

## Small Business Impacts Associated with the 2010 Oil Spill and Drilling Moratorium in the Gulf of Mexico

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### Purpose

This study examines the impacts on small business of the April 2010 *Deepwater Horizon* oil spill in the Gulf of Mexico. The study scope covered three counties and five parishes in Alabama, Louisiana, and Mississippi (Table 1). For time and resource reasons, the authors' methodology did not cover Orleans Parish/New Orleans, due to its size and diversity. The scope of the study was also unable to capture the macroeconomic effects and the downstream supply chain impact of the oil spill and drilling moratorium.

### Background

The 2010 oil spill in the Gulf of Mexico and the ensuing moratorium on drilling halted economic activity in three key sectors: oil and gas exploration, fishing, and tourism. These sectors are either dominated by small businesses, or in the case of oil and gas exploration, large numbers of small businesses provide support services to large companies. All

three contribute significantly to the economies of the affected states: Alabama, Louisiana, and Mississippi.

The study also highlights that the tourism and fishing industries had been ravaged throughout the 2000s by tropical storms, hurricanes, and recession-related economic hardship. Some communities had undergone population declines of 50 percent and even more following Hurricanes Katrina and Rita.

### Overall Findings

The small business impacts were evaluated along three main strands, those due to the moratorium on drilling, the halt in commercial fishing, and the impact on marine-related tourism. The report quantifies economic activity in each of these sectors, and it provides economic information relating to clean-up efforts, compensation efforts, and other forms of assistance. The authors consider their findings preliminary in nature; the effects of the events of 2010 continue to unfold, and previous research supports the assertion that such impacts will continue to emerge well into the future.

**Table 1. Geographic Scope of Report on Small Business Impacts of Gulf Oil Spill and Drilling Moratorium**

State	Parish or County	Community
Alabama	Baldwin	Bon Secour, Orange Beach–Gulf Shores
	Mobile	Bayou La Batre
Louisiana	Jefferson	Barataria–Lafitte, Grand Isle
	Lafourche	Galliano, Golden Meadow
	Plaquemines	Boothville–Venice, Buras–Triumph
	St. Bernard	St. Bernard (including Yscloskey, Hopedale, and Shell Beach)
	Terrebonne	Houma
Mississippi	Harrison	Biloxi, Pass Christian

- The moratorium on drilling put a stop to all activities related to oil and gas exploration and drilling, removing income and employment opportunities for the hundreds of small businesses in these industries' supply chain.

- The closure of fishing areas not only affected the commercial fishing sector, but also the seafood processing plants and distribution centers.

- The oiling of the shoreline and commercial fishing areas closures brought recreational fishing to a standstill. The loss of income at this level affected the outfitters, guides and associated businesses, as well as the restaurant and accommodation industry. Tourism activities also came to a halt, except for the hotels and motels that rented rooms and businesses that provided goods and services to clean-up officials and the press.

- The economic impact on fishing-related sectors corresponded to their distance from the spill. Areas farther from the spill had less environmental and economic damage overall. However, businesses in these areas had more difficulty participating in clean-up-related employment and business opportunities. Spill response was staged in 17 communities across the region, and this economic activity helped lighten the overall impacts. However, remotely located small businesses were left out of the benefit stream.

## Policy Implications

The response to the catastrophic oil spill in the Gulf of Mexico was multifaceted, doing well in some areas and not as well in others. The programs set up to compensate fishermen for lost income were not available to all small entities. The rejection rate was high enough to raise concerns about the inability of fishermen of Asian ancestry not being able to draw some benefits due to linguistic barriers. More aggressive programs need to be put in place in such situations. Better data gathering efforts are needed to account for all businesses in the affected region, so that no one will be bypassed by future aid efforts.

## Scope and Methodology

The research team used a combination of social science research methods. These included (a) compilation and review of pertinent background literature, (b) compilation and analysis of archived time-series data, and (c) in-depth ethnographic fieldwork and interviews.

The authors created small business statistical profiles for 8 parishes and counties and 14 communi-

ties. These contained industry-by-industry counts of nonemployers and small employers, counts of maritime-dependent small businesses, plus the share of minority-owned businesses in the local economies, the size distribution of businesses and their sector makeup. These data provided a baseline for longer-term assessments of the spill's impact.

The report also provided extensive data to characterize offshore drilling activity, the fishing harvest (crab, oyster, shrimp) in affected communities, seafood processing, and sport fishing. Numerous timelines detail the spill and the follow-on measures affecting each key affected industry.

Ethnographic observation and in-depth interviews were conducted in three phases: in spring 2010 immediately following the spill event, in October 2011, and winter of 2012. Discussions focused on the status of businesses prior to and at the time of the spill, oil spill-related challenges and opportunities, and business strategies following the spill.

The research team sought to identify the universe of small businesses recently or currently involved in fishing and oil and gas industries in the study communities. A total of 1,525 such businesses were identified; these were organized in a database by community and relevant NAICS code. These data indicate the degree to which each community is involved in the fishing and offshore oil and gas industries. Commercial fishing licensing and permit data generated by NOAA, National Marine Fisheries Service were used to assess a county or parish's involvement in the harvest sector of the fishing industry. These data were particularly useful since so many small businesses in the spill-affected region are small fishing operations, many of which do not involve formal hiring of employees (non-employers).

Business data from several private sector sources were also used: Dun & Bradstreet, local Yellow Pages, local chambers of commerce, economic development agencies, seafood marketing associations, and minority business owner organizations. The U.S. Census Bureau's Censtats, Nonemployer Statistics, and Survey of Business Owners databases were also used. Census's County Business Pattern database for 2010 was a timely and comprehensive secondary source of business data.

This study did not provide macroeconomic estimates of the impact of the oil spill and drilling moratorium on the Gulf region. Examples of other studies that provided macroeconomic estimates and projections include:

- Bluey, Rob. *The Fiscal Impact of the Offshore Drilling Moratorium*, National Center for Policy Analysis, April 27, 2011.
- Coughlan, John. “Gulf Coast Unemployment Trends, 2000 to 2010: Hurricanes, Recessions, Oil Spills,” *Monthly Labor Review*, Bureau of Labor Statistics, August 2012.
- IHS Global Insights, *The Economic Impact of the Gulf of Mexico Offshore Oil and Natural Gas Industry and the Role of Independents*, July 21, 2010.
- Mason, Joseph R., *The Economic Cost of a Moratorium on Offshore Oil and Gas Exploration to the Gulf Region*, Louisiana State University, July 2010.
- U.S. Department of Commerce, *Estimating the Economic Effects of the Deepwater Drilling Moratorium on the Gulf Coast Economy*, Economics and Statistics Administration, September 16, 2010.

This report was peer-reviewed consistent with Advocacy’s data quality guidelines. More information on this process can be obtained by contacting the director of economic research at [advocacy@sba.gov](mailto:advocacy@sba.gov) or (202) 205-6533.

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