

MSRC: A COMPANY OF CHANGE
TO MEET THE NEEDS OF ITS CUSTOMERS

MSRC is a non-profit oil spill response organization with its primary response capability located in the coastal regions of the United States, including the U.S. Virgin Islands and Hawaii. MSRC is a progressive company which has evolved to meet its customers' ever changing needs as the U.S. federal and state regulatory environment changes.

To understand the MSRC of today, we must first look at the history of the organization, the events that created MSRC, and the changes that have occurred since 1989, both external and internal to MSRC. This will help explain the evolution of MSRC which has occurred to meet the needs of its customers -- including the members of the Marine Preservation Association.

Milestones in the Marine Spill Response Corporation's Development

The history of MSRC is traced to a sequence of events in the United States beginning with the oil spill in Prince William Sound Alaska in March of 1989. Like many catastrophic events, this one led to the enactment of legislation in the United States Congress to not only provide for a response system in the United States, but also to attempt to prevent such environmental disasters. This law is known as the Oil Pollution Act of 1990, or OPA-90. While the U.S. Congress was debating the provisions of this law, the U.S. oil industry through the American Petroleum Institute, or API, was also taking action to determine what the industry as a whole could do to both prevent and respond to such an incident in the future.

Prince William Sound Off Spill - March 1989

The oil spill in Prince William Sound was the catalyst for the creation of MSRC and its national response capability. The incident raised serious questions within the minds of oil industry executives about the ability of the industry to respond to incidents of such magnitude. The industry created a task force under the auspices of the American Petroleum Institute to study not only the current U.S. response capability, but also what capabilities needed to be created to respond adequately to such a spill.

This Task Force's members consisted of eight high level oil company executives representing Amoco, Arco, BP America, Chevron, Exxon, Mobil, Shell and Texaco. The Task Force was chaired by Allen Murray, then Chairman of Mobil Corporation. The Task Force's mission was to review current U.S. response capabilities and prevention efforts.

The Task Force released their findings barely three months after the Prince William Sound incident. The report stated that the U.S.-- industry and government -- was not prepared to deal with a catastrophic spill. The Task Force considered a catastrophic spill to be defined as a release of oil in the offshore environment similar to the size of the Prince William Sound spill – about 30,000 tons, or as any release beyond the local response infrastructure which could be a lot less than 30,000 tons in some areas.

The Task force Report also included recommendations including the support of prevention programs and the establishment of the Petroleum Industry Response Organization, or PIRO.

Petroleum industry Response Organization (PIRO) - Fall 1989

When the Task Force issued their Report in June 1989 they also established a Steering Committee to make recommendations on the implementation of PIRO. By the time the Steering Committee Report was issued in January 1990. the membership in PIRO had grown from the original eight major oil companies to 20 companies. They had also established committees to study personnel, equipment, vessels, training, insurance and other issues to include about 75 of the oil industry experts in each of their respective fields.

The Steering Committee Report recommended the formation of two organizations, one to be the funding organization the other to be operational. When the Steering Committee Report was issued the estimated 5-year costs for the two organizations (MPA/MSRC) were approximately US \$400 million dollars. This included US \$145 million for capital equipment, an annual operating budget of US \$65-\$70 million and a five year research and development budget of US \$30-35 million and an organization consisting of 303 people nationwide.

Oil Pollution Act of 1990 (OPA-90) - August 1990

At the same time that industry was creating PIRO, the U.S. Congress was drafting legislation in both houses of Congress to not only prevent but to also respond to such environmental disasters as the Prince William Sound incident. Seventeen months after the vessel ran aground in Prince William Sound the President signed the Oil Pollution Act of 1990 into law on August 18, 1990. The new law was the first comprehensive oil pollution law in the United States, combining numerous U.S. laws into one.

OPA-90 had many provisions including:

- Expanded federal authority and responsibility to the U.S. Coast Guard for response activities

- National planning and response system
- Mandatory response plans, relying on private response capability
- It applied to vessels, oil exploration & production platforms, terminals and pipelines
- Equipment requirements and inspections - both on the response and prevention side
- Federally mandated exercise and drill program
- No federal preemption of state legislation
- A strict implementation schedule by February 1993

OPA-90 also provided another important provision which is referred to as "responder immunity." This provision provided a responder with a limited exemption from liability as long as the responder didn't cause personal injury or wrongful death, or act with gross negligence or willful misconduct. Since a response organization, much like a fire station, doesn't choose the time of day, weather conditions or circumstances to its response efforts, they should be protected from liability that may be placed on them due to these factors. Most U.S. States adopted similar provisions, and as a result, the U.S. Congress and every coastal jurisdiction in the U.S. agree that this provision has made good public policy to encourage response operations.

Marine Preservation Association/Marine Spill Response Corporation - September 1990

Shortly after OPA-90 was signed into law, and after the PIRO studies, the oil industry announced the creation of two new organizations designed to provide the kind of response capability discussed in the law. The Marine Preservation Association (MPA) and the Marine Spill Response Corporation (MSRC) were created in September of 1990. MPA is a not-for-profit organization created to fund the response capability of MSRC. MPA members are entitled to contract with MSRC for response services. MPA provides the funding which has allowed for the capital expenditures and annual operating budgets of MSRC.

When the two organizations were founded, it was estimated that the five year costs would be approximately US \$825 million, double the amount estimated in January of 1990. This figure now estimated capital equipment purchases to be about US \$325 million, annual operating budgets to be approximately US \$100 million, and the initial estimation for R&D to remain at US \$30-35 million for the five year program. The estimated number of personnel necessary to operate and start up MSRC was estimated at 395.

U.S. Regulatory Requirements Under OPA-90

OPA-90 tasked many different agencies of the U.S. government with implementation and regulatory responsibilities, however, none more so than the U.S. Coast Guard. Amongst other things, the U.S. Coast Guard had responsibility for drafting rules to implement Vessel Response Plans (VRPs), Facility Response Plans (FRPs) and Guidelines for Oil Spill Removal Organization (OSRO) Classification Systems. Two other agencies of the U.S. government also had responsibility for other kinds of facilities, for example the U.S. Department of the Interior under the auspices of the U.S. Minerals Management Service has responsibility for offshore facilities and the U.S. Environmental Protection Agency for onshore facilities that are non-transportation related facilities.

Vessel Response Plans

This rule was established through a negotiated rule-making process in which the U.S. Coast Guard, industry representatives (response, oil and shipping) and the environmental community developed the rule jointly. The rule established time frames and capability for response within U.S. waters. The rule requires that any vessel destined for a U.S. port must file and have approved a vessel response plan by the U.S. Coast Guard (prior to entry into U.S. waters).

Oil Spill Removal Organization (OSRO) Classification System

The U.S. Coast Guard issued Guidelines in December 1995 to create a voluntary classification system for Oil Spill Removal Organizations. MSRC, like many response organizations, chooses to participate in this program since it aids our customers in the writing of their vessel response plans and ultimately the approval of the same. Classification levels are issued for an U.S. geographic area based on the U.S. Coast Guard Captain of the Port zone. Classifications are based on the response organization's capability to meet planning parameters for skimming, boom and temporary storage capacity requirements in that area. These classifications in no way remove a planholder from the responsibility of ensuring that their response organization is capable of meeting the planholder's obligations under OPA-90.

MSRC(1991-1995)

After its creation MSRC began to create a national infrastructure of oil spill response capability that would provide its customers with the oil spill response resources to meet their expected OPA planning requirements. MSRC contracted for the construction of specially designed and constructed Oil Spill Response Vessels (OSRVs). The company also began resting and purchasing boom and skimming systems to provide what the company believed would be the level necessary to meet the response capability required by the law. MSRC developed a Research & Development Program, and created a Spill Management capability.

Dedicated Oil spill Response Vessels (OSRVs)

In 1991, MSRC contracted with two shipyards in the U.S. Gulf of Mexico to design and construct sixteen OSRVs prior to February 1993. The following are the characteristics for the Responder Class vessel:

- Length Overall - 208'-5" (63.5 meters)
- Depth - 17'-0" (5.1 meters)
- Max Draft - 14'-0" (4.3 meters)
- Beam - 44'-0" (13.4 meters)
- Quarters - 38 Persons
- Fuel Capacity - 112,890 Gallons (427,335 liters)

Additionally, each vessel has two oil/water separation systems on board, 4,000 barrels of temporary storage, high capacity Trans-Rec skimming systems, oil containment boom, and full remote command and control capabilities for response activities.

Dedicated Skimming Capabilities

MSRC currently has 106 skimmers nationwide. Originally, MSRC purchased 96 skimmers which has grown to the current level. MSRC's combined skimming capability (as rated by the U.S Coast Guard) is 454,178 barrels per day of Effective Daily Recovery Capacity (EDRC) including the following types of skimming equipment:

- Trans-Rec 350
- Aardvac 800
- Desmi Ocean
- GT-185

- Seawoif
- Walosep W-4
- WP-1
- Vikoma 3-Weir

Dedicated Temporary Storage

In addition to designing and constructing the OSRVs, MSRC purchased seventeen offshore barges ranging in capacity from 32,000 barrels to 68,900 barrels. MSRC re-outfitted this barges to allow for crew quarters and made other changes to make the vessels suitable for oil spill response activities. MSRC also has 68 Shallow Water Barges capable of containing 400 barrels of recovered oil each and 84 towable storage bladders in 500 barrel and 3,000 barrel sizes. MSRC's combined temporary storage capability is 902,300 barrels.

Dedicated Boom

MSRC purchased 311,340 feet of boom including Offshore, Inshore and Intertidal Boom. Thus providing MSRC with booming capabilities in all depths of water and environments.

Research & Development

MSRC's five year Research & Development program funded research in the following areas:

- Remote Sensing capability
- In-Situ Burning
- Dispersants
- Oil/Water Separation Systems
- Counter Measures Effectiveness
- Bioremediation
- Evaluation of Spill Effects

Spill Management

MSRC's Spill Management capability that was offered to its customers included the following areas of expertise:

- Command & Control

- Operations
- Health & Safety
- Planning
- Logistics
- Finance & Administration
- Communications
- Public Affairs
- Government Affairs
- Scientific & Technical Support

Structure / Budget

MSRC operated out of five geographic Regional Response Centers, two on the West coast, two on the East coast and one in the Gulf and from 21 pre-positioned equipment Sites around the country. MSRC was designed to respond only to large oil spills that were beyond the capability of the local response infrastructure. MSRC did not provide plan citation or response capability to its customers for "Shoreline Cleanup." At the end of the five-year period, the total cost of MSRC had reached over US \$900 million.

Catalyst for Change

As MSRC was being developed, other activities were occurring in the regulatory community and in industry to change the U.S. approach to what was considered a necessary response capability in the U.S. In the regulatory environment, the U.S. Coast Guard's rulemaking process proved to provide less rigorous standards than had originally been anticipated after the enactment of OPA-90.

At the same time, some members of the oil industry who were the predominant funding companies for MSRC and MPA no longer felt a strict obligation under the law to maintain this kind of dedicated resource. This led to many changes in the structure and composition of MSRC.

MSRC (1996 Onward)

MSRC realized that the changing regulatory and industry environments necessitated change within the organization.

Restructuring / New Budget

Most importantly, MSRC maintained its commitment to retaining the dedicated oil spill response capability that MSRC had established. During all the changes that have occurred at MSRC since the beginning of 1996, there has been no reduction in response equipment. To reduce costs and focus our services on those most desired for our customers, MSRC also eliminated offering Spill Management services. At the time, many of MSRC's customers had the capability to provide Spill Management through their own in-house resources or had contracted with various organizations in the U.S. who provide these services. The loss of this service eliminated a redundancy that existed for many of our customers. Additionally, at the end of its five-year program, MSRC eliminated its Research & Development program.

In January 1996 a new Senior Management Team took over the company and began to focus on continued customer awareness. By conducting customer surveys, holding customer meetings, and becoming more aware of the needs of its customers, MSRC restructured to meet these changing needs. MSRC's annual budget was reduced from US \$96 million (1995) to US \$42 million and the number of employees dropped from 441 to 177 nationwide. All of this while still maintaining the same level of dedicated response equipment.

Regional Approach

MSRC's five regional concept was reduced to three: Eastern, Southern and Western, Each region was uniquely designed to allow for MSRC to alter operations to satisfy regional customer requirements. MSRC decentralized and placed more authority with the Regional Vice Presidents. The office which was previously known as MSRC's ' now became the Virginia Group. The Virginia Group's responsibilities include:

- Oversight
- Quality Assurance
- Services

The President, Chief Financial Officer, corporate attorneys, and others necessary to run a company are located within this group. This office also serves the regions by ensuring that such administrative services as payroll and accounts payable do not have to be duplicated by the regional offices.

Spill Team Area Responders (STARs)

MSRC also established an enhanced network of environmental response contractors known better as Spill Team Area Responders, or STARs. These 60+/- companies represent environmental contractors recognized leaders in the response industry. They provide such services as:

- Personnel
- Response Equipment
- Local Knowledge
- Logistical Support

New Services

MSRC also established a number of new services to provide its customers with the range of services they desired. MSRC now can provide the following services:

- Response to Spills of All Sizes
- “Average Most Probable Discharge”
- Shoreline Cleanup
- International Response (if certain criteria are met)
- Hazardous Materials (if certain criteria are met)

Business Opportunities / Customer Service

MSRC has also established other activities in the customer service and business development areas. MSRC has refocused to become more customer service oriented. The company presently is reviewing partnering opportunities with other OSROs, to provide our customers with a more cost-effective approach to maintaining dedicated response capability. Other areas of opportunity which MSRC focuses on include; international shipowner marketing, international business opportunities, as well as other business opportunities.

Alternative Technologies

MSRC continues to recognize alternative response technologies such as in-situ burning and dispersants as a viable alternative, in some cases, to mechanical recovery operations. As U.S. federal and state authorities have pre-approved the use of in-situ burn capability in certain geographic areas, MSRC has purchased and located in-situ

burn systems in those areas of pre-approval. At this time six of these systems are in place in MSRC's area of service. With respect to dispersants, MSRC continues to review, in conjunction with industry, an appropriate infrastructure for this capability.

In Summary: The MSRC of Today

The MSRC of today has changed substantially in some regards, and minimally others, to the organization formed in 1990. Still committed to provide a dedicated, stand-by response capability, the organization has increasingly embraced a customer-oriented approach.

Key to this change has been the development of a business plan which:

- Embraces commercial efficiency
- Provides for total customer satisfaction
- Enhances a solid, external reputation

However, the incident in Prince William Sound was over eight years ago and time tends to allow for a certain forgetfulness and a less rigorous regulatory environment may continue to see an erosion in the national response infrastructure in the U.S. MSRC will continue to adapt to the ever-changing needs of its customers' as circumstances warrant.