The Agency recognizes that its data base, which represents conditions in 1989, may not precisely reflect current conditions in the industry today. EPA recognizes that the questionnaire data were obtained several years ago and thus may not precisely mirror present conditions at every facilities. Nevertheless, EPA concluded that the data provide a sound and reasonable basis for assessing the overall ability of the industry to achieve compliance with the regulations. The purpose of the impact analysis is to characterize the impact of the proposed regulation for the industry as a whole and for major groupings within the industry.

2. Baseline Industry Analysis

Of the 85 Centralized Waste Treatment facilities, 53 facilities are strictly commercial, accepting waste generated by other for treatment and management for a fee. Fourteen facilities are non-commercial, "captive" facilities that accept waste from off-site for treatment exclusively from facilities under the same ownership. The remaining 16 are mixed commercial/ non-commercial facilities. They manage their own company's wastes and accept some waste from other sources for a fee. For the purposes of this analysis, 15 mixed commercial/non-commercial facilities have been included with the commercial facilities because a majority of their operations are commercial. The one remaining mixed commercial/non-commercial facility has been included with the non-commercial facilities because most of the operations are non-commercial.

The companies that own CWT facilities range from large, multi-facility manufacturing companies to small companies that own only a single facility (see Table VI.C–2). Of these 57 companies, 13 are small businesses (i.e., companies with less than \$6 million in annual revenues). For the commercial facilities, the ability of companies to continue to support unprofitable operations will depend on company size, as well as baseline financial status.

The baseline economic analysis (presented in Table VI.C–2) evaluated each facility's financial operating condition prior to incurring compliance

costs for this regulation. In 1989, about 20 percent of the commercial CWT facilities were unprofitable. Several others were only marginally profitable. The industry had expanded capacity during the 1980s, but since the late 1980s, there has been a reduction in demand for these services perhaps due to pollution prevention efforts by industrial waste generators. EPA staff learned in conversations with personnel at a number of these facilities that, while some of these facilities were now profitable, most of the remaining unprofitable facilities were still in operation three years after the questionnaire. The continued operation of such a large share of unprofitable facilities in the industry raises a significant issue. It suggests that the traditional tools of economic analysis used to project potential closures in an industry due to the costs of compliance may not accurately predict real world behavior in a market where owners have historically demonstrated a willingness to continue operating unprofitable facilities.

TABLE VI.C-2.—BASELINE CONDITIONS IN THE CWT INDUSTRY

Discharge status	Number of CWT Facilities by Commercial and Discharge Status Commercial			
	Profit >0	Profit <0	Non- commercial	Total
Direct	5 35 8	2 15 5	9 6 0	16 56 13
Total	48	22	15	85

COMPANIES OWNING CWT FACILITIES

	Number of companies	Number of facilities
Small Companies (sales < \$6 million) All Other Companies (sales > \$6 million)	13 44	13 72

LIKELIHOOD OF COMPANY BANKRUPTCY a

	Small com- panies	All other companies	Total
Likely	1 3 8	5 13 18	6 16 26
	12	36	48

Several reasons may explain why unprofitable facilities remain in operation rather than being closed by their owners. First, most facilities are regulated under RCRA. Closure of a RCRA facility requires that the site undergo RCRA clean-up procedure prior

to closure, which would entail expensive long-term monitoring and possibly clean-up of the site. According to information received from facilities, owners may find it less costly to keep unprofitable facilities in operation rather than incurring the costs of RCRA

closure. Second, many facilities stay in business hoping that new environmental regulation, such as the upcoming RCRA Phase 3 rule, may