

# **Committee on Natural Resources U.S. House of Representatives**

## **Written Testimony "Perspectives on the Outer Continental Shelf" Wednesday, February 11, 2009**

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Travel and tourism is big business. The numbers speak for themselves.

The tourism industry is the world's largest, with the broad measure of economic activity -- Travel and Tourism Economy (TTE) -- contributing \$5.4 trillion in 2007 to the world's Gross Domestic Product (GDP), according to the World Travel and Tourism Council. It exceeds the GDP of all countries other than the United States. Similarly, TTE contributes \$1.4 trillion to America's GDP, or 10.2% of U.S. output and the largest contribution to GDP just ahead of durable goods manufacturing. Travel and tourism also is the world's largest employer, with 231 million people working in the industry worldwide.

In the U.S., travel generated \$739 billion in domestic and international expenditures in 2007; and \$116 billion of that figure went to federal, state and local governments as tax revenue. Moreover, the tourism industry is America's largest employer, with 7.7 million direct travel generated jobs and \$186 billion direct travel generated payroll. One of every eight U.S. non-farm jobs is created directly or indirectly or is induced by tourism.

In Florida, 82.4 million travelers visited the state in 2007. That's more than the combined populations of New York, California and Texas. They generated more than \$65 billion in taxable sales. To put that into perspective, 65 billion dollar bills end-to-end would circle the world 247 times!

Tax-related revenue to the state was \$3.9 billion, which is 18% of the state's annual sales tax revenue for schools, transportation, museums and more. With an annual payroll of \$16.4 billion, nearly one million Floridians are employed by the tourism industry. That's seven jobs for every 2006 Florida high school graduate. Just think, a 1% increase in visitors to Florida generates an additional \$39 million a year -- more than \$1 a second!

In St. Petersburg/Clearwater on the Gulf Coast of Florida, tourism is the engine that drives the local economy. Total direct and indirect visitor expenditures are approximately \$7 billion. That is more than \$19 million per day, about \$800,000 per hour, more than \$13,000 per minute and about \$220 per second. For perspective, a line of 7 billion dollar bills laid end to end would wrap around the Earth at the equator 26 times.

The impact of the tourism industry on the local job market is just as dramatic. With a 25% drop in tourism, Pinellas County would lose about 21,000 jobs; at 50%, it would lose about 42,000 jobs; at 100%, about 84,000 jobs would be lost. And with lost jobs would come closed businesses. When a local business closes, hundreds are affected not just its employees. This trickle-down effect can devastate a community. Suppliers rely on small local business for their income. So when a business closes, its suppliers feel the pinch as well.

For instance, just a 25% drop in tourism would cause 300 local restaurants to close. Tourist dollars are vital to their success, not only to keep the doors open, but also to give these restaurants the revenue necessary to provide everything residents enjoy most. From sitting on the deck, listening to a live steel-drum band, to enjoying social event nights and parties, tourist dollars make it all happen.

Not to mention the tax revenues. Tourism contributes almost \$300 million in taxes annually to Pinellas County. Fuel taxes alone equal roughly \$15 million. That means visitors to the county save the average household more than \$600 per year in taxes.

So tourist revenue is vital to the success of the county's businesses and the community. It keeps restaurants and retail locations open, taxes down, and gives residents conveniences such as low-cost flights and world-class entertainment. It supports beach nourishment programs and helps fund transportation, public safety programs and more.

### **Quality of Life Benefits**

But tourism revenues are only part of the story. Not only do people benefit from the economic impact of the travel industry in dollars and cents, but they also benefit from the quality of life to which it contributes. So, the industry's impact is actually measured in two ways.

The "value in exchange" measurement considers expenditures, jobs, taxes and the like; AND the industry's "value in use" takes into account the quality of life that tourism gives not only to visitors but also to residents who reap the rewards of tourism expenditures on local infrastructure. This latter measurement of tourism's impact reframes the industry's purpose from an ends – meaning the dollars spent – to a means – meaning

what is done with those dollars locally. In essence, tourism is a tool for enhancing what residents love about their region.

From performing arts to low cost travel, tourism affords a better quality of life. It also impacts parts of the community that are far beyond the obvious. The Penny for Pinellas program in Pinellas County would suffer without tourism. Visitors contribute approximately 35% of Penny for Pinellas revenues, which equals roughly \$40 million annually. This program adds value to the county by funding roads, bridges, parks, drainage and other capital improvement projects.

And because of tourism, Ruth Eckerd Hall performing arts center has record-breaking ticket sales. The Palladium Theater in St. Petersburg offers year-round musical performances. And the Salvador Dalí Museum continues to provide world-class exhibits due to its tourist revenue. Plus, its visitor dollars do more than enhance the museum. The museum's profits fund educational programs for local youth.

All of this paints a clear picture of the contributions that tourism makes to every community around the world that it impacts and the trickle down benefits of visitor expenditures. Yet another relevant part of the picture is the economic value of beaches.

### **Leading Tourist Destination**

Beaches are the key element of U.S. travel and tourism, since they are the leading tourist destination. Coastal states receive about 85% of tourist-related revenues in the U.S. largely because beaches are tremendously popular. It is estimated that each year approximately 180 million Americans make 2 billion visits to ocean, gulf, and inland beaches. This is almost twice as many visits as the combined 1.06 billion visits made to properties of the National Park Service (272 million), Bureau of Land Management (55 million), and all state parks and recreation areas (735 million). The 2 billion beach visits also dwarf the 138 million visitors to all theme parks in the U.S.

Given these facts, it is not surprising that beaches make a large contribution to America's economy. Beach tourism in Florida made a \$52 billion contribution to the economy in 2007 dollars, and U.S. beaches currently contribute \$322 billion annually to the economy in 2007 dollars. This is more than 25 times the \$12 billion contribution of the National Park Service system to the national economy.

In order to protect the lucrative tourism industry and the beaches that are a cornerstone of that industry, we must not risk the potential damages of off-shore drilling in Florida. Despite the impressive technological advances the oil industry has made, there still are too many potential risks. Two of the major hazards are pollution from every day operations and oil spills from platforms, pipelines and tankers.

When oil is brought up from beneath the ocean floor, other things are too. Chemicals and toxic substances such as mercury and lead can be discharged back into the ocean. The water pumped up along with the oil may contain benzene, arsenic and other pollutants. Even the exploration that precedes drilling, which depends on seismic air guns, can harm sea mammals.

And while large spills are rare, smaller spills are still too common. The biggest pollution risk involved is in transporting the oil back to shore — by pipeline, barge or tanker. A 2002 National Research Council report found that marine transportation was responsible for one-third of worldwide petroleum spillage, about eight times the amount caused by drilling platforms and pipelines.

### **First-Hand Experience**

Pinellas County has first-hand experience with this fact. In 1992, the local convention and visitors bureau hired a Tampa firm, Research Data Services, to study how a major oil spill would affect Pinellas County. Although the figures are dated, at the time the company's founder, economist Walter Klages, estimated a major spill could cause a 45% decrease in visitors over two years. It also could result in the loss of 7,392 tourism-related jobs in the county, Klages estimated.

His predictions seemed prophetic a year later, when in August 1993, the beaches of southern Pinellas County suffered a minor oil spill that nonetheless caused beach hoteliers major headaches. The spill occurred after two barges and a freighter collided in the shipping channel west of the Sunshine Skyway Bridge south of Mullet Key in Tampa Bay, Florida. After the accident, a few large resorts reported that their occupancy rates fell by double digits when compared with the previous year.

Furthermore, the environmental impact not to mention the clean-up efforts for what would be considered a "minor spill" were significant. Systematic shoreline surveys were conducted and oil was found buried by two to eight inches of clean sand deposited during high tide. Cleanup crews focused on manually removing the band of surface oil high on the beach. A plan was developed to remove the subsurface oil without generating large volumes of sediment for handling, disposal, and replacement. The plan called for mechanical removal of the heavy buried layers, manual removal of moderately oiled sediments, and mechanically pushing stained sand onto the lower part of the beach for surf washing.

Meanwhile, cleanup crews were contending with very thick oil that had been deposited around some mangrove islands. Tarmats formed when sediment was mixed with oil along the shallow flats surrounding the islands. Large thick mats coated mangrove roots, oyster and seagrass beds, and tidal mud flats.

Roughly 14.5 miles of fine-grained sand beach from St. Petersburg Beach north to Redington Shores Beach were affected by this spill. Sand beaches on Egmont Key at the entrance to Tampa Bay were also oiled. Additionally, four mangrove islands inside the entrance to Boca Ciega Bay at Johns Pass and two small areas of Spartina Marsh were oiled. Jetties, seawalls, and riprap within the bay and at Johns Pass and Blind Pass were also oiled to varying degrees. It is estimated that more than 30 miles of residential seawalls were oiled within Boca Ciega Bay. Some impact also occurred on the northern side of Mullet Key at Bonne Fortune Key in fringing mangroves.

### **Oil Spills**

And that's just one spill. The U.S. Coast Guard estimates that more than 200,000 small spills occurred in the Gulf of Mexico from 1973 to 2001. The Minerals Management Service, the federal agency that regulates offshore oil production, thinks spills will continue and projects about one oil spill per year of at least 1,000 barrels in the Gulf of Mexico over the next 40 years. Every three to four years, it says, a spill of at least 10,000 barrels can be expected. Having seen what happened in Pinellas County, one can only imagine the extensive impact on this grander scale!

How badly the Tampa Bay area would suffer would depend on where a spill took place, according to Robert Weisberg, a physical oceanography professor at the University of South Florida-St. Petersburg. If a spill occurred in the deep water of the Gulf, the currents likely would sweep it south to the Florida Keys and carry it to the east coast of Florida. It might not affect the Bay area much, he contends. However, if the spill occurred over the West Florida Continental Shelf — an area of relatively shallow water that extends as much as 100 miles out from Florida's coast — he thinks the currents could sweep it to the Bay area and rest of the West Coast. When determining the impact of a spill, he believes the distance offshore is much less important than whether the drilling is on the continental shelf.

The potential risks are magnified by the Gulf's well-known propensity for annual hurricane activity. In 2005, hurricanes Katrina and Rita destroyed 113 oil platforms and damaged 457 pipelines near Louisiana, according to the Minerals Management Service. The agency reported 124 spills totaling 741,000 gallons of petroleum from offshore rigs, platforms and pipelines.

Damages from those two storms are a prime example why the moratorium on new offshore drilling should not be lifted. That moratorium can trace its roots to the industry opposition ignited by the Santa Barbara oil spill of 1969. Roughly 3.4 million gallons of oil were spilled, spreading across 800 square miles of ocean and spoiling 35 miles of shoreline. It was our nation's worst oil spill until 20 years later, when the Exxon Valdez struck a reef and lost almost 11 million gallons. Let's not let time erase the sting of those two catastrophic environmental and economic disasters.

And, closer to my home, let's remember the oil spill in the Gulf of Mexico in 1979 that caused tar balls to wash up on Texas beaches and resulted in a 60 percent decline in the state's tourism business. It is a clear historical precedent of how detrimental and catastrophic an oil spill could be to Florida's tourism industry.

### **Central Debate**

Beyond environmental and economic impact concerns, the central debate regarding offshore drilling focuses on where to drill for more oil. Democrats in Congress, led by House Speaker Nancy Pelosi of California, say areas where drilling already is permitted should remain the bull's eye. Only about 8 million of 43 million leased acres were producing oil in 2006. Big Oil has not drilled three-quarters of the territory that Congress has made available for exploration. Why endanger our beautiful, economically lucrative beaches if the oil industry refuses to explore the areas already open for drilling?

And why open up the 574 million acres now off limits along the outer continental shelf, when tight supplies of equipment and labor will severely constrain exploration in the next decade. Only a limited number of shipyards are capable of building the necessary \$700 million drilling rig, and many of the rigs being built today are going to other countries where the oil business is also booming. Even then, it usually takes at least seven to 10 years for the oil to start flowing, with some estimates placing the economic impact of exploration around 2030. Not to mention the Department of Energy estimates that, even if Congress removed all restrictions on offshore drilling, the impact on global oil prices would be "insignificant." Witness that domestic drilling permits have increased 361 percent since 1999, yet the price of gas continues to climb to record-breaking plateaus.

One final point. Finding oil has become more costly. The oil boom has led to a surge in exploration and drilling activity, which has pushed up the price for skilled workers and equipment. Furthermore, new supplies of oil are increasingly difficult to find and generally tend to be located in harder to reach - and hence more expensive - places. Yet surely the oil companies can find ways to utilize their existing leases, no matter the costs.

Exxon Mobil, the world's largest publicly traded oil company, made history on January 30, 2009, by reporting the highest quarterly and annual profits ever for a U.S. company, boosted in large part by soaring crude prices. Exxon said fourth-quarter net income rose 14% to \$11.66 billion, or \$2.13 per share. The company earned \$10.25 billion, or \$1.76 per share, in the year-ago period. The profit topped Exxon's previous quarterly record of \$10.7 billion, set in the fourth quarter of 2005, which also was an all-time high for a U.S. corporation. Exxon also set an annual profit record by earning \$40.61 billion last year - or nearly \$1,300 per second in 2007. That exceeded its previous record of \$39.5 billion in 2006.

Similarly, America's second largest oil company Chevron Corp. has reported soaring annual profits of \$23.9 billion for 2008, a whopping 28% jump from its 2007 annual profits of \$18.7 billion that were lifted by sky-rocketing oil prices.

Exxon and Chevron aren't the only two oil giants to report impressive earnings recently. Conoco, the nation's third-largest oil company, trounced profit estimates by nearly 25% when it reported in late January. And Royal Dutch Shell PLC, Europe's largest oil company, reported a 60% increase in profits on January 29 of this year.

### **National Treasure**

Florida's beaches are a national treasure, and their preservation should be a top priority. Yet, because the tourism industry is so interwoven into the fabric of the community, the state, the country and the world, it is sometimes taken for granted, especially the beaches. We cannot afford to do that.

Travel and tourism is America's leading industry, employer, and earner of foreign exchange; and beaches are America's leading tourist destination. Few Americans realize that beaches are a key driver of America's economy and support U.S. competitiveness in a world economy.

One reason why Americans do not appreciate the importance of tourism to the national economy may be because 98% of the 1.4-million tourism-related businesses in the United States are classified as small businesses. That makes the industry extremely fragmented and not well represented. Hence, the importance of the tourism industry to the national economy has not been communicated to the American people.

Until there's a fundamental shift in awareness of the economic and quality of life contributions of travel and tourism to the world, our beaches will not be adequately protected and the infrastructure that sustains them will not be effectively managed. And ultimately, the U.S. will risk relinquishing its dominant worldwide lead in its most important industry.

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