



**SENATE COMMITTEE ON  
SMALL BUSINESS AND ENTREPRENEURSHIP  
Senator Mary L. Landrieu, Chair**

Opening Statement for  
Hearing entitled: *“The Deepwater Drilling Moratorium: A Review of the  
Obama Administration’s Economic Impact Analysis on U.S. Small  
Businesses”*

September 16, 2010 at 10:00 a.m.  
Room 428A, Russell Senate Office Building

*(As prepared for delivery)*

Thank you all for joining us here this morning as our committee holds the third in a series of hearings on the current deepwater drilling moratorium and impact analysis on its effects on the Gulf Coast economy. Today’s hearing is quite possibly the most important. Today, the Administration will present analysis of the moratorium.

Some 150 days ago, the Deepwater Horizon explosion took the lives of 11 men and sent an estimated 5 million of barrels of oil spewing into the Gulf, onto our shores, and into our marshes. This accident has injured our environment, our economy, and our way of life. The Macondo well may be capped, but the crippling economic impacts caused by this disaster and ensuing moratorium continue to impact the communities in Louisiana and many communities throughout the Gulf Coast.

Louisiana’s families and businesses are getting hit on two fronts. First, our seafood industry, which accounts for roughly 40 percent of the Lower-48’s production, is suffering from both actual impacts from the spill, and, perhaps more damaging, the perception that our seafood may not be safe to consume. Secondly, our offshore energy exploration industry - and the hundreds of businesses that support it - has also been put in jeopardy by the heavy hand of the Federal government.

Regrettably, the Administration reacted to the Deepwater Horizon tragedy by halting all deepwater exploration activities in the Gulf and cancelling the scheduled Western Gulf lease sale that would have occurred in August. In addition very limited shallow water drilling has been allowed to move forward. Before the BP spill, the Mineral Management Services (MMS) approved an average of 3-6 shallow water permits per week which averages to be about 12-24 permits per month. In contrast, since May, the Bureau of Ocean Energy Management (BOEM) has only issued 5 shallow water permits for new wells, or roughly 1 per month). I have two charts here that demonstrate the specific drop in the number of permits for the months of April through September of 2009 as compared to April through September of 2010.

I note that it has recently on July 10 - two days before the issuance of the second moratorium - the Department of Interior estimated that a 6-month moratorium would cost 9,000 direct jobs and 13,797 indirect jobs along with a freeze in \$10.2 billion in industry spending. I find it stunning that the Administration was aware that their actions might eliminate nearly 23,000 jobs in an already faltering economy, and proceeded anyway. However, that is precisely what they did – they imposed the moratorium in defiance of their own data. That decision has imperiled thousands of small businesses who are reliant on the revenue generated by the oil and gas industry.

The decision to stop virtually all new energy exploration in the Gulf of Mexico was unwise and in my view bordered on reckless. Today, thousands of Gulf Coast businesses are fighting their way out of this government-imposed economic disaster that not only threatens jobs and businesses – including oil and gas field services, transportation, and fabrication companies – but also a way of life, just as surely as the massive oil spill did, and perhaps even more. The Administration’s decision to halt drilling activity did more than threaten the livelihoods of thousands of rig workers and oil service crews; it substantially reduced the total amount of economic activity taking place along the Gulf Coast and Texas. I have said it before: this moratorium is not hurting big oil companies, they will survive. It is hurting Big Al’s - the corner grocery store in South Louisiana that has seen sales decline since this moratorium went into effect.

At our first hearing in July, we heard testimony from Louisiana State University professor Joseph Mason whose study echoed the findings of the Administration’s own economists. He estimated that under the current moratorium the Gulf Coast region will lose more than 8,000 jobs, nearly \$500 million in wages, and over \$2.1 billion in economic activity, as well as nearly \$100 million in state and local tax revenue. The moratorium’s spillover effect could mean 12,000 jobs and nearly \$3 billion nationwide (including almost \$200 million in Federal tax revenues) in just in the first six months.

Dr. Mason found that if the moratorium lasts longer, some 25,000 jobs could be lost - a finding directly in line with the Administration’s economists. Another expert, from the research firm Dun & Bradstreet, estimated that in southwest Louisiana - in Lafayette Parish alone - 780 businesses employing close to 10,500 people could be negatively affected. Businesses in Lafayette are some of the hardest hit by the moratorium, which is why I chose to hold our second hearing on this issue there.

At our August 17th field hearing in Lafayette, at the LITE Center, we heard from a number of local small businesses impacted by the moratorium. In particular, we heard from Charlie Goodson, owner of Charley G’s restaurant. Charley G’s, which just celebrated their 25th anniversary, is a family-owned business with 44 employees. They testified that, similar to the Oil Bust of the 1980’s, if the moratorium continues their bottom line – which was projected as a 4 to 5 percent net income before taxes – could run into the red for the year.

As with the Oil Bust, Charley G's first response was to institute a hiring freeze, a salary freeze, and to halt all leasehold improvements. If that does not work, they will be forced to discontinue lunch service which would eliminate 11 staff positions – that equates to 25 percent of their current staff. While 11 lost jobs in Lafayette, Louisiana may not make the front pages of the New York Times or Washington Post, I am aware of many similar situations described by Gulf Coast small business owners worried by the uncertainty surrounding this moratorium. Small business owners have to make quick and tough business decisions everyday based upon the local economic conditions. In a difficult economic time nationally, I must remind the Administration that our Gulf Coast businesses are also dealing with lingering effects from the 2005/2008 storms, the Deepwater Horizon disaster, and now this moratorium. Every day that this moratorium remains in place, it is yet another challenge that our Gulf Coast small businesses must deal with on their road to recovery.

I think it is noteworthy that the Administration was forced to revise its ban in July after a Federal court decision ruled that the Administration's action was arbitrary and capricious." Yet, even the Administration's revised drilling ban was again struck down in Federal court. In that decision which was handed down on September 1st, the Court found that "no rational nexus exists between the fact of the tragic Deepwater Horizon blowout and placing an attainder of universal culpability on every other deepwater rig operator in the Gulf of Mexico."

I couldn't agree more. But let me be clear: as one of the first Senators to call for a full investigation into the accident and request more effective safeguards against future spills, I share the Administration's goal of a safer oil and gas industry. But the blanket moratorium on all deepwater drilling does nothing to advance that goal.

Drilling is not a risk-free proposition. In general, I believe that we can and do drill safely both offshore and onshore. But the BP spill did occur and it was terrible. There have been other spills nearly as bad, but the record is clear: they are few and far between.

But accidents do happen – and sometimes they are terrible. We should ensure that we enforce rigorous regulations to reduce the chances that accidents will happen. But when an accident does happen, I cannot think of another situation wherein we bring the entire industry to a screeching halt. Consider the following:

- On April 5th of this year, 29 miners were killed when an explosion rocked the Massey Energy-owned mine in West Virginia. Although investigators were unable to enter the mine for more than two months due to the concentration of poisonous gases in the mine, other coal mines continued working unabated.

- In February 2008, a sugar refinery in Georgia exploded, killing 29 people. Nobody suggested shuttering all sugar refineries or plowing under sugar cane fields across the United States.
- According to data from the Aircraft Crashes Record Office, there has been an average of 1,200 deaths each year for the past 11 years resulting from aircraft accidents. As Lieutenant Governor Scott Angelle has noted, airline service resumed four days after the tragedy of September 11th. Since then the airlines' safety record shows marked improvement.

I recite these statistics not to single out the aviation, coal or sugar industries as being unsafe.

Instead, I am highlighting these industrial accidents to illustrate how radical and unprecedented the blanket moratorium on deepwater drilling appears in comparison to the reactions that have typically accompanied industrial disasters.

The fact is that Louisiana's coastline is a working coast that brings the country an abundance of seafood, energy, and navigation assets. The Mississippi Delta is our home and there is no one who wants drilling to be safer than we do. No one wants the water to be cleaner than we do. No one wants the seafood to be fresher than we do. We have balanced these industries safely for more than four decades. And I am confident that we can strengthen that record of safety as we move forward, while promoting a balanced and diversified economic future.

But we also know that any hope for a prosperous future will have to involve the prompt resumption of offshore exploration activities. We know full well what a prolonged suspension of deepwater drilling will mean for hundreds of oil service companies and other businesses. It will mean economic disaster not just for the rigs themselves, but for the many grocery stores, restaurants, real estate companies, local banks and other small businesses that comprise Louisiana's economy. Our Federal government has a responsibility, particularly in these difficult times, to make sure that the paychecks will not turn into pink slips.

Our committee has received testimony from Louisiana State University economists and Dun & Bradstreet experts on their economic impact analyses. We have heard from elected officials and small business owners testifying about the local impact of the moratorium. The purpose of our hearing today is to receive the Administration's analysis on the economic impact of its deepwater drilling moratorium. We cannot continue to support a policy that will close the doors of our small businesses: We need to keep Main Street open for business in Louisiana, Mississippi, Texas and across the country!

At this hearing we hope to:

1. To receive the Administration's own economic impact analysis of this moratorium. In particular data on both the direct and indirect job losses.
2. To understand how this analysis differs or not from previous economic analyses conducted by the private sector.
3. Enable the Administration, based on its testimony today, to lift this moratorium that is impacting small businesses immediately.