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Subcommittee on Energy & Mineral Resources
Committee on Natural Resources
United States House of Representatives

Testimony on "Effect of the President's FY 2013 Budget and Legislative Proposals for the Bureau of Ocean Energy Management (BOEM) and Bureau of Safety and Environmental Enforcement (BSEE) on Private Sector Job Creation, Domestic Energy Production, Safety and Deficit Reduction"
March 8, 2012

Mr. Chairman and Members of the Subcommittee:

As the President and CEO of the Offshore Marine Service Association (OMSA), I am grateful for the opportunity to describe the devastating economic impact that the slowdown of permitting in the Gulf of Mexico is having on our region's economy. OMSA represents more than 250 companies, including approximately 100 firms that own and operate marine service vessels in the Gulf of Mexico. These vessels connect America with its offshore energy resources, providing every pipe, wrench, computer, barrel of fuel, and gallon of drinking water to offshore rigs and platforms. When the industry is fully functioning, our members transport tens of thousands of workers to and from offshore facilities.

The energy industry is economically vital not only to the Gulf Coast, but also to our Nation, producing more than a quarter of the Nation's domestic oil and natural gas. Seventy-six percent of America's offshore energy production takes place directly off the Louisiana coast. Since the Federal deepwater drilling moratorium and the continued permit slowdown, we have worked diligently to make the case to the federal government of the importance of the industry and our region by working closely with our Congressional delegation and with other business organizations committed to the economic vitality of the Gulf Coast. For example, OMSA has worked closely with Greater New Orleans, Inc. (GNO, Inc.), the economic development alliance for the ten parish Greater New Orleans region, on issues pertaining to the energy industry. Since the moratorium, GNO, Inc. has tracked and reported on offshore permit issuance through its Gulf Permit Index (GPI). Additionally, in GNO, Inc.'s recent report, *The Impact of Decreased and Delayed Drilling Permit Approvals on Gulf of Mexico Businesses*, which has been submitted for the record, GNO, Inc. documents the "hidden victims" of the oil and gas drilling permit moratorium and slowdown in the Gulf of Mexico. These victims – offshore supply and service companies and the workers that support them – are dependent upon the Gulf of Mexico for business. GNO, Inc. conducted this research between November 2011 and January 2012 by surveying over 100 offshore supply and service companies, and it documents just how devastating the permit slowdown has been.

The economic impacts of this permit slow-down or de facto moratorium are diverse and far-reaching, affecting individuals and businesses in various industries across the Gulf Coast. While small businesses provide critical services and support within the oil and gas industry, they frequently face the challenges of insufficient capital and location dependence.

This is a particular problem for Louisiana, because ours is an economy largely made up of small businesses. Many Louisiana businesses are family-owned and employ immediate and extended family members. Downturns in business activity negatively impact not only the businesses, but also entire families who sometimes have no other work experience or source of income. Ninety-eight percent of Louisiana businesses are small, with 88% employing fewer than 20 workers.

The study demonstrates how these Louisiana businesses have fared during the permit slowdown. Key findings of the study show that:

- 41 percent of businesses are not making a profit.
- 39 percent of businesses have retained workers but reduced salaries and/or hours.
- 65 percent of businesses have not hired, or just replaced lost workers.
- 46 percent of businesses have moved all or some of their operations away from the Gulf of Mexico.
- 82 percent of business owners have lost personal savings as a result of the permit slowdown.
- 13 percent of business owners surveyed have lost all of their personal savings as a result of the slowdown.

Despite the relatively limited employment losses reflected in public employment data, this study provides evidence that businesses are indeed laying off workers, reducing hours and salaries, and limiting new hires as a result of the permit slow-down and insecurity about future activity in the Gulf of Mexico. For example, a small business headquartered in Houma, Louisiana is quoted as saying, “We have had to reduce employee benefits in order to maintain salaries intact.”

The level of cash reserves of companies can indicate their general economic health and impact of the moratoria. Over seventy businesses reported decreased cash reserves with forty-four having lost more than half of such reserves.

Furthermore, the rate of businesses leaving the Gulf of Mexico due to the permit slowdown is extremely troubling. A business in Prairieville, Louisiana reports that it is considering moving overseas, reporting, “The cancelation/postponement of the offshore lease sales has severely impacted our future opportunities for our primary geophysical services. In conjunction with this exponential drop in demand for our services, there were very few projects to be had, market pricing for what was available was impacted by "ridiculous" pricing competition. Our current business plan has us looking at sending our resources to international areas…” The consistent theme of companies considering a move overseas and postponing local expansion puts the regional economy on insecure ground, and the loss of businesses in the oil and gas industry to international markets has potential negative effects on the national economy.

Mr. Chairman, it is time to get the Gulf of Mexico fully back to work. The permit slowdown has been devastating to our economy – it affects real American jobs that produce American energy, thus reducing our dependence on foreign oil. And the solution is simple. Plans and permits must be approved in an efficient manner. Just last month, 22 deepwater drilling permits were approved for new wells. While this number is encouraging and represents a significant increase from prior months, it may be attributed to a high number of batch sets. Still, we are hopeful that this increase in activity will continue under BOEM Director Beaudreau and BSEE Director Watson, and we look forward to working closely with them to ensure the full economic and business recovery in the Gulf.

Mr. Chairman, thank you for inviting me to appear before your Subcommittee today. My organization appreciates the attention that you and your Subcommittee have given to the issues facing our industry in the Gulf of Mexico. I will be pleased to answer any questions that you or members of the Subcommittee may have.