

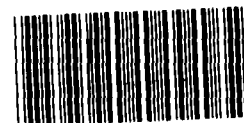
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Statement of
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Before the
Subcommittee on Mines and Mining
House Committee on Interior
and Insular Affairs
on
Management of Federal Energy and Mineral Resources

We appreciate this opportunity to present our views on the management of Federal energy and mineral resources, as you consider H.R. 3364. The long-range purpose of the work of the Energy and Minerals Division of GAO in this area is to help the Department of the Interior move from ineffective mineral administration to active and purposeful minerals management. In this regard, we have recently issued three reports, two of which were performed at your request, which identify major problems with Interior's minerals management decisionmaking process. The first of these, issued on June 5, 1981, demonstrated the need for balanced decisionmaking and called for minerals management program planning for federally controlled mineral resources. The subsequent two reports discussed specific problems regarding minerals management at Interior and further confirmed the findings of our June 5th report. My testimony today will focus on the findings of these and related reports and a discussion of the steps we believe the Department should take to improve management of Federal energy and mineral resources.



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BACKGROUND--IMPORTANCE OF FEDERAL ENERGY AND MINERAL RESOURCES

The past and potential future contribution of Federal lands to mineral supply is generally unquestioned. This subject has been examined repeatedly since the mid-1960s by various government agencies and commissions, the most notable of which was the Public Land Law Review Commission. That Commission's 1970 report 1/ concluded that the public land of the West contained the nation's most significant potential supply of energy and mineral resources.

Unfortunately, mining records of the past contribution of most Federal mineral resources have not been kept and current production records are not maintained on the basis of land ownership. However, in reviewing some of Interior's background work for the President's Nonfuel Mineral Policy Review (some of which, incidentally, did not find its way into the final report), the value of nonfuel minerals other than sand and gravel produced from public lands in 1977 was estimated to be 30 percent of the total value of domestic mineral production in that year--approximately \$4 billion of \$12.5 billion. It was further estimated that for copper and silver, current and previous Federal lands provided 94 percent and 93 percent, respectively, of the total U.S. production in 1977. Also, a recent Office of Technology Assessment report 2/ on the management of minerals on Federal lands evaluated the potential for producing

1/One Third of the Nation's Land.

2/Management of Fuel and Nonfuel Minerals on Federal Land: Current Status and Issues, April 1979.

1979. Minerals are found in areas where there is sufficient resource data upon which to base judgments, the potential was high.

Minerals produced under terms of a lease also produce significant revenues. For example, preliminary estimates by the U.S. Geological Survey for royalties collected from oil and gas leases were \$2.6 billion in fiscal year 1980, \$4 billion in fiscal year 1982, and are projected to be \$22 billion by 1990.^{1/} In summary, Mr. Chairman, energy and mineral resources controlled by the Federal government are valuable assets with great potential to contribute to economic wealth and national security.

In a report related to but not directly dealing with Federal mineral management, "The U.S. Mining and Mineral Processing Industry: An Analysis of Trends and Implications," (ID-80-04, Oct. 31, 1979), we found a need for better understanding of the cumulative effects of Federal policies on industry. This report analyzed the decline of domestic mining and mineral processing capacity over a decade. It also reported a trend toward increased imports of processed rather than raw materials and forecast a continuation of this trend. Finally, it concluded that these trends, though they represented issues requiring analysis of potential economic and strategic consequences, were not addressed when decisions affecting them were made. There was no organizational or standardized means to assess the possible effects of such decisions on supply vulnerability, employment concerns, or balance of trade problems. Included among these mineral policy decisions are Federal resource management decisions.

^{1/}Testimony of Accounting and Financial Management Division of GAO before House Subcommittee on Oversight and Special Investigations on royalty accounting systems, October 6, 1981.

Management of Federally
Owned Mineral Resources

As stated, Mr. Chairman, the past and potential future contribution of Federally controlled energy and mineral resources to supply and the national economy is generally unquestioned. What is being questioned, however, is where, when, and how exploration and development should occur in the future. Also being questioned is how these decisions should be made. This decisionmaking process has been the focus of our work.

What we have found is that minerals management at the Department of the Interior is unorganized and uncoordinated. Decisions affecting exploration and development of energy and mineral resources are made ad hoc and without reference to larger strategies for affected commodities or markets. Minerals management functions at Interior are split among a number of offices, and it is not always clear what each office's responsibilities are for these resources. Many of the responsibilities have been created piecemeal, are generally decentralized, and are not directed by a structured, coherent policy for management of energy and mineral resources. For example, although the Bureau of Land Management has primary responsibility for administering the mining laws for all Federal land, a surface management office, the National Park Service, has responsibility for the management of mineral resources on its lands and implementation of the Mining in the Parks Act. I will discuss later some of the problems we identified from this delegation of authority.

We believe that weaknesses in management of Federal resources result from passive and unpredictable administration of the mining

and leasing laws; the lack of effective linkage to the policy formulation, information, and analytical capabilities of the Bureau of Mines and Geological Survey; and the fragmentation of decisionmaking responsibilities among surface and mineral management offices. Also, there is no effective management oversight or cumulative and comprehensive evaluation of decisions. However, the overriding deficiency is the lack of a department level plan with the objectives to guide minerals managers and to establish standards of accountability for Federal resource managers whose decisions affect resource uses. I will speak more about the need for program planning in a moment.

RECENT GAO REPORTS REGARDING
THE MANAGEMENT OF FEDERALLY
CONTROLLED MINERAL RESOURCES

At your request, Mr. Chairman, we recently issued two reports which identified serious problems with specific aspects of Interior's minerals management decisionmaking process.

The first one, issued on Sept. 10, 1981, called for improvements in Interior's leasing of the mineral alunite, a potential domestic source of aluminum. As you know, Mr. Chairman, the Federal government controls all of the known major domestic resources of alunite. Therefore, the role played by the Government in approving and disapproving applications for exploration permits and development leases is particularly crucial. However, our report points out that excessive and unnecessary delays by Interior in processing prospecting permits and lease applications have frustrated exploration and development. For example, for the States included in our review, as of April 30, 1981, 92 percent of the prospecting

permits and preference right lease applications for alunite had been outstanding for 5 years and some delays had exceeded 10 years. Interior officials, in responding to this report, said that they were taking corrective steps to change the situation. However, Interior's response did not address the larger question of cumulative evaluation or review of restrictive decisions as they affect an entire resource or industry.

Our most recent report, done at your request, deals with a particularly sensitive and controversial issue--mining on National Park Service lands. In that report, issued on Sept. 24 of this year, we reviewed the actions of the Department in implementing the requirements of Public Law 94-429, the Mining in the Parks Act. In 1979, Interior recommended that the Congress acquire certain mining claims in Death Valley and Glacier Bay National Monuments, for a minimum of \$650,000 and \$100,000 respectively. Although the recommendations have not yet been acted upon by the Congress, they still represent the official Department position.

Our review found that these recommendations were based on vague and misleading environmental and cost data and, if implemented, could result in costs substantially in excess of the reported estimates. What Interior never reported to the Congress was the range of potential costs and the great amount of disagreement and concern expressed by Interior officials, even within the National Park Service, as to the reliability of the cost estimates. For example, the differences in alternative cost estimates for the mining claims in Glacier Bay National Monument were staggering.

As I just stated, the estimate Interior provided the Congress for

acquiring certain mining claims in that area was \$100,000. However, in an internal memorandum, the then Director of the Bureau of Mines estimated that the value of the ore contents of the mining claims was around \$3.5 billion at 1979 market prices, a valuation the Park Service never performed. The memo stated the claims could be worth as much as \$300 million. Another option the Director suggested was that a court could compensate the claim owners for the costs incurred in discovering, exploring, and perfecting the claims, which could total anywhere from \$10 million to \$30 million. We believe that no one can be sure of what the cost of acquiring the claims would be, but the \$100,000 NPS estimate is definitely misleading. The actions by the National Park Service in this matter could be construed as an attempt to downplay potential costs to obtain congressional authorization to acquire the claims. The Congress, by acting on this information, could then be blind-sided with very large, unexpected obligations.

Interior's comments on the draft of this report arrived too late to be incorporated in the final report. As is our normal policy and practice, we had allowed Interior 30 days to furnish us with comments on a draft of the report. On the last day of the 30-day period, Interior officials requested additional time. They said our report raised significant issues and the Assistant Secretaries for Fish and Wildlife and Parks and for Energy and Minerals needed more time to consider corrective measures. Because Interior indicated that the additional time would be used to seriously consider and perhaps implement our report recommendations, we granted, with your concurrence, an unusual 30-working-day exten-

sion. However, despite the extension, Interior failed again to get its comments to us on time. Furthermore, the comments we finally received were so non-responsive that we are addressing them in a supplemental report which will be issued shortly.

We have been informed that the Department's response was authored by National Park Service officials and that there is still considerable disagreement within the Department regarding the issues raised in our report.

Although Interior's comments on our report failed to respond to most of the issues addressed, the Department did state that the cost estimates they provided the Congress were the best that could be developed under the circumstances. Interior also stated its belief that the Congress is fully aware of the limitations of these estimates. Mr. Chairman, these Department comments to the draft report are particularly disturbing in these days of budget consciousness. We strongly disagree with Interior and believe that it should do as we recommended and notify the Congress that it no longer supports the 1979 recommendations to acquire certain mining claims in Glacier Bay and Death Valley.

In addition to the problems identified with the cost estimates, we found that Interior did not fully analyze the mineral supply implications of its recommendations. Specifically, Interior failed to assess the effects of acquiring the mining claims on the country's need for the affected minerals or the costs of replacing

them from other sources.

The problems we identified in this report clearly stem from Interior's mismanagement of the entire issue. For example, the National Park Service was almost solely responsible for implementing Public Law 94-429. Other agencies such as the Bureau of Mines and U.S. Geological Survey had little or no input into the development of the information provided to the Congress but had strong and well-reasoned opinions. Finally, the Bureau of Land Management had barely begun to adjudicate most of the decisions affecting individual claim holders when recommendations were made.

RELATED GAO REPORTS

GAO has issued a number of other reports which further confirm our position that lack of an effective management structure for Federally controlled energy and minerals has frustrated decision-making and policy formulation. I would like to summarize briefly the findings of a few of them.

In "Impact of Making the Onshore Oil and Gas Leasing System More Competitive (EMD-80-60, March 14, 1980) we found that a bill sponsored by the former administration to expand competitive oil and gas leasing was based on insufficient data and analysis and lacked a clearly identifiable objective. Therefore, the "solutions" being proposed represented so many uncertainties that an appraisal of the potential results of implementing the proposed bill would have been impossible.

This chronic mineral information and management inadequacy also appeared when we reviewed the problem of illegal mining

of Federal coal in the East. In "Coal Trespass in the Eastern States--More Federal Oversight Needed" (EMD-79-69, May 25, 1979), a major cause of failure by the Department of the Interior to detect or prevent such illegal mining was the poor record of Federal mineral ownership in the Eastern States. In work we are currently performing on onshore oil and gas leasing, we are finding that the backlog of changes to be made to Federal ownership records in Western states indicates that the Federal government frequently is operating in the dark regarding its ownership of mineral rights there as well.

As a matter of fact, our general work at Interior has shown that poor mineral information is a central problem complicating decisions affecting Federal mineral resources. In this regard, unclear ownership records or questions regarding which legal authority governs how particular minerals will be administered vitally affect collection and distribution of revenues.

More recently, we found in "Actions Needed to Increase Federal Onshore Oil and Gas Exploration and Development" (EMD-81-40, Feb. 11, 1981) that to achieve greater production of oil and gas from Federal lands, more lands would have to be made available, the number and severity of lease restrictions would have to be reduced, and processing of leases and permits would have to be expedited. Furthermore, we found little evaluation of cumulative impact of administrative decisions restricting oil and gas leasing. This has contributed to a lack of management awareness within Interior about how much or which lands are affected and what it means for energy supply or other Federal goals.

Before leaving the subject of other issued reports, I would like to take this opportunity to clarify the relevance to Federal energy and mineral resources of a report we issued on minerals critical to developing future energy technologies (EMD-81-104, June 25, 1981). This interim report was done at the request of Senator Henry Jackson, Ranking Minority Member of the Senate Committee on Energy and Natural Resources. We found that physical scarcity of most of the minerals essential to a number of alternative energy technologies did not appear to be a problem through the remainder of this century. However, for some nonfuel minerals any probability of dangerous shortages or price increases are matters worthy of closer study. This report did not specifically address Federal resource issues.

MINERALS MANAGEMENT
PROGRAM PLANNING

Thus, our work in evaluating all aspects of management of mineral resources controlled by the Federal government is continuing to reveal that Interior does not seem to manage these energy and mineral resources in a business-like manner.

This brings us back to our report on Interior's mineral management. In that report, we recommended program planning as a tool for the Secretary to define the role Federal energy and mineral resources should play in meeting national goals.

The Secretary failed not only to respond to that report, when we supplied a draft for his review, but also failed to meet the Section 236 requirements of the Legislative Reorganization Act of 1970 which requires the head of a Federal agency to notify the Congress about actions taken on GAO recommendations not later than 60 days after the

date of the report.

We recently received a belated reply to our report on minerals management. Frankly, your requested report on alunite which pointed out the above comment-deficiency was the catalyst which stirred internal recognition and resulted in their comments. Their reply indicated heightened interest in streamlining procedures and stimulating production. The bottom line of their comments is that they do not have time to lay out the priorities, goals, and objectives of mineral resource management; they have to get on with making changes. This response and discussions with officials of the Department indicate that they may not actually understand what we're asking for in program planning.

What we mean by a program plan is a front-end planning document which could guide management decisions by

- identifying major issues and processes which must be addressed;
- establishing objectives in addressing those issues and processes;
- determining specific strategies for achieving those objectives; and
- assisting in allocating resources needed to implement the plan.

For minerals management, such a program plan would provide problem definition and objectives establishment as preliminary steps to initiating actions. It would also systematically identify the need for both administrative and legislative initiatives to

correct problems. Furthermore, a program plan would reveal the interrelationships of minerals programs to non-minerals programs and would anticipate areas of conflict for early conflict resolution. As a flexible and dynamic management tool, it would provide guidance and periodically updated information on changing conditions and chronic deficiencies. Most importantly, it would funnel the minerals management guidance from the Secretary all the way down to the lowest ranking resource manager and, thus, affect resource decisions to reach the goals and objectives set out by the Secretary.

CONCLUSION

In conclusion, I feel program planning would offer to Interior a process which would allow the Secretary to develop a department-level plan to guide mineral managers and would establish standards of accountability. Such a plan would direct attention to the problems on which the Department's managers should focus their attention. I further believe that implementation of this process would be enhanced by consolidation of Interior's mineral management authorities. Assignment of these authorities to a single Assistant Secretary is one potential solution we have suggested.

That concludes my formal statement, Mr. Chairman. I shall be pleased to answer any questions the Subcommittee may have.