

## 8 “Sweep-ups” of Small QS Blocks

---

The sablefish 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 sablefish IFQ, given 1994 TACs.<sup>1</sup> 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 5,000 pounds of a hypothetical sablefish IFQ.<sup>2</sup>

The sweep-up provisions were added to the QS block rules because many of the QS 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 3,000 pounds of a hypothetical IFQ. In April 1996 the NPFMC amended the IFQ program rules to increase the sweep-up limit to 5,000 pounds. This amendment became effective in December, 1996 and thus did not have a substantial impact on sweep-up transactions during the 1995 and 1996 seasons. The tables in this section reflect only the current 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 occurred in the NMFS-RAM data base. They have resulted in minor changes to the amount of sweepable QS that cannot be explained by revocations. Some of the other changes in the data are the result of NMFS-RAM applying corrections during 1996 and 1997 so that QS units formerly issued as unblocked became blocked.

---

<sup>1</sup> 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 sablefish 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.

<sup>2</sup> This regulation is incorporated into 50 CFR 679.41(e).(2). The 5,000 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 sablefish 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 that in all areas there were substantial numbers of persons holding sweepable QS blocks at both initial issuance and year-end 1997. By the end of 1997, the number of sweepable blocks and the number of persons who held them had declined in each area. The percentage decrease in the number of persons who held sweepable QS blocks ranged from 6.6% in the Western Gulf to 24.6% in West Yakutat. The percentage decreases in the number of sweepable blocks were somewhat less.

## **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 sablefish 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 together 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. Thus 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.

Sweep-up transactions have occurred in all areas, but principally in Southeast, West Yakutat and the Central Gulf. 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 Southeast, West Yakutat, and the Central Gulf, suggesting that most sweep-up transactions involved a sweep-up of only one or two blocks. However, this changes in 1997 when the numbers of transfer recipients are considerably smaller than the numbers 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 Southeast in 1997, 241,305 QS units were swept-up. This represents 8.8% 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 in 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 is blocked at year-end 1997 varies considerably by area, ranging from 7.5% in the Central Gulf to 61.2% in the Bering Sea. The percentage of persons who held blocked QS was high in all areas, ranging from 51.1% in Southeast to 93.9% in the Bering Sea.

In contrast, the percentage of total QS that was sweepable was quite small in all areas, ranging from 2.8% of the total QS in the Central Gulf to 8.1% in the Aleutian Islands. 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, 53.0% of the total QS holders in the Central Gulf held sweepable QS at the end of 1997, yet their sweepable holdings represented only 2.8% of the total QS pool in that area. The Bering Sea shows the highest percentage of QS holders who held sweepable QS, with 69.5%.

### **8.4 Summary**

The Council provided a sweep-up provision for small blocks of sablefish QS because many small blocks of QS were initially issued under the IFQ program and many of these blocks 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 QS holders in each area have them.

In December 1996 a revised sweep-up limit became effective, raising the sweep-up limit from 3,000 pounds to 5,000 pounds of a hypothetical sablefish IFQ. Very few sweep-up transactions occurred in 1995 and 1996 but in 1997 the number of transactions increased substantially. This increase may have been related to the new sweep-up limit.

**Table 8-1. Persons Holding Sweepable Sablefish 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
Southeast	261	210	-51	265	231	0	-34	2,702,656	2,730,031	0	27,375
W. Yakutat	211	159	-52	211	183	0	-28	2,730,413	2,732,168	0	1,755
C. Gulf	322	263	-59	325	283	0	-42	3,149,619	3,108,560	0	-41,059
W. Gulf	76	71	-5	78	74	3	-4	1,384,506	1,369,191	20,135	-15,315
Bering Sea	100	91	-9	100	96	1	-4	2,898,464	2,890,879	2,756	-7,585
Aleutians	82	73	-9	82	78	0	-4	2,568,038	2,568,038	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
Southeast	1995	5.277	10	10,288	10	1,029	195	7	1,470	279
	1996	6.654	8	17,972	8	2,247	338	7	2,567	386
	1997	8.202	23	241,305	21	11,491	1,401	15	16,087	1,961
W. Yakutat	1995	6.431	1	678	1	678	105	1	678	105
	1996	8.678	5	22,782	5	4,556	525	4	5,696	656
	1997	10.536	24	224,775	24	9,366	889	12	18,731	1,778
C. Gulf	1995	7.309	4	21,020	4	5,255	719	2	10,510	1,438
	1996	9.211	7	21,003	7	3,000	326	6	3,501	380
	1997	9.800	29	244,299	27	9,048	923	18	13,572	1,385
W. Gulf	1997	10.949	1	8,021	1	8,021	733	1	8,021	733
Bering Sea	1997	19.177	2	6,007	2	3,004	157	2	3,004	157
Aleutians	1997	19.856	3	28,262	3	9,421	474	3	9,421	474

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

Area	Total Amount of QS	Total Number of QS Holders	Total Blocked QS	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
Southeast	65,938,762	553	9,776,050	314	2,730,031	4.1	27.9	210	38.0	66.9
W. Yakutat	53,116,620	350	6,776,800	211	2,732,168	5.1	40.3	159	45.4	75.4
C. Gulf	110,873,858	496	8,318,843	318	3,108,560	2.8	37.4	263	53.0	82.7
W. Gulf	35,935,239	197	7,213,959	126	1,369,191	3.8	19.0	71	36.0	56.3
Bering Sea	18,602,398	131	11,387,370	123	2,890,879	5.5	25.4	91	69.5	74.0
Aleutians	31,518,176	124	3,008,760	77	2,568,038	8.1	85.4	73	58.9	94.8