Submitted by

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to the

Energy and Commerce Committee
Subcommittee on Energy

Hearing on

"Legislation Addressing Pipeline and Hydropower Infrastructure Modernization"

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One Page Summary of Major Points

Operating Engineers and the Pipeline Industry

- Members of the Operating Engineers are some of the most highly trained and skilled construction workers in the world
- IUOE conducts specialized training on skills specific to the pipeline industry
- The IUOE trains tens of thousands of apprentices and journey-level workers at over 86 facilities around the country that are focused on construction at no cost to the public
- The IUOE employs over 550 highly-rated instructors at our construction training facilities

Employment and Wages in Construction and the Pipeline Industry

- The construction industry has the highest unemployment rate of any industry sector at 8.4%
- Employment in the Oil and Gas sector has hit a five-year low
- IUOE members' skill set allow them to demand the highest wages and benefits of any workers in the occupation

Energy Infrastructure Modernization in the Federal Law

- Regulatory uncertainty and procedural delays during environmental reviews have hindered the growth of jobs related to the pipeline industry
- There needs to be an updated, streamlined permitting and regulatory framework ensuring that the domestic oil and gas industry flourishes in a safe predictable way
- An anachronistic regulatory structure inhibits the development of the industry and family-sustaining jobs that go along with it
- The IUOE supports the "Cross-Border Energy Infrastructure Act" and the "Promoting Inter-agency Coordination for Review of Natural Gas Pipelines Act"

Thank you for the invitation to join you this morning, Chairman Upton and members of the subcommittee. It is an honor to join the committees for its first legislative hearings of the 115th Congress, particularly as you try to address the critical need to modernize the federal law in relation to the nation's energy infrastructure.

My name is Jeffrey Soth. I am the Legislative and Political Director of the International Union of Operating Engineers (IUOE), AFL-CIO. The union represents almost 400,000 men and women in the United States and Canada. Every day across the United States, thousands of IUOE members are building the nation's pipelines, power plants, and other vital energy infrastructure. Tens of thousands of members of the IUOE are mechanics and heavy-equipment operators in the construction sector. In short, we operate and maintain the cranes, bulldozers, and backhoes that build North America.

To perform this work safely and productively on some of most sophisticated, technical construction projects on the globe, members of the Operating Engineers union receive extensive craft training through an on-the-job apprenticeship model.

There are key benefits to the training model for the worker, the employer, and the general public. For workers, the apprenticeship training (typically a three- or four-year duration) delivers the following:

- nationally-recognized, portable credentials upon completion
- regularly scheduled, progressive wage increases connected to experience and skill-development
- higher earning potential and greater financial security
- more opportunities for future training and advancement
- college credits offered through many programs

For employers, the apprenticeship model delivers skilled workers trained to industry specifications and needs. Employers jointly manage the programs with members of the union, developing the curriculum to ensure that the skills that workers possess are the same skills the employers demand on the job. The system of apprenticeship provides a pipeline of new skilled workers for employers, and perhaps most importantly, the system delivers reduced costs due to worker productivity and safety. The system serves as a model for delivering industry-driven training in the construction sector and beyond.

The general public also receive extensive benefits from the apprenticeship and training model of the Operating Engineers. The risk to life, property, and the environment is minimized through extensive worker training by the IUOE. It is not just the workers "under the hook" who are exposed to risk from a tower crane accident, for example. Neighboring buildings and passersby can also be in danger. Similarly, pipeline infrastructure that is designed to last more than fifty years needs to be installed in the safest possible way, and that is the commitment of the IUOE. It is training that introduces the latest techniques, technology, and equipment to members of the IUOE in its effort to construct the world's safest pipeline network. The public does not bear any of the cost of the privately-funded training. And the family-sustaining wages and benefits that skilled workers earn supports the communities in which they live.

Through this system that combines on-the-job experience and classroom training, the apprenticeship model delivers the skills necessary for Operating Engineers to excel in their careers. Generally, Operating Engineers' training programs within the construction industry are regulated by the Department of Labor's Office of Apprenticeship (or through State Apprenticeship Councils), and are governed by a Board of Trustees comprised of an equal number of contractors' representatives and labor representatives.

The International Union of Operating Engineers, in partnership with employer-contractors, trains tens of thousands of apprentices and journey-level workers at over 86 facilities around the country that are focused on construction. In 2015 alone, these programs invested over $128 million annually to meet employers' needs for a skilled workforce (IUOE Census Survey, 2016). Those numbers do not include national training programs like the Pipeline Training Fund, which will be discussed below. With over 550 construction instructors at the IUOE's training centers, the union possesses extensive workforce-development capacity and expertise. The work opportunities for Operating Engineers in the pipeline industry, however, require specialization within the craft.

IUOE Local Union
Construction Training Activity
2008-2015

Average Annual Number of Apprentices Enrolled	**6,057**
Number of Apprentice Completions	**10,328**
Total Number of Journey Workers in Upgrade Programs	**412,328**
Total Number of Journey Level Training Hours	**9,789,651**

Operating Engineers and the Pipeline Industry

Members of the IUOE play an essential role in the pipeline industry. The IUOE is signatory to the National Pipeline Agreement, along with the Laborers International Union of North America (LiUNA!), International Brotherhood of Teamsters (IBT), and the United Association of Journeymen and Apprentices in the Plumbing and Pipefitting Industry in the United States and Canada (UA). The pipeline industry is a key segment of the construction sector for Operating Engineers. In many ways, it is at the heart of IUOE members' work opportunities.

The pipeline industry has a unique set of skill requirements and Operating Engineers are perfectly suited to what the industry demands -- the safest, most productive workforce available.

Roughly one-quarter of the worker hours on a pipeline project for Operating Engineers is derived from operating a sideboom, a piece of equipment unique to pipeline construction. Specialized training is necessary to operate other heavy equipment in the pipeline industry, too. That is why, in addition to the broad craft training that a member of the Operating Engineers receives from his/her local union's joint apprenticeship and training fund, the IUOE privately operates a training partnership with the Pipe Line Contractors Association to meet the specific needs of the pipeline sector. Under the collective bargaining agreement negotiated between the Pipe Line Contractors Association and the IUOE, 75-cents an hour is contributed to training. These hourly contributions combine to allow the labor-management Pipeline Training Fund to invest over $5 million in 2015 alone, with no public resources whatsoever.

Historically, the Pipeline Training Fund has delivered on-demand mobile training in specific areas around the country where there was extensive pipeline work, or a large, anticipated project. Within a year the Pipeline Training Fund will find a new home in Crosby, Texas.

The IUOE is constructing the International Training and Education Center (ITEC) on 225 acres in the Gulf Coast area, just outside of Houston. Not coincidentally, billions of dollars of private investment in the oil and gas industry is projected in the region. The private project will cost roughly $150 million and is slated for completion in Spring 2018. Not only will the ITEC house specialty pipeline training, the facility will be the new home to specialty crane training and the regional Stationary Engineers Apprenticeship and Training Trust (SEATT), a new training partnership in the Gulf Coast petrochemical industry.

After that summary of who we are and how we fit into the sector, let me turn to the broader industry dynamics of the construction sector and the pipeline industry group, with a look at the publicly-available labor market data from the Bureau of Labor Statistics (BLS).

Employment and Wages in Construction and the Pipeline Industry

The employment situation in construction is dramatically improved since the depression-era levels of unemployment experienced during the Great Recession – unemployment reached over 27% in February of 2010. Yet it is also true that the construction industry still has the highest unemployment rate of any industry sector in the American economy at 8.4% (not seasonally adjusted), approaching a rate that is twice the national average, according to the most recent data available (March 2017).

You can see the low point in construction employment in January 2011. (Discrepancies between the unemployment rate and number of persons employed in the industry can be attributed to the different surveys used by BLS.) As you can see in the graph attached to my testimony, the sector is still down over 700,000 workers from when the Great Recession started in December 2007.

Now let us focus more closely on the pipeline sector. In the second chart attached to my testimony, you can see employment in the oil and gas industry group within the construction industry.

While employment in the pipeline industry group reached an all-time high less than two years ago in June 2015, a concerted attack on new pipeline infrastructure has taken its toll on the permitting of new projects and the industry's workers – Operating Engineers, in particular – have paid the price.

According to the most recent data available from the Bureau of Labor Statistics, employment in the oil and gas industry is close to a five-year low. There has been a 20% decline in employment in less than two years.

There can be little doubt that persistently depressed oil and gas prices have had a bearing on the decrease in pipeline activity, but the antiquated regulatory framework has also delayed projects. Some other projects have been denied outright – the Pacific Connector in Oregon, the Constitution Pipeline in New York, and the list goes on.

It is important to consider that jobs in the oil and gas pipeline construction industry group create high-quality jobs. Wage estimates for production and nonsupervisory workers in the oil and gas pipeline industry are over $30.50 an hour, according to the most recent data from the Bureau of Labor Statistics. That compares to $21.90 an hour for production and nonsupervisory workers in all of the private sector.

Energy Infrastructure Modernization in Federal Law

In order to capitalize on the opportunity presented by this abundant American natural resource, Congress must update its anachronistic regulatory structure, which inhibits the development of the industry and the jobs that go along with it. Fully realizing the opportunities associated with America's natural resources requires an update and overhaul of the federal law. Congress should modernize our pipeline infrastructure policy. Legislation before the subcommittee gives us an opportunity to turn around the gloomy outlook of the pipeline industry described above, just as the Administration has signaled a new approach to pipelines and the forecasters suggest that oil prices may be on the rise.

The Energy Equipment and Infrastructure Alliance (EEIA) has identified 33 major pipeline projects that have either been announced or are under construction. These projects represent an estimated investment of $60 billion and are expected to require 9,300 miles of large diameter pipeline. An IHS Global study finds that $8 billion a year could be invested in just gathering pipelines, not including distribution and transmission, for both the oil and gas industry.

It is essential that the American energy policy support the development of this domestic resource by keeping pace with the dramatic innovations that are occurring in the sector. In a number of cases, the growth in the industry has simply outpaced the nation's regulatory framework, and that is why legislation before the subcommittee is so desperately needed by Operating Engineers and other workers in the industry. Unfortunately, regulatory uncertainty and procedural delay during environmental reviews have hindered the growth of jobs related to the natural-gas industry, as you can see in the dramatic decline in jobs since the Summer of 2015 in the attached chart. Congress should establish sound, transparent policies to guide domestic natural-gas and oil development in order to maximize the economic opportunities associated with this abundant American resource. A new approach is needed, and two pieces of legislation before the subcommittee, in particular, help move the country in the right direction.

The International Union of Operating Engineers previously endorsed the natural-gas permitting legislation introduced by then-Chairmen of the subcommittee Congressman Whitfield and now CIA Director Pompeo, H.R. 1900, a bill that would have limited the Federal Energy Regulatory Commission's (FERC or Commission) environmental review to twelve months. While FERC Commissioner Moeller testified at the time that the timeline was achievable, if the clock began to tick only after the agency had received a completed application, it became clear that, frankly, FERC is not necessarily the problem (assuming at least there is a quorum of commissioners). Rather, FERC needs tools to herd the other federal cats involved in the permitting process. That is precisely what the "Promoting Interagency Coordination for Review of Natural Gas Pipelines Act" seeks to accomplish.

This legislation, while combating much the same problem identified in H.R. 1900, makes an important evolution in addressing it. Frankly, the bill more specifically attacks the problem.

The new legislation requires agencies to establish a transparent plan by which they assist FERC in meeting its obligations. The legislation establishes concurrent review of the state or federal agencies with a role in the permitting of a natural-gas pipeline under the National Environmental Policy Act (NEPA) – a move that also has been made in federal law with respect to the permitting of public water and transportation infrastructure. The legislation requires agencies to submit regular updates to FERC identifying its progress in reviewing an application. And, importantly, the legislation demands that state and federal agencies responsibly identify issues of concern that may delay a decision or prevent the Commission from issuing a timely authorization.

The IUOE supports the Cross-Border Energy Infrastructure Act. The IUOE has a long history in relation to the Presidential Permit process and the approval of projects under its terms. In our view it is the right time to update the federal approach to cross-border permitting, while there is not a high-profile project under consideration. It is time to for Congress to codify the process, taking it out of the uncertainty of an executive order and embedding it in the federal law.

Perhaps one of the most important assessments of the existing permit process can be found in the "Special Review of the Keystone XL Permitting Process" conducted by State Department's Office of Inspector General in February 2012. While the Special Review basically dismissed concerns raised by Members of Congress regarding conflicts of interest between the third-party contractor obtained by the State Department and the applicant, TransCanada, the Office of Inspector General identified problems within the State Department in conducting environmental review under the National Environmental Policy Act that should be addressed by this Congress.

In the report the Office of Inspector General says, "The Department's limited technical resources, expertise, and experience impacted the implementation of the NEPA process." The State Department's lack of competency and capacity to manage NEPA processes can negatively affect

their environmental review. In fact, the Office of Inspector General asserts that, "…had the Department had more expertise in NEPA and more knowledge of the information and analysis needed for an EIS, the Department may have been able to avoid the Environmental Protection Agency's poor rating of the draft EIS and the need for a supplemental EIS… the Department issued a supplemental EIS in April 2011 and ended the public comment period in June 2011, which prolonged the EIS process by 11 months." (Special Review, page 20-21).

Given the long history of FERC in processing environmental reviews under NEPA, it is the logical federal agency to manage the cross-border permit process, despite its lack of familiarity with crude oil pipelines. The Commission possesses extensive expertise in energy markets and in managing environmental reviews for natural gas pipelines, LNG export facilities, hydro-electric projects, as the subcommittee is well aware. Updating the antiquated process for cross-border energy infrastructure is overdue, and the IUOE looks forward to working with you to enact into law during this 115th Congress.

Conclusion

Members of the International Union of Operating Engineers, because of the significant contributions of employers and the union's leadership, are the highest-skilled, best-trained, and best-compensated workers in the pipeline industry. These dramatic private investments in training help maximize the safety of the industry.

An antiquated federal code inhibits growth and employment in the construction of America's infrastructure. Oil and gas pipeline employment is near a five-year low, in part due to the regulatory impediments that hinder jobs and growth.

You have the opportunity through legislation before the committee to turn around the gloomy outlook in pipeline employment by codifying the cross-border permit process and by updating the

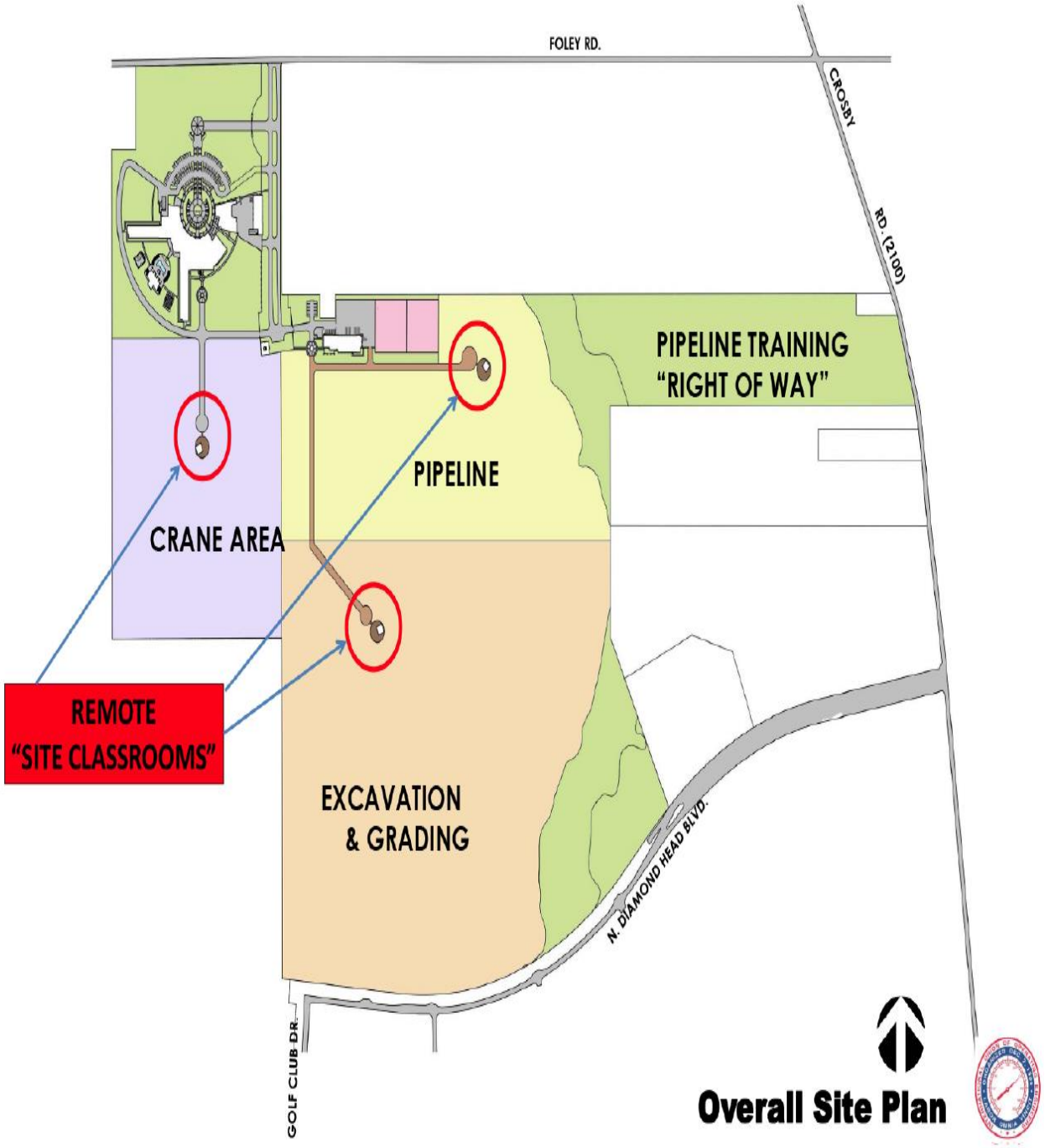
natural-gas pipeline permitting process at FERC, giving the agency more tools to coordinate their environmental reviews with state and federal agencies and tribes.

Thank you for the opportunity to testify, Chairman and members of the subcommittee. I am happy to take any questions.

Attachments

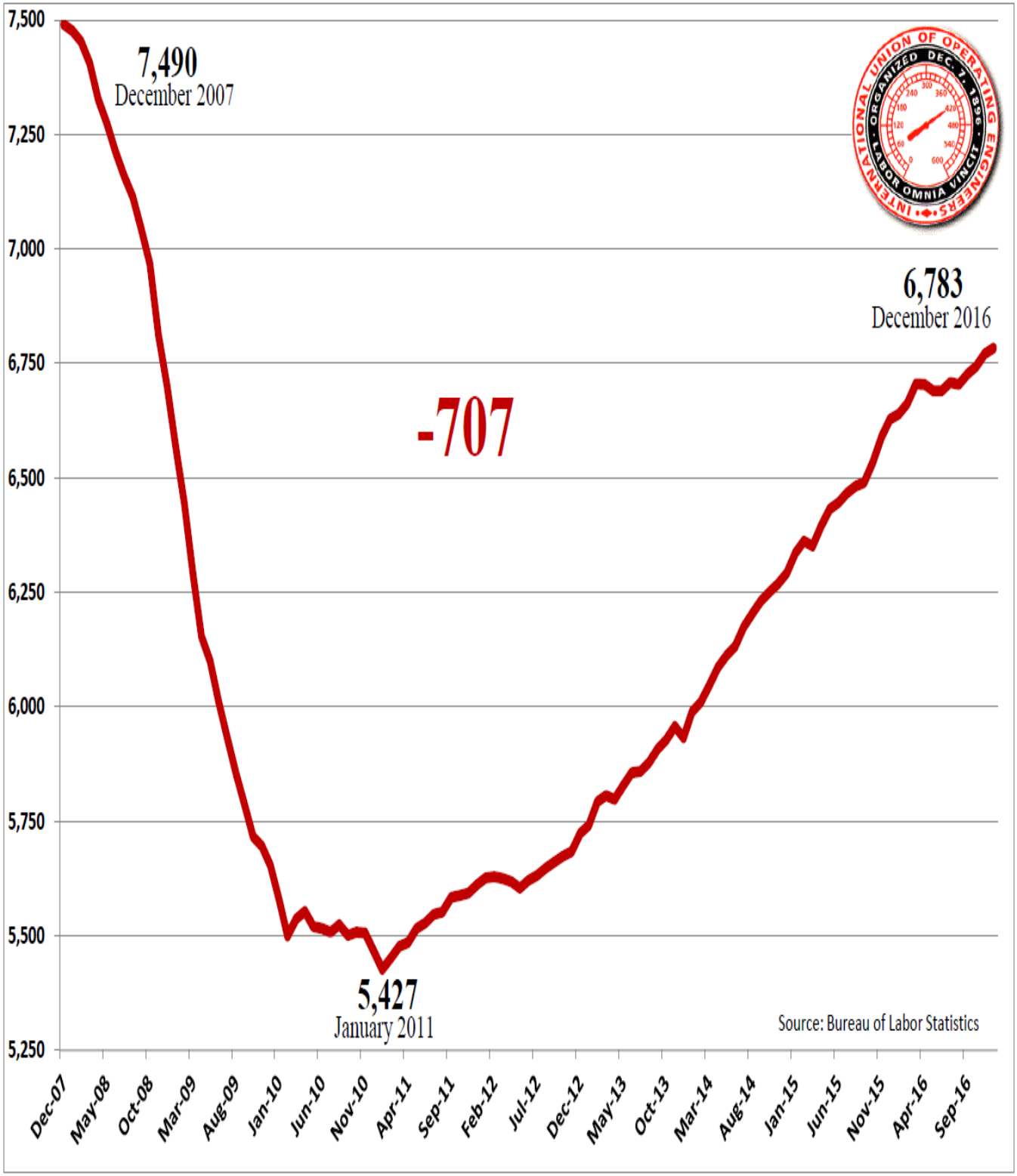
International Union of Operating Engineers
International Training and Education Center

International Union of Operating Engineers
International Training and Education Center



Overall Site Plan

Construction Employment



Oil and Gas Pipeline Construction Employment