

# Economic crisis deepens in Gulf

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Recent studies continue to point to the devastating economic effects of the BP oil disaster in the Gulf region.

University of Central Florida professor Sean Snaith has carried out detailed study of the immediate and long-term economic impact of the blowout, which dumped more than 200 million gallons of oil into the Gulf of Mexico between April 20 and mid-July.

According to Snaith's latest data, the disaster will delay any economic recovery in Florida by at least one year. The nation's fourth-most populous state, Florida has already been hammered by the collapse in the real estate market and is experiencing a severe jobs crisis, with an official unemployment rate of 11.6 percent in June.

The first impact will be in the tourism industry, Snaith says, but this will soon "ripple out into other areas of the economy." Employment in Pensacola, Florida, might contract by as much as 10 percent, according to Snaith, who notes that losses in businesses not directly connected to tourism "won't ever see a dime" from the \$20 billion escrow fund overseen by White House "claims czar" Kenneth Feinberg.

Another survey by the *Tampa Bay Business Journal* has found that a large proportion of Florida business owners will lay off workers as a result.

About 30 percent of respondents said they will pare down their workforces over the next year, 35 percent anticipate that revenues will decline, more than 50 percent report a negative impact on their business or industry, and nearly 90 percent anticipate an ongoing "major negative impact," according to data compiled by Schwartz Consulting Partners in Tampa, Florida.

And yet another study, this by Oxford Economics for the US Travel Association, confirms that the losses in tourism, which the study calls "one of the top economic drivers of the Gulf region," could be as high as \$22.7 billion over a period of three years.

The figure is \$3 billion more than Feinberg's \$20 billion Independent Claims Facility set up by BP and the Obama administration.

The Oxford report focused on tourism in the 18 congressional districts that touch the Gulf Coast. In 2008, the report states, visitors to these districts spent more than \$34 billion—spending that sustained nearly 400,000 jobs.

The report points to a prolonged negative effect on the tourism industry in the Gulf region due directly to the spill as well as to changes in travel plans owing to fears over the disaster's effects on the broader region.

The study also addresses the consequences for the real estate sector, finding that 7 percent of all homes in the congressional districts along the Gulf are used primarily for seasonal or recreational use. A decline in visitors to the region will, thus, not only results in less revenue from purchases and rentals, but will likely cause devaluation in home prices as well.

To counter the "perception" that there has been a major catastrophe in the Gulf, the Obama administration and state governments have launched a publicity campaign to convince Americans to vacation there.

However, the damage to Gulf beaches is very real, a new study by the Natural Resources Defense Council (NRDC) finds. Gulf beaches have already experienced 2,239 days of closures, advisories and notices on beaches. In Florida, there were 442 days of closures and notices as of July 27. There were none the year before.

Evidence from local media suggests the devastating impact on small business owners.

Boat sales, for example, were reportedly down as much as 40 percent in June. Troy Morgan, general manager of Boat and Motor Superstores in Florida, describes how the effects of the spill have compounded the effects of the economic crisis for that industry:

“The spill impact has just been devastating. We spent the past year carefully cutting costs to survive and pinning our hopes on a recovery during what’s normally our busiest season. The oil spill hit at the absolute worst time.”

The decline in boat sales will have a broader impact on the many industries related to that industry; boat rentals, mechanics, fuel sales, and other areas will feel the effects.



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