



INNISFREE
HOTELS

**U.S. House Committee on Transportation & Infrastructure Julian MacQueen Testimony
December 7, 2011**

Thank you Mr. Chairman and members of the Committee for inviting me here today to share my experiences with the most damaging environmental disaster to take place in the United States since the Three Mile Island nuclear melt-down in 1979.

I have been in the hotel business all my life having started as a bus boy in a Fort Walton Beach, FL hotel at age 16. I founded Innisfree Hotels 25 years ago with the development of an 88 unit focused service hotel just off Interstate 65 in Mobile, AL. I spent every cent I had in the development of the property and did not have the money to hire any staff when I opened. My initial guests had to make up their own beds until I had enough money to hire a housekeeper.

Today, Innisfree is the largest hotelier on the Florida and Alabama Gulf Coast, and the largest employer and tax payer on Pensacola Beach, FL. We own and operate 12 properties with 1,640 hotel rooms and condominium suites in Florida and Alabama. We

- Employ approximately 800 persons in the peak season and 625 year around.
- Have a combined payroll in excess of \$12,600,000.
- Pay in excess of \$2,000,000 annually in lodging and sales taxes.
- Pay in excess of \$3,200,000 annually in real estate taxes and lease fees.

Our beach front resort hotels in Orange Beach, AL and Pensacola Beach, FL were the epicenter of where the BP Horizon oil spill hit the Alabama and Florida beaches. I was attending a hotel owner's conference when the news broke of the explosion and spill and immediately rushed home to implement our disaster preparedness plan.

Those of us who live on the Gulf are well experienced with natural disasters. For example, I lost seven hotels in one night with Hurricane Ivan in 2004, and one of my properties was the first hotel to reopen on Pensacola Beach.

But nothing I had experienced prior prepared me for the oil and the Corexit dispersant that drifted unabated from the spill. This toxic brew fouled our waters and blanketed our formerly sugar white beaches with a thick oil mousse and weathered tar balls. We watched with amazement, as did the world, at the lack of a plan from BP to control the spill and later to clean the beaches.

INNISFREE HOTELS

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Cleanup efforts were initially undertaken by people in blue jeans and T-Shirts, who raked and shoveled the sludge into bags wearing no safety clothing. It evolved painfully slow over weeks of experimentation into finally teams working in hazmat suits with sophisticated digging and sand and oil sifting mechanical equipment. The air borne fumes from the oil in our waters was so strong that it burned the eyes and lungs. Our Hospital emergency rooms treated 100% more respiratory cases last July than they did in July of 2009.

We still have many major oil mats sitting on the floor of the Gulf just off our beaches that even the smallest storms wash ashore. Presently, our beaches need constant cleaning and re-nourishment.

This disaster could not have come at a worst time economically. We had just suffered through two years of recession, and through the first four months of 2010, we were on pace for a record year. Unfortunately, while the rest of the nation enjoyed a record summer, we endured the trauma of a season without tourism.

We make 70% of our money in the summer, and this hit just one month away from the commencement of our peak season. It was much worst economically than a hurricane, which typically hits at the end of the summer or in the early fall after the hotels and their seasonal employees have made the money they need to carry them through the winter.

The phones stopped ringing as soon as the spill occurred and people watched the oil 24/7 gushing into the Gulf and floating our way. Our hotels sat at the epicenter of the spill coming ashore on the Alabama and Florida beaches and the media coverage thereof. National TV Networks set up live broadcasts from our Hilton pool deck, and I was interviewed by everyone from Sam Champion to Joe Scarborough and from the Wall Street Journal to Al Jazeera.

Our beaches were black from oil. The negative publicity was overwhelming and relentless. I went into a deep depression thinking I had lost everything I had worked for my entire life, and there was nothing I could do about it. We have quantified that the negative free media exposure from May to December 2010, for just Pensacola Beach alone, had an advertising equivalency value in excess of \$90 million.

We survived by cutting staff and expenses to the bone from day one of the spill. Hundreds of conscientious, hard-working employees were denied work in those prime summer months from which they make their primary earnings for the year. We were favorably surprised when BP stepped up and started immediately funding emergency loss payments. We can argue over the methods and whether or not everyone has been completely made whole by BP and now the GCCF, but we cannot argue over the godsend of that initial payment.

But I cannot stress enough that the long term impacts of this disaster are not over. We have documented that many of our historical core customers have not returned to our hotels. For example:

- Our Pensacola Beach Hilton has lost 50% of its premium Hilton Honors guests. These are the premier travelers, who can stay anywhere on points and spend that saved lodging money on the amenities and in the community.
- The core geographic markets from which our guests come have changed. We know that over 50% of the gross revenue increase in 2011 over 2009 at our Pensacola Beach Hampton Inn came from 95 markets from which we have never had a guest while the number of guests from our traditional markets has declined.
- Many of our core customers went to new locations last year and may never return. We know that some of our core customers went to Myrtle Beach, SC, which had a banner summer.

Although the region was blessed with an above average summer this year, we remain very concerned that it is not sustainable. This increase, which did not come from our core customers, was primarily driven by direct advertising grants to local communities by BP, a very sophisticated BP web site and social media campaign involving Facebook, You Tube and Twitter, as well as the \$170 million BP spent in national advertising and promotion. We heard radio ads run in Austin, Texas this summer encouraging people to come to the Alabama Gulf Coast.

Our area Convention and Visitors Bureaus received direct grants in excess of four times their normal annual advertng budgets. The Pensacola CVB was able to afford a national advertising campaign for the first time ever. Furthermore, BP provided over \$700,000 in vouchers that gave lodging guests a \$100 credit on an American Express card for every room night in our county for up to three nights (\$300).

BP continues to operate a very sophisticated web site and social media campaign involving Facebook, You Tube and Twitter publicizing how well the coast and the seafood has recovered and encouraging people to come for a visit.

<http://www.bp.com/sectionbodycopy.do?categoryId=41&contentId=7067505>

The full economic and environmental recovery of the Gulf Coast is directly tied to the use of the monies received from the fines paid by BP for the barrels of oil they spilled. We still need:

- Beaches cleaned and re-nourished;
- A better preparedness plan by the oil companies working with the federal, state and local governments;
- More research and better methods involved in the identification and removal of oil mats in the Gulf before they come ashore;
- More research and a better understanding of the long term impact to our seafood, its ecosystem and to our wetlands; and
- Significantly greater marketing and advertising dollars.

I urge you and your colleagues to support H.R. 3096, the RESTORE Act. Our states, counties, cities, and convention and visitors bureaus need these funds as soon as possible and with the greatest flexibility in order to maximize their effect based on local needs. I urge Congress and the Administration to make sure that funding from this legislation benefits the full range of economic and environmental recovery efforts, such as tourism, eco-tourism, tourism related economic development, the Gulf waters, seafood, and wetlands.

Thank you again for this opportunity to share my story, which is just one of the tens of thousands. Please let me know if I can answer any questions or be of any service to you to enact this important legislation.



INNISFREE
HOTELS

Julian MacQueen
Founder and CEO



Having spent more than 40 years in the hospitality industry, Innisfree founder, chairman and CEO Julian MacQueen has an extensive management background in hotel operations and development. Before forming Innisfree Hotels in 1985, Mr. MacQueen worked for several hotel companies including the Hyatt Corporation at the Regency Knoxville before serving as Executive Vice President of Family Inns of America. While there, he developed and constructed several properties and created a national sales and reservation system.

Mr. MacQueen has directed the acquisition, development, sales and refurbishment of properties in the Innisfree portfolio since 1985, while actively participating in the management of the properties and cultivating employee relationships. The success of Innisfree Hotels can be attributed to his hands-on approach, his commitment to quality and most importantly, to the loyalty and experience that are displayed by all Innisfree employees.

Mr. MacQueen is a graduate of the University of South Alabama.

His current professional memberships and affiliations include:

Certified Hotel Administrator

Board Member and Major Stockholder – Beach Community Bank, Ft Walton Beach, FL

Florida Western Gate Economic Development Council (FWG EDC)

Charter Chairman and current Board Member – Independence for the Blind of Northwest Florida

Cabinet Member – Pensacola Chamber of Commerce

Board Member – Pensacola State College Foundation

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Board Member – Sacred Heart Hospital –Pensacola, FL

Investment Committee Member Baha'i World Centre, Haifa Israel

His former professional memberships and affiliations include:

Charter Member – Alabama Hotel Sales and Marketing Association

Charter Member – HSMA of Alabama

President and Charter Member – Chattanooga, Tennessee HSMA

Board Member – Quality International Franchise Advisory Board, Region III

Vice President and Advisory Board Member – Pigeon Forge, Tennessee Tourism Bureau

Board Member and Major Stockholder – First American Bank, Pensacola, FL

Blue Ribbon University of South Alabama Alumni Advisory Council of the Governor

University of West Florida College of Business Advisory Council – Financial Resource Committee

2004 Honorary Commander of 33rd Fighter Wing at Eglin Air Force Base

COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE
Truth in Testimony Disclosure

Pursuant to clause 2(g)(5) of House Rule XI, in the case of a witness appearing in a nongovernmental capacity, a written statement of proposed testimony shall include: (1) a curriculum vitae; and (2) a disclosure of the amount and source (by agency and program) of each Federal grant (or subgrant thereof) or contract (or subcontract thereof) received during the current fiscal year or either of the two previous fiscal years by the witness or by an entity represented by the witness. Such statements, with appropriate redaction to protect the privacy of the witness, shall be made publicly available in electronic form not later than one day after the witness appears.

(1) Name:

Julian B Mac Queen

(2) Other than yourself, name of entity you are representing:

Innisfree Hotels

(3) Are you testifying on behalf of an entity other than a Government (federal, state, local) entity?

YES

If yes, please provide the information requested below and attach your curriculum vitae.

NO

(4) Please list the amount and source (by agency and program) of each Federal grant (or subgrant thereof) or contract (or subcontract thereof) received during the current fiscal year or either of the two previous fiscal years by you or by the entity you are representing:

None

Signature

Julian B Mac Queen

Date

24 Nov. 2011