Gulf region eyes recovery as oil spill losses mount

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Enlarge By Joe Raedle, Getty Images

Pete Duchock looks out at the oil residue at Orange Beach, Ala., in June as he holds his daughter, Maddie. The oil washed ashore from the Deepwater Horizon spill in the Gulf.

By Rick Jervis, USA TODAY

ORANGE BEACH, Ala. — On a stretch of tar-ball-free beach, more than a dozen vacationers splash in the water, body surf over waves or stretch out on towels in the late-afternoon sun.

Across state Highway 182, the boutiques and bars at the SanRoc Cay Marina are empty and the North Shore Grill & Deli hasn't had a good rush of clients in months.

Business in the past four months has been crushingly slow for the small bar and restaurant. But owner Joey Ward says that he's even more worried about the future.

"There's a sense that everything's over," Ward says. "But we've lost our entire summer season. We don't know at this point where we'll be next year."

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The capping of the busted well that gushed more than 100 million gallons of crude into the Gulf of Mexico from April to August produced a sigh of relief here and across the nation Sunday, as retired Coast Guard admiral Thad Allen, the federal government's point man on the disaster, announced that BP's well was "effectively dead" and posed no further threat to the Gulf.

Now, the question is how the Gulf Coast region will transition from emergency cleanup efforts to recovery. The long-term effects of the spill, economically and environmentally, remain unclear. Thousands of struggling businesses and workers say they're not sure they'll survive, despite $20 billion in BP funds slowly being doled out for affected businesses and promises by the energy company that they'll make things right.

Besides fouling marshes and threatening fisheries, the spill has cost the coast billions of dollars in lost tourism revenue, tens of thousands of jobs and hundreds of millions of dollars in lost wages.

President Obama has tasked Navy Secretary Ray Mabus with drawing up a long-term economic recovery plan. The plan, likely to be unveiled later this month, will offer suggestions on how to revive economies battered by the spill and create jobs.

Scientists believe the Gulf of Mexico can slowly repair itself from the lingering impacts from the spill. How businesses, economies and ways of life recover is much less certain.

"The natural system will come back in a few years and be indistinguishable from what it was," says George Crozier, executive director of the Dauphin Island Sea Lab, a marine research facility in Alabama. "I'm worried the human system will not."

Gulf businesses that make most of their revenue during the summer — from bars to bait shops to charter boat services — are struggling to stay afloat nearly five months since the Deepwater Horizon rig exploded and sank into the Gulf, killing 11 crewmembers.

Local fishermen, recruited by BP to help clean up the spill, say they don't know when the paychecks will stop coming and what will happen next.

At the height of the oil fight, BP hired more than 10,000 local boats and their captains as part of the Vessels of Opportunity program. Today, the company employs 810, according to BP figures. That number drops by the dozen each week, and the program will be phased out over the next few months, BP officials say.

More than 80% of the fishing grounds have reopened, but a wary public has been slow to buy Gulf seafood, so dockside prices have plunged by at least 30%, says Pete Gerica, a New Orleans commercial fisherman.

"I don't know how a lot of these guys are going to make it," he says.

BP, which leased the rig that exploded and is responsible for the spill, has promised to remain in the region for the long haul to help the Gulf Coast rebound from the largest marine oil spill in U.S. history. The company already has pledged $500 million to pay for long-term studies and initiatives, as well as $20 billion for businesses and individuals impacted by the spill, among other programs.

"We know the eyes of the world are upon us," BP's Managing Director Bob Dudley said in a speech last month at a Southern Governors' Association meeting in Alabama.

"President Obama, members of Congress, as well as governors, local officials and the general public have made very clear their expectations of BP. We have no intention of disappointing them. We are in the Gulf to stay."

Marketing is 'critical'

Early in the cleanup effort, teams of workers in hazardous material suits combed beaches and raked up clumps of oil, while fishermen motored their boats through bayous and bays, skimming sheets of oil or sucking the crude out of marshes with vacuums.

Those workers rapidly are being replaced by assessment teams that are fanning out across the Gulf Coast, tallying the spill's impact on marshes and local economies.

Regional leaders say one of their biggest challenges will be winning back the public's trust in Gulf seafood and beaches. Many Gulf Coast businesses are linked to both industries.

Gulf seafood production has dropped 70% since the start of the spill, says Ewell Smith, executive director of the Louisiana Seafood Promotion & Marketing Board.

BP has paid more than $90 million in helping states market their seafood and tourism, Smith says. But more is needed, he says, pointing to lessons learned from the Exxon Valdez disaster in Prince William Sound in 1989. Three years after that spill, he says, the herring industry in Alaska collapsed.

"We need to make sure that doesn't happen to us," Smith says. "We need to make sure we lock in the dollars today. That's critical."

Last month, federal officials sent 21 Economic Assessment Teams across the Gulf Coast to help local leaders, business owners and residents formulate a long-term recovery plan, says Brian Deese, special assistant to Obama for economic policy.

The teams looked into initiatives such as robust marketing plans for promoting Gulf seafood, increased loans and grants to small businesses and projects to diversify local economies from oil- and gas-based to cleaner energy industries, he says. Their recommendations will be detailed in the Mabus plan.

"The long-term recovery will fundamentally be driven by local needs and local plans," paid for with federal and BP dollars, he says.

'There is no business'

At a strip shopping mall on Highway 182 in Orange Beach, a sign taped to the locked door of Clark's Fresh Seafood Market explains that store owners had to slash hours because of the spill, and that customers should call if they want to buy something. "We can be here within 20 minutes and will gladly give a 10% discount if you have to wait," it says.

Next door, another business selling deep-sea fishing trips and dolphin cruises also has a sign on its locked door that says: "We will be closed until further notice."

"There is no business," says Mo Shaver, owner of Mo Fishing Bait & Tackle in the same strip mall. "We make all our money in the summer. You can't replace June, July and August."

Most of his clients are out-of-towners who stay at the high-rise condo buildings across the highway, most of which were empty throughout the summer, he says. His business has been down 60% and he's laid off half of his four employees. BP paid him an emergency stipend that covered only 10% of his profit loss, he says.

Shaver says he's applied for a larger payoff through BP's $20 billion fund, managed by Kenneth Feinberg, the fund's arbitrator appointed by Obama. Shaver remains optimistic — if BP comes through soon with the larger payouts.

"If they do what they say they'll do, we'll be OK," he says.

So far, BP's track record in this stretch of coastal Alabama has been questionable, Orange Beach Mayor Tony Kennon says. Some claims have not been paid and others have been paid but for much less than the amount requested, he says.

One local resident filed a claim for $20,000 in lost wages and received a BP check for $1,200, Kennon says. Local plans to revitalize beaches and boost the economy also have been ignored by BP and federal officials, he says.

"We know what we need more than anyone else. They need to come down and understand what we need," Kennon says. "This whole affair has been bewildering to me on how it's been handled from day one."

BP officials have set up the Gulf Coast Restoration Organization to study the long-term effects of the oil spill.

Though Feinberg's appointment was supposed to speed up the claims process and bolster confidence in BP's long-term aid to the Gulf, the system is just as malfunctioning and tangled — if not more — than before Feinberg took the reins, says John Tesvich, president of the Louisiana Oyster Dealers and Growers Association.

Three employees recently laid off from Tesvich's oyster processing plant who make near-identical wages applied for a six-month payout from the fund, he says. One employee received a check for $18,000, another got one for $1,300 and the third is yet to receive a check, Tesvich says. No one from Feinberg's team has yet been able to offer an explanation, he says.

"There's some obvious disarray going on there," Tesvich says.

Feinberg says his office has approved more than 16,000 claims and paid out more than $175 million in claims in the three weeks since he took control from BP — far more money and faster than the energy company awarded in the initial process.

"We are much more generous than BP. We are processing the claims much quicker than BP," he says. "We can do better. But you're not hearing from the thousands of people who are satisfied with the process."

Restoration will take years

Beyond the human and economic recovery looms an environmental challenge caused by the spill. More than 100 miles of Gulf Coast shoreline still have visible oil on the water's surface or in marshes, according to the Unified Command overseeing spill cleanup.

Teams of state and federal investigators under the federal Natural Resource Damage Assessment process began monitoring marshes and beaches soon after the rig exploded, says Joseph Aldy, special assistant to Obama for energy and the environment.

Those assessments will determine the final price tag BP will have to pay to restore ruined coastlines and wetlands, he says, but they will take several years to complete.

Local environmentalists see the post-spill era as an opportunity to use BP funds to replenish the area's vanishing wetlands, which loses a football field-size swath of land every 30 minutes, a phenomenon present before the spill.

"Potentially, we can come out better than before," says Kerry St. Pé, director of the Barataria-Terrebonne National Estuary Program. "The NRDA process will bring in a bunch of money for restoration. It all depends on how that money is spent."

On a recent afternoon, Ginny Shaver lounges on a towel on a stretch of Orange Beach, reading a book and sunbathing.

Shaver, 47, visiting from Leesburg, Ala., says she doesn't have a problem going in the water. But she worries where the millions of gallons of unaccounted crude went, and the long-term effect on the Gulf.

"Capping the well was great," Shaver says. "But it's not over."