

2 Overview of This Report

2.1 Topics in the Report

This report uses NMFS-RAM administrative data and other ancillary data to report on the first four years of the sablefish IFQ program. The purpose of the report is to provide accurate information on topics of interest under the IFQ program.

However, the report is restricted only to those topics that can be addressed using the NMFS-RAM administrative data. Some IFQ topics of interest cannot be addressed with these data and are not covered in the report. For example, enforcement/conservation issues (such as highgrading, smuggling, or other cheating on IFQs), safety issues, and questions about reductions in wastage due to gear loss cannot be addressed with these data and hence are not covered in this report.

The topics covered in the report include basic data on the extent of consolidation of QS holdings since the beginning of the program, the volume of permanent QS transfers and QS prices, and the volume of seasonal QS lease transfers and QS lease prices. The report also provides detailed summary data on permanent transfers, including the amount of QS transferred as sales, gifts, and trades, the relationships between the transferors and transfer recipients, and the finance methods used in sales transfers.

The report also provides data related to many other topics that were important when the program was conceptualized and designed. The IFQ program contains several special features which the Council added to address specific objectives. The report provides data which highlight the importance of these features to date. Topics examined include the amount and percentage of blocked QS as opposed to unblocked QS, the distribution of Community Development Quota (CDQ) compensation QS, the use of “swaps” of certain CDQ compensation QS across catcher vessel categories, and the use of a provision allowing for the “sweep-up” of very small blocks to create more “fishable” blocks.

A concern of some persons is that the IFQ program might result in a radical change in the geographic distribution of QS holdings. The report provides an extensive examination of changes in the geographic distribution of QS holdings during the first four years of the program. Changes in the distribution of QS holdings are examined by state of residence, by Alaska census area, and by special resident-type designators that classify communities as “local” or “nonlocal” to the IFQ management area and as “rural” or “urban.”

Other distributional questions are also examined. These include changes in the distribution of QS by person-type, changes in the distribution of QS between initial QS recipients and new entrants, and changes in the sablefish harvest and delivery patterns during the first four years of the program. The report provides information on the

consolidation of IFQ permit holders onto single vessel operations and on the underharvest of IFQ over the 1995 through 1998 time period.

The results of the study are contained in Chapters 3 through 16. The following sections provide a short overview of the topics and material covered in each of these chapters.

2.2 Overview Of Chapters 3 through 16

Chapter 3 Consolidation of QS Holdings, 1995-1998

The Council wanted some consolidation of sablefish QS holdings to reduce the number of participants from those that existed during the hectic fishery prior to implementation of the program. The Council saw several benefits from slowing down and spreading out the fishery over a longer season.

However, the Council did not want to radically restructure the fishery and therefore put constraints on the amount of QS that could be held by one person and the amount of IFQ that could be fished from a single vessel. The Council also added several regulatory features in an effort to help preserve opportunities for small part-time operations.

Chapter 3 provides data on QS holdings and QS holders at initial allocation and at year-end 1998. As such, the chapter provides a broad overview of the extent of consolidation of QS holdings during the first four years of the program. Data are also presented on changes in the distribution of QS and QS holders by the size category of QS holding.

Chapter 4 QS Transfers and QS Prices

Consolidation of QS and changes in the distribution of QS can occur through permanent QS transfers. Chapter 4 provides a broad overview of the extent of permanent transfers of QS in the first four years of the program. Any transaction resulting in a permanent change of ownership is treated as a transfer in the chapter. These include regular transfers, sweep-ups of small QS blocks, and administrative transfers due to court action or other causes.

Data are presented on the amount of QS transferred and the number of unique transferors. QS transfer rates and QS holder transfer rates are provided.

Chapter 4 includes estimates of sablefish QS prices over the first four years of the program based upon analyses of priced sales transactions. Statistical models are used to project a more detailed breakdown of QS prices over the 1995 through 1998 time period.

Chapter 5 Sablefish QS Leases

The Council's IFQ program provides for restricted leasing of QS on a seasonal basis. Holders of freezer vessel QS can lease all of the IFQ associated with that QS. Holders of catcher vessel QS could lease up to 10% of their catcher vessel QS during the years 1995, 1996, and 1997. The regulations providing for leases of catcher vessel QS expired on January 2, 1998 and have not been renewed.

Chapter 5 examines the extent to which the leasing provisions were used during the first four years of the program. Data are presented on the amount of QS leased and the number of QS holders who leased out some of their QS. QS and QS holder lease rates are calculated and compared to QS and QS holder transfer rates.

Price information was available for some sablefish QS leases. These data are used to provide information on IFQ lease prices during the first four years of the program.

Chapter 6 Types of Transfers, Financing of Transfers, Relationships Between Transferors and Transfer Recipients, and Use of Brokers.

Persons who want to transfer QS must complete a transfer application form and submit it to NMFS-RAM for approval and execution. The transfer application form collects basic information on each transfer.

Chapter 6 summarizes this basic information. Summary data are provided classifying permanent transfers as sales, gifts, trades, or other. Summary data are also provided classifying transfers by the nature of the relationship between the parties to the transfer (i.e., family, friend, business partner, or “no relationship”). The tables include information for both the number of transfers and the amount of QS transferred.

Chapter 6 examines priced QS transfers and includes a breakdown of the finance sources used by buyers. The finance sources include bank, Commercial Fishing and Agricultural Bank (CFAB) or the Department of Commerce and Economic Development (DCED), personal, processor, and other. The chapter also includes information on the use of brokers to facilitate transfers.

Chapter 7 Distribution of QS by Blocking Factor, CDQ Compensation QS, and CDQ Compensation QS Swaps.

Prior to implementation of the IFQ program, the Council added several special features to their sablefish IFQ plan. The Council decided that QS units that were worth less than

20,000 pounds of a hypothetical IFQ when they were issued would be placed into a “block” and thereafter could only be transferred as a block.⁷

The Council also restricted the number of these blocks that a person could hold in an area. If the person held any unblocked QS in an area they could only hold one block of QS for the area. If the person did not hold unblocked QS for an area then the person could hold up to two blocks for that area.

The Council adopted the block provisions expecting that blocked QS would be relatively unattractive to someone trying to build a more full-time sablefish operation. Thus the objective in blocking the QS was to preserve a portion of the QS for the fleet of small part-time operations. The Council hoped to preserve the pre-existing diversity in fishing operations while still providing a means for some consolidation of QS holdings.

Another feature of the program was the allocation of part of the TAC in the Bering Sea and Aleutian Islands areas to Community Development Quotas (CDQs). This had the result of reducing the available catch in these areas for QS holders. The Council decided that it wanted to make QS holders in all areas share proportionally in this loss, by compensating the QS holders in the CDQ areas with an allocation of QS in the four non-CDQ areas of Southeast, West Yakutat, Central Gulf, and Western Gulf. These compensatory shares were termed “CDQ compensation QS.”⁸

Regulations provide that if a person is issued CDQ compensation QS for an area where the person already has QS, then the CDQ compensation QS is combined with the person's existing QS and the entire holding is either “blocked” or left unblocked depending on the total amount of the QS.

However, if a person is issued CDQ compensation QS in an area for which the person has no other QS, then the CDQ compensation QS is left unblocked. Moreover, if the CDQ compensation QS is catcher vessel QS, it can be fished on any size catcher vessel and upon first transfer can be permanently assigned to the specific catcher vessel category designated by the transfer recipient.

This ability to “swap” certain CDQ compensation QS across catcher vessel categories within an area is termed “swapability” in the report. The ability to swap such QS across catcher vessel categories expires upon the first transfer.

Chapter 7 examines the distribution of sablefish QS by block status at initial issuance and at year-end 1998. The block status can be “blocked,” “unblocked,” “non-swappable” CDQ compensation QS, or “swappable” CDQ compensation QS.

⁷Under 50 CFR 679.40(a)(1) initially allocated QS is placed into a block if it would be worth less than 20,000 pounds of IFQ based upon 1994 TACs for the area and the QS pool for the area as of October 17, 1994.

⁸The formula for awarding CDQ compensation QS can be found in 50 CFR 679.41 (j).

The distribution of sablefish QS by block status is examined with respect to both QS amounts and the number of QS holders. Tables are included that provide detailed breakdowns of changes in swappable CDQ compensation QS over the four year period. As such, the data show the extent to which the ability to swap such QS has been utilized.

Chapter 8 “Sweep-ups” of Small QS Blocks

Prior to the IFQ program the sablefish fishery had become hectic with relatively short seasons. There also was a significant turnover of participants on an annual basis. The Council's initial allocation methodology included all persons who owned or leased a vessel(s) that made landings in the sablefish fishery at any time during the 1988, 1989, or 1990 seasons.

Because of this methodology, many persons received an initial allocation of QS even though they were credited with only a small amount of landings. As noted above, the IFQ regulations put initial QS allocations into non-severable blocks if the amount of QS was worth less than 20,000 pounds of a hypothetical IFQ. Many of these QS blocks were very small and some were too small to make a fishing trip worthwhile.

The Council adopted a “sweep-up” provision in an effort to find a means to enhance consolidation of these very small blocks. Originally it allowed a QS holder to acquire a number of small blocks and combine them into a single block as long as that single block was still less than 3,000 pounds of a hypothetical IFQ. In December, 1996 the sweep-up limit was raised to 5,000 pounds of a hypothetical sablefish IFQ.⁹

Chapter 8 examines the extent to which the sweep-up provision was used during the first four years of the sablefish IFQ program. The tables in the chapter are based upon the new higher sweep-up limit.

Chapter 9 Distribution of QS by Person-Type

Under the Council's IFQ program, QS can be owned by individuals, corporations, partnerships, and other entities. However, the Council has included provisions which should encourage QS ownership to move gradually toward individual owner-operators.

Chapter 9 provides data on the amount and percentage of QS held and the number and percentage of QS holders by person-type. Data are provided for the fishery at initial

⁹See 50 CFR 679.41(e)(2). The upper limit of the sweep-up regulation is now translated into a maximum amount of QS for each area. It is based upon the value of a QS unit assuming 1996 TACs and the QS pool in each area as of January 31, 1996.

issuance and at year-end 1998. The chapter outlines the changes in QS ownership by person-type over the first four years of the program.

Chapter 10 Distribution of QS by State of Residence

Prior to the IFQ program, persons participating in the sablefish fishery came from Alaska and from other states, particularly Washington and Oregon. A concern in Alaska is that QS holdings might gradually shift to holders outside of Alaska thereby reducing the economic impacts of the sablefish fishery on Alaska.

Chapter 10 examines the distribution of sablefish QS and QS holders by state of residence (Alaska, Washington, Oregon, and other). Data are provided at initial issuance and at year-end 1998. The tables provide a broad overview of how the distribution of QS by state of residence has changed in the first four years of the IFQ program.

Chapter 11 Distribution of QS by Management Area, Rural-Urban, Local-Nonlocal

Under Alaska's limited entry program, there has been a movement of permits away from holders who live in rural areas that are "local" to limited fisheries to holders who live in urban areas that are "nonlocal" to the limited fisheries. Some persons are concerned that similar results might occur under the sablefish IFQ program.

Chapter 11 examines changes in QS holdings within Alaska and between Alaska and other states using special resident-type classifications. All communities within Alaska are classified as "rural" or "urban" based largely upon 1990 census definitions and as "local" or "nonlocal" to each sablefish management area. Persons within each community can then be placed into one of five resident-types relative to the sablefish management area for which a QS applies. These are as follows:

Alaska Rural Local (ARL) is	<i>Alaska</i> resident residing in a <i>rural</i> community that is <i>local</i> to the sablefish management area.
Alaska Urban Local (AUL) that	<i>Alaska</i> resident residing in an <i>urban</i> community that is <i>local</i> to the sablefish management area.
Alaska Rural Nonlocal (ARN)	<i>Alaska</i> resident residing in a <i>rural</i> community that is <i>nonlocal</i> to the sablefish management area.
Alaska Urban Nonlocal (AUN)	<i>Alaska</i> resident residing in an <i>urban</i> community that is <i>nonlocal</i> to the sablefish management area.
Nonresident	<i>Nonresidents</i> of Alaska

Chapter 11 examines the distribution of QS and QS holders by these five resident-types at initial issuance and at year-end 1998. The data provide a summary overview of the changes that have occurred. The chapter also provides more detailed tables outlining the portions of the changes that are due to QS transfers and the portions or the changes that are due to movements of QS holders to addresses of a different resident-type.

Chapter 12 Distribution of Sablefish QS by Census Area

Within Alaska there have been concerns that the IFQ program might result in a dramatic restructuring that will increase the role of the sablefish fishery in some areas while reducing its impact in other areas. Chapter 12 provides another view of the changes that have occurred in the geographic distribution of QS holdings since initial issuance.

In this chapter, QS holders within Alaska are assigned to census areas based upon their addresses. The distributions of QS and QS holders are then examined at initial issuance and at year-end 1998. The data provide a summary overview of how these distributions by census area have changed during the first four years of the program.

Chapter 13 Distribution of QS Among Initial Recipients and New Entrants

The Council provided a means under the IFQ program for new persons to receive sablefish QS through transfer and enter the fishery. Any person can buy freezer vessel QS. Only persons who are initial QS recipients or IFQ crew members may receive catcher vessel QS through transfer. Under the IFQ program, an IFQ crew member is defined as any individual who has at least 150 days experience working as part of a harvesting crew in any United States commercial fishery or any individual who receives an initial allocation of QS.

New entrants may also occur by regulations which allow an individual to transfer QS to the individual's solely owned corporation (a new entity). In addition, new entrants can occur because of transfers due to court order, operation of law, or as part of a security agreement. However, in these latter cases IFQ is not assigned unless the person receiving the QS transfer meets all of the eligibility requirements.

The Council expected that the bulk of new entrants would be IFQ crew members who would be natural persons. This is one feature of the IFQ program that may gradually shift QS ownership from other types of persons (e.g., corporations, partnerships, and associations) to natural persons.

Chapter 13 examines the distribution of QS ownership between initial QS recipients and new entrants at year-end 1998. Data are provided on QS holdings and QS holders by management area.

New entrants to the management area, new entrants to the sablefish fishery, and new entrants to the IFQ program are all differentiated. The chapter shows the extent to which new entrants have been able to acquire QS and enter the sablefish fishery during the first four years of the IFQ program.

Chapter 14 Changes in Harvest and Delivery Patterns

In Alaska there have been concerns that changes in harvest and delivery patterns could benefit some areas and hurt others. Chapter 14 concentrates on sablefish harvest data as opposed to QS holdings. The chapter examines harvest and deliveries in several different ways.

Data are provided on the delivery of Alaska caught sablefish by state of delivery and by Alaska census area of delivery. These data are for the 1990-1998 time period. This covers the five year period prior to the IFQ program and the four years since the IFQ program has been implemented. These data highlight the variation in delivery patterns over the time period.

Data are also provided which compare the number of persons recording individual landings in the years preceding the IFQ program with the number of persons recording landings in the first four years of the IFQ program.

In addition, the chapter provides data on the harvest of sablefish by year and quarter and harvest of sablefish by the state of residence of the QS holder. A special section is also included which estimates the use of hired skippers in the fishery under the IFQ program.

Chapter 15 Overharvest and Underharvest of IFQs and TACs

This chapter examines the overharvest and underharvest of IFQs and TACs during the first four years of the IFQ program. Data are presented that compare TACs with recorded harvests.

Data are also presented that show the number of persons who did not fish any portion of their IFQ and have not altered their QS holdings through transfer, lease, or any other means during the time period.

Chapter 16 Consolidation of IFQ Permit Holders on Vessels

Under the IFQ program, QS can be consolidated and the number of fishing operations can therefore be reduced. The number of fishing operations also can be reduced on a seasonal basis if IFQ holders combine to fish their IFQ holdings from a single vessel.

Chapter 16 provides time series data on the sablefish fishery over the 1990 to 1998 time period that provide some insights into the extent that the combining of persons onto a single operation has occurred both before and since implementation of the IFQ program.

Data on persons with recorded landings, vessels with landings, person landing-days, and vessel landing-days are presented for catcher vessels. A ratio of total persons to total vessels is calculated and used as a measure of average persons per vessel.

The 1991 through 1994 sablefish harvest data come from two sources. For catcher vessels only, ADFG fish tickets were used. For catcher/processor vessels, NMFS Weekly Production Reports were used. Counts of permit holders for the 1991-1994 period come from the Commercial Fisheries Entry Commission (CFEC) data base of CFEC permit holders.

NMFS-RAM catch data are used for the 1995 through 1998 time period. IFQ permit holders with landings are used for permit holder counts during the first four years of the IFQ program.