

8 “Sweep-ups” of Small QS Blocks

The halibut IFQ program rules created non-severable “blocks” of QS. Persons received their QS in a block at initial allocation if their QS would have resulted in less than 20,000 pounds of halibut IFQ, given 1994 TACs.¹ Blocks cannot be broken up when they are transferred, meaning all the QS in a block has to be sold or passed on to another person as a single unit.

Under the blocking rules, a person can hold a maximum of two blocks in an IFQ area, and a person with two blocks cannot hold any unblocked QS. However, the regulations also allow persons to combine, or “sweep-up,” more than two blocks into a single block if their combined total is worth less than 3,000 pounds of a hypothetical halibut IFQ.²

The sweep-up provisions were added to the QS block rules because many of QS the blocks that were issued were very small, and in some cases were probably too small to make a fishing trip worthwhile.

Originally, the sweep-up limit was set at 1,000 pounds of a hypothetical IFQ. In April 1996 the NPFMC amended the IFQ program rules to increase the sweep-up limit to 3,000 pounds. This amendment became effective in December 1996 and therefore did not have a substantial impact on 1995 and 1996 sweep-up transactions. The tables in this section reflect only the new rules for sweep-ups.

8.1 Changes in Sweepable QS Blocks

Table 8-1 provides data on the number of persons holding sweepable QS blocks, the number of sweepable QS blocks, and the total amount of sweepable QS in an area. Data are shown for both initial issuance and year-end 1997.

Administrative QS revocations are the only actions that should reduce the amount of sweepable QS in an area after initial issuance. However, administrative errors appear to have been recorded in the RAM data base. The errors have resulted in changes to the amount of sweepable QS that cannot be explained by revocations. Some of the other changes in the data base are the result of NMFS-RAM applying corrections during 1996 and 1997 so that QS units formerly issued as unblocked became blocked.

¹ See 50 CFR 679.40(a). The 20,000 pounds is actually a hypothetical IFQ based on 1994 TACs and the amount of QS in the QS pool on October 17, 1994. The halibut QS equivalent calculated for this blocking limit will be worth different amounts of IFQ from year-to-year as TACs and the QS pool change.

² This regulation is incorporated into 50 CFR 679.41(e).(3). The 3,000 pounds of hypothetical IFQ was based upon 1996 TACs for an area and the QS pool as of January 31, 1996. The regulation translates the rule into a specific amount of QS units for each halibut area.

Whereas the amount of sweepable QS should not change significantly after initial issuance, the number of sweepable blocks should decrease as they are combined, or swept-up, into a smaller number of larger blocks.

Table 8-1 indicates there were substantial numbers of persons holding sweepable QS blocks at both initial issuance and year-end 1997. This was particularly true in Areas 2C, 3A, and 3B. The number of persons holding sweepable QS blocks and the number of sweepable blocks have each declined since initial issuance. The percentage decrease in number of persons who held sweepable QS ranged from a 19.3% decline in Area 2C to a 29.6% decline in Area 3B. There was a smaller percentage decrease in the number of sweepable blocks.

8.2 Sweep-up Transactions

Table 8-2 provides summary information on the sweep-up transactions by area and year. The total number of transfers and the unique number of transferors and transfer recipients are shown. The table also indicates the amount of QS that was involved in the transfers, and indicates how many pounds of halibut IFQ are represented by the average QS that was transferred and received.

An oddity of the RAM database is that a person must first hold QS before they can execute a sweep-up transaction. Therefore, if a person holds no QS but purchases and sweeps-up one or more blocks, the first transaction is recorded as a “transfer” and not a “sweep-up.” Subsequent transactions associated with the entire sweep-up are entered individually as sweep-up transactions. Therefore, for some persons, the data in Table 8-2 do not show the transfer of the first block involved in the sweep-up. If a person already held a block of sweepable QS then the purchase of additional blocks to combine in the sweep-up would be recorded as sweep-up transactions.

As can be seen, sweep-up transactions have occurred only in Areas 2C, 3A, 3B, and 4A. There were many more sweep-up transactions in each of these areas in 1997 than there were in either 1995 or 1996. The total number of transfers, the total amount of QS involved in the transfers, and the average amounts of QS transferred and received are all much higher in 1997. This may be related to the higher sweep-up limits set by the Council that went into effect in December, 1996.

Table 8-2 also indicates that in 1995 and 1996 the number of buyers was similar to the number of sellers in each area and year, suggesting that most sweep-up transactions involved a sweep-up of only one or two blocks. However, this changes in 1997 when the number of transfer recipients is considerably less than the number of transferors, indicating that individuals were sweeping up more QS blocks. Again, this may be related to the higher sweep-up limits that went into effect in late 1996.

A comparison with Table 8-1 shows that the total amount of sweepable QS involved in these transactions was quite small relative to the amount of sweepable QS in each area. For example, in Area 2C in 1997, 532,444 QS units were swept-up. This represents 6.5% of the total sweepable QS in the area. However, the 1997 percentages of swept-up QS represent a large increase over previous years, and may indicate that larger amounts of QS will continue to be swept-up future years.

8.3 Sweepable QS Relative to Total QS

Table 8-3 shows the total amount of QS in each area at the end of 1997 and compares it to the year-end 1997 amounts of blocked QS and sweepable blocked QS. Similarly, it also compares the year-end 1997 total number of QS holders to the number of persons who held blocked QS and the number who held sweepable blocked QS.

As was also shown in Tables 7-1a and 7-1b, the percentage of QS that was blocked at year-end 1997 was relatively high in each area, ranging from 35.3% in Area 3A to 100% in Area 4E. More than half the QS was blocked in Areas 2C, 3B, 4A, and 4C. The percentages of persons who held blocked QS at year-end 1997 were also high, and were over 75% for all areas except Area 4A, where 59.4% of the total QS holders held blocked QS.

In contrast to blocked QS, the percentage of total QS that was sweepable at year-end 1997 was relatively small, ranging from 3.6% of the total QS in Area 4B to 16.1% in Area 3B. Although sweepable QS may have represented a fairly small percentage of each area's total QS pool, a considerable number of persons held sweepable QS. For example, 60.3% of the total QS holders in Area 3A held sweepable QS at the end of 1997, yet their sweepable holdings represented only 7.5% of the total QS pool in that area. More than half of the QS holders in Areas 2C, 3A, 3B, and 4C held sweepable QS.

8.4 Summary

The Council provided a sweep-up provision for small blocks of halibut QS because many of the blocks initially issued under the IFQ program were probably not worthwhile to fish. It was hoped that the sweep-up provision would allow such blocks to be combined into fishable blocks of QS. Sweepable QS blocks represent a relatively small portion of the total QS in each area but a relatively large percentage of the persons in each area hold them.

In December 1996 a revised sweep-up limit became effective, raising the sweep-up limit from 1,000 pounds to 3,000 pounds of a hypothetical halibut IFQ. Relatively few sweep-up transactions occurred in 1995 and 1996 but in 1997 the number of transactions increased dramatically. This increase may have been related to the new sweep-up limit.

**Table 8-1. Persons Holding Sweepable Halibut QS Blocks, Number of Sweepable Blocks, and Total Sweepable QS Holdings
At Initial Issue and Year-end 1997**

Area	Initial Persons Holding Sweepable QS	1997 Persons Holding Sweepable QS	Change in Persons Holding Sweepable QS	Initial Number of Sweepable Blocks	1997 Number of Sweepable Blocks	Number of Sweepable Blocks Revoked	Change in Sweepable Blocks	Initial Amount of Sweepable QS	1997 Amount of Sweepable QS	Total Sweepable QS Revoked	Change in Sweepable QS
2C	1,268	1,023	-245	1,281	1,122	1	-159	8,267,127	8,243,584	549	-23,543
3A	1,772	1,414	-358	1,797	1,569	6	-228	13,918,500	13,819,143	77,412	-99,357
3B	608	428	-180	623	497	2	-126	8,690,171	8,659,012	13,332	-31,159
4A	187	135	-52	193	159	0	-34	1,769,181	1,787,797	0	18,616
4B	48	45	-3	48	46	1	-2	338,484	329,867	2,606	-8,617
4C	42	40	-2	42	42	0	0	556,328	556,328	0	0
4D	25	22	-3	26	26	0	0	327,075	327,075	0	0

Table 8-2. Number of Transferors and Recipients of Sweep-up Transactions, With Mean QS of Sweep-ups, By Area

Area	Year	Official Ratio of QS/IFQ	Number of Sweep-up Transfers	Total QS Swept-Up	Total Unique Transferors	Average QS Transferred	Avg. QS Transferred Expressed as IFQ	Total Unique Recipients	Average QS Received	Avg. QS Received Expressed as IFQ
2C	1995	6.650	11	20,475	11	1,861	280	11	1,861	280
	1996	6.664	22	52,233	22	2,374	356	16	3,265	490
	1997	5.910	123	532,444	117	4,551	770	69	7,717	1,306
3A	1995	9.291	15	31,103	15	2,074	223	14	2,222	239
	1996	9.304	30	80,393	30	2,680	288	26	3,092	332
	1997	7.397	176	1,096,449	167	6,566	888	115	9,534	1,289
3B	1995	14.712	3	6,934	3	2,311	157	2	3,467	236
	1996	14.731	11	95,046	11	8,641	587	8	11,881	807
	1997	5.990	109	939,613	101	9,303	1,553	49	19,176	3,201
4A	1995	7.622	2	9,068	2	4,534	595	2	4,534	595
	1997	4.933	33	225,529	33	6,834	1,385	18	12,529	2,540

Table 8-3. 1997 Year-end Total Halibut QS, Blocked QS, and Sweepable Blocked QS by Area

Area	Total Amount of QS	Total Number of QS Holders	Total Blocked QS	Total Persons Holding Blocked QS	Total Sweepable QS	Percent of Total QS	Percent of Blocked QS	Persons Holding Sweepable QS	Percent of Total Persons	Percent of Persons Holding Blocked QS
2C	59,549,860	1,742	42,188,579	1,538	8,243,584	13.8	19.5	1,023	58.7	66.5
3A	184,740,655	2,343	65,226,828	1,997	13,819,143	7.5	21.2	1,414	60.3	70.8
3B	53,912,549	715	35,580,045	606	8,659,012	16.1	24.3	428	59.9	70.6
4A	14,502,965	382	10,335,474	234	1,787,797	12.3	17.3	135	35.3	57.7
4B	9,284,774	132	3,332,789	107	329,867	3.6	9.9	45	34.1	42.1
4C	3,969,186	77	2,048,067	67	556,328	14.0	27.2	40	51.9	59.7
4D	4,790,491	61	2,363,991	53	327,075	6.8	13.8	22	36.1	41.5
4E	139,999	104	139,999	104