APPENDIX E Regulatory Impact Review

5.1 Introduction

The NOAA Fisheries Service requires a Regulatory Impact Review (RIR) for all regulatory actions that are of public interest. The RIR does three things: (1) it provides a comprehensive review of the level and incidence of impacts associated with a proposed or final regulatory action; (2) it provides a review of the problems and policy objectives prompting the regulatory proposals and an evaluation of the major alternatives that could be used to solve the problem; and, (3) it ensures that the regulatory agency systematically and comprehensively considers all available alternatives so that the public welfare can be enhanced in the most efficient and cost-effective way. The RIR also serves as the basis for determining whether the proposed regulations are a "significant regulatory action" under the criteria provided in Executive Order (E.O.) 12866 and provides information that may be used in conducting an analysis of impacts on small business entities pursuant to the Regulatory Flexibility Act (RFA). This RIR analyzes the expected impacts that this action would be expected to have on the commercial and recreational snapper grouper fisheries. Additional details on the expected economic effects of the various alternatives in this action are included in **Section 4.0** and are incorporated herein by reference.

5.2 Problems and Objectives

The purpose and need, issues, problems, and objectives of the proposed amendment are presented in **Section 1.4** and are incorporated herein by reference. In summary, the purpose of Regulatory Amendment 10 to the Fishery Management Plan (FMP) for the Snapper Grouper Fishery of the South Atlantic Region is to implement management measures in response to the availability of more recent scientific information concerning red snapper in South Atlantic waters.

5.3 Methodology and Framework for Analysis

This RIR assesses management measures from the standpoint of determining the resulting changes in costs and benefits to society. To the extent practicable, the net effects of the proposed measures are stated in terms of producer and consumer surplus, changes in profits, employment in the direct and support industries, and participation by charter boat fishermen and private anglers. In addition, the public and private costs associated with the process of developing and enforcing regulations on fishing for snapper grouper in waters of the U.S. South Atlantic are provided.

5.4 Description of the Fishery

A description of the South Atlantic snapper grouper fishery is contained in **Section 3.3** and is incorporated herein by reference.

5.5 Impacts of Management Measures

Details on the economic impacts of all alternatives are included in Section 4 and are included herein by reference. The following discussion includes only the expected impacts of the preferred alternative.

5.5.1 Changes to the Snapper Grouper Closure

The overall impacts of this action are discussed in **Section 4.1.2** of this document, and are hereby incorporated by reference.

The Council chose one of the eleven alternatives proposed as preferred (**Alternative 11**) which proposes to not implement the snapper grouper area closure approved in Amendment 17A to the Snapper Grouper Fishery Management Plan but to maintain the ban on retention of red snapper. The other alternatives (**Alternatives 2-10**) propose area closures that are considered to achieve the desired fishing mortality reduction, inclusive of discard mortality based on the most recent stock assessment. Economic effects to the commercial fishery were analyzed using a simulation model based on historical logbook landings. A brief model description is provided in **Section 4.2.1**. A more detailed model description and description of results is contained in **Appendix H**. The commercial model indicates that **Alternative 11 (Preferred)** results in an average increase in net operating revenues of $88,000 annually for the commercial fishery for 2011 and 2012 compared to **Alternative 1 (No Action)**. This analysis assumes an Amendment 17A start date of January 1, 2010 as part of **Alternative 1 (No Action)**. A state by state breakout of economic effects indicates that Georgia and Northeast Florida will benefit most under **Alternative 11 (Preferred)** to the amount of average annual net operating revenues for 2011 and 2012 of $358,000. However, while estimates of positive benefits are calculated for Georgia and Northeast Florida, North Carolina is estimated to see average annual decreases of $241,000 in net operating revenues for 2011 and 2012. South Carolina is also estimated to experience losses, in the amount of $129,000 annually while the Florida Keys is estimated to experience a $2,000 annual decline in net operating revenues. Southeast Florida is expected to experience increases in net operating revenues of about $103,000 annually on average for 2011 and 2012 under **Alternative 11 (Preferred)**.

The expected economic effects to the recreational fishery are explained in **Section 4.2.2** and estimated with the use of a methodology described in Appendix N of Amendment 17A. Therefore, both the commercial and recreational economic effects are analyzed using the same methodologies as used in Amendment 17A. The recreational economic effects are evaluated in the form of expected change in economic value relative to the no action alternative to fishers and for-hire vessels in response to the proposed alternatives. The change in economic value is measured in terms of consumer surplus (CS) to recreational anglers and net operating revenues (NOR) to for-hire vessels.

In contrast to the commercial effects, above, the economic effects to the recreational sector of **Alternatives 2-5 and 11** are presented in **Section 4.2.2** as average annual effects while economic effects of **Alternatives 6-10** are presented in the form of separate effects for 2011 and 2012. For all sectors, **Alternative 11 (Preferred)** yields the highest estimated consumer surplus and net operating revenues compared to all other alternatives. **Alternative 11 (Preferred)** is expected to result in an estimated average annual increase in consumer surplus of about $572,000, $3.4

million, and $1.9 million for charterboat, headboat and private recreational sectors, respectively. Net operating average annual revenues for charterboat and headboat sectors are expected to increase by about $310,000 and $1.1 million, respectively. Total aggregated average annual benefits (consumer surplus and net operating revenues) are estimated to total about $5.1 million in benefits for the recreational sector. Total two year increases for **Alternative 11 (Preferred)** total an estimated $14.5 million.

5.6 Public and Private Costs of Regulations

The preparation, implementation, enforcement, and monitoring of this or any Federal action involves the expenditure of public and private resources which can be expressed as costs associated with the regulations. Costs associated with this amendment include:

Council costs of document preparation, meetings, public hearings, and information dissemination……...…….. $400,000

NOAA Fisheries administrative costs of document preparation, meetings and review $360,000

Annual law enforcement costs ..... unknown

TOTAL $760,000

Law enforcement currently monitors regulatory compliance in these fisheries under routine operations and does not allocate specific budgetary outlays to these fisheries, nor are increased enforcement budgets expected to be requested to address components of this action. In practice, some enhanced enforcement activity might initially occur while the fishery becomes familiar with the new regulations. However, the costs of such enhancements cannot be forecast. Thus, no specific law enforcement costs can be identified.

5.7 Summary of Economic Impacts

In summary, **Alternative 11** provides the highest the economic benefits to the commercial and recreational sectors compared to all other alternatives. The commercial model indicates that **Alternative 11 (Preferred)** results in an average increase in net operating revenues of $88,000 annually for the commercial fishery for 2011 and 2012 compared to **Alternative 1 (No Action)**. For all sectors, **Alternative 11 (Preferred)** yields the highest estimated consumer surplus and net operating revenues compared to all other alternatives. Total aggregated average annual benefits (consumer surplus and net operating revenues) are estimated to total about $5.1 million in benefits for the recreational sector. Total two year increases for **Alternative 11 (Preferred)** total an estimated $14.5 million.

5.8 Determination of Significant Regulatory Action

Pursuant to E.O. 12866, a regulation is considered a “significant regulatory action” if it is expected to result in: (1) an annual effect of $100 million or more or adversely affect in a material way the economy, a sector of the economy, productivity, competition, jobs, the environment, public health or safety, or State, local, or tribal governments or communities; (2)

create a serious inconsistency or otherwise interfere with an action taken or planned by another agency; (3) materially alter the budgetary impact of entitlements, grants, user fees, or loan programs or the rights or obligations of recipients thereof; or (4) raise novel legal or policy issues arising out of legal mandates, the President's priorities, or the principles set forth in this executive order. Based on the information provided above, this regulatory action was determined to not be economically significant for the purposes of E.O. 12866.