

Level Playing Field Initiative

Economic Benefits for the Gulf Coast Region



Introduction

The Offshore Marine Services Association (OMSA) has proposed a series of policies to enhance safety, security and U.S. job opportunities on the U.S. Outer Continental Shelf (OCS). Customs and Border Protection have already begun to implement some of these policy changes. To aid policy makers in the evaluation of these proposals OMSA has commissioned an analysis of the potential economic impact of these policies on the economies of the U.S. Gulf States that would be most directly impacted by the changes.¹ The analysis shows that, if implemented, these policies would have a significant positive impact on the region's economy. Specifically, these policies would:



The economic analysis presented is based on standard, regional modeling analysis using the Regional Input-Output Modeling System (RIMS II), developed and maintained by the Bureau of Economic Analysis (BEA), Department of Commerce. As explained by BEA, “RIMS II multipliers are used to study economic impacts of a wide range of projects. Federal, state, and local government agencies use the multipliers to study the local impacts of government regulation on specific industries and to assess the local impacts.”² Therefore, BEA’s analytical approach and modeling methodology is perfectly suited to evaluate the economic impact of the policy proposals developed by OMSA.

Scope of Analysis

The analysis estimates the economic impact of the increased use of American built, crewed and flagged supply and support vessels on the U.S. OCS. Specifically, the analysis estimates the benefits in terms of increased economic activity, jobs and wages in the region if foreign flagged and crewed vessels currently operating on the U.S. OCS were replaced by American vessels. American companies already have 28 vessels ready for operation on the OCS and this analysis assumes all 28 vessels are fully deployed. This analysis shows the positive economic impact of the outfitting and operation of these vessels.

¹ For purposes of this analysis the states incorporated include: Alabama, Florida, Louisiana, Mississippi and Texas.

² http://bea.gov/regional/pdf/rims/RIMSII_User_Guide.pdf at 1-1.

Methodology and Data Sources

As noted, the economic analysis relies on well established methods using BEA's RIMS II methodology and multipliers.³ Specifically, the analysis measures the benefits of the increased demand for U.S.-flagged and U.S.-crewed service and support vessels. BEA multipliers were used to calculate the additional economic impact that the increased demand for these goods and services would have on the region.⁴ Thus, the BEA models report both the direct economic impact and the indirect economic impact that is derived from demand for the goods and services necessary to support the direct economic activity. The individual multipliers for each industry sector for each of the five states were taken from the BEA RIMS database.⁵ The multipliers were weighted across each of the five states incorporated in the analysis so as to avoid applying the multipliers for just one state on the entire region.

Costs for the vessel services and operations are based on surveys of the companies operating in the each sector and represent an average of the operating cost data supplied. Further, costs are estimated based on an average of such costs over the last five years. Using historical averages evens out unusual and unsustainable peaks and troughs of economic activity.

Vessel operating costs are based on the costs associated with the operation of a typical multi-purpose supply vessel (MPSV), 300 feet in length, and equipped with a crane rated to handle a minimum of 150 tons. Vessel operating costs are further disaggregated into three categories: 1) costs for 13 mariners to man and operate the vessel, 2) costs for 10 other personnel necessary for operation of the vessel (e.g. crane and ROV operators, computer technicians, cooks and other support personnel), and 3) costs for other equipment, support and service (including among other items the cost of fuel, service and maintenance costs, dry goods and other supplies, and shore-side support personnel and services).⁶ In addition, this analysis includes the costs associated with regular maintenance, repair and refitting of existing. These costs are estimated at \$1.5 million per vessel.

Three different BEA RIMS II final demand multipliers were applied to calculate the overall economic impact: 1) Output multipliers, 2) Earnings multipliers, and 3) Employment multipliers. The resulting economic impact in each sector was then aggregated to calculate total economic impact for each of the three output variables for the region.

Estimated Economic Impact

Implementation of the policies proposed by OMSA would have a significant positive impact on the regional economy. Total output would increase by \$709 million. Employment in the region would increase by 3,272 jobs. Wages and earnings for workers in the region would increase by \$155 million.

³ See generally <https://blog.bea.gov/tag/rims-ii/>. Model specifications and applications were derived from BEA publications: <http://www.bea.gov/scb/pdf/regional/perinc/meth/rims2.pdf> and http://bea.gov/regional/pdf/rims/RIMSII_User_Guide.pdf

⁴ Specifically, the BEA multipliers used are taken from the NAICS sector 483000-Water Transportation. This NAICS sector designation conforms to the sector designations reported by the companies on IRS Form 1120, Schedule K. The analysis incorporates BEA Type II multipliers as the analysis assumes the majority of the wages and benefits paid are consumed in the region.

⁵ See BEA RIMS II Online Order and Delivery system, available at <https://www.bea.gov/regional/rims/rimsii/>

⁶ These data are not reported publicly so as to protect business proprietary information related to the operating costs of each individual company.