

7 Distribution of QS by Blocking Factor, CDQ Compensation QS, CDQ Compensation QS “Swaps”

7.0 Introduction

QS Blocks

The halibut IFQ program rules created non-severable “blocks” of QS that were designed to constrain how much QS can be aggregated. Persons received their QS in a block at initial allocation if their QS would have resulted in less than 20,000 pounds of halibut, 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.² A person can hold a maximum of two blocks, and a person with two blocks cannot hold any unblocked QS; however, the regulations allow persons to combine, or “sweep-up,” more than two blocks if the combined total of the blocks is worth less than 3,000 pounds of a hypothetical halibut IFQ.³ These sweep-ups are discussed in more detail in Chapter 8.

CDQ Compensation QS

The IFQ program also included provisions to set aside part or all of the TAC in Areas 4B, 4C, 4D, and 4E for community development quotas (CDQs). When part or all of the TAC was set aside for CDQs, individuals who received QS in these areas were faced with reduced harvest limits.⁴ The IFQ plan contained provisions designed to compensate QS holders for this reduction. The goal of the plan was to spread the burden of the compensation equally among all persons who initially received halibut QS. Compensation was provided by giving fishermen from the CDQ areas (Areas 4B, 4C, 4D, and 4E) additional QS in each of the management areas in which CDQs were not allocated (Areas 2C, 3A, 3B, and 4A).

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 outstanding 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 outstanding change.

² Originally the QS in a block could not be broken up for leasing purposes. This regulation was changed in 1996 to allow the IFQ associated with blocked QS to be leased. See Chapter 5 on leases.

³ The original sweep-up limit was 1,000 pounds. In April 1996 the NPFMC approved an amendment that increased the sweep-up limit to 3,000 pounds. This regulation is now 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 revised regulation translates the rule into a specific amount of QS units for each halibut area. It became effective in December, 1996 and hence had little impact on the 1995 and 1996 sweep-up transactions. Tables in this report use the new 3,000 pound sweep-up limit to analyze the effects of sweep-ups.

⁴ The CDQ regulations are contained in 50 CFR 679.30 and 50 CFR 679.31(b) and(c). The provisions for CDQ compensation are contained in 50 CFR 679.41(j).

CDQ Compensation “Swaps”

In many cases persons received CDQ compensation QS in areas where they had not previously fished and had not been issued regular QS. The Council addressed this situation by adding provisions to the regulations that make it easier for persons to sell their CDQ compensation QS. Normally, QS cannot be transferred across vessel categories; however, in this case, the “swapping” provisions allow the transfer of catcher vessel CDQ compensation QS across catcher vessel categories within a management area, upon first transfer, and under certain conditions.⁵

If a recipient of CDQ compensation QS held no other QS in the area on the date the CDQ compensation QS was issued, the catcher vessel CDQ compensation QS was unblocked and “swappable” to another catcher vessel upon the first transfer. Moreover, this “swappable” catcher vessel CDQ compensation QS can be used on any size catcher vessel until it is swapped or transferred. These rules facilitate the transfer and use of CDQ compensation QS.

If the person held other QS in the area, the CDQ compensation QS was “unswappable,” and was rolled into the person's other QS holding for the area and was either blocked or unblocked, depending upon the size of the person's summed holding.⁶

Because of the CDQ compensation “swap” regulation, the total amount of QS in an area-vessel category combination can change after it was initially issued. This does not affect the management area totals, however, as the QS is only swapped between catcher vessel categories and does not transfer outside the area.

7.1 QS Blocks, CDQ Compensation QS, and Swappable CDQ Compensation QS

Table 7-1a provides summary data on the initial and 1997 year-end distribution of QS by IFQ area and block status. It also shows the distribution of CDQ compensation QS and how much of it was swappable or non-swappable. The overall change and percent change are also given by area and block status. Note that the total number of QS units declined slightly after initial issuance because of revocations.

The distribution of QS by block status can change over time due to: 1) Swap transfers of CDQ compensation QS; 2) Non-swappable CDQ compensation QS being rolled into the person's existing QS holdings; 3) Administrative appeals that change the vessel category; 4) Administrative revocations of QS.

⁵ See 50 CFR 679.41(i).

⁶ See 50 CFR 679.41 (j)(3)

Table 7-1a indicates that large amounts of QS were issued as blocks. The percentage varied widely by area, from 35.4% in Area 3A to 100% in Area 4E. More than half the QS was blocked in Areas 2C, 3B, 4A, 4C, and 4E.

CDQ compensation QS was issued in Areas 2C through 4A and represented about 2.1% of the total QS in each of these areas. Non-swappable CDQ compensation QS was rolled into the other blocked or unblocked holdings of initial QS recipients. Swappable CDQ compensation QS has also decreased as it was transferred after initial issuance. The net result of these changes can be seen in the “Year-end 1997” column.

Table 7-1b contains much of the same information as Table 7-1a, except it shows the number of persons rather than the amount of QS by area and block status. The table also indicates net changes in the number of QS holders from initial issuance through the end of 1997.

It is important to note that the sum of the initial QS holders in Table 7-1b is greater than the number of unique persons who were issued QS for that area. This is because persons who were initially issued non-swappable CDQ compensation QS already held either blocked or unblocked regular QS in the area. Therefore, persons who initially received non-swappable CDQ compensation QS are recorded in Table 7-1b in the row for **CDQ Non-Swappable**, and they are also recorded in either the **Blocked** or **Unblocked** rows, because their initial QS allocation also falls into one of these categories.

It is also important to note that after initial issuance some QS holders will adjust their holdings to own both blocked and unblocked QS. These persons may fall into both categories in Table 7-1b; therefore, the year-end 1997 totals of QS holders in Table 7-1b will be also be greater than the number of unique persons who held QS at that time.

NMFS-RAM records indicate there were 315 persons who received CDQ compensation QS each of the Areas 2C, 3B, and 4A, and 314 persons who received CDQ compensation QS in Area 3A.⁷ The proportion of persons who received either swappable or non-swappable CDQ compensation QS varied by area, depending upon how many of the recipients had also been issued regular QS in the area. For example, in Area 3B, 157 persons received swappable CDQ compensation QS and 158 persons received non-swappable CDQ compensation QS. In contrast, in Area 2C, 273 persons received swappable CDQ compensation QS and only 42 persons received non-swappable QS.

All persons who received non-swappable CDQ compensation had their compensatory QS rolled into their other initial holdings, as Table 7-1b indicates. The number of persons holding swappable CDQ compensation QS has also dropped substantially. Note that this type of QS is no longer swappable after its first transfer, regardless of whether it is

⁷This discrepancy may be an error in the database.

“swapped” to a different catcher vessel category or is transferred within the vessel category.

The overall unique number of QS holders has decreased in all areas except Area 4E (see Table 3-1a, Chapter 3). Most of this decrease was probably due to persons consolidating QS holdings, and some of this consolidation involved persons who sold their CDQ compensation QS. Despite the decreases in overall numbers of QS holders, the number of persons holding unblocked QS has increased in all areas except Areas 4B and 4E, where the number remained unchanged.

Table 7-2 repeats information presented in Tables 7-1a and 7-1b, but only presents the data associated with swappable CDQ compensation QS. It shows, by area, the initial issuance and 1997 year-end amounts of swappable CDQ compensation QS and the number of persons who held this type of QS. The table helps to demonstrate that substantial transfers of swappable CDQ compensation QS have occurred since initial issuance.

In Area 2C, 66.3% (724,004 QS units) of the total swappable QS issued had been transferred by the end of 1997, either with or without a “swap” in vessel category. In Area 3A, 91.1% of the swappable CDQ compensation QS had been transferred (734,038 QS units), and in Areas 3B and 4A, 88.4% and 44.3% of the respective swappable CDQ compensation QS had been transferred. Likewise, the number of persons holding swappable CDQ compensation QS has dropped substantially since initial issuance as this type of QS has been transferred.

Table 7-3 breaks out swappable CDQ compensation QS by area and catcher vessel category, showing the distribution of swappable QS at both initial issuance and year-end 1997. The table illustrates how much QS has been “swapped” from each vessel category in a management area. It also shows how much swappable CDQ compensation QS has changed hands in regular transfers *within* a vessel category without being swapped. Recall that swappable CDQ compensation QS loses its swappable status upon its first transfer, regardless of whether it has been swapped to a different catcher vessel category or has merely changed hands through a regular transfer. A comparison between the amount of swappable QS initially issued and the amount remaining at the end of 1997 indicates a decrease in all areas and catcher vessel categories. The table also shows how administrative appeals and revocations have changed the amount of swappable CDQ compensation QS.

Table 7-4 shows the changes, due to swaps only, in the distribution of swappable CDQ compensation QS by area and vessel category. The table provides more detail on the number of swaps and amount of QS swapped to and from each vessel category. The table does not include changes to swappable QS that occurred due to administrative appeals or revocations. The table demonstrates that CDQ compensation QS swaps tended to move QS to larger vessels, especially in Areas 3A, 3B, and 4A.

Table 7-5 lists the initial and year-end distribution of *all* QS by area and vessel category. It shows how much QS has changed between catcher vessel categories, and compares net changes due to “swaps” of CDQ compensation QS to net changes due to administrative appeals, revocations, and other actions that may change the amount of QS in a vessel category.

Apart from swaps, appeals, and revocations, a regulation that was effective until February 24, 1997 could have changed the amount of QS in a vessel category. This regulation allowed catcher vessel QS to be reassigned to a new catcher vessel length category if it was traded for CDQ compensation QS.⁸ By the end of 1997, one person had used this regulation to trade and reassign 141,360 QS units in Area 4C for a similar amount of CDQ compensation QS in Areas 3A and 3B. Other actions that are accounted for in the “Other Changes” column in Table 7-5 appear to involve errors made during the administrative transfer process.

In summary, Table 7-5 again indicates how swaps of CDQ compensation QS have changed the distribution of QS between catcher vessel categories within management areas 2C, 3A, 3B, and 4A. The table also indicates how administrative appeals and revocations have changed the distribution of QS across catcher vessel categories in these areas. The net effects of all these changes have been relatively small, however, compared to the total amount of QS in the areas.

⁸ See 679.41.(i).(2).

Table 7-1a. Halibut Initial Allocation and Year-end 1997 QS by Area, Block, and CDQ Status

Area	Block Status	Initial Amount of QS	1997 Amount of QS	Initial Pct. of Area QS	1997 Pct. of Area QS	Change in Total QS	Percent Change QS	Total Revoked QS
2C	Blocked	42,152,358	42,188,579	70.8	70.8	36,221	0.1	5,855
	CDQ Swappable	1,092,151	368,147	1.8	0.6	-724,004	-66.3	0
	CDQ Non-Swappable	188,695	0	0.3	0.0	-188,695	-100.0	0
	Unblocked	16,124,789	16,993,134	27.1	28.5	868,345	5.4	2,278
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		59,557,993	59,549,860			-8,133		8,133
3A	Blocked	65,570,759	65,226,828	35.4	35.3	-343,931	-0.5	242,664
	CDQ Swappable	805,606	71,568	0.4	0.0	-734,038	-91.1	0
	CDQ Non-Swappable	3,138,760	0	1.7	0.0	-3,138,760	-100.0	0
	Unblocked	115,536,022	119,442,259	62.4	64.7	3,906,237	3.4	67,828
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		185,051,147	184,740,655			-310,492		310,492
3B	Blocked	35,476,440	35,580,045	65.6	66.0	103,605	0.3	137,871
	CDQ Swappable	222,760	25,780	0.4	0.0	-196,980	-88.4	0
	CDQ Non-Swappable	922,512	0	1.7	0.0	-922,512	-100.0	0
	Unblocked	17,453,339	18,306,724	32.3	34.0	853,385	4.9	24,631
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		54,075,051	53,912,549			-162,502		162,502
4A	Blocked	10,368,331	10,335,474	71.3	71.3	-32,857	-0.3	30,835
	CDQ Swappable	89,061	49,573	0.6	0.3	-39,488	-44.3	0
	CDQ Non-Swappable	217,512	0	1.5	0.0	-217,512	-100.0	0
	Unblocked	3,860,098	4,117,918	26.6	28.4	257,820	6.7	1,202
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		14,535,002	14,502,965			-32,037		32,037
4B	Blocked	3,375,835	3,332,789	36.3	35.9	-43,046	-1.3	2,606
	Unblocked	5,917,556	5,951,985	63.7	64.1	34,429	0.6	6,011
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		9,293,391	9,284,774			-8,617		8,617
4C	Blocked	2,048,067	2,048,067	51.6	51.6	0	0.0	0
	Unblocked	1,921,119	1,921,119	48.4	48.4	0	0.0	0
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		3,969,186	3,969,186			0		0
4D	Blocked	2,363,991	2,363,991	49.3	49.3	0	0.0	0
	Unblocked	2,426,500	2,426,500	50.7	50.7	0	0.0	0
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		4,790,491	4,790,491			0		0
4E	Blocked	139,999	139,999	100.0	100.0	0	0.0	0
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		139,999	139,999			0		0

Table 7-1b. Halibut QS Holders: Initial Allocation and Year-end 1997 QS Holders by Area, Block, and CDQ Status

Area	Block Status	Initial Number of QS Holders	1997 Number of QS Holders	Initial Pct. of Area QS Holders	1997 Pct. of Area QS Holders	Change in QS Holders	Percent Change in QS Holders
2C	Blocked	1,997	1,538	82.4	85.0	-459	-23.0
	CDQ Swappable	273	115	11.3	6.4	-158	-57.9
	CDQ Non-Swappable	42	0	1.7	0.0	-42	-100.0
	Unblocked	112	156	4.6	8.6	44	39.3
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		2,424	1,809			-615	
3A	Blocked	2,548	1,997	78.6	81.4	-551	-21.6
	CDQ Swappable	146	60	4.5	2.4	-86	-58.9
	CDQ Non-Swappable	168	0	5.2	0.0	-168	-100.0
	Unblocked	379	396	11.7	16.1	17	4.5
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		3,241	2,453			-788	
3B	Blocked	853	606	70.5	82.1	-247	-29.0
	CDQ Swappable	157	69	13.0	9.3	-88	-56.1
	CDQ Non-Swappable	158	0	13.1	0.0	-158	-100.0
	Unblocked	42	63	3.5	8.5	21	50.0
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		1,210	738			-472	
4A	Blocked	333	234	49.9	59.4	-99	-29.7
	CDQ Swappable	170	110	25.4	27.9	-60	-35.3
	CDQ Non-Swappable	145	0	21.7	0.0	-145	-100.0
	Unblocked	20	50	3.0	12.7	30	150.0
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		668	394			-274	
4B	Blocked	124	107	81.0	78.7	-17	-13.7
	Unblocked	29	29	19.0	21.3	0	0.0
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		153	136			-17	
4C	Blocked	70	67	87.5	75.3	-3	-4.3
	Unblocked	10	22	12.5	24.7	12	120.0
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		80	89			9	
4D	Blocked	59	53	85.5	82.8	-6	-10.2
	Unblocked	10	11	14.5	17.2	1	10.0
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		69	64			-5	
4E	Blocked	104	104	100.0	100.0	0	0.0

Note: The counts of QS holders do not represent unique individuals. Persons who initially received non-swappable CDQ compensation QS in Areas 2C, 3A, 3B, and 4A are counted in the non-swappable category as well as either the blocked or unblocked categories. Also, some persons in the year-end 1997 column may hold both blocked and unblocked QS.

**Table 7-2. Net Changes in Swappable QS and Number of Persons Holding Swappable QS,
From Initial Issuance Through 1997, By Area**

Area	Block Status	Initial Amount of QS	1997 Amount of QS	Change in Total QS	Percent Change QS	Initial Number of QS Holders	1997 Number of QS Holders	Change in QS Holders	Percent Change in QS Holders
2C	CDQ Swappable	1,092,151	368,147	-724,004	-66.3	273	115	-158	-57.9
3A	CDQ Swappable	805,606	71,568	-734,038	-91.1	146	60	-86	-58.9
3B	CDQ Swappable	222,760	25,780	-196,980	-88.4	157	69	-88	-56.1
4A	CDQ Swappable	89,061	49,573	-39,488	-44.3	170	110	-60	-35.3

**Table 7-3. Swappable Halibut QS: Net Changes From Initial Allocation to Year-end 1997,
By Area and Vessel Category**

Area	Vessel Category	Initial Amount of Swappable QS	QS Swapped From	QS Transferred From	QS Changes Due To Appeals	Revoked QS	1997 Amount of Swappable QS
2C	GT 60 ft.	702,567	-158,381	-243,119	-6,186	0	294,881
	36-60 ft.	169,470	0	-150,565	13,349	0	32,254
	LE 35 ft.	220,114	-129,633	-42,306	-7,163	0	41,012
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		1,092,151	-288,014	-435,990	0	0	368,147
3A	GT 60 ft.	57,978	-51,531	-18,459	12,012	0	0
	36-60 ft.	78,857	-55,473	-13,766	-9,380	0	238
	LE 35 ft.	668,771	-446,520	-148,289	-2,632	0	71,330
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		805,606	-553,524	-180,514	0	0	71,568
3B	GT 60 ft.	4,624	0	-983	0	0	3,641
	36-60 ft.	21,068	-16,211	-4,661	0	-126	70
	LE 35 ft.	197,068	-174,589	-410	0	0	22,069
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		222,760	-190,800	-6,054	0	-126	25,780
4A	GT 60 ft.	30,771	0	-2,142	0	0	28,629
	36-60 ft.	6,231	-4,303	-281	0	0	1,647
	LE 35 ft.	52,059	-32,762	0	0	0	19,297
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		89,061	-37,065	-2,423	0	0	49,573

Table 7-4. Swappable Halibut CDQ QS: Swaps From/To Vessel Categories, By Area

Area	Vessel Category	Initial Amount of Swappable QS	Amount of QS Swapped From	Number of Swaps From	Amount of QS Swapped To	Number of Swaps To	Net QS Change Due To Swaps	Pct. QS Change Due To Swaps
2C	GT 60 ft.	702,567	-158,381	25	12,323	4	-146,058	-20.8
	36-60 ft.	169,470	0	0	265,632	82	265,632	156.7
	LE 35 ft.	220,114	-129,633	62	10,059	1	-119,574	-54.3
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		1,092,151	-288,014	87	288,014	87		
3A	GT 60 ft.	57,978	-51,531	1	479,646	56	428,115	738.4
	36-60 ft.	78,857	-55,473	1	73,878	7	18,405	23.3
	LE 35 ft.	668,771	-446,520	61	0	0	-446,520	
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		805,606	-553,524	63	553,524	63		
3B	GT 60 ft.	4,624	0	0	177,724	80	177,724	3843.5
	36-60 ft.	21,068	-16,211	1	13,076	2	-3,135	-14.9
	LE 35 ft.	197,068	-174,589	81	0	0	-174,589	-88.6
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		222,760	-190,800	82	190,800	82		
4A	GT 60 ft.	30,771	0	0	37,005	51	37,005	120.3
	36-60 ft.	6,231	-4,303	1	60	1	-4,243	-68.1
	LE 35 ft.	52,059	-32,762	51	0	0	-32,762	-62.9
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		89,061	-37,065	52	37,065	52		

Table 7-5. Initial and Year-end 1997 Halibut QS: Net QS Changes in Vessel Categories Due to Swaps, Revocations, Appeals, and Other Factors.

Area	Vessel Category	Initial Amount of QS	Net QS Change Due To Swaps	Total Revoked QS	Net QS Change Due To Appeals	Net QS Change Due To Other	1997 Amount of QS
2C	Freezer	1,249,141	0	0	0	0	1,249,141
	GT 60 ft.	2,933,494	-146,058	-5,306	-48,119	-24,327	2,709,684
	36-60 ft.	45,699,389	265,632	-2,278	511,728	24,327	46,498,798
	LE 35 ft.	9,675,969	-119,574	-549	-463,609	0	9,092,237
		59,557,993	0	-8,133	0	0	59,549,860
3A	Freezer	4,755,112	0	0	0	0	4,755,112
	GT 60 ft.	67,785,816	428,115	-16,248	101,001	0	68,298,684
	36-60 ft.	98,848,907	18,405	-261,219	256,489	0	98,862,582
	LE 35 ft.	13,661,312	-446,520	-33,025	-357,490	0	12,824,277
		185,051,147	0	-310,492	0	0	184,740,655
3B	Freezer	1,593,155	0	0	0	0	1,593,155
	GT 60 ft.	29,766,576	177,724	-24,505	32,709	0	29,952,504
	36-60 ft.	20,683,904	-3,135	-133,566	121,332	0	20,668,535
	LE 35 ft.	2,031,416	-174,589	-4,431	-154,041	0	1,698,355
		54,075,051	0	-162,502	0	0	53,912,549
4A	Freezer	619,003	0	0	0	0	619,003
	GT 60 ft.	8,492,388	37,005	0	2,845	0	8,532,238
	36-60 ft.	4,295,604	-4,243	-32,037	21,099	0	4,280,423
	LE 35 ft.	1,128,007	-32,762	0	-23,944	0	1,071,301
		14,535,002	0	-32,037	0	0	14,502,965
4B	Freezer	553,489	0	0	0	0	553,489
	GT 60 ft.	7,120,537	0	-6,011	0	0	7,114,526
	36-60 ft.	1,350,369	0	-2,606	0	0	1,347,763
	LE 35 ft.	268,996	0	0	0	0	268,996
		9,293,391	0	-8,617	0	0	9,284,774
4C	Freezer	18,876	0	0	0	0	18,876
	GT 60 ft.	1,767,422	0	0	-5,455	-141,360	1,620,607
	36-60 ft.	1,007,084	0	0	-186,423	0	820,661
	LE 35 ft.	1,175,804	0	0	191,878	141,360	1,509,042
		3,969,186	0	0	0	0	3,969,186
4D	Freezer	413,936	0	0	0	0	413,936
	GT 60 ft.	4,021,310	0	0	0	0	4,021,310
	36-60 ft.	355,245	0	0	0	0	355,245
		4,790,491	0	0	0	0	4,790,491
4E	GT 60 ft.	11,176	0	0	0	0	11,176
	36-60 ft.	37,032	0	0	0	0	37,032
	LE 35 ft.	91,791	0	0	0	0	91,791
		139,999	0	0	0	0	139,999

Notes to Table 7-5:

1) Federal regulation 679.41.i(2) allows catcher vessel QS to be reassigned to a new catcher vessel category if it is traded for CDQ compensation QS. One individual used this regulation to trade 141,360 QS units of catcher vessel QS in Area 4C for a similar amount of CDQ compensation in Areas 3A and 3B. The category of the Area 4B QS was changed from B to D but there was no accompanying swap transaction on the RAM data base.

2) There appear to be 3 unexplained administrative changes made to QS segments during the transfer process. Vessel category changes appear in the RAM data base without an accompanying swap transaction or administrative appeal transaction. All three instances involve a change from category B (60 ft. or greater) to category C (36-60 ft.) in Area 2C.

