

Written Testimony Mayor Robert Craft Gulf Shores, Alabama

House Committee on Transportation and Infrastructure

12/7/2011

Chairman Mica, Ranking Member Rahall, and Members of the Committee: Thank you for having me come to testify at today's hearing. The coastal residents along the Gulf of Mexico greatly appreciate your interest in our region as you consider the RESTORE Act.

The Alabama Gulf Coast is a unique blend of family owned businesses working in a beach community and a metropolitan city. In the South Baldwin County beach communities, we do not have many large chain hotels or restaurants, or large institutional employers. Our only industry is tourism. Southern Mobile County has industry, but also has a thriving tourism economy, and an economy dependent on healthy seafood in the Gulf.

Our visitors come to go charter fishing, engage in water sports, dine at the restaurants they know well, or just lie on the beach. They stay at condominium facilities or rental homes rather than large chain hotels. We have more than 14,000 condo units compared to 2,000 hotel rooms. Most of these properties and the rental companies who manage them are locally owned.

We hold dear the reputation we have as an attractive, safe family vacation community, which accounts for the large percentage of repeat visitors and we work hard to attract new visitors. In the years leading up to 2010, our city's economy grew by almost 10% per year. Tourists in South Baldwin County, where Gulf Shores and Orange Beach are located, accounted for almost 30% of the tourism income of the state.

Our lack of economic diversity makes us very vulnerable to anything that might impair tourism. Our economy and coastal ecology are inseparable. We survive financially only if the Gulf Coast environment is viable and healthy. It is in the best interest of the business community just as it is the local government to do whatever is necessary to maintain a healthy coast.

The fishing industry in Alabama accounts for \$800 million in sales and 18,000 jobs. We are involved in every step of the fishing industry. The number of trips out to fish has been down ever since the spill and the seafood harvest has been as well, which also effects the processing industry.

Our real estate market is primarily an investor/second home resort market and it was also on the come back, but has once again been pushed back due to the lack of uncertainty during 2010 and the lack of good rental income histories from 2010 still affecting the marketability of properties in 2011.

Our local governments and businesses know that they must have reserves for the inevitable tropical event or economic downturn, which temporarily cripples the local economy. Our history of dealing with such problems has honed our response and skills to the massive effort of cleaning storm debris and assisting disabled businesses. The much slower winter

season typically requires subsidies from reserves, as annual income for most businesses comes mainly from the summer season. It is a delicate balance which we understand. Given the events of the last year and a half, small businesses have depleted their reserves and credit is not available from the banking industry.

The first quarter of the year 2010 looked to be the beginning of the strongest year in the city's history. Lodging Tax Revenues were up 17% from a year earlier. In the months preceding the spill the city was in the process of final planning for a public beach reconstruction effort. Architects and engineers were hired for the design.

On April 20, 2010, the Deepwater Horizon well tragedy occurred. For the first few days there was constant confusing and conflicting information on the aftermath of the explosion and oil spill. The original estimates of leaking oil proved incredibly unreliable and understated. Louisiana was the earliest victim of the spill and by late April, in Gulf Shores, Alabama, landfall was imminent. The dread and fear was palpable as we awaited the inevitable.

In 2010, 100% (all 39 miles) of Alabama's white sand beaches were impacted for the entire season. This complete shutdown of all beaches in the state did not happen anywhere else on the Gulf Coast. Our goal is to diversify our economic base so that our economy is less dependent on an assumed ever ready Gulf of Mexico to lure tourists to this coast. We need an opportunity to rebuild within a more diverse economy. Local governments need substantial reserves to build a credit rating because of our high risk geography and recent business history given the 2010 BP oil spill disaster.

With the first sign of the green wave of oil just offshore, our coast became ground zero for the national media to gather and report on the disaster. Reservations were almost immediately cancelled. Small businesses were financially impacted the hardest because the BP claim paying process proved agonizingly slow and complicated. Ignoring local government, BP hired hundreds of contract workers to gather on the beach to pick up oiled material by hand. They ordered in heavy equipment without consultation of the city and all of this confusion and turmoil on our beaches was nationally telecast and written about daily. Due to the presence of BP, contractors, the Coast Guard and regulatory agencies on Alabama's beaches, tourists were scarce.

To avoid the overwhelming numbers of claims pouring into BP, the Gulf Coast Claims Facility (GCCF) was established, promising fast action on claims and up to \$20 billion in money to "make it right" for the thousands losing income due to the spill. This proved to be a smart strategic move for BP. It put a wall between the company and the escalating complaints, and BP/GCCF showed no intention of ever spending down this escrow. Today, less than \$6 billion has been expended.

Due to the fact that there was such a decrease in business during the summer of 2010 because of the BP oil spill, many of our businesses had no revenue to pay off their lines of credit. These businesses are no longer able buy on credit, have no reserve left and no way to borrow more money. This led to many not surviving 2010 or able to restock for 2011, which led to further business loss.

Reports of contaminated water, sand and seafood were rampant. Any “chemist” with a Petri dish working out of a garage could get airtime as he proffered that the Alabama beaches were seriously polluted and dangerous. News reports of the environmental damage created by BPs putting millions of gallons of dispersants in the sea were additional negative information for some media to pursue. The Alabama Department of Environmental Management (ADEM), and the State Health Department, with whom we continue to work with daily, had another story to tell but it was apparently not what sells news. Our cities were constantly in a defensive posture as we attempted to correct the onslaught of pseudo-science literally predicting the death of America’s Gulf Coast.

The mental and physical stress caused by the decrease in revenue to businesses and individuals led to increased domestic violence, drug and alcohol abuse, suicides, families being split up as they lost their homes, having to move in with other family members, one parent having to leave the area to find employment, lack of food, utilities, clean clothes – all has led to tremendous increases in the stress levels and mental anguish of the children of these families suffering from little or no income, not only affecting their health, but also their school work. This has also put a tremendous extra burden on teachers who have now had to become mental councilors and social workers, as well as teachers.

BP’s strategy was to spend millions on national ads bragging about all the good they were doing, and providing small grants to cities with the mantra of “making it right”. This was a self serving way of attempting to avoid future claims. It was a time never to be forgotten by those who lived through this disaster, with no end yet in sight.

The Alabama Gulf Coast Convention and Tourism Bureau’s aggressive advertising and BP funding proved successful as tourists began to return by early summer. Thousands of our loyal repeat visitors booked rooms, yet a heavy veil of caution and suspicion among visitors became obvious. Is the water really safe? Can we eat the seafood? Will the kids get sick if they play in the sand? Our reputation as a family friendly safe environment had been seriously damaged if not destroyed.

The 2011 summer tourism was a success. The millions spent on advertising undoubtedly contributed to what we pray was not just a one year wonder. We have no more resources to put into attracting visitors back to this coast. Fortunately, this area did not have a hurricane this season, so the unanswered question of how, where, and who pays for contaminated (oiled) debris washing up on shore during a storm surge did not have to be considered. It will remain a threat for a long time to come.

It is understood and accepted that we are in for a long term recovery in hopes of one day enjoying the stability we were on the brink of achieving in 2010. It has been an incredibly trying year and a half. BP is working hard to put this behind them, and future liability will remain with the Alabama coast. We can look forward to no more grants for tourism generating events or for marketing funds.

The oil mats remain off shore and probably hidden in the areas bays and estuaries. As I am writing this, five teams of workers patrolling the beach are picking up an average of 220

pounds of oil polluted material daily. For the last 500 days we have had BP workers/contractors or Coast Guard personnel on our beach to remind tourists that the threat is still here.

We continue to hear various reports on the quality of Gulf seafood and reports of new leakage at the Deepwater Horizon site. Like most of the information coming into us it is not possible to prove or disprove anything. Just getting information is challenging, much less culling fact from opinion and various agendas. Anything from an unusual number of dolphins dying to new research on sharks is reason for the public to suspect BP oil and/or dispersants, whether or not a cause and effect can be established.

These events have made this coast aware of and sensitive to the threat of thousands of wells in the Gulf as well as new and damaging information on contaminants and other not yet well defined problems such as a massive storm surge from a large hurricane that will oil the land and the bays and estuaries on this coast. All these threats remain out there and BP will be gone.

The State of Alabama has one of the most diverse assemblages of ecosystems in the world. The state has natural waterways that flow through pristine hardwood forests in the north, down through the Mobile Tensaw Delta and the Mobile Bay estuary and finally to the white sandy shores of the Gulf of Mexico. Alabama has the fifth highest diversity of species in the Nation, with the highest diversity of any state east of the Mississippi River. We have the Mobile Tensaw Delta, a National Natural Landmark, which is the second largest river delta system in the nation with approximately 250,000 acres of delta ecosystem. This system is a unique ecological habitat housing some species that are not found anywhere else in the world, like the Alabama red-belly turtle (*Pseudemys alabamensis*), the State Reptile and a federally endangered species with primary nesting grounds in Baldwin county portions of the Delta.

The Mobile Bay estuary serves as a sanctuary for a variety of waterfowl as well as providing vital food, cover, and nursery area for larval and juvenile aquatic and marine life, including recreationally and commercially important species. With all of its diversity, our state is host to submerged aquatic vegetation, wetlands, cypress gum swamps, salt marshes and oyster reefs, tidal brackish water marshes, fresh water lakes and ponds, bottom land forest (in North Alabama), wildlife management areas, and National Forests and approximately 200 miles of canoe trails. Alabama is located on a main migratory birding route and serves as a breeding, foraging and shelter area for approximately 300 species of birds. In many cases, Alabama habitat may be the first stop after a long migratory journey. Alabama also sustains more species of mollusks than anywhere else in the world. Our delta system drains approximately 80% of the State's waters and up to a fifth of National Waters at any time through Mobile Bay and then into the Gulf ecosystem which provides approximately a third of the nation's seafood.

Therefore, superior water quality and preserved habitat is imperative for the survival of sensitive and ecologically important species. It is not completely understood how vulnerable the Delta is to environmental stresses. With high species diversity, comes a potential for high and severe risk if our sensitive eco-habitats are lost. The RESTORE Act funding can help ensure that we are able to maintain habitat conservation and water quality vitality on many different levels both ecologically and economically.

We sit on the edge of our country's most productive energy source, and we now completely understand the risk we face. Knowing that, we still aggressively support continued safe drilling in our gulf and a drive toward energy independence. Additionally, the offshore energy which is vital to US energy independence continues to struggle to revive from an almost year long freeze in activity. This also has significant impact to the same supply companies, shipyards and others mentioned above.

The RESTORE Act money needs to go to the Gulf states to help rebuild/re-nourish the environment, prove the seafood, Gulf waters, air and sand are safe, help convince people that it is all safe (if it is), continue to clean the beaches until back to pre-BP oil spill condition – i.e. No Tar Balls, remove submerged oil mats, re-train some of our people who cannot make a living as they did before, expand and diversify the local economies to help prevent this type of environmental/financial devastation again, because we have lost some of our regular tourist customers forever due to their personal perception that our area is not safe and we may never be able to convince them otherwise.

There is no doubt that the Gulf Coast is of vital national importance. The ports, the seafood industry, the energy industry, and tourism all provide benefits to the region. It is absolutely in the national interest to insure that the Gulf Coast is able to boost its resiliency.

The full impacts of the spill may not be known for years to come. Ports along the coast struggled during the spill to deflect the assumptions by many that they would be closed to traffic. The export focused ports along the Gulf Coast are of importance to many sectors in the US and local economies. Boosting the capacity and resiliency of these ports will provide significant opportunities to diversify and increase job opportunities on a regional and national basis.

The Gulf Coast seafood industry has traditionally supplied a significant amount of wild caught seafood for the US. The long term damage will not be known. In the short term the industry is still trying to regain markets that disappeared during the spill. The impacts extend far beyond the families that for generations have fished the waters of the Gulf and its estuaries. The processors are still struggling to regain capacity lost during the spill. The supply companies, shipyards and others that support the industry continue to suffer as the industry struggles to rebuild.

The communities along the Gulf Coast will be left with the total responsibility of dealing with the final clean up, restoration of the environment and our reputations as safe places for people to visit or invest and our economic recovery and sustainability for the future and the RESTORE ACT money is needed by the Gulf States to make all of that happen.

We have to build resiliency within the Gulf coast communities, because we will always be faced with the possibility if this same type of environmental disaster and we need to be able to implement the lessons we have learned from this disaster to be better prepared to survive and thrive when we have another one. We only ask that our government recognize the harm caused and dedicate the clean waters fines to this and future spill recovery efforts.

Thank you very much for having me today. I am ready to answer any questions you may have.