

5

U.S. DEPARTMENT OF TRANSPORTATION  
OFFICE OF THE SECRETARY  
WASHINGTON, D.C. 20590

STATEMENT BY SECRETARY OF TRANSPORTATION CLAUDE S. BRINEGAR BEFORE THE ENERGY AND WATER RESOURCES SUBCOMMITTEES OF THE HOUSE COMMITTEE ON PUBLIC WORKS WITH REGARD TO H.R. 10701, A BILL AUTHORIZING THE CONSTRUCTION AND OPERATION OF DEEPWATER PORT FACILITIES, OCTOBER 11, 1973

Mr. Chairman, Members of the Subcommittee:

I appreciate this opportunity to appear today both to discuss the important issue before you--the development and operation of offshore deepwater ports--and also to comment on the specifics of the proposed legislation, H.R. 10701.

The Department of Transportation is keenly interested in deepwater ports and their role in the Nation's transportation system. In addition, our department has within it the United States Coast Guard, which serves as the Nation's primary maritime law enforcement agency as well as carrying out its statutory responsibilities for merchant marine safety, port safety, aids to navigation, and marine environmental protection.

First, I would like to offer a few general comments on the broad subject of the Nation's need for deepwater ports. I offer these comments both from my perspective as Secretary of Transportation and from my 20 years of experiences in the oil industry.

"Deepwater port" is a term used to describe a loading or unloading facility, usually for oil tankers, located in deep waters and generally several miles away from traditional ports. The facility itself may be fairly simple--perhaps only a single mooring buoy tied into underwater pipelines leading to onshore tankage and pipelines. Or it may be quite

complex, possibly including even an artificial island with several mooring locations and sizeable offshore tankage. The key elements are plenty of deep water (usually 60-100 feet), some protection from extreme ocean weather conditions adequate maneuvering room for the very large tankers that will be coming and going, and reasonable access to onshore facilities.

Offshore deepwater ports were triggered by the events that followed the first closing of the Suez Canal and started going into operation around 1960. Currently, over 100 are in operation and some 20 more are in various stages of construction or planning. The technology is well proven. In recent years most of the new ports have been designed to serve the really large vessels--such as 250,000 dwt--now routinely in worldwide service. Great Britain, Italy, Japan and Canada are just a few of the nations that can now handle these big tankers.

The financial incentives to use large tankers are, of course, very high. A 250,000 dwt tanker hauling oil from, say, Saudi Arabia to the U.S. Gulf Coast will have a pre-barrel cost that is about one-third lower than, say, a 65,000 dwt tanker in the same service. And now Europe and Japan are putting 400,000 dwt tankers into service, and 500,000 dwt tankers are planned. These tankers could cut the hauling costs by 50%.

Where does the United States stand in these developments? Regrettably, we stand dead last. None of our major East Coast or Gulf Coast ports can safely handle loaded tankers over about 50,000 dwt. On the West Coast only a very few locations--such as Long Beach and parts of Puget Sound--can go up as high as 100,000 dwt. And, as this Committee well knows, no offshore deepwater ports are under construction because none has been authorized. Thus, by world standards our Nation's oil transportation abilities are inflexibly limited and our energy distribution costs--and

hence consumer costs--are unduly high.

The rapidly emerging energy crisis now forces us to action. President Nixon, in his September 10th State of the Union message, listed seven key legislative steps needed to cope with the energy crisis. Number two on his list--after the Alaska pipeline--is deepwater ports.

A combination of falling U.S. oil production and rising oil demand has suddenly thrust the energy issue front and center. Oil imports into the U.S. now exceed 6 million barrels a day--nearly 40% of total usage--and by 1980--only 6 1/2 years from now--they will likely total 10 million barrels a day. About half of this total should be properly moved in very large tankers.

Unfortunately most of our future import increases must come some 12,000 miles from the Middle East, for this distant and unstable area is the only place that possesses any sizeable surplus oil production capacity. With Venezuelan production now declining, 16-knot tankers that once could make 25-30 round trips per year from Venezuela to the East Coast will, in Middle East to U.S. service, be able to make only 5-6 round trips per year.

Consider what this means in terms of tankers. To import an additional 4 million barrels a day from the Middle East in, say, 65,000 dwt tankers would require the full-time commitment of some 600 new tankers going in and out of our already crowded ports (and assuming we could dredge and prepare to handle them). On the other hand, if we could receive 250,000 dwt tankers, as other large consuming nations are, we would require only about 130 such vessels.

Apart from significant cost savings--with consequent benefits to consumers--these larger tankers would also be better in terms of environmental

protection. The Coast Guard has studied the likelihood of oil spills from various alternative service patterns and concluded that the fewer and larger vessels, using specialized offshore ports, are less likely to experience oil spills, as well as spilling less total oil. Admiral Sargent, Vice Commandant of the Coast Guard, can provide the details of this analysis if the Committee wishes them.

Let me now comment on some of the major issues raised by H.R. 10701.

This bill differs from the Administration's bill (H.R. 7501) in several significant respects.

First, we differ on whether the Federal licensing authority should be lodged in a single agency (H.R. 7501 proposes the Interior Department) or in a Commission (as in H.R. 10701). We believe that a single lead agency is the proper method. I'm confident that existing procedures would produce the kinds of coordinated effort contemplated by the Commission, but without the bureaucratic problems resulting from the establishment of yet another Federal agency. Additionally, H.R. 10701, as it relates to the Commission, is deficient in that it fails to designate a permanent chairman, to provide guidelines for reaching decisions in the event of split votes or to provide for a staff.

Second, we do not believe that states should be given a veto right over offshore facilities that are not in state waters, nor should they be given what amounts to a first-option on all licensing rights. H.R. 10701 provides for these actions, while H.R. 7501 does not.

We believe quite strongly that the licensing procedure should involve joint consultations with the affected states, including seeing that it is consistent with state land use plans. But since oil from these offshore terminals will be a vital element in our National transportation system,

the final authority must be at the Federal level.

Third, this bill fails to clarify the applicability of various existing Federal laws that would apply to the construction and operation of offshore deepwater ports. Section 111 of the Administration's bill, H.R. 7501, specifically and properly details this applicability.

Fourth, we question the advisability of Section 411(d), which would permit a state to fix fees, tolls, or user charges. I would expect many of these facilities to be privately financed. Thus, there is an obvious need to clarify the role of the state and its need to levy such taxes, as well as the benefits that the state will bring to the deepwater facility, before giving the states such blanket authority.

I recommend that the Administration's bill, H.R. 7501, be favorably acted upon by the Congress, and that this Committee move quickly to make this possible.

Now, either I or my associates will be pleased to try to answer your questions.

