some benefit out of the analysis of that information, in terms of recommendations about different ways to operate, adjustments that need to be

made to our strategies. . . I think this notion of assessing the effectiveness is something that you'll see EPA continuing to do in its enforcement and compliance program over the foreseeable future.

The final element of smart enforcement is effectively communicating the outcomes of our activities, and we have, over the last couple of years in particular, begun to talk more about the pounds of pollution that we're reducing and less about just the number of enforcement actions that we take in a given fiscal year. We have moved very much toward communicating with the public in terms that they will find, I think, more valuable and more understandable and that really speak to what it is we're trying to produce for the environment.

So, this notion of smart enforcement, I think, is something that can serve as a bit of a touchstone for you as you go through the day and talk about the various papers and studies that are going to be presented here. Just based on a rather cursory review of what you're going to be talking about today, I think *many* of the papers will bear *directly* on our efforts to move in the direction of smart enforcement. So, I would urge that we do more of this over time, that this link between the academic world and the world of the practitioner be strengthened over time, and that some of the questions that practitioners have been picked up by academia and analyzed so that we can learn more about the right ways to operate programs. For example, I would hope that over time we can get a better sense of what *forces* or what *incentives* motivate compliance or non-compliance in the regulated community—what government interventions seem to be most *effective* in maximizing compliance—and what tools or combination of tools are most effective against particular *patterns* of non-compliance.

This is the kind of approach that we hope to be taking in EPA's Enforcement and Compliance Assurance program over the years, and I think that the research being done by those of you out here today who are going to be presenting papers will be very helpful in moving us more in the direction of smart enforcement and moving us into a more effective program over time. Let me leave you with that—I promised that I was going to be mercifully brief so that you could get to your papers and get to the really important discussions, and that's what I intend to do. I appreciate your participation in the conference, and we will make use of the research that all of you have done. Thanks very much.