

SUPPORTING STATEMENT

SOCIO-ECONOMIC ASSESSMENT OF THE GULF OF MEXICO FISHERIES UNDER THE LIMITED ACCESS PRIVILEGE PROGRAM OMB CONTROL NO. 0648-xxxx

A. JUSTIFICATION

1. Explain the circumstances that make the collection of information necessary.

The National Oceanic and Atmospheric Administration's National Marine Fisheries Service (NOAA/NMFS) proposes a new one-time data collection of demographic, economic and social information about the Gulf of Mexico red snapper fishery under the individual fishing quota (IFQ) program.¹

The proposed data collection also intends to inquire about the industry's perceptions, attitudes and beliefs about the performance of the IFQ. Specifically, the red snapper IFQ program sought to reduce overcapacity and, to the extent possible, mitigate the adverse impacts of derby fishing. Thus, the proposed data collection will inquire about the changes occurring after implementation of the IFQ program: in capital stock (i.e., investments and disinvestments in fishing vessels, gear and equipment), crew usage, remuneration arrangements and dynamics, and operating costs (e.g., fuel expenditures, bait costs, etc). This information collected will enable the development of quantitative economic models to investigate changes in excess and overcapacity and 'cost savings' and other efficiencies brought about the elimination of the 'derby' fishing.

According to the [Magnuson-Stevens Fishery Conservation and Management Act](#) as amended in 2006 (MSA) (16 U.S.C. 1853a *et seq.*), IFQs fall under the umbrella of the Limited Access Privilege Programs (LAPPs). The data collection is necessary to satisfy MSA requirements, which states that LAPPs submitted by a Council or approved by the Secretary shall "*include provisions for the regular monitoring and review by the Council and the Secretary of the operations of the program, including determining progress in meeting the goals of the program and this Act, and any necessary modification of the program to meet those goals, with a formal and detailed review 5 years after the implementation of the program, and thereafter to coincide with scheduled Council review of the relevant fishery management plan (but no less frequently than once every 7 years)*" .

Moreover, the MSA states that collection of reliable data is essential to the effective conservation, management, and scientific understanding of the fishery resources of the United States. The nation's fisheries should be "conserved and maintained so as to provide optimal yield (OY) on a continuing basis". Furthermore, the MSA also requires that fishery management plans

¹ IFQ programs provide fishers with an exclusive harvesting privilege, which permits them to land a share of the total allowable quota (TAC). Granting a secure harvesting privilege mitigates the race to fish because fishers no longer have to compete for a share of the stock. Thus, fishers can devote their efforts to maximizing profits by harvesting, processing, and marketing their catch more efficiently. Depending on the characteristics of the program, shares may be sold or leased among fishers. The presence of transferable privileges allows the creation of a market, where trading can take place. In well-behaved markets, privileges will gravitate towards the most efficient producers; thereby, allowing the less efficient producers to exit the fishery with some compensation.

must include a Fishery Impact Statement (FIS), which assesses, specifies, and describes the likely effects of the conservation and management measures on participants in the fisheries being managed, fishing communities dependent on these fisheries, and participants in fisheries in adjacent areas.

Additionally, Amendment 26 to the Gulf of Mexico Reef Fish Fishery Management Plan (FMP), which implemented the red snapper IFQ program to reduce overcapacity and mitigate to the extent possible the adverse impacts of derby fishing in 2007, mandates a 5-year review of the IFQ program. The Gulf of Mexico Fishery Management Council (GMFMC) is expected to conduct its 5-year review of the IFQ program in 2012 to meet the MSA requirements. The proposed data collection will provide valuable information to assess the economic and social effects of the IFQ program on individual fishing enterprises, fishing communities and the nation as a whole. The information gathered in the proposed data collection will be combined with catch, effort and IFQ data from on-going data collections to develop descriptive reports of the fishery and develop models to evaluate the socio-economic impacts of the IFQ program. These products are required to conduct the program review. The proposed data will also help improve quality of key variables collected in on-going data collections such as IFQ share and lease prices which in many instances are suspect given (a) the large percentage of zero transaction prices posted, and (b) the large percentage of transfers that are conducted at ‘arms length.’²

In addition to the needs of the MSA and Amendment 26 to the Reef fish FMP, the [Regulatory Flexibility Act](#) (RFA, 5 U.S.C. 601 *et seq.*), the [National Environmental Policy Act](#) (NEPA, 42 U.S.C. 4372 *et seq.*), and [Executive Order \(EO\) 12866](#) also require socio-economic data collections. Under the RFA, the Small Business Administration needs a determination of whether a proposed rule has a significant impact on a substantial number of small entities that are to be directly regulated. For RFA purposes, one of the criteria to determine significant economic impact involves an assessment of the change in short-term accounting profits for small entities. The NEPA requires a determination of whether Federal actions significantly affect the human environment. This necessitates a number of economic analyses including the impact on entities that are directly regulated and those that are indirectly affected. Lastly, EO 12866 mandates an economic analysis of the benefits and costs to society of each regulatory alternative considered by the fishery management councils, and a determination of whether the rule is significant.

In addition to satisfying the needs of statutory requirements and pending regulations, fishery management councils’ interest in expanding IFQs programs into other fisheries offers a unique opportunity to learn from the experience of the Gulf of Mexico red snapper IFQ fishery. For example, the GMFMC is interested in expanding their use into the shallow-water grouper complex fisheries and the South Atlantic Fishery Management Council (SAFMC) is considering their use in the snapper-grouper fisheries. Since most IFQs programs in the U.S. are relatively new and differ widely in their characteristics and impacts, a careful review of existing programs will assist in the adjustment of changing or unforeseen circumstances and will also aid in the planning and design new programs.

² For example, 75% of the 2008 lease price entries posted on the IFQ database were zeros.

2. Explain how, by whom, how frequently, and for what purpose the information will be used. If the information collected will be disseminated to the public or used to support information that will be disseminated to the public, then explain how the collection complies with all applicable Information Quality Guidelines.

Combined with catch and effort data from existing collections, the information sought will be utilized for descriptive and analytical purposes. Social scientists from NMFS will create descriptive reports of the fishery and develop models to evaluate the socio-economic impacts of the red snapper IFQ program. These products will be used to create a baseline to examine the changes brought about the program; thus facilitating the GMFMC's pending 5-year review. In addition, the information collected will be used for the development of natural resource plans. The survey will collect demographic, cultural, economic and social information, which otherwise would be unavailable. The data will also be used by the academic community studying the performance of LAPPs around the nation.

Dr. Walter Keithly from Louisiana State University has been contracted to conduct a one-time data collection. The proposed questionnaire will collect information on past and present shareholders and their experiences with IFQs. This data collection effort will use self-administered mailed surveys and follow up in-person interviews (if needed).

The instrument has four sections: 1) background, 2) attitudes and perceptions about the red snapper IFQ program; 3) socio-economic assessment of the red snapper IFQ program, and 4) other or miscellaneous.

Section 1: The 'background' section elicits information about of the value of fishers' quota holdings, commercial fishing experience, length of time that the fisher lived in the community, type of license holder (class 1 or 2), and main fishing grounds. This information is valuable to contextualize fishers' attitudes and perceptions about the performance of the IFQ program

Section 2: The 'attitudes and perceptions concerning the red snapper IFQ program' section inquires whether fishers' supported and currently support the IFQ program and whether they believe that the program achieved various expected biological and socio-economic outcomes set in the fishery management plan (e.g., reducing derby fishing, decreasing fishing capacity, increasing ex-vessel prices, reducing by-catch, etc.). This information is necessary to ascertain fishers' views about the effectiveness of the program, which may vary from community to community. This information will be coupled with landings and effort data to substantiate any reported changes in fishing practices brought about the new program, and to help evaluate the performance of the program.

Section 3: The 'socio-economic assessment of the red snapper IFQ program' section asks about the changes brought about the IFQ program in: a) capital stock (i.e., investments and disinvestments in fishing vessels, gear and equipment), b) crew usage, remuneration arrangements and dynamics, and c) operating costs (e.g., fuel expenditures, bait costs, etc). In addition, this section inquires about allocation and share leasing and sale arrangements, and reasons for expanding or limiting their participation in the fishery (e.g., reasons for buying or selling allocation and/or shares). This information will enable the development of quantitative economic models to investigate changes in excess and overcapacity and 'cost savings' and other efficiencies brought about the elimination of the 'derby' fishing. Similarly, the information of

leasing and sale arrangements will help us to understand better the reasons behind certain suspicious trades (i.e., “low” allocation and sale prices). It is believed that many of these low (i.e., below market levels) prices are due to the provision of unrecorded in-kind services such as fishing someone’s allocation in exchange for some allocation; thus, the recorded price is not a true market price but rather a net price after deducting harvesting costs and/or cost recovery fees.

Section 4: ‘Other or miscellaneous’ section elicits information about fishers’ future participation in the fishery and their satisfaction with the IFQ online trading system, customer service, and landings notification protocol. These questions seek to provide feedback on the quality of the day-to-day services provided by the Southeast Regional Office (SERO).

It is anticipated that the information collected will be disseminated to the public or used to support publicly disseminated information. As explained in the preceding paragraphs, the information gathered has utility. NOAA Fisheries Service will retain control over the information and safeguard it from improper access, modification, and destruction, consistent with NOAA standards for confidentiality, privacy, and electronic information. See response to Question 10 of this Supporting Statement for more information on confidentiality and privacy. The information collection is designed to yield data that meet all applicable information quality guidelines. Prior to dissemination, the information will be subject to quality control measures and a pre-dissemination review pursuant to [Section 515 of Public Law 106-554](#).

3. Describe whether, and to what extent, the collection of information involves the use of automated, electronic, mechanical, or other technological techniques or other forms of information technology.

This information does not make use of information technology. The proposed data collection will utilize both voluntary, self-administered mail surveys and follow-up in-person interviews (if necessary). Self-administered mail surveys will be given to large, medium and smaller IFQ shareholders. In-person interviews will be primarily used on large IFQ shareholders who fail to respond to the self-administered survey. It is worthwhile noting that the top 30 shareholders (about 6% of the shareholder population) own almost 60% of the outstanding red snapper shares.

This proposed approach is as follows. Initially, all respondents will be contacted via an introductory letter to inform them of the upcoming data collection. Subsequently, large, medium and smaller shareholder groups will be provided with the self-administered survey instrument, and asked to return it completed using an enclosed postage pre-paid envelope. If no response is received, then three reminder letters will be sent (including additional surveys). Finally, the remaining non-respondents will be contacted by phone and urged to return the completed survey (if they are large shareholders then the contractor will attempt to set up in-person interviews at times and places convenient to them).

The contractor does not anticipate interviewers using laptops or other computers to directly enter the answers being provided since some of the questions are open ended. Thus, typing verbatim could extend the length of the interview, which would further burden the interviewees and result in incomplete surveys.

Analytical results of studies based on this data will be disseminated to management agencies and peer-reviewed publications. Some of these studies will likely be available online.

4. Describe efforts to identify duplication.

We are not aware of other federal or state efforts to collect similar socio-economic information from the Gulf of Mexico red snapper IFQ fishery. However, during the preparation of this package we became aware of a socio-economic data collection conducted by the University of South Florida (USF) examining fishers' perceptions about the likely performance of the upcoming Gulf of Mexico grouper and tilefish IFQ program. This collection consists of a 2-page self-administered survey instrument, which has a postage-paid return envelope. USF effort is expected to be completed by June 2010, which is prior to the anticipated starting date for the proposed data collection (if approved by OMB). As noted earlier, our proposed data collection focuses on a different fishery (red snapper) and is an ex-post evaluation of the program, which is required by MSA statues.

To minimize the potential of duplicate data collections, we informed experts on the red snapper fishery at NMFS, several universities in the Southeast region and the GMFMC about our upcoming data collection. The membership of the GMFMC is made up of representatives from all Gulf states resource management agencies. Moreover, Dr. Keithly offered a brief overview of the project to the Gulf of Mexico Reef Fish Shareholders' Alliance, an association in which most of the larger red snapper IFQ shareholders are members.

5. If the collection of information involves small businesses or other small entities, describe the methods used to minimize burden.

Many commercial fishing operations are owner- or family-operated small businesses. We have taken several steps to minimize the burden to these small businesses. First, we designed the survey instrument so that only the minimum data requirements for present and future management needs are collected. Second, responses to the in-person survey and/or self-administered mailings will be voluntary. Third, in-person surveys will be conducted at times and places that are convenient to fishers. This will minimize any potential disruption to fishers' fishing practices. Last, fishers who receive the self-administered survey will be provided with postage-paid return envelopes

6. Describe the consequences to the Federal program or policy activities if the collection is not conducted or is conducted less frequently.

If these data were collected less frequently or not at all, then the legal requirements set forth by the MSA, NEPA, and EO 12866 would not be met. For example, the MSA requires a formal and detailed review 5 years after the implementation of the IFQ program. The review to be conducted by the GMFMC and Secretary of Commerce must determine whether the program is satisfying the stated goals in the FMP. If current and accurate data are not available then social and economic assessments of management actions will be potentially inaccurate, thereby leading the GMFMC and NMFS to make poor management decisions. The MSA requires the establishment conservation and management measures to protect the resource, increase social and economic benefits and increase safety using the best available information.

Moreover, the GMFMC's interest in expanding IFQs programs into other fisheries managed under its authority offers a unique opportunity to learn from past design and implementation

mistakes and successes. The GMFMC is interested in expanding their use into the shallow-water grouper complex and mackerel fisheries. Similarly, the SAFMC is exploring their use in their snapper-grouper fisheries. Since most IFQs programs in the U.S. are relatively new and differ widely in their characteristics and impacts, a careful review of existing programs will assist in the adjustment of changing or unforeseen circumstances and will also aid in the planning and design new programs. Lastly, an unintended consequence of not having the appropriate socio-economic data could be court challenges on the grounds of inadequate analysis as it occurred in the South Atlantic summer flounder case (i.e., North Carolina Fisheries Association vs. Daley). In this court case, North Carolina fishers' argued that NMFS inappropriately set a low quota of summer flounder and did not fully take into account the economic effects on the fisher of this 'low' quota level.

7. Explain any special circumstances that require the collection to be conducted in a manner inconsistent with OMB guidelines.

There are no special circumstances that require the collection to be conducted in a manner inconsistent with OMB guidelines.

8. Provide information on the PRA Federal Register Notice that solicited public comments on the information collection prior to this submission. Summarize the public comments received in response to that notice and describe the actions taken by the agency in response to those comments. Describe the efforts to consult with persons outside the agency to obtain their views on the availability of data, frequency of collection, the clarity of instructions and recordkeeping, disclosure, or reporting format (if any), and on the data elements to be recorded, disclosed, or reported.

A Federal Register Notice published on Tuesday, March 31, 2009 (74 FR 14532) solicited public comments. A comment by Jane Public questioning the need and usefulness of the proposed data collection was received. No action was taken in response to this comment given that the proposed data collection is needed to comply with the 5 year formal review mandated by the MSA.

Results of consultations with persons outside the agency:

A series of exchanges were conducted between the Dr. Keithly (contractor) and members of the Gulf of Mexico Reef Fish Shareholders' Alliance, an association in which many of the largest red snapper IFQ shareholders are members, and GMFMC staff to describe need and content of the survey and to obtain their views on the clarity of the instructions and data elements to be recorded.

9. Explain any decisions to provide payments or gifts to respondents, other than remuneration of contractors or grantees.

No payments or gifts will be provided to questionnaire respondents.

10. Describe any assurance of confidentiality provided to respondents and the basis for assurance in statute, regulation, or agency policy.

Survey respondents will be advised that any information provided will be considered private and will be treated as confidential in accordance with [NOAA Administrative Order 216-100](#), Confidential Fisheries Statistics and section 402(b) of the MSA (16 U.S.C. 1801, *et seq.*).

It is NMFS' policy not to release confidential data, other than in aggregate form, as the MSA protects (in perpetuity) the confidentiality of those submitting data. Whenever data are requested, the Agency will ensure that information identifying the pecuniary business activity of a particular individual is not identified. Only group averages or group totals will be presented in any reports, publications, or oral presentations of the study's results.

11. Provide additional justification for any questions of a sensitive nature, such as sexual behavior and attitudes, religious beliefs, and other matters that are commonly considered private.

NA.

12. Provide an estimate in hours of the burden of the collection of information.

It is estimated that the number of respondents will be no more than 400 (about 378 initial shareholders) and the time per response is about 1 hour, for a total annual burden of 400 hours. The one-hour per response burden includes the time for reading the instructions, reviewing the questions, and completing (and mailing, if necessary) the survey instrument. This estimate is based on the type of questions asked, length of the survey instrument, and the contractor's past experience conducting similar surveys.

13. Provide an estimate of the total annual cost burden to the respondents or record-keepers resulting from the collection (excluding the value of the burden hours in Question 12 above).

There will be no financial cost to the public to participate in this study.

14. Provide estimates of annualized cost to the Federal government.

A fixed price contract of \$98,500 was awarded to Dr. Walter Keithly of Louisiana State University. The contractor is responsible for the development of survey instrument, training interviewers, printing of forms, data collection and processing, quality control, data entry and supervision. Additional federal costs include the time of NMFS staff. The NMFS staff will be responsible for developing and administering the contract and collaborating with the development of the survey. The cost of NMFS staff time is estimated at \$16,500. Thus, the total annualized (for one year) cost to the federal government would be \$115,000.

15. Explain the reasons for any program changes or adjustments.

This is a new information collection.

16. For collections whose results will be published, outline the plans for tabulation and publication.

Data collected will be used to assess the performance of the red snapper IFQ program. Descriptive and analytical reports will include summaries of data. Depending on the availability of funds, we anticipate that reports will be available January 2012. These reports will likely be available in *pdf* format on the NMFS Southeast Fisheries Science Center's web site.

17. If seeking approval to not display the expiration date for OMB approval of the information collection, explain the reasons why display would be inappropriate.

The OMB control number and expiration date will be displayed.

18. Explain each exception to the certification statement.

There are no exceptions to the certification statement.