

Economic Impact of the Deepwater Horizon Oil Spill on South Mississippi: Initial Findings on **Revenue**

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Summary: The impact of the Deepwater Horizon oil spill is significant on the Mississippi coastal communities. We estimate revenue losses from May-August 2010 to be \$119,413,000, down 5% from the same period in 2009 in the three coastal counties of Hancock, Harrison and Jackson. This estimate includes the tourism and service sectors related to hotels, restaurants and food and beverage outlets but does not include the losses in the seafood sectors such as shrimping.

Background: Starting on May, 13, 2010, the research team began interviews with business owners and operators in the seafood and tourism sectors in south Mississippi. Since that time over 40 interviews have been conducted with the aim of trying to understand what, if any, economic impact the oil spill had on businesses in these industries. Typical businesses examined include hotels, restaurants, charter and head boats, casinos and casino hotels, seafood processors and suppliers to the seafood industry. All interviews are anonymous, were recorded for transcription, and the interview instrument was tested and then approved by the university's institutional review board.

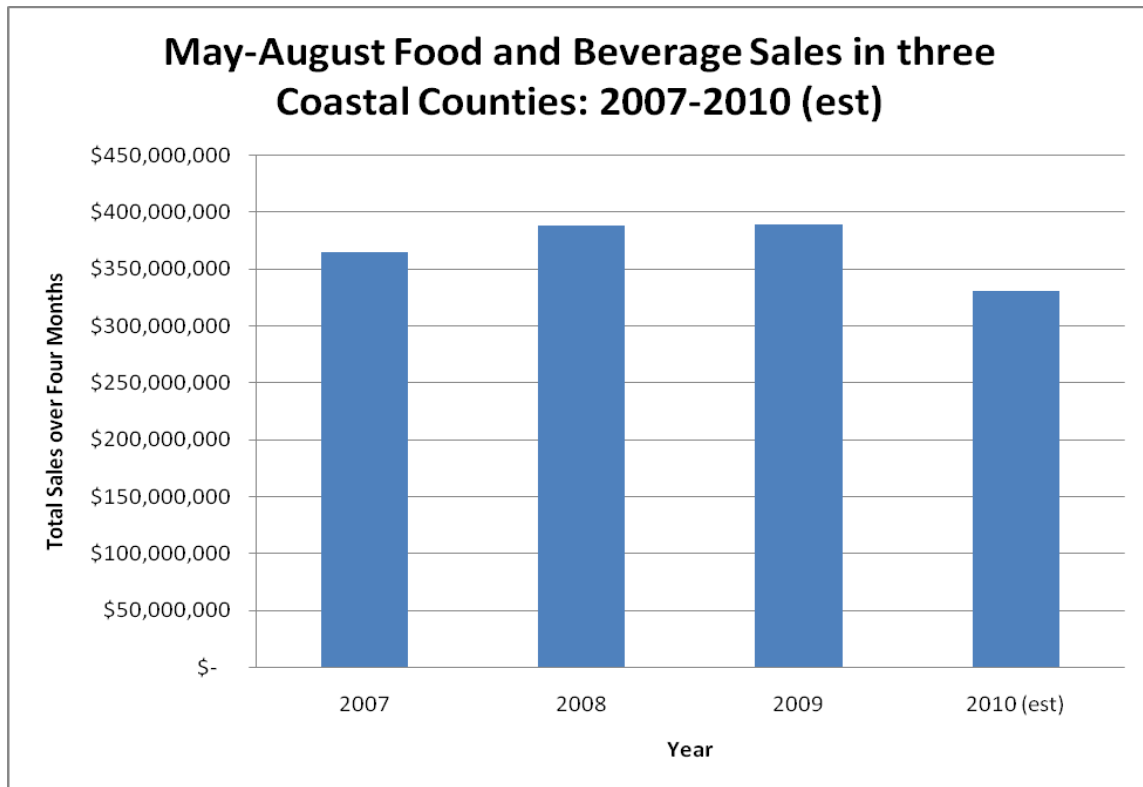
Revenue: Revenue in May 2010 was significantly down in the tourism sector, namely in the categories of hotels (non casino) and restaurants. Non casino hotels are down 50% from this time in 2009 and during their peak earning season from tourism. This downturn equates to a \$26,880,000 loss in direct revenue compared to the same period in 2009.

Seafood-focused restaurants are down at least 30% from the same time last year while at the same time seafood prices are up an average of 30%. This is putting an extraordinary strain on these restaurants to remain profitable, keep their staff employed and pay bills. Other restaurants in the bottom three counties of Mississippi were down approximately 15% from the same time in 2009 due to the decline in tourism to the coast, equating to a total revenue loss of \$58,416,000 from the same period in 2009.

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Charter boats and head boats are in a free fall. Revenue is down on average of 70% with some down over 90%. Without additional sources of revenue there is a chance that this industry could shrink significantly.

Fishing has mixed results. The recreational fishing has dropped over 90% while the commercial fishing is attempting to adjust to the closing of the state and federal waters for harvesting. The oyster season in some waters ended just before the oil spill began and the state waters shrimping season opened on June 7, 2010, in Mississippi, so it is unclear as to the impact on this industry to date. Due to the geographical shifts in harvesting in federal waters and the anticipated hurt to the species, prices for various seafood products have increased by 30%. For seafood processors the increases in price have offset the decline in sales, however, there is a fear that if products from the Gulf of Mexico are viewed as damaged, the brand for gulf seafood products could decline. Moreover, as shortages occur from gulf production, new domestic and international sources of seafood will be sought.

Because of the strong decline in recreational fishing and shift in commercial fishing, suppliers to this industry are also down. This is exemplified by the 65%-70% decline April 2010 to May 2010 in boat sales and boat trailer sales and a significant drop in tackle, ice and other supplies to the recreational fishing market.

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Gaming revenue and casino hotels have not felt the negative impact from the oil spill but remain cautious. Future pacing (trend data) is down for June and July but these numbers can shift upwards depending upon the news of the oil spill, incentives, and a host of other factors.

Though there have been statements about offsetting revenue from British Petroleum, LLC, (hereafter BP) in the hiring of local boat owners, etc., for the oil spill containment and clean-up effort, and payments of losses to those directly impacted, the data released to date suggest that these numbers fall quite short of the revenue shortfall. According to the Mississippi Emergency Management Agency (MEMA) over 4000 claims have been filed with BP, a little over \$5,500,000 has been paid out, just over a \$1400 per claim. Moreover, over 1100 vessels have signed charter agreements to be used for the oil spill containment effort with only a small fraction of those actually being used and earning revenue.

In addition to the direct losses in the tourism sector and the restaurant sector, there are indirect impacts as these businesses hire fewer workers and buy fewer goods and services from the local economy. Using a multiplier of 1.4, we estimate that the total losses including both direct and indirect revenue to be \$119,400,000 million for the four months May-August 2010.

Limitations: The data in this report is based on a snowball sampling of individual interviews within the seafood and tourism sectors in south Mississippi. Therefore the findings should not be extrapolated to sectors as a whole, to other sectors or the same sectors in other states.

Future Releases: We will release two additional white papers on the economic impact of the oil spill with a focus on tax collections and employment on June 21, 2010, and June 28, 2010, respectively.

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