



**Opening Keynote Speech
As Prepared for Delivery**

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OPENING KEYNOTE
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Introduction

A big thank you to Gary Koegeboehn for his very kind introduction. I would also like to thank the hosts, API and AOPL, as well as the sponsors of this conference. Together you all have made it possible to gather here in sunny and pleasant San Antonio.

It is good to be back here with you all. As many of you know, I served as the first head of PHMSA when Secretary Norman Mineta (D-CA) was at the helm of the USDOT.

I guess since there's no head of PHMSA at the moment, the organizers thought, what the heck, let's invite McCown to reminisce to the 500 or so gathered here today.

And while I'd like to think that's the case, I suspect it has more to do with my recent activities. I've been asked to share with you all my thoughts and observations on the new administration; how it works, and whether it is working at all. After that, I have some specific pipeline safety thoughts I'd like to share with you all.

Transition

As one of the core infrastructure policy members of the President's transition team, I helped develop the initial framework for what will ultimately become the President's infrastructure plan. I wasn't a key Trump

supporter, and had mainly stayed out of this election. In addition to running my businesses, I founded and serve on the board of a non-partisan NGO called the Alliance for Innovation and Infrastructure. Its based on the fact that discussions concerning pressing policy needs haven't always been at the forefront lately. Washington needs to figure out how to get along better. Growing up in rural southern Ohio, a part of Appalachia, life was all about getting along with others. Secretary Norman Mineta, whom I had the distinct privilege of serving under, also reinforced this concept.

So while I wasn't a huge Trump supporter, I didn't disqualify myself by going out of my way to bash him either. That's a lesson Washington is starting to learn; unfortunately, I don't think they're there yet.

In addition to serving the President-elect on his transition team, I also had the pleasure of working on Department of Transportation's agency action team and have spent a sizeable amount of time advising Secretary Chao and her team on operational, legal, regulatory, and policy matters.

And while Secretary Chao sends her regrets for not being able to be with us today, I do bring you well wishes on her behalf, and to let you know that your mission is very important, and that the work that you, and your companies accomplish

safely, and every day, is vital to moving America forward.

As the “backup” keynote speaker, it is my desire to give you an as candid and unbiased perspective on the work currently taking place within the U.S. Department of Transportation, and throughout the Trump Administration as it nears the 100-day mark.

Insights

So let me begin with a few insights into the administration, followed by a look at your industry, and then I'll conclude with a few thoughts on the opportunities and challenges that we all face.

In order to understand where DOT is headed, it is important to understand the personalities of some of the key players. Shortly before her confirmation, Secretary Chao looked at a whole host of potential items which had been prepared prior to her nomination, leaned across the table and said, “Brigham, who is going to help me do all of these things?”

I laughed, and she said, “No I’m serious,” and she pointed her finger right at me and said, “Are you going to help do all of this?”

Elaine Chao is no stranger to public service. She has previously served as the DOT’s Deputy Secretary, the Administrator of the Maritime Administration, Maritime Commissioner, and let’s not forget Secretary of Labor. She also happens to be married to Mitch McConnell, the Senate majority leader.

She is tenacious, smart, and energetic, and brings professionalism and policy ideas to her position. Her attention to facts and specifics will serve the department well.

She is currently one of only three “PAS” officials on board. “PAS” stands for Presidential Appointee requiring Senate confirmation. The other two are the FAA Administrator who has one year left on his five-year term, and the Department’s Inspector General who serves indefinitely.

So think about it. That means there is no Deputy Secretary, no Undersecretary for Transportation Policy, no General Counsel, no Administrator at any of the other agencies. Moreover, the second in command, the Deputy Administrators and Deputy Assistant Secretaries are Senior Executive Service (“SES”) appointees, and similarly, they are not yet in place yet either. This is a flaw in our system, and it affects every federal agency and hampers the new administration’s ability to govern effectively.

The British Ambassador remarked to me shortly before inauguration about the unique nature of our way of governing. He said in England it’s much simpler, you’re in, or you’re out.

This Administration is making great strides, and don’t get me wrong, entire teams of individuals are pouring over resumes and conducting interviews. Yet even once a candidate has been identified, FBI background checks and vetting takes time. It is important to get officials in quickly, yet it is also important to ensure the administration is getting the very best candidates for these positions.

Further complicating this effort is obtaining the “advice and consent of the Senate.” It’s a process that is indicative of today’s politics. It used to be that an Administration was largely entitled to those PAS candidates so long as they were qualified. And with that questions asked of candidates by senators were pretty much limited to one’s professional qualifications. Now, however, questions have gone far beyond inquiries relating to “qualifications” and are unfortunately another sign of the times. As of today, the new administration still does not have all of its cabinet secretaries in place, three months in, and counting. This partisanship and gridlock must be broken if we are to give this administration a chance.

I don’t want to leave you with the impression, however, that the new Administration is without oversight. Each Secretary has talented staff, known as “Beachhead Teams” which are 120-day appointments. These individuals are smart, and they are learning. Many are extremely seasoned, happy to serve their country on a temporary basis for a limited period of time; but my point is that the permanent officials needed to oversee the country are not in place.

The Secretary must also rely upon the senior career civil servants who serve as caretakers in each agency until her senior

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team is on board.

Similarly it is important to understand that the Trump Administration is not a traditional Republican type of government either. While his cabinet picks have been largely mainstream, many of his senior advisors are indeed outsiders.

While the other Republican candidates for president captured consultants and advisors with significant Washington experience, then candidate Trump relied upon a blend of advisors, some with government experience, but many others with significant private sector experience. Having spent time in both, I can tell you that they aren’t the same.

Finally, some failed to embrace Mr. Trump after he became the nominee, and those who signed on to the hashtag #NeverTrump might not have known that their actions may have complicated their ability to play a role in his administration.

Luckily all of my tweets and postings are strictly non-partisan.

For me, the President exhibits strong business skills. He views decisions through the lens of negotiation. His

opening stance is never his final position, only an opening move in the Art of the Deal. Ultimately he is interested in getting things done, on the best terms possible. While the press is slowly learning not to overreact to his opening position, you

should view what he does not as a single action.

To that point he seeks action, and wants results. Where some may see internal chaos, other see a management style built on disrupting the status quo in order to challenge those around him. In essence he believes he is saying, think big and tell me what is really possible. Will the “Art of Disruptive Innovation” as I’m calling it, work in government? Only time will tell.

Industry Landscape

Against this backdrop, the significant growth in North American oil and natural gas production has forever changed the dynamic for transporting increased production to market, requiring new investments in infrastructure.

The energy industry faces historical opportunities to address the new dynamic by expanding and modernizing the infrastructure sector. Amplified not only by the recent Permian Basin shale play, but also new discoveries around the country made possible by new technologies, America is poised to achieve energy independence in oil and gas for generations to come. While fossil fuels have played a significant role, so too have renewables. Right here in Texas, y’all are producing more electricity from wind than any other State.

If you look in your toolbox at home you’ll see more than a hammer. You need multiple tools to effectively cover all the bases. The same is true with energy, and

we require a true “all of the above” approach to energy.

These opportunities, however, come with an increased responsibility. Since we’re all attending a pipeline safety conference, let me say that we must allocate sufficient resources in order to ensure that the

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pipeline sector is the safest, most reliable, cost efficient and competitive network possible. When it comes to safely transporting liquids and gas, nothing less is acceptable.

The energy sector is the engine that enables economic growth in the form of high-paying, high-skilled jobs and low cost energy supplies. With fossil fuel energy however, things tend to come in cycles. We have all witnessed these boom and bust cycles that characterize the industry. These cycles impact pipeline projects, and we need to invest when times are good, and we must ensure safety remains the highest priority when times are tough.

It is my personal observation that the prior Administrations did not fully appreciate the potential of this sector, and instead worked at cross-purposes by hindering economic development and growth.

By embracing a top down government system, the prior administration got caught up in the precautionary principle, and in so doing, actually undermined environmental stewardship and safety.

The new Administration is anxious to eliminate unnecessary regulatory hurdles slowing the pace of progress.

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When it comes to proposing new regulations, the first question being asked to every agency is this; “What market failure requires the United States Government to act?”

Think about it. That simple question reflects a fundamental change in federal policy. A change away from the government being a prescriptive top-down regulator.

Instead I believe the new Administration will be seen as a referee, ensuring a level playing field, stepping in when required, but greatly desiring to reduce the heavy weight of government bureaucracy which affects us all.

And while these changes will take time to permeate the various levels of government, that change I spoke of a moment ago is

already beginning, and the career civil service has willingly responded.

That said, however, – let me be clear – the new Administration is not going to forsake protecting the environment. Nor will they lessen any focus on public safety. Keep in mind they came to power upon a campaign promise to restore the rule of law, and that also means that each person bears a responsibly to act properly by ensuring that every company is committed to a culture of safety.

So, while these changes are ongoing, now is the time to reframe the relationship between pipeline operators and regulatory agencies.

So let’s talk for a moment about the importance of safety.

Safety is Job #1

In general, your industry is generally on the right path. Overall, pipeline companies have made great strides in improving safety.

At last check, 99.999952 percent of crude and petroleum products arrive safely at their destinations. That said, to the rest of the country, one mistake, one accident, could have a lasting impact upon the entire industry. Society is less tolerant of spills and accidents than ever before. Your charge is simple: You must spend the money necessary to protect your pipeline assets.

There is room for improvement, and for good reason. We know that based on

damage data over the last several years; we are not making the kind of progress we were hoping for and after a period of rapid spill reductions, the downward trend has paused. Like I said earlier, there is plenty of good news, pipelines are safer than ever. That said, I urge caution.

As citizens, we have not been educated in a way that allows most of us to understand the complexities of the pipeline transportation industry. Often times the public, and even policymakers, do not see it as a transportation company delivering a package like a UPS or FedEx. To many, your industry is simply 'Big Oil' and whether or not you even own the product being transported in your lines is irrelevant to many.

The world is also very different now. Environmental activism has taken root. As the "keep it in the ground" initiatives have largely failed, attention has turned to disrupting the transportation and distribution network. And while President Trump may have won the election, his win cannot be taken for granted by the oil and gas industry. His win has energized those who want to see a different America.

We should all expect more opposition to important energy infrastructure projects, not less. Unconstrained by facts, and propelled by significant special interest funding, it would be a major miscalculation for anyone present to believe that pipeline projects will be able to fly under the radar moving forward. The strategy is very simple. By raising objections, opponents seek to create uncertainty. Where there is uncertainty you will see economic delay

and risk. Where there is economic risk, projects become less attractive.

The industry must do a better job at educating the public on the value, and safety, of transporting large volumes of energy supplies by pipeline. Truly, an assault on your neighbor, is indeed an

“ Truly, an assault on your neighbor, is indeed an assault on your company as well. ”

assault on your company as well.

Companies must engage stakeholders earlier, and cannot wait until things go south. Your PA/GA strategy must be developed alongside your engineering and design analysis.

You must listen, understand, and conduct educational outreach so that people understand that when they heat their homes, or go to the gas station, the fuel they use has been brought to them via pipeline. Yes, even those flying up to North Dakota to protest last year, were protesting the very thing which made their trip possible. T

he Chicago Tribune Editorial Board recently published an editorial which should be applauded. After looking at the issue from all sides, they concluded that, one, we have to have pipelines; and two, your industry is the safest method for transporting crude oil,

gasoline, kerosene, jet fuels, and natural gas.

While President Trump has done more to advance energy transportation in his first 100 days than the previous president managed in 8 years, investing in new infrastructure also means building to the highest standards possible. It also means your existing assets must be well maintained. If you want to protect your Brand, you must zealously safeguard the energy supplies entrusted to you while you move them.

If an accident occurs, figure out what went wrong, accept responsibility, learn from it, and share your lessons learned with the rest of the industry. Sometimes accidents happen, a third party hits your well-marked line, I understand, but every accident has the potential to affect everyone. One 'oh crap' ruins recess for everyone.

Adopting RPs

Government tends to step in when industries have been unable to police themselves. API Recommended Practices have helped raise the safety bar. That said, sometimes a consensus standard itself means that the full potential of an initiative remains unrealized. More on that in a second.

The continued work in raising the bar must be at the center of all integrity management efforts; you must never rest, this is all about continuous improvement.

All the work your experts, some of the best in the world, do, goes for naught if

operators don't embrace, and implement their work. That also means effectively tracking compliance and measuring the impact on safety.

The second word I want to focus on is consensus. Too often expert opinion is watered down by what is feasible today, and a draft recommendation is switched to a suggestion.

I fully recognize the importance flexibility plays in developing good standards for this industry, but your goal should not be to accommodate anyone seeking to water down a standard which is readily achievable. Your goal should be to find ways for all operators to achieve the tougher standard.

Via RPs, the industry demonstrates how it can self-regulate and collaborate with regulatory agencies instead of seeing a regulator issue needless regulations.

Pipeline Safety Management System (PSMS)

Pipeline operators have a significant stake in an effective implementation of SMS. Not only is this the path towards standardized safety efforts, but also in the rate in which you can make safety improvements and raise the level of operational discipline across the entire industry.

Moving forward, effective PSMS starts with leadership demonstrating its commitment to developing and continuously improving safety.

The new administration views self-regulation as appropriate elements for industries to advance safety so long as it is coupled with measurable and accountable progress. As you move forward with industry SMS programs, it is crucial you demonstrate how effective and stabilizing self-regulation can be compared to the prescriptive and punitive approach over the past 8 years.

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With this however, a caveat for my former government colleagues. I would not attempt to codify or place SMS into regulatory text. In some DOT agencies, this has already occurred. The misnomer here is that incorporating SMS into regulatory text would increase safety. The truth is, it won't. It would destroy the very goal of continual self-improvement. Because you see, reducing SMS into a graded checklist means just that. It becomes a check in the block without point or purpose.

We all have a stake in effective SMS across the industry and must help each other to always reach for higher goals.

Research and Innovation

With that in mind, I urge the industry to embrace innovation, and I urge government to think differently. Truth be told, the regulatory field acts as a drag on innovation. By its very nature it is designed to be conservative, thoughtful, and

cautious. The regulatory environment does not provide the opportunity for disruptive technologies to change the current paradigm, and that itself must change.

Moving forward the industry should leverage your resources and encourage step-changes for significant advances on leak detection, pipe coating, inspection and diagnostics, including research into better materials.

Similarly, the industry (and government) cannot continue to have a destructive test as the fallback when nondestructive testing methods are more cost-effective and cause less stress on the pipe. A spike hydro test is effective for the moment in identifying pipe weakness, but it causes more damage over the long run by subjecting a line to pressures well beyond maximum operating pressures.

Most would agree that running multiple advanced tools at the same time in lines, along with expert analysis, are not easy endeavors, especially without the flexibility in current regulations to determine what constitutes an eminent risk.

We must encourage added prevention and commend operators that are currently going above and beyond the minimum regulatory thresholds, by running the most advanced tools, more frequently, and even replacing portions of their pipeline system.

Wrapping It All Up

Ten years ago I said that our great country was in the midst of an “Energy Renaissance” and that fact has been borne out. That said, political and social undercurrents have created both opportunities and challenges. How you all collectively respond to these issues will determine the future success of your industry. I thank you for your time and for the opportunity to be with you all here during your conference.

About Mr. McCown

Brigham A. McCown is an entrepreneur, innovator, and safety expert. He currently serves as a thought leader and attorney advisor to public and private sector entities. A Naval Aviator and former head of PHMSA, Mr. McCown retired from public life after 28 years of civilian and military service.