Oil could grind down fragile state

By MICHAEL SASSO

msasso@tampatrib.com

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Florida - battered by Mother Nature and man - now must worry about how long the BP oil spill will affect its livelihood.

Here's a troubling scenario: A year from now, a giant plume of oil below the water's surface washes up on the Gulf coast.

At the present time, the oil is so deep, scientists say, no one is sure how long it will linger below the surface. Pockets could wash ashore in six months or a year, said Panagiotis Scarlatos, an ocean currents expert from Florida Atlantic University.

This is just one of many uncertainties Florida faces that is worrying economists. The mortgage crisis and unemployment dealt serious blows, then the agriculture industry - a pillar of Florida's economy, along with construction and tourism - suffered one of the harshest winters in decades.

Soon, thousands more jobs may be lost when the space shuttle program is retired.

There have been recent glimmers of life in the economy, including an encouraging jump in state tax collections, said Amy Baker, the Florida Legislature's chief economist.

But if the oil hits Florida hard, those gains could be quickly erased.

"Everybody's real nervous, real anxious," said Bruce Parris, who runs a beachside bar and grill called The Dock on Pensacola Beach, where tar balls began washing ashore early Friday. "All of my friends are hitting the panic button.

"The thing we are worried about most is our beach," Parris said as a woman plopped sandy clumps of oil on the bar nearby. "That's our livelihood."

David Denslow, an economist at the University of Florida and a native Floridian, said he hasn't seen such a chaotic time since at least the early 1970s, when the economy suffered from high unemployment, inflation and an oil shortage.

Recent events make it more likely the country could see a "double-dip recession," in which the
economy declines again after a short pickup. Denslow said chances for a double dip are about 20 percent, but the European debt crisis doesn't help. Neither does hurricane season or the Gulf oil spill.

Among the challenges Florida likely will continue to face:

• Lingering high unemployment. The state's unemployment rate has stabilized somewhat, but it sits at 12 percent. That's more than triple the jobless rate of 2006, when it was 3.4 percent.

It could be awhile before unemployment improves. The Florida Economic Estimating Conference projects the state's jobless rate will be about 8 percent into 2013-14.

• The end of the space shuttle program. After two more launches, NASA is expected to retire the shuttle program. Unless something replaces it, that could leave about 7,000 people out of work. About 14,000 more people are at risk indirectly because their businesses serve shuttle workers, said Deb Spicer, spokeswoman for the trade group Space Florida.

Some aerospace jobs will remain because private companies will continue to use Kennedy Space Center.

• Record foreclosures. As of April, nearly a half-million foreclosure cases were clogging Florida courts. Foreclosed homes have contributed to the glut of houses on the market.

Tourism trouble

Economists worry that tourism will fall victim to oily beaches, further stymieing the state's recovery.

The industry is estimated to be worth $42 billion to $65 billion. Even at the lower figure, it is about 5.7 percent of the state's $744 billion economy, Baker said.

Although it is difficult to isolate figures solely for the Gulf Coast, local tourism-industry consultant Walter Klages said tourism in the area from Pinellas County to Naples is worth at least $11 billion.

In Florida's Panhandle, hotel owners have been getting hit with cancellations, said Parris, the Pensacola Beach restaurant owner. His bar and grill has been minimally affected, he said.

People along Florida's Emerald Coast are used to challenges, Parris said. On one wall of his establishment is a tribute to hurricanes past - Charley, Frances, Ivan and Jeanne, the 2004 storms that haunt the state.

"We're going to have to add another one that says 'BP,'" he said.

In an ironic twist, the spill could generate business to fill the void left by tourists.
In 1989, after the Exxon Valdez tanker spilled about 11 million gallons of oil off Alaska's coast, cleanup workers rented rooms, chartered boats and hired air taxis in towns such as Valdez, Kodiak and Anchorage, according to a 1990 study of the effects on tourism.

So many people in Alaska took high-paying cleanup jobs that many lower-paying service companies saw a labor shortage, the report showed.

The report doesn't label the Exxon Valdez spill an economic plus, though. About 59 percent of businesses in the areas most affected reported tourist cancellations, it says.

Panhandle situation

Could the Panhandle see a cleanup boom?

Not likely, said Mark Bonn, a hospitality professor at Florida State University. Summer is the Panhandle's busy season because it is too cool during the winter and spring to see much tourism business. Bonn said he doesn't anticipate enough cleanup people arriving to replace the tourists.

Roger Bevan has been renting water scooters and pontoon boats for two decades on Pensacola Bay. He said he has never seen a June like this.

"All the motels, all the restaurants are basically empty," he said. "It feels like wintertime."

Bevan said he typically buys new equipment during the summer but doesn't want to do that and have it fouled by oil.

"It's the worst thing that could happen," he said of the oil disaster.

Baker, the state's economist, is trying to develop a model of how the oil might affect Florida, particularly state revenue.

Tourist dollars account for about a fifth of sales tax collections in Florida. Things had been looking up because the state's general revenue collections, including sales taxes, exceeded projections by about $100 million in April, Baker said.

"That's where we were before April 20," Baker said, referring to the day the Deepwater Horizon oil-drilling rig exploded. "After April 20, everything's up in the air again."

Last week, all eyes at the Paradise Inn Bar & Grill in Pensacola were glued to the TV set behind the bar.

Even the shirtless band from California shut down the music as images of blackened pelicans and turtles dying a slow, painful death mired in muck appear on the screen.

People gasped. One woman covered her eyes and buried her head in her hands, unable to watch.
Fred Simmons took a drag on his cigarette, swigged his Coors Light and shook his head. Simmons is the 57-year-old owner of the bar and grill and an adjoining motel.

"People are horrifically canceling reservations right now," Simmons said. "They don't want to be here."