

STUDY TITLE: Analysis of Indicators for Socioeconomic Impacts Due to Oil and Gas Activities in the Gulf of Mexico

REPORT TITLE: Indicators of the Direct Economic Impacts Due to Oil and Gas Development in the Gulf of Mexico, Results of Year I, Executive Summary, Volume I: Narrative, and Volume II: Exhibits

CONTRACT NUMBER: 14-12-0001-30178

SPONSORING OCS REGION: Gulf of Mexico

APPLICABLE PLANNING AREAS: Straits of Florida & Gulfwide

FISCAL YEAR OF PROJECT FUNDING: 1984

COMPLETION DATE OF REPORT: January 1986

COST: FY 1984: \$270,465

CUMULATIVE PROJECT COST: \$270,465

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KEY WORDS: Straits of Florida; Eastern Gulf; Central Gulf; Western Gulf; Louisiana; Texas; Alabama; Florida; cultural impacts; exploratory drilling; development; impacts; employment; expenditures; labor

BACKGROUND: Primary economic impacts from outer continental shelf (OCS) leasing include the employment, wages, and salaries accounted for by the companies that are directly involved in the exploration for and development of OCS hydrocarbon resources. Secondary impacts include the expenditures by these companies for contracts, services, and other purchases, and the associated employment and salary impacts. Primary and secondary economic impacts affect socioeconomic conditions such as population, demographic and commute-to-work patterns. The collection of economic data is necessary to evaluate the socioeconomic impacts related to oil and gas development in offshore areas.

OBJECTIVES: (1) To measure the primary direct economic impact of offshore oil and gas exploration, development, and production in 1984; (2) to determine the geographic distribution of primary direct impacts of offshore oil and gas activity; (3) to document the

relationship between place of work and place of residence for personnel employed by offshore producers; (4) to measure the direct secondary economic impact of contracts, services, and other purchases made by offshore oil and gas exploration and production companies; and (5) to develop a framework and set of reference data for estimating the combined direct primary and direct secondary economic impacts per unit of activity.

DESCRIPTION: Data for this project were supplied by nine offshore operators in the Gulf of Mexico acting as a Socioeconomic Subcommittee to the Offshore Operators Committee. Information was provided on producer employment records for 1984, producer expenditure records for 1984, and budget documents for specific projects or activities undertaken in 1984. The data were then used to generate numbers on direct producer employment and wages at the county/parish level. County/parish allocations of employment and income were based on the residence zip code of each employee. Application of key business ratios for each service industry to total expenditures by offshore producers was used to derive employment resulting from the purchases of goods and services. Physical descriptions of activities were converted to expenditures based on actual detailed project records supplied by the participating companies. All data supplied by the offshore producers was exclusively for expenditures and employment associated with activities in the Gulf of Mexico region.

SIGNIFICANT CONCLUSIONS: The direct primary effect of oil and gas operations in the Gulf of Mexico measured in employment, wages, and salaries. These totaled \$853 million in wages, \$8.75 billion in expenditures for purchased goods and services, and 23,935 person-years of employment with oil companies. Secondary effects were associated with the handling, refining, and processing of offshore oil and gas. These economic impacts included \$637 million in wages and salaries and 21,572 person-years of employment. In all states, an estimated 142,860 person-years of employment were associated with Gulf operations.

STUDY RESULTS: Louisiana accounted for 21,857 of the 23,935 employee positions associated with Gulf offshore oil and gas producers. This generated a payroll of \$776,696,436 in the State in 1984. More than 80% of the offshore and 90% of the onshore Gulf of Mexico workers reported to work sites in Louisiana. An estimated 14,054 onshore producer employees reported to work sites throughout the region with 13,500 in Louisiana and 500 in Texas. In Louisiana, approximately 10,000 came from the New Orleans area. Offshore producer employees came from 26 states with 20 states having very slight employment impacts of two to eight persons. Georgia, Oklahoma, and Tennessee supplied approximately 20 persons each. Louisiana provided 20,000, Mississippi had 1,960, Texas had 1,413, Alabama had 475, and Florida had 205.

The 1984 producer purchases, expenditures, and contracts resulted in an estimated \$2.59 billion in wages and salaries to employees of contractors and other general businesses. These businesses had an employment impact of 97,500 full-time positions. Of these, 28,955 were located offshore, 20,085 had an offshore component, and 48,347 were located exclusively on land. Expenditures by producers resulted in purchases by

the contract and support firms of \$3.9 billion. These purchases included raw materials, operating expenses, capital purchases, and subcontracts with other offshore support industries. The purchases were significant because many were made locally and resulted in subsequent indirect and induced economic impacts.

Approximately 10,566 person-years of employment were generated at oil refineries as a result of offshore oil and gas activities. Of this, 9,054 were in Louisiana and 1,512 were in Texas. This resulted in \$306 million in wages in Louisiana and \$51 million in Texas. Gas processing plants supported an estimated 11,006 person-years of employment which was almost equally split between Texas and Louisiana. This resulted in \$137 million in wages in Louisiana and \$142 million in Texas.

STUDY PRODUCTS: Centaur Associates, Inc. 1986. Indicators of the Direct Economic Impacts Due to Oil and Gas Development in the Gulf of Mexico. Results of Year I. Executive Summary. A final report for the U.S. Department of the Interior, Minerals Management Service Gulf of Mexico OCS Region, Metairie, LA. NTIS No. PB86-246188/AS. MMS Report 86-0014. Contract No. 14-12-0001-30178. 35 pp.

Centaur Associates, Inc. 1986. Indicators of the Direct Economic Impacts Due to Oil and Gas Development in the Gulf of Mexico. Results of Year I. Vol. I, Narrative. A final report for the U.S. Department of the Interior, Minerals Management Service Gulf of Mexico OCS Region, Metairie, LA. NTIS No. PB86-246196/AS. MMS Report 86-0015. Contract No. 14-12-0001-30178. 114 pp.

Centaur Associates, Inc. 1986. Indicators of the Direct Economic Impacts Due to Oil and Gas Development in the Gulf of Mexico. Results of Year I. Vol. II, Exhibits. A final report for the U.S. Department of the Interior, Minerals Management Service Gulf of Mexico OCS Region, Metairie, LA. NTIS No. PB86-246204/AS. MMS Report 86-0016. Contract No. 14-12-0001-30178. 544.