Testimony of

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Hearing on:

"The BP Oil Spill and Gulf Coast Tourism: Assessing the Impact"

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Chairman Rush, Ranking Member Whitfield, and Members of the Subcommittee on Commerce, Trade, and Consumer protection, thank you for giving me the opportunity to testify at this important hearing.

I am here today on behalf of the U.S. Travel Association, which is a national, non-profit organization representing all components of the $704 billion dollar travel industry. We represent over 2,000 members ranging from travel service providers, airlines and state tourism boards, to hotels, destinations, and local convention and visitors bureaus. Our mission is to promote travel to and within the United States in order to sustain and create American jobs. During the current environmental and economic crisis caused by the BP oil spill, this mission could not be more important for both our members and the residents of the Gulf Coast States.

In today's testimony, I will highlight the significant role that travel and tourism play in the economies of the Gulf Coast region. With the power of travel as a backdrop, I will discuss the potential long-term economic impacts of the BP oil spill and – most importantly – what BP and the federal government can do to prevent these grave projections from becoming a reality.

In the four states of Louisiana, Mississippi, Alabama, and Florida, the travel industry generates $94 billion in revenue and accounts for over 1 million jobs. In fact, tourism comprises a larger portion of the Gulf Coast economies when compared to any other region of the country. Leisure and hospitality employment represent 15 percent of the total private employment for counties along the Gulf shore, compared with 12 percent for the entire country. In Mississippi, 22 percent of private employment on the coast is in the leisure and hospitality sector.

But now, this large and vital sector of the Gulf Coast economy is in jeopardy. When the crisis began, there was some question as to whether or not the travel industry would be impacted by the BP oil spill. However, as the weeks and months of this crisis dragged on, the question quickly turned from, "Will the travel industry be hurt?" to: "How much can we expect to lose and how long will it take before travelers come back to the region?"

To answer this question, the U.S. Travel Association commissioned Oxford Economics to conduct independent research on the potential long-term impacts of the BP oil spill. Upon analyzing 25 previous disasters – including oil spills, hurricanes, and terrorist attacks – the study found that the potential impact of the oil spill in the Gulf of Mexico could adversely affect tourism arrivals in coastal communities for up to three years at a cost of $22.7 billion dollars in lost revenues. In the absolute best case scenario, which includes a comprehensive campaign to attract visitors to the region,, the study estimates that Gulf region travel will be impacted for 15 months at a cost of $7.6 billion in unrealized revenues.

Although both projections are dire – the study finds that the economic damage will likely trend towards $22 billion dollars. To put this in perspective, the projected damage over the next three years is $2.7 billion dollars higher than the escrow account established by BP to pay for damage claims. And this economic loss is just in the area of travel and tourism.

In response to these findings, the U.S. Travel Association authored a white paper of policy recommendations, entitled "A Roadmap to Recovery", which outlines a set of concrete ideas for mitigating the projected damage in the Gulf and in future disasters. The Roadmap lays out a plan that utilizes travel to stimulate local economies and speed recovery by focusing in three areas:

- **First: Inform Public Perceptions.** Travel is a perception business where, in the wake of a disaster, facts often take a backseat to fears and rumors. Informing public perceptions is the single most important thing that government can do in the wake of a crisis situation

- **Second: Incentivizing Travel.** The federal government can spur economic recovery and send a clear message that an impacted region is safe and open by providing individuals and businesses with incentives to travel to and do business in a disaster-affected region.

- **Third: Making Businesses Whole.** Unfortunately, disasters will inevitably cause a certain amount of economic and physical damage. In order to help businesses and families survive a major crisis, the federal government will need to provide increased access to capital, low interest loans and tax incentives.

The key recommendation of the Roadmap calls for a dedicated recovery fund of $500 million dollars – funded by BP – as a means of reducing the medium and longer term impacts of the oil spill. This is the key lever available to BP – and the federal government – to stop the economic damage that could ensue over the next three years.

The effectiveness of employing information-based marketing campaigns to jumpstart the economic recovery process and mitigate long-term damage cannot be overstated. In fact, Oxford Economics determined the ROI for a range of tourism marketing campaigns that were carried out after a crisis, including the campaigns used in Canada after SARS and for Alaska after the Exxon Valdez spill. The analysis found that tourism marketing campaigns yield a return of between $5 dollars and $64 dollars in visitor spending for every dollar spent on marketing.

Specific to the BP oil spill, the Oxford study found that with an average ROI of 15 to 1, the $500 million dollars in marketing would generate $7.5 billion dollars in tourism spending in the regions affected by the oil spill. It is important to point out that this is conservative estimate in light of a documented ROI of 20 to 1 for post-SARS campaigns in 2004. In other words, $500 million in marketing spending could effectively cut the total impact on the travel and tourism economy by one third.

When examining current travel indicators in the United States, it becomes increasingly clear that the Gulf Coast is in dire need of this marketing assistance. Available research affirms that travel intentions are down significantly for the Gulf due to misperceptions regarding which areas are affected and because travelers believe the impacts of oil spill disaster will be felt for a long time.

TNS, which is a leading market research firm, conducted a survey in June to measure changes in travel intentions of U.S. households following the BP oil spill. The survey found that 10 percent of those already intending to travel to the Gulf region had changed their plans due to the oil spill. Another 22 percent had decided not to go for unspecified reasons, leaving only 68 percent of would-be travelers to the region holding onto their plans. What's striking about this survey is that it represents the average for the entire Gulf shore region – even though large parts have been untouched by oil. Sadly, this survey only includes a small category of the lost travelers to the region.

Data collected by TripAdvisor – a consumer travel website which receives 47 million monthly visitors – provides startling insights into the perceptions of millions of additional travelers.

According to TripAdvisor, page views of Gulf Coast destinations have dropped significantly since the oil spill began. The data shows that in July, inquiries for travel to Gulf Shores, Alabama, where a small amount of oil has washed ashore, declined by **65 percent** when compared to the previous year. But similar declines have been seen in areas where no oil has washed ashore. During the same time period, inquiries for Fort Myers Beach, Florida, declined by over 25 percent and those for Clearwater, Florida, declined by over 15 percent when compared to previous years. To date, both destinations have not experienced any direct oil damage to their coastlines.

The research findings from TNS and TripAdvisor highlight two very important points. Economic loss cannot simply be measured by hotel occupancy rates or bookings because traveler spending takes place at restaurants, retail stores, and a host of other service providers. Second, the decline in travel is happening throughout the Gulf – independent of whether or not there is oil related damage in any given place. Although media attention has concentrated on areas where oil has come ashore, visitors have shifted away from the entire region in significant numbers because of the high profile nature of this event and uncertainty with respect to where the oil will wash ashore in the future. Clearly, the BP oil spill is responsible for economic losses in the Gulf in places where oil has washed ashore and in areas where the oil has not.

Despite these indicators, we must remember that it is not too late to prevent future damages from becoming a reality. The simplest and most effective way to accomplish this goal is to direct BP to invest $500 million dollars over the next three years in comprehensive information based marketing campaign designed to bring travelers back to the Gulf Coast.

BP has taken some steps in the right direction by providing a $70 million dollar marketing grant to the four states: Louisiana, Alabama, Mississippi, and Florida. However, it's clear much more is needed but no new funds have been allocated. In fact, BP recently denied the State of Florida its request for another marketing grant and instead informed the Governor's office that individual counties and cities should submit claims directly to BP. Guidance on the type of documentation needed to file a marketing claim or the criteria that will be used to evaluate these claims has not been presented to any potential claimants. Furthermore, by asking that marketing requests from Florida come specifically from individual counties and cities, BP is diminishing the effectiveness of any marketing effort that might take place. In addition, requests from the city of New Orleans and an umbrella tourism group, Gulf Coast USA, have to date gone unanswered.

In order to avoid the current uncertainties and inequities in the distribution of marketing dollars, a $500 million dollar recovery fund should be administered by the Independent Claims Facility. As we heard today, Mr. Fienberg is a capable and effective manager with a rare wealth of experience. If recovery grants are allocated to bring travelers back to the Gulf, the funds should be distributed through an independent, transparent, and objective process – away from politics and any party that would have an interest in limiting or taking advantage of such payments. Eligible claimants for the recovery fund should include State tourism offices, Convention and Visitors Bureaus, Destination Marketing Organizations and any other entity that has the expertise and ability to effectively manage broad marketing campaigns.

At this time, the Independent Claims Facility is the only type of entity that can effectively manage and administer this process. Unfortunately, the facility and the $20 billion dollar escrow account have been established only to pay for damages that have already occurred, rather than also being used to prevent further economic damages from happening. This leaves the travel industry in a frustrating predicament with a grim outlook.

A lack of process to receive marketing dollars from BP can no longer stand. A recovery strategy based solely on compensating for damages that have already occurred must be changed. Therefore, the $500 million dollars for a marketing effort must come from either the $20 billion dollar escrow account or be added to the account by BP.

Again, travel is a perception business where, in the wake of a disaster, facts often take a backseat to fears and rumors. If a region experiences prolonged declines in travel resulting from consumer misperceptions, economic hardship and job loss can ripple throughout a local economy. Based upon the results of dozens of previous disasters, the long-term impact of the BP oil spill could last for three years and cost the Gulf Coast economies $22.7 billion dollars in economic losses. We are calling on the federal government to secure $500 million dollars from BP for information-sharing efforts that research shows can prevent $7.5 billion dollars in further economic losses.

It is not too late to prevent further damage to the Gulf Coast tourism industry.

I thank the Subcommittee for holding this important hearing and giving me the opportunity to comment. I look forward to answering your questions.