

ONE HUNDRED ELEVENTH CONGRESS
Congress of the United States
House of Representatives
COMMITTEE ON ENERGY AND COMMERCE
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MEMORANDUM

July 23, 2010

To: Members of the Subcommittee on Commerce, Trade, and Consumer Protection
Fr: Subcommittee on Commerce, Trade, and Consumer Protection Democratic Staff
Re: Hearing on the “The BP Oil Spill and Gulf Coast Tourism: Assessing the Impact”

On July 27, 2010, at 10 a.m. in room 2123 of the Rayburn House Office Building, the Subcommittee on Commerce, Trade, and Consumer Protection will hold a hearing entitled “The BP Oil Spill and Gulf Coast Tourism: Assessing the Impact.” The hearing will explore both the damages suffered by the tourism industry in the Gulf region and the process by which the independent Gulf Coast Claims Facility will evaluate tourism-related claims.

I. BACKGROUND

On April 20, 2010, the Deepwater Horizon oil drilling rig located 40 miles offshore in the Gulf of Mexico exploded, killing 11 workers on board. Later that week, the company operating the rig discovered oil leaking from the underwater pipes. Since April, an estimated 50 million to 150 million gallons of oil have leaked into the Gulf.¹ The spill has led to oil washing onto beaches in Alabama, Florida, Louisiana, and Mississippi, entering wetlands, and causing harm to wildlife across a vast swath of the region. However, oil has not reached every beach in these four states; in Florida, only the Northwest corner has been directly impacted. Although the National Oceanic and Atmospheric Administration (NOAA) forecasts that oil will spread further, NOAA predicts that “much of the west coast of Florida has a low probability (1% - 20%) for impact.”²

II. IMPACT OF THE OIL SPILL ON TOURISM

¹ Tracking the Oil Spill in the Gulf, *NYTimes.com* (July 20, 2010) (online at www.nytimes.com/interactive/2010/05/01/us/20100501-oil-spill-tracker.html).

² National Oceanic and Atmospheric Administration, *Deepwater Horizon BP Oil Spill: Modeling the Potential Long Term Movement of Oil* (July 2, 2010) (online at www.noaanews.noaa.gov/stories2010/PDFs/long_term_oil_outlook_report_july2_2010.pdf).

Tourism along beaches of the Gulf Coast represents a significant portion of the region's economy. The U.S. Travel Association has estimated that the tourism industry accounts for one million jobs in the region and \$39 billion in annual tax receipts to state and local governments.³ According to another report, "About 46% of the Gulf economy, or over \$100 billion a year, is from tourism dollars," which makes tourism the Gulf's second largest industry.⁴

Much of the region has been slowly recovering from Hurricane Katrina, which occurred in 2005, and several business owners have been quoted in the press stating that they had been expecting summer 2010 to be the first summer with tourism numbers back to normal since the hurricane.⁵ Instead, tourists have been deserting the resort areas affected by the spill, as well as areas that remain safe and clean but are still in the Gulf region. In Alabama, where oil has washed ashore, tourism this summer has been down about 50%.⁶ Moreover, even though oil has not reached most of Florida's coastline along the Gulf, small businesses have seen their revenues decline because of misinformation and public concern about oil; the president of the Florida Guides Association, for example, says that charter boat guides throughout the Sunshine State have been receiving cancellations.⁷ CBS News reported that a mere 10% drop in tourism-related business would cause Florida to lose \$2.2 billion in revenue.⁸ According to the U.S. Travel Association, if Alabama, Florida, Louisiana, and Mississippi suffer the same 35% drop in tourism that Alaska experienced after the 1989 *Exxon Valdez* oil spill, the result could be a loss of \$9.4 billion in direct travel expenditures, \$2.4 billion in travel-generated payroll, and 108,800 jobs.⁹

III. THE GULF COAST CLAIMS FACILITY

On June 16, 2010, BP agreed to create a \$20 billion escrow account to compensate victims of the oil spill, although the fund is not capped at that amount. Prior to that date, BP had begun to pay claims to affected businesses based on their spring losses. As of July 22, 2010, BP

³ U.S. Travel Association, *Travel is an Economic Engine* (undated fact sheet).

⁴ *Oil spill damage spreads through Gulf economies*, CNN (online at money.cnn.com/2010/05/30/news/economy/gulf_economy/index.htm) (accessed July 16, 2010). Oil and gas is the largest industry. *Id.*

⁵ *Shrimpers, fishermen, hotels feel oil spill's trickledown effect*, USA Today (May 13, 2010).

⁶ *Oil Spill Taking a Toll on Fla. Tourism*, CBS News (June 20, 2010) (online at www.cbsnews.com/stories/2010/06/20/eveningnews/main6601404.shtml).

⁷ *Oil spill takes toll on tourism on Gulf Coast*, USA Today (June 25, 2010).

⁸ *Oil Spill Taking a Toll on Fla. Tourism*, CBS News (June 20, 2010) (online at www.cbsnews.com/stories/2010/06/20/eveningnews/main6601404.shtml).

⁹ U.S. Travel Association, *Travel is an Economic Engine* (undated fact sheet).

had paid over \$200 million in emergency payments.¹⁰ Under the agreement between President Obama and BP, the handling of claims will be transferred to the newly created independent Gulf Coast Claims Facility. That facility will be run by Administrator Kenneth Feinberg, who also managed the September 11th Victim Compensation Fund, which was a \$7 billion fund created by the federal government for families of the victims of the terrorist attacks.

The Claims Facility will provide compensation in two ways. First, the Claims Facility will offer emergency payments, and individuals can take these payments for up to six months without waiving their right to sue BP at a later date. After the emergency payment period, these individuals may apply for a lump sum settlement for all present and future losses, at an amount determined by the Claims Facility. If they choose to accept the package offered by the Claims Facility, they must give up their ability to enter into litigation against BP.

Mr. Feinberg appeared before the House Committee on Small Business on June 30, 2010, to answer questions about the claims process and how it will impact affected small businesses in the region.¹¹ When the tourism industry was mentioned in a question, Mr. Feinberg recognized that tourism will be affected even in certain areas where the water remains pristine but the public is misinformed and chooses not to travel. He admitted that it would be a challenge to determine whether these claims, as well as other tourism-related claims generally, were compensable. Since that hearing took place shortly after his appointment and focused on small businesses more generally, the process the Claims Facility will follow in providing compensation to affected persons in the tourism industry remains largely unspecified.

IV. WITNESS LIST

The following witnesses have been invited to testify:

Kenneth Feinberg
Administrator
Gulf Coast Claims Facility

Roger Dow
President and CEO
U.S. Travel Association

¹⁰ Kenneth Feinberg, Administrator, Gulf Coast Claims Facility, before the Senate Committee on Homeland Security and Governmental Affairs, *Hearings on The Gulf of Mexico Oil Spill: Ensuring a Financially Responsible Recovery, Part II*, 111th Cong. (July 22, 2010).

¹¹ Committee on Small Business, *Hearings on Recovery in the Gulf: What the \$20 Billion BP Claims Fund Means for Small Businesses*, 111th Cong. (June 30, 2010). Mr. Feinberg also appeared before the Senate Committee on Homeland Security and Governmental Affairs. *Hearings on The Gulf of Mexico Oil Spill: Ensuring a Financially Responsible Recovery, Part II*, 111th Cong. (July 22, 2010).

Rip Daniels

CEO/Manager, WJZD-FM

Vice President, Mississippi Gulf Coast Tourism Commission

Herb Malone

President and CEO

Alabama Gulf Coast Convention and Visitors Bureau

Keith Overton

Senior Vice President and Chief Operating Officer, Tradewinds Resort

Chairman, Florida Restaurant and Lodging Association

Ralph O. Brennan

President

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