

**STATEMENT OF**  
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**BEFORE THE**  
**SUBCOMMITTEE ON OVERSIGHT AND INVESTIGATIONS**  
**OF THE**  
**HOUSE NATURAL RESOURCES**  
**COMMITTEE**  
**ON**  
**“NO ROAD MAP, NO DESTINATION, NO JUSTIFICATION:**  
**THE IMPLEMENTATION AND IMPACTS OF THE REORGANIZATION OF**  
**THE DEPARTMENT OF INTERIOR”**

**April 30, 2019**

Mr. Chairman, Ranking Member and Members of the Committee,

My name is Michael R. Bromwich. I served in the federal government for a total of 14 years, as a federal prosecutor, special prosecutor and as the Inspector General for the Department of Justice. Most recently and most relevant to this hearing, my public sector career included serving as the country’s top offshore drilling regulator in the Department of the Interior (“Interior,” or “DOI”) from June 2010 through late 2011.

Over the last 20 years, as both a lawyer and consultant, I have dealt extensively with organizations dealing with change and reform – both in the private sector, and with public agencies on the local, state, and federal level. My views are based on that experience.

I appreciate the opportunity to be here today to address issues related to the Department of Interior’s proposed reorganization. There is little detailed information about the proposed DOI reorganization in the public domain – thus,

the title of this hearing – and therefore my testimony will primarily address the principles, process, and implementation that should guide the thinking and actions of the personnel undertaking a significant government reorganization. We applied those principles to the important reorganization we undertook at Interior following the 2010 Gulf Oil Spill. I think that is a case study of a reorganization that was done the right way.

First, a bit of background familiar to most of you. In late April 2010, the *Deepwater Horizon* rig was conducting exploratory drilling in the Macondo well in the Gulf of Mexico. The rig experienced a violent blowout that killed 11 people working on the rig and injured many others. It was a human tragedy of major proportions. It was also an enormous environmental tragedy because the accident released more than three million barrels of oil into the Gulf over the course of nearly 90 days before the well was finally capped. Nine years later, the full extent of the environmental damage is still being determined through a broad range of scientific studies.

In early June 2010, I was asked by President Obama to help deal with the crisis caused by the oil spill and its aftermath, and to lead the agency responsible for the oversight of offshore drilling – at the time known as the Minerals Management Service, or MMS. The task was two-fold: to help the Administration deal with the immediate crisis and its after-effects, and to undertake efforts to reduce the risks of future explosions and spills.

To reduce those risks, we promptly adopted a set of tighter rules and requirements designed to raise the bar on safety for deepwater drilling, initially on an emergency and then on a permanent basis. But we also looked more broadly at whether the government’s organizational structure for managing and regulating offshore drilling within DOI was well-suited to the challenges and risks posed by offshore drilling and production. We ultimately concluded that it was not, but not before we developed a detailed understanding of the way the agency operated, and the costs and benefits of changing that structure. We also had to deal with the fact that through no fault of its personnel, the agency was a victim of lost credibility because of mission confusion, structural conflicts of interest, a shortage of resources, and a misallocation of those resources.

We were not discovering a new problem – the same structures had been in place for almost 30 years – but the spill focused long overdue attention on the relationship between agency structure and agency mission. Since its creation in 1982, MMS had been responsible for three related but distinct aspects of offshore exploration and production. First, it was responsible for collecting royalties and

revenues for the offshore program, including from lease sales and oil and gas production. Second, it was responsible for making balanced resource decisions concerning where, when, and to what extent offshore regions should be available for exploration and production by oil and gas companies. Third, MMS was responsible for developing appropriate regulations governing offshore activity and enforcing those regulations to ensure that such operations were conducted as safely and responsibly as possible.

On paper, these three missions had the potential to be in conflict – and in fact they were. Over time, the assessment and collection of money from lease sales and oil and gas production drove the priorities of the agency. The federal government’s appetite for revenues and royalties shaped decisions that were consistently pro-exploration and production. Little time and attention were devoted to developing appropriate regulations that kept pace with technological developments in offshore drilling. And even less attention was devoted to enforcing those regulations and holding companies and individuals accountable for violations.

When the President’s Oil Spill Commission interviewed the former directors of MMS following the 2010 spill, they were asked to identify their top priority when they managed MMS. Across MMS directors from administrations of both parties, their consistent answer: to maximize revenue for the federal treasury. Nor was that surprising, because offshore activity generated massive sums of revenue for the federal government – in many years second only to the individual income tax. But the priority given to generating revenue meant a bias in favor of development over environmental protection, and the virtual neglect of the agency’s regulatory and enforcement functions.

In the wake of the spill, the structure of MMS immediately began to receive the scrutiny that it deserved. The blame for *Deepwater Horizon* fell squarely on the shoulders of three companies who collaborated on drilling the Macondo well. Even so, leaders in the Administration, Congress, and industry began discussing ways to strengthen the ability of the federal government to regulate offshore drilling. By the time I arrived at DOI six weeks after the initial explosion, discussions had already begun about the possibility of reorganizing MMS to eliminate its structural conflicts. Secretary Ken Salazar was on record as favoring a restructuring. Even so, I was given the discretion to decide, after my team’s own review and analysis, whether to undertake a reorganization.

I do not take lightly reorganization proposals. Indeed, I have a bias against them. They are disruptive, expensive, frustrating – and tend to have an

adverse effect on morale. They create uncertainty and divert resources from the mission. They frequently fail to achieve their objectives.

In my experience, reorganizations are too often undertaken for reasons of executive vanity. They are frequently developed and implemented in haste, inadequately vetted, based on inadequate analysis, and insufficient consultations with stakeholders, including the personnel who will be responsible for implementing them. Reorganizations are a way for a new executive or team of executives to put their immediate imprint on an organization, whether the changes make management and organizational sense or not.

Needless to say, those are bad reasons for undertaking a reorganization. Unfortunately, many reorganizations both in the public and private sectors are undertaken for such reasons. They are proposed and implemented to show energy, initiative and action – frequently in response to vague concerns about inefficiency, unresponsiveness, or failure to deliver expected services, but sometimes just so that a new executive or executive team can fly the banner of change. Without careful analysis of the problems being addressed, whether the solution of reorganization matches the problems that are being addressed, and how to mitigate the very real risk that the reorganization might make things worse, a reorganization can easily become a fool’s errand and a destructive undertaking.

In the case of MMS, we became convinced that a reorganization was necessary and appropriate, but only after careful study and consideration of less-disruptive alternatives. Our goals were clear: we wanted to improve the agency’s ability to appropriately balance the risks and benefits of offshore exploration and production – to make balanced offshore resource development decisions; to enforce existing regulations, and develop new regulations, based on risk management principles; and to continue to generate revenue for the US Treasury. But we looked for ways to generate revenue without sacrificing the need to arrive at balanced resource development decisions, and without starving the regulatory and enforcement missions of the agency, which had been the case in the past.

I want to emphasize that when we began the process there was no pre-ordained outcome. We did not decide on the reorganization that was ultimately implemented and then work backwards to justify it. Instead, we undertook a detailed fact-gathering and analytic process, together with outside consultants who were experts in organizational diagnosis and reorganizations. Because I

was aware of the potential destructive impact on operations and organizational morale of a broad reorganization, we considered a number of less sweeping changes, including changes to staffing levels, training, and other organizational tweaks. We also examined closely the offshore regulatory regimes of other nations, including those of the United Kingdom and Norway, which underwent similar organizational reforms following their own offshore accidents, to see what we could learn from their experiences.

Though we had no pre-determined destination, our analysis and consultation in the end pointed to a broad reorganization. However, we did not arrive at this decision until we had taken a number of important steps, including comprehensive fact-gathering and data collection, deep engagement with agency personnel, and extended qualitative and quantitative analysis. Only after those steps were completed did we conclude that we needed to fully separate the revenue collection, resource development, and regulatory and enforcement functions into three separate entities – ONRR, BOEM, and BSEE.

The initial phase of our work, which lasted approximately three months, focused on extensive engagement with all agency personnel to obtain broad information and feedback. Together with our outside consultants, we visited the agency's field locations on multiple occasions, conducted extensive discussions with agency personnel, and collected and analyzed agency data.

The second phase, which similarly took approximately three months, focused on developing strategic and organizational alternatives, soliciting responses and feedback from agency personnel, and conducting numerous working sessions that focused on those alternatives.

The third phase, which also took several months, centered on developing a final reorganization plan. That included obtaining sign-off from within the agency and more broadly from within DOI. It also included socializing the proposed reorganization with the field, so that field personnel knew the specifics of the plan, could contribute suggestions as the plan was being finalized, and would more readily accept the changes that were ultimately agreed upon.

Throughout this process, we were extraordinarily open about what we were doing. We were open with the agency's personnel, with DOI, with the Congress, and with the public. We spoke frequently about what we were doing and why we were doing it. We consistently engaged with internal and external stakeholders – for example, I personally spoke with industry groups and testified about the specifics of the agency's reorganization plans multiple times

before this Committee and other Congressional committees. That engagement process was key to the ultimate broad acceptance of the reorganization.

Let me focus briefly and more specifically on engagement with the personnel of the agency because in my judgment that is a key to the success or failure of a reorganization. From the outset, agency leadership and our outside consultants conducted in-person visits with the agency's field offices. We introduced our outside consultants, who returned to the field on numerous occasions. We openly discussed the purposes and goals of the organizational review. We met frequently with members of regional leadership, as well as line personnel, to better understand the nature of their roles, the challenges they faced, and the changes they believed would enhance their ability to perform their jobs.

As the prospect of change became more real, the anxieties of field and headquarters personnel increased. That was especially true for personnel in the field, especially in the Gulf where most of the agency's personnel were located. A combination of agency leadership and outside consultants made themselves available to answer questions and address concerns on a continuing basis. We provided reassurances that the reorganization was not a cover for people losing their jobs or increasing their workloads. Those open lines of communication contributed to the ultimate acceptance and buy-in by agency personnel. Even though the final decisions were being made in Washington, DC, we knew that we needed to fully involve personnel at all levels of the agency in the discussions about the shape of the new agencies at every stage of the process – and we did so.

We initially split off the revenue collection function, but it took more than a full year to complete the implementation and create BOEM and BSEE as separate, standalone agencies. Not everyone was pleased that we consulted so widely and that the process took so long. We dealt with some impatience, including from the White House, but we refused to accelerate the process. We knew the complexities we were dealing with, the interdependencies between the functions we were assigning to BOEM and BSEE, and the budgetary, personnel, and IT issues we needed to solve before we could launch the new agencies. We knew we only had one chance to get it right and we took the time that we needed. The costs of getting it wrong were simply too great. I was given the support to stick to the timetable we had very carefully developed.

The broad contours and most of the specifics of the reorganization were embraced by members of Congress, and the President's Oil Spill Commission. I

testified at hearings on the reorganization and on then-Chairman Doc Hastings' proposal to codify the reorganization, H.R. 2231, which he and the other members of this Committee who spoke to the issue agreed was necessary and appropriate. According to Chairman Hastings,

“In the wake of the Deepwater Horizon accident it became apparent that the structure of the regulatory agency charged with oversight of offshore energy production was inadequate. While the Department of the Interior has reorganized their offshore agencies, reforms need to be codified into law....”  
<https://naturalresources.house.gov/newsroom/documentsingle.aspx?DocumentID=269447>

In the more than seven years since the reorganization was completed, its wisdom has been demonstrated. The agencies function separately and independently, with their own distinct and separate missions. They are free of the conflicts and questions about independence and technical expertise that previously plagued MMS. They have established and maintained strong relationships with each other that have kept the processes of the two agencies operating effectively. Each agency has its own management that is able to maintain focus on that agency's mission and performance, and to advocate for its personnel and resources. Personnel within both agencies have clearer career paths and opportunities for professional development, which ultimately benefits the public.

I have just told, in abbreviated form, the story of a rare species – a successful government reorganization. As I said at the outset, I know very few of the details of the proposed and far broader DOI reorganization that is the subject of this hearing and has been in the works for some time. But I gather I am not alone in that regard because the details of the reorganization have not been shared widely – with agency personnel, the Congress or the public, including local stakeholders, communities, and Native American tribes.

Unlike the BOEM-BSEE reorganization, I am aware of no internal or external studies of any kind that have made the affirmative case for the proposed DOI reorganization. Despite the breadth of the proposed reorganization, and its far-reaching impact, this is only the second Congressional hearing that has focused on it. Similarly, I am aware of no GAO analyses, white papers or studies that have presented the logic for – and detailed the anticipated benefits of – the reorganization and balanced them against anticipated costs.

A number of questions should be asked about the proposed reorganization:

- Have the costs and benefits of the reorganization – quantitative and qualitative – been identified, analyzed, and discussed?
- How will the reorganization improve the efficiency and performance of DOI component agencies, and of the agency as a whole?
- How will the delivery of services to the public be improved by the reorganization?
- With what frequency has DOI leadership spoken with agency personnel most directly affected by the reorganization?
- What mechanisms have been created to address agency personnel questions and concerns?
- How will DOI deal with the disruption, uncertainty, and adverse impact on agency morale that is inherent in reorganizations?
- What assurances have agency personnel been given that the reorganization is not another front in the war declared by the former secretary on career agency personnel?

Without specific discussion and analysis that addresses these issues – and that is shared broadly with stakeholders – it is hard for me to see how DOI gets the internal and external buy-in necessary to achieve long-term benefits from the proposed reorganization.

An ambitious reorganization of the kind that DOI has proposed must be based on detailed data collection and analysis, sustained consultation with affected internal and stakeholders, and broad sharing of information with the Congress and with the public. And for the reorganization to succeed, its architects must be willing to make changes and adjustments, and even reverse course, if proposed changes run into unanticipated obstacles, or simply don't make sense.

Based on the title of this hearing, and some of the correspondence I have reviewed between the Congress and DOI, many of these prerequisites for a successful reorganization have not been met. Unless that changes, the prospects for a successful reorganization on the scale that has been proposed are not rosy and it will likely fail to achieve its goals of better serving the American people.

Thank you for your time and attention. I am happy to answer your questions.