

5 Sablefish QS Leases

This chapter examines the extent of formal QS lease transactions during the 1995 through 1998 time period. The data indicate that relatively few QS lease transactions occurred over the time period.

The regulations for the sablefish IFQ program have allowed some leasing of QS, subject to important restrictions. Where leasing is allowed, it provides a means for sablefish QS holders to make seasonal adjustments to their fishing activities and for new persons to enter the fishery.

QS lease transactions are made for an IFQ year. The regulations governing leasing have changed over time.

Holders of freezer vessel (harvester-processor category 'A') QS may lease any or all of those holdings during a year. During the first three years of the IFQ program, regulations also provided for some restricted leasing of sablefish catcher vessel QS. Holders of catcher vessel QS in a management area could lease up to 10% of that QS during a given year. However, the regulations allowing for leases of catcher vessel QS expired on January 2, 1998 and have not been renewed.³² The surviving spouse or other beneficiary may still lease catcher vessel QS for a three year period following the death of the holder.³³

The expired IFQ program regulations which provided for limited leasing of catcher vessel QS during the first three years of the program represented a compromise designed to balance the Council's different objectives. Opponents of leasing wanted to keep QS in the hands of active fishermen rather than absentee QS holders. Some persons also thought that the ability to lease QS might dampen the volume of QS sales and make it more difficult for new persons to enter the fishery as QS owner-operators.

However, proponents of QS leasing wanted to maintain operational flexibility for fishermen in a dynamic environment.³⁴ The temporary 10% rule sought to balance both sets of concerns.

Nevertheless, the tables in this chapter will show that there were relatively few catcher vessel QS lease transactions while the regulation was in effect. This may be partially due to the fact that a significant portion of the sablefish catcher vessel QS was "blocked" and

³² See 50 CFR 679.41(h) for catcher vessel leasing rules. There is no corresponding rule on freezer vessel QS leases.

³³ See 50 CFR 679.41(k)(2)

³⁴ This discussion is adapted from *FR* 58(215):59392. November 9, 1993.

at the beginning of the program a block had to be transferred in its entirety for any kind of transfer.³⁵

At the start of the program, blocked QS could only be leased on this “all or nothing” basis. Blocks could not be broken up to allow some of the QS to be leased. This, coupled with the 10% leasing restriction, made the leasing of blocked catcher vessel QS difficult.

Thus, a person who only held one block of QS in an area could not lease that block or any part of it. A person who held two blocks of QS for an area would only be in a position to lease some QS if one block was no more than 10% of the person's total QS holding.³⁶

During 1996, the regulations governing leasing of blocked QS were reworded into terms of IFQ. This change in wording allowed for 10% of the IFQ associated with a segment of blocked QS in a year to be leased on an annual basis. In other words, the blocking provision no longer applied to seasonal lease transactions of IFQ. This liberalization of the leasing provision for blocked catcher vessel QS did not become effective until September 9, 1996. However, this small liberalization of the catcher vessel leasing provisions appeared to have little impact on catcher vessel leasing activities.

The reader should be aware that this chapter only covers formal lease transactions as reported to NMFS-RAM. While formal leases of catcher vessel QS were not extensively utilized during the 1995 through 1998 time period, there was another means under the sablefish IFQ program regulations whereby some QS could be fished by someone other than the QS holder.

Regulations allowing for the use of a “hired skipper” by an initial QS recipient on a vessel owned by the initial QS recipient appear to have been widely used during the first four years of the program. This topic is explored further in Chapter 14.

Any Category A (Freezer vessel) sablefish QS holder can use a hired skipper to harvest the IFQ associated with that QS. Corporations and partnerships who are initial QS recipients of catcher vessel QS can also employ a skipper to harvest the resource. Similarly, individuals who are initial recipients of catcher vessel QS can use a hired skipper in many cases.

For example, regulations provide that: “An individual who receives an initial allocation of QS assigned to (catcher) vessel categories B, C, or D does not have to be on board and

³⁵The percentage of sablefish QS that is in blocks is shown in Chapter 7 of this report. It is generally smaller than the percentage of halibut QS that is blocked.

³⁶ The rule change to allow catcher vessel QS holders to lease up to 10% of the current year IFQs associated with their QS occurred during 1996. The proposed rule change was published for comment in the *Federal Register* on April 24, 1996. The final rule was published in the *Federal Register* on August 9, 1996 and the rule became effective on September 9, 1996.

sign IFQ landing reports if that individual owns the vessel on which IFQ sablefish or halibut are harvested, and is represented on the vessel by a master employed by the individual who received the initial allocation of QS.” This provision is not extended to individuals who were initial QS recipients in the sablefish IFQ regulatory area east of 140° W. Longitude.³⁷

The rule requiring the initial QS holder to own the vessel that is being used to harvest the IFQ was meant to discourage leasing of QS. However, the regulation was not specific concerning the percentage ownership interest that the QS holder needed to have. There apparently were cases where an initial QS holder has purchased a very small percentage ownership interest in a vessel and then the skipper of that vessel fished all of the person's catcher vessel IFQ.

Some of these arrangements may have been *de facto* leases. Since the QS holder appeared to be using a “hired skipper” and could have avoided a formal lease transaction, the 10% catcher vessel QS restriction could be circumvented. In other words, more than 10% of the IFQ associated with a person’s catcher vessel QS holdings for an area could be fished under such an arrangement.

While the Council wants to provide for hired skippers, it does not want to expand the leasing privilege. During 1997, the Council studied percentage ownership requirements and adopted a proposal which establishes minimum ownership percentages in order to constrain this practice.³⁸ NMFS-RAM, acting on the Council’s intent, implemented the rule in 1998. The new rule became effective on June 9, 1999.

Another method whereby persons might be able to circumvent the restrictions on leasing of catcher vessel QS would be to sell their QS with a tacit understanding that the QS would be transferred back to the original QS holder at the end of a specific period of time. The authors have not examined the extent of returned transfers for this report.³⁹

³⁷ See 50 CFR 679.42(i)(1), 50 CFR 679.42(i)(2) and 50 CFR 679.42 (j). The regulatory area is the Eastern Regulatory Area, Southeast Outside District that is termed “Southeast” in the tables in this report.

³⁸At their September 1997 meeting in Seattle, the Council adopted a proposal requiring initial recipients of catcher vessel QS who wanted to utilize a designated skipper to hold a 20% ownership interest in the vessel used by their hired skipper. Some “grandfathered” privileges are included in the new rule that will allow some current QS holders who had used a hired skipper prior to April 17, 1997 to continue to use a hired skipper on a vessel in which they have a smaller percentage ownership interest. NMFS-RAM began implementing the Council’s intent in 1998. (See page 6, *The IFQ Program: 1998 Report to The Fleet* published in February 1998). These rules were incorporated into regulations as 50 CFR 679.42 (i)(1) and 50 CFR 679.42(j) which became effective on June 9, 1999.

³⁹While it is possible that such arrangements may have occurred, transfers with agreements for repossession by the original owner are prohibited under 50 CFR 679.41(g)(4).

5.1 Sablefish QS and QS Holder Lease Rates By IFQ Area

As noted above, the sablefish IFQ program's rules provide for unlimited leasing of freezer vessel QS. However, during the first three years of the program, only 10% of a person's catcher vessel QS for an area could be leased in a year.⁴⁰ Again, the rule providing for the lease of catcher vessel QS expired on January 2, 1998.

Originally, sablefish catcher vessel QS contained in blocks could not be separated for lease purposes. This meant that either the entire block had to be leased or none of the QS in the block could be leased. Under the rule, it was impossible for a person who held only a single block of QS for an area to lease any of that QS.

As significant portions of the sablefish catcher vessel QS issued in some areas were issued in blocks, leasing of some QS was not feasible for some persons. As a result, the regulation was altered in 1996 to allow for the leasing of up to 10% of the IFQ associated with a person's QS for an area, even if that QS was in a block. However, this liberalization did not become effective until September 9, 1996. Moreover, the change appeared to have little impact on catcher vessel leases during 1996 and 1997.

Table 5-1 provides a broad overview of sablefish leasing activity by management area and year over the 1995 through 1998 time period. The table provides the year-end amounts of QS outstanding and the amount of QS that was leased during each year. A rough "QS lease rate" is calculated by dividing the amount of QS leased by the amount of QS outstanding at the end of each year and converting the resulting fraction into a percentage.

The table also contains an "All Years" row for each area which provides summary data over all years. The data in the row represent the sums of numbers over the four years or ratios based upon the sums over all four years.

As can be seen, the Aleutian Islands, Bering Sea, and Western Gulf had the highest percentages of QS leased over the 1995 through 1998 period. Over the entire time period, QS lease rates ranged from .9% in the West Yakutat Area to 15.5% in the Aleutian Islands Area.⁴¹ For sablefish, the highest QS lease rate occurred in a CDQ area.⁴²

Table 5-1 also provides data on the number of year-end QS holders and the number of QS holders who leased some QS during the year. A rough "QS holder lease (lessor) rate" was

⁴⁰ See 50 CFR 679.41 (e) and (h).

⁴¹ The Bering Sea and Aleutians Island areas are CDQ areas for sablefish.

⁴² This report uses the QS amounts shown in lease transactions on NMFS-RAM computerized files. In a few instances, these transactions appear to be in error with respect to the actual amount of QS leased relative to the IFQ involved. For that reason, the QS lease rates shown herein may be slight overestimates even though they accurately reflect the data.

calculated by dividing the number of QS lessors during the year by the number of year-end QS holders and converting the resulting fraction to a percentage.⁴³ Over the entire 1995 through 1998 time period, the QS lessor rates ranged from 2.0% in the Central Gulf area to 6.0% in the Aleutian Islands area.

⁴³Note that different formulations of a “QS holder lease rate” could be made. The number of persons who hold QS can change during a year. Over the 1995 through 1998 time period there was a decline in the number of QS holders due to transfer and consolidation of QS holdings. Lease rates calculated with the number of year-end QS holders in the denominator will thus be higher than lease rates calculated with the number of year-beginning QS holders in the denominator.

Table 5-1. Sablefish QS and QS Holder Lease Rates By IFQ Area, 1995-1998

Area	Year	Year-end QS	Leased QS	QS Lease Rate(%)	Year-end Persons	Unique Lessors	Lessor Rate(%)
Southeast	1995	65,352,762	1,259,409	1.9	656	13	2.0
	1996	65,829,475	1,231,178	1.9	608	12	2.0
	1997	65,938,762	1,585,938	2.4	553	13	2.4
	1998	65,967,848	1,976,867	3.0	525	13	2.5
	ALL YRS	263,088,847	6,053,392	2.3	2,342	51	2.2
W. Yakutat	1995	52,597,269	887,103	1.7	420	12	2.9
	1996	53,028,226	605,902	1.1	392	7	1.8
	1997	53,116,620	244,956	0.5	350	6	1.7
	1998	53,207,225	266,838	0.5	341	7	2.1
	ALL YRS	211,949,340	2,004,799	0.9	1,503	32	2.1
C. Gulf	1995	107,635,310	2,902,784	2.7	592	14	2.4
	1996	109,997,846	1,542,073	1.4	553	12	2.2
	1997	110,873,858	1,029,680	0.9	496	8	1.6
	1998	111,032,423	1,774,619	1.6	479	9	1.9
	ALL YRS	439,539,437	7,249,156	1.6	2,120	43	2.0
W. Gulf	1995	35,196,842	3,718,498	10.6	217	9	4.1
	1996	35,793,302	3,137,255	8.8	211	4	1.9
	1997	35,935,239	3,288,630	9.2	197	7	3.6
	1998	35,951,012	1,533,658	4.3	187	7	3.7
	ALL YRS	142,876,395	11,678,041	8.2	812	27	3.3
Bering Sea	1995	17,598,802	2,008,938	11.4	138	8	5.8
	1996	18,421,029	998,940	5.4	135	4	3.0
	1997	18,602,398	1,424,719	7.7	131	6	4.6
	1998	18,587,476	3,905,196	21.0	128	9	7.0
	ALL YRS	73,209,705	8,337,793	11.4	532	27	5.1
Aleutians	1995	29,863,329	6,445,229	21.6	125	10	8.0
	1996	31,103,860	3,784,635	12.2	130	5	3.8
	1997	31,518,176	5,437,538	17.3	124	6	4.8
	1998	31,518,176	3,516,048	11.2	119	9	7.6
	ALL YRS	124,003,541	19,183,450	15.5	498	30	6.0

5.2. Sablefish QS and QS Holder Transfer and Lease Rates By Area and Vessel Category, 1995-1998.

Tables 5-2a and 5-2b provide more detailed summaries on sablefish QS and QS holder lease rates by area and vessel category for the years 1995 through 1998. For comparative purposes, QS and QS holder permanent transfer rates have also been included.

Leases and permanent transfers allow QS to move to persons who feel that they can use it more profitably and allow for consolidations of QS holdings and fishing operations either seasonally or permanently. The tables show that lease rates for freezer vessel QS were higher than permanent transfer rates for freezer vessel QS over the time period. In contrast, lease rates for catcher vessel QS were extremely low in most areas and lower than permanent transfer rates for catcher vessel QS. This is likely related to the restrictions on leasing catcher vessel QS.

Table 5-2a provides data for each area, year, and vessel category. It also provides summary data over the entire four year time period. The table includes the amount of QS at the end of each year, the amount of QS transferred within each year, and the amount of QS leased within each year by area and vessel category. QS transfer rates and QS lease rates are calculated for each area, year, and vessel category. The methodology used to calculate these rates is the same as described for Table 5-1.

The table indicates that freezer vessel QS lease and transfer rates differ sharply from catcher vessel QS lease and transfer rates. Leasing of QS was largely confined to freezer vessels over the 1995 through 1998 time period. This can be seen by the relatively high freezer vessel QS lease rates shown in Table 5-2a.

For example, over the first four years of the IFQ program, lease rates for freezer vessel QS ranged from 10.8% in the Central Gulf area to 29.4% in the Bering Sea area. There was very little catcher vessel QS leased in any area and catcher vessel lease rates were less than 1.0% in all areas and vessel classes. There was no catcher vessel QS leased at all in the Western Gulf, Bering Sea, and Aleutian Islands areas over the time period.

While catcher vessel QS lease rates were very low and freezer vessel QS lease rates were substantial, permanent transfer rates show a somewhat different pattern. Over the 1995-1998 period, transfer rates for QS in the “60 feet or less” catcher vessel category were higher than permanent transfer rates for freezer vessel QS in all areas except the Bering Sea. However, freezer vessel QS permanent transfer rates were greater than the permanent transfer rates of “Greater Than 60 feet” catcher vessel QS in three of the six sablefish areas.

Table 5-2b provides similar data for QS holders by area and vessel category. Again, data are provided for the 1995 and 1998 time period. The table includes the number of QS holders at the end of each year, the number of QS holders with transfers within each year,

and the number of QS holders with leases within each year. QS holder transfer rates and QS holder (lessor) lease rates are calculated for each area, year, and vessel category.

An “All Years” grouping sums data and provides a QS holder lease rate (lessor rate) by area and vessel category. Data on permanent halibut QS transfers by QS holders are provided for comparative purposes.

These data on QS holders with leases and transfers roughly parallel the data on QS leased and transferred. As can be seen the number of catcher vessel QS holders who leased some QS in the first four years is quite small relative to the number of year-end QS holders. QS holder lease rates for catcher vessel QS were less than 1% in all areas. No catcher vessel leases occurred in the Western Gulf, Bering Sea, and Aleutian Islands areas.

**Table 5-2a. Sablefish QS Transfer and Lease Rates, 1995-1998
By Area, Year, and Vessel Category**

Area	Year	Vessel Category	Year-end QS	Transferred QS	QS Transfer Rate (%)	Leased QS	QS Lease Rate (%)
Southeast	1995	Freezer	6,070,255	270,348	4.5	1,250,725	20.6
		GT 60 ft	13,542,232	1,017,460	7.5	8,684	0.1
		LE 60 ft	45,740,275	4,610,012	10.1	0	0.0
	1996	Freezer	5,985,260	600,437	10.0	1,163,473	19.4
		GT 60 ft	13,485,766	1,665,863	12.4	0	0.0
		LE 60 ft	46,358,449	3,518,097	7.6	67,705	0.1
	1997	Freezer	6,041,780	325,355	5.4	1,121,892	18.6
		GT 60 ft	13,460,403	661,090	4.9	112,623	0.8
		LE 60 ft	46,436,579	4,128,868	8.9	351,423	0.8
	1998	Freezer	6,070,866	244,737	4.0	1,624,942	26.8
		GT 60 ft	13,460,403	381,551	2.8	88,931	0.7
		LE 60 ft	46,436,579	2,776,938	6.0	262,994	0.6
	All Years	Freezer	24,168,161	1,440,877	6.0	5,161,032	21.4
		GT 60 ft	53,948,804	3,725,964	6.9	210,238	0.4
		LE 60 ft	184,971,882	15,033,915	8.1	682,122	0.4
W. Yakutat	1995	Freezer	4,266,270	198,867	4.7	823,074	19.3
		GT 60 ft	32,059,405	1,509,862	4.7	64,029	0.2
		LE 60 ft	16,271,594	1,569,741	9.6	0	0.0
	1996	Freezer	4,279,728	484,520	11.3	605,902	14.2
		GT 60 ft	32,170,690	1,546,931	4.8	0	0.0
		LE 60 ft	16,577,808	1,819,959	11.0	0	0.0
	1997	Freezer	4,326,056	332,112	7.7	244,956	5.7
		GT 60 ft	32,192,683	2,083,535	6.5	0	0.0
		LE 60 ft	16,597,881	1,728,334	10.4	0	0.0
	1998	Freezer	4,349,897	92,123	2.1	249,381	5.7
		GT 60 ft	32,261,525	1,389,662	4.3	0	0.0
		LE 60 ft	16,595,803	631,930	3.8	17,457	0.1
	All Years	Freezer	17,221,951	1,107,622	6.4	1,923,313	11.2
		GT 60 ft	128,684,303	6,529,990	5.1	64,029	0.0
		LE 60 ft	66,043,086	5,749,964	8.7	17,457	0.0
C. Gulf	1995	Freezer	15,067,735	563,533	3.7	2,902,784	19.3
		GT 60 ft	52,735,414	2,888,961	5.5	0	0.0
		LE 60 ft	39,832,161	4,380,982	11.0	0	0.0
	1996	Freezer	16,129,641	1,357,590	8.4	1,495,362	9.3
		GT 60 ft	52,874,736	3,716,581	7.0	0	0.0
		LE 60 ft	40,993,469	4,327,407	10.6	46,711	0.1
	1997	Freezer	16,922,204	1,715,121	10.1	915,675	5.4
		GT 60 ft	52,921,573	5,425,820	10.3	114,005	0.2
		LE 60 ft	41,030,081	4,230,583	10.3	0	0.0
	1998	Freezer	16,969,807	234,434	1.4	1,736,142	10.2
		GT 60 ft	53,025,668	1,228,754	2.3	0	0.0
		LE 60 ft	41,036,948	3,159,943	7.7	38,477	0.1
	All Years	Freezer	65,089,387	3,870,678	5.9	7,049,963	10.8
		GT 60 ft	211,557,391	13,260,116	6.3	114,005	0.1
		LE 60 ft	162,892,659	16,098,915	9.9	85,188	0.1

(Continued)

**Table 5-2a. (cont.) Sablefish QS Transfer and Lease Rates, 1995-1998
By Area, Year, and Vessel Category**

Area	Year	Vessel Category	Year-end QS	Transferred QS	QS Transfer Rate (%)	Leased QS	QS Lease Rate (%)
W. Gulf	1995	Freezer	13,398,039	44,223	0.3	3,718,498	27.8
		GT 60 ft	15,330,271	333,425	2.2	0	0.0
		LE 60 ft	6,468,532	1,530,851	23.7	0	0.0
	1996	Freezer	13,469,942	1,918,954	14.2	3,137,255	23.3
		GT 60 ft	15,545,162	727,606	4.7	0	0.0
		LE 60 ft	6,778,198	846,989	12.5	0	0.0
	1997	Freezer	13,578,407	125,774	0.9	3,288,630	24.2
		GT 60 ft	15,590,669	1,052,556	6.8	0	0.0
		LE 60 ft	6,766,163	1,358,715	20.1	0	0.0
	1998	Freezer	13,594,180	97,620	0.7	1,533,658	11.3
		GT 60 ft	15,591,876	1,362,289	8.7	0	0.0
		LE 60 ft	6,764,956	586,829	8.7	0	0.0
	All Years	Freezer	54,040,568	2,186,571	4.0	11,678,041	21.6
		GT 60 ft	62,057,978	3,475,876	5.6	0	0.0
		LE 60 ft	26,777,849	4,323,384	16.1	0	0.0
Bering Sea	1995	Freezer	6,654,211	237,952	3.6	2,008,938	30.2
		GT 60 ft	7,773,286	235,905	3.0	0	0.0
		LE 60 ft	3,171,305	529,670	16.7	0	0.0
	1996	Freezer	7,107,489	779,205	11.0	998,940	14.1
		GT 60 ft	7,773,286	295,952	3.8	0	0.0
		LE 60 ft	3,540,254	451,586	12.8	0	0.0
	1997	Freezer	7,288,858	360,448	4.9	1,424,719	19.5
		GT 60 ft	7,773,286	258,139	3.3	0	0.0
		LE 60 ft	3,540,254	648,407	18.3	0	0.0
	1998	Freezer	7,288,858	2,294,040	31.5	3,905,196	53.6
		GT 60 ft	7,758,364	53,007	0.7	0	0.0
		LE 60 ft	3,540,254	0	0.0	0	0.0
	All Years	Freezer	28,339,416	3,671,645	13.0	8,337,793	29.4
		GT 60 ft	31,078,222	843,003	2.7	0	0.0
		LE 60 ft	13,792,067	1,629,663	11.8	0	0.0
Aleutians	1995	Freezer	16,374,036	695,809	4.2	6,445,229	39.4
		GT 60 ft	11,086,468	550,180	5.0	0	0.0
		LE 60 ft	2,402,825	897,635	37.4	0	0.0
	1996	Freezer	17,123,651	1,213,703	7.1	3,784,635	22.1
		GT 60 ft	11,319,633	352,931	3.1	0	0.0
		LE 60 ft	2,660,576	496,076	18.6	0	0.0
	1997	Freezer	17,537,967	3,560,809	20.3	5,437,538	31.0
		GT 60 ft	11,319,633	743,433	6.6	0	0.0
		LE 60 ft	2,660,576	612,934	23.0	0	0.0
	1997	Freezer	17,537,967	633,790	3.6	3,516,048	20.0
		GT 60 ft	11,319,633	1,501,959	13.3	0	0.0
		LE 60 ft	2,660,576	391,026	14.7	0	0.0
	All Years	Freezer	68,573,621	6,104,111	8.9	19,183,450	28.0
		GT 60 ft	45,045,367	3,148,503	7.0	0	0.0
		LE 60 ft	10,384,553	2,397,671	23.1	0	0.0

**Table 5-2b. Transfer and Lease Rates of Sablefish QS Holders, 1995-1998
By Area, Year, and Vessel Category**

Area	Year	Vessel Category	Year-end Persons	Persons With Transfers	Transferer Rate (%)	Unique Lessors	Lessor Rate (%)
Southeast	1995	Freezer	44	6	13.6	12	27.3
		GT 60 ft	117	18	15.4	1	0.9
		LE 60 ft	500	118	23.6	0	0.0
	1996	Freezer	41	9	22.0	9	22.0
		GT 60 ft	110	20	18.2	0	0.0
		LE 60 ft	463	91	19.7	3	0.6
	1997	Freezer	38	9	23.7	8	21.1
		GT 60 ft	104	14	13.5	2	1.9
		LE 60 ft	422	87	20.6	3	0.7
	1998	Freezer	40	3	7.5	11	27.5
		GT 60 ft	102	7	6.9	1	1.0
		LE 60 ft	397	42	10.6	1	0.3
	All YRS	Freezer	163	27	16.6	40	24.5
		GT 60 ft	433	59	13.6	4	0.9
		LE 60 ft	1,782	338	19.0	7	0.4
W. Yakutat	1995	Freezer	33	4	12.1	11	33.3
		GT 60 ft	123	16	13.0	1	0.8
		LE 60 ft	268	49	18.3	0	0.0
	1996	Freezer	32	6	18.8	7	21.9
		GT 60 ft	127	19	15.0	0	0.0
		LE 60 ft	244	51	20.9	0	0.0
	1997	Freezer	32	7	21.9	6	18.8
		GT 60 ft	119	28	23.5	0	0.0
		LE 60 ft	211	54	25.6	0	0.0
	1998	Freezer	32	4	12.5	6	18.8
		GT 60 ft	119	13	10.9	0	0.0
		LE 60 ft	203	15	7.4	1	0.5
	All YRS	Freezer	129	21	16.3	30	23.3
		GT 60 ft	488	76	15.6	1	0.2
		LE 60 ft	926	169	18.3	1	0.1
C. Gulf	1995	Freezer	41	4	9.8	14	34.1
		GT 60 ft	179	25	14.0	0	0.0
		LE 60 ft	379	70	18.5	0	0.0
	1996	Freezer	42	6	14.3	10	23.8
		GT 60 ft	176	28	15.9	0	0.0
		LE 60 ft	350	61	17.4	2	0.6
	1997	Freezer	37	9	24.3	7	18.9
		GT 60 ft	172	41	23.8	1	0.6
		LE 60 ft	310	73	23.5	0	0.0
	1998	Freezer	37	3	8.1	8	21.6
		GT 60 ft	171	12	7.0	0	0.0
		LE 60 ft	300	26	8.7	1	0.3
	All YRS	Freezer	157	22	14.0	39	24.8
		GT 60 ft	698	106	15.2	1	0.1
		LE 60 ft	1,339	230	17.2	3	0.2

**Table 5-2b. (cont.) Transfer and Lease Rates of Sablefish QS Holders, 1995-1998
By Area, Year, and Vessel Category**

Area	Year	Vessel Category	Year-end Persons	Persons With Transfers	Transferor Rate (%)	Unique Lessors	Lessor Rate (%)
W. Gulf	1995	Freezer	29	3	10.3	9	31.0
		GT 60 ft	98	8	8.2	0	0.0
		LE 60 ft	93	16	17.2	0	0.0
	1996	Freezer	31	4	12.9	4	12.9
		GT 60 ft	96	8	8.3	0	0.0
		LE 60 ft	89	10	11.2	0	0.0
	1997	Freezer	30	6	20.0	7	23.3
		GT 60 ft	93	23	24.7	0	0.0
		LE 60 ft	84	18	21.4	0	0.0
	1998	Freezer	30	1	3.3	7	23.3
		GT 60 ft	91	14	15.4	0	0.0
		LE 60 ft	78	12	15.4	0	0.0
	All YRS	Freezer	120	14	11.7	27	22.5
		GT 60 ft	378	53	14.0	0	0.0
		LE 60 ft	344	56	16.3	0	0.0
Bering Sea	1995	Freezer	23	4	17.4	8	34.8
		GT 60 ft	61	3	4.9	0	0.0
		LE 60 ft	55	6	10.9	0	0.0
	1996	Freezer	26	2	7.7	4	15.4
		GT 60 ft	59	2	3.4	0	0.0
		LE 60 ft	52	4	7.7	0	0.0
	1997	Freezer	26	2	7.7	6	23.1
		GT 60 ft	57	4	7.0	0	0.0
		LE 60 ft	51	4	7.8	0	0.0
	1998	Freezer	25	5	20.0	9	36.0
		GT 60 ft	55	2	3.6	0	0.0
		LE 60 ft	51	0	0.0	0	0.0
	All YRS	Freezer	100	13	13.0	27	27.0
		GT 60 ft	232	11	4.7	0	0.0
		LE 60 ft	209	14	6.7	0	0.0
Aleutians	1995	Freezer	28	3	10.7	10	35.7
		GT 60 ft	58	6	10.3	0	0.0
		LE 60 ft	41	5	12.2	0	0.0
	1996	Freezer	30	3	10.0	5	16.7
		GT 60 ft	60	3	5.0	0	0.0
		LE 60 ft	42	3	7.1	0	0.0
	1997	Freezer	29	6	20.7	6	20.7
		GT 60 ft	59	5	8.5	0	0.0
		LE 60 ft	41	6	14.6	0	0.0
	1998	Freezer	29	3	10.3	9	31.0
		GT 60 ft	56	9	16.1	0	0.0
		LE 60 ft	40	5	12.5	0	0.0
	All YRS	Freezer	116	15	12.9	30	25.9
		GT 60 ft	233	23	9.9	0	0.0
		LE 60 ft	164	19	11.6	0	0.0

5.3 Lessors, Lessees, Leases, and Lease Rates

Table 5-3 provides additional details on lease transactions over the 1995 through 1998 time period. The table provides information on the number of lessors and lessees as well as the number of leases. Note that the numbers of lessors, lessees, and leases may vary for a particular type of QS because a person could lease QS to more than one person. Similarly, a person could lease QS from more than one person.

The table also provides data on the average sablefish QS per lease, the total amount of QS leased, and the QS lease rate as a percentage of the year-end QS. These data are provided by area, year, and vessel category.

An “All Years” summary row is provided for each area and vessel category. The numbers in these rows are the sum of the numbers over the entire period or averages and rates based upon numbers summed over all four years.

The table again shows that most of the formal lease transactions over the 1995-1998 period occurred with freezer vessel QS. There are no restrictions on leasing of freezer vessel QS. Freezer vessel QS lease rates ranged from 10.8% in the Central Gulf area to 29.4% in the Bering Sea area over the 1995 through 1998 time period. The average QS per lease was highest for freezer vessel QS in five of the six areas.

No catcher vessel QS leases occurred in the Western Gulf, Bering Sea, and Aleutian Island areas. Lease rates for catcher vessel QS were all less than 1% in the other three sablefish areas.

Table 5-3. Leases of QS by Area, Year, and Vessel Category, 1995-1998

Mgmt. Area	Year	Vessel Category	Year-end QS	Year-end Persons	Number Of Lessors	Number Of Leases	Number Of Leasees	Leased QS	Average QS Per Lease	QS Lease Rate (%)
Southeast	1995	Freezer	6,070,255	44	12	15	10	1,250,725	83,382	20.6
		GT 60 ft	13,542,232	117	1	1	1	8,684	8,684	0.1
		LE 60 ft	45,740,275	500	0	0	0	0	0	0.0
	1996	Freezer	5,985,260	41	9	10	7	1,163,473	116,347	19.4
		GT 60 ft	13,485,766	110	0	0	0	0	0	0.0
		LE 60 ft	46,358,449	463	3	3	3	67,705	22,568	0.1
	1997	Freezer	6,041,780	38	8	9	8	1,121,892	124,655	18.6
		GT 60 ft	13,460,403	104	2	2	2	112,623	56,312	0.8
		LE 60 ft	46,436,579	422	3	3	3	351,423	117,141	0.8
	1998	Freezer	6,070,866	40	11	12	12	1,624,942	135,412	26.8
		GT 60 ft	13,460,403	102	1	1	1	88,931	88,931	0.7
		LE 60 ft	46,436,579	397	1	1	1	262,994	262,994	0.6
	ALL YRS	Freezer	24,168,161	163	40	46	37	5,161,032	112,196	21.4
		GT 60 ft	53,948,804	433	4	4	4	210,238	52,560	0.4
		LE 60 ft	184,971,882	1,782	7	7	7	682,122	97,446	0.4
W. Yakutat	1995	Freezer	4,266,270	33	11	13	11	823,074	63,313	19.3
		GT 60 ft	32,059,405	123	1	1	1	64,029	64,029	0.2
		LE 60 ft	16,271,594	268	0	0	0	0	0	0.0
	1996	Freezer	4,279,728	32	7	8	7	605,902	75,738	14.2
		GT 60 ft	32,170,690	127	0	0	0	0	0	0.0
		LE 60 ft	16,577,808	244	0	0	0	0	0	0.0
	1997	Freezer	4,326,056	32	6	6	5	244,956	40,826	5.7
		GT 60 ft	32,192,683	119	0	0	0	0	0	0.0
		LE 60 ft	16,597,881	211	0	0	0	0	0	0.0
	1998	Freezer	4,349,897	32	6	6	6	249,381	41,564	5.7
		GT 60 ft	32,261,525	119	0	0	0	0	0	0.0
		LE 60 ft	16,595,803	203	1	2	1	17,457	8,729	0.1
	ALL YRS	Freezer	17,221,951	129	30	33	29	1,923,313	58,282	11.2
		GT 60 ft	128,684,303	488	1	1	1	64,029	64,029	0.0
		LE 60 ft	66,043,086	926	1	2	1	17,457	8,729	0.0
C. Gulf	1995	Freezer	15,067,735	41	14	16	13	2,902,784	181,424	19.3
		GT 60 ft	52,735,414	179	0	0	0	0	0	0.0
		LE 60 ft	39,832,161	379	0	0	0	0	0	0.0
	1996	Freezer	16,129,641	42	10	10	10	1,495,362	149,536	9.3
		GT 60 ft	52,874,736	176	0	0	0	0	0	0.0
		LE 60 ft	40,993,469	350	2	3	2	46,711	15,570	0.1
	1997	Freezer	16,922,204	37	7	7	6	915,675	130,811	5.4
		GT 60 ft	52,921,573	172	1	1	1	114,005	114,005	0.2
		LE 60 ft	41,030,081	310	0	0	0	0	0	0.0
	1998	Freezer	16,969,807	37	8	8	8	1,736,142	217,018	10.2
		GT 60 ft	53,025,668	171	0	0	0	0	0	0.0
		LE 60 ft	41,036,948	300	1	1	1	38,477	38,477	0.1
	ALL YRS	Freezer	65,089,387	157	39	41	37	7,049,963	171,950	10.8
		GT 60 ft	211,557,391	698	1	1	1	114,005	114,005	0.1
		LE 60 ft	162,892,659	1,339	3	4	3	85,188	21,297	0.1

(Continued)

Table 5-3. (cont.) Leases of QS by Area Year, and Vessel Category, 1995-1998

Mgmt. Area	Year	Vessel Category	Year-end QS	Year-end Persons	Number Of Lessors	Number Of Leases	Number Of Leasees	Leased QS	Average QS Per Lease	QS Lease Rate (%)
W. Gulf	1995	Freezer	13,398,039	29	9	12	10	3,718,498	309,875	27.8
		GT 60 ft	15,330,271	98	0	0	0	0	0	0.0
		LE 60 ft	6,468,532	93	0	0	0	0	0	0.0
	1996	Freezer	13,469,942	31	4	5	5	3,137,255	627,451	23.3
		GT 60 ft	15,545,162	96	0	0	0	0	0	0.0
		LE 60 ft	6,778,198	89	0	0	0	0	0	0.0
	1997	Freezer	13,578,407	30	7	8	8	3,288,630	411,079	24.2
		GT 60 ft	15,590,669	93	0	0	0	0	0	0.0
		LE 60 ft	6,766,163	84	0	0	0	0	0	0.0
	1998	Freezer	13,594,180	30	7	8	8	1,533,658	191,707	11.3
		GT 60 ft	15,591,876	91	0	0	0	0	0	0.0
		LE 60 ft	6,764,956	78	0	0	0	0	0	0.0
	ALL YRS	Freezer	54,040,568	120	27	33	31	11,678,041	353,880	21.6
		GT 60 ft	62,057,978	378	0	0	0	0	0	0.0
		LE 60 ft	26,777,849	344	0	0	0	0	0	0.0
Bering Sea	1995	Freezer	6,654,211	23	8	8	7	2,008,938	251,117	30.2
		GT 60 ft	7,773,286	61	0	0	0	0	0	0.0
		LE 60 ft	3,171,305	55	0	0	0	0	0	0.0
	1996	Freezer	7,107,489	26	4	5	4	998,940	199,788	14.1
		GT 60 ft	7,773,286	59	0	0	0	0	0	0.0
		LE 60 ft	3,540,254	52	0	0	0	0	0	0.0
	1997	Freezer	7,288,858	26	6	6	6	1,424,719	237,453	19.5
		GT 60 ft	7,773,286	57	0	0	0	0	0	0.0
		LE 60 ft	3,540,254	51	0	0	0	0	0	0.0
	1998	Freezer	7,288,858	25	9	9	7	3,905,196	433,911	53.6
		GT 60 ft	7,758,364	55	0	0	0	0	0	0.0
		LE 60 ft	3,540,254	51	0	0	0	0	0	0.0
	ALL YRS	Freezer	28,339,416	100	27	28	24	8,337,793	297,778	29.4
		GT 60 ft	31,078,222	232	0	0	0	0	0	0.0
		LE 60 ft	13,792,067	209	0	0	0	0	0	0.0
Aleutians	1995	Freezer	16,374,036	28	10	11	9	6,445,229	585,930	39.4
		GT 60 ft	11,086,468	58	0	0	0	0	0	0.0
		LE 60 ft	2,402,825	41	0	0	0	0	0	0.0
	1996	Freezer	17,123,651	30	5	7	7	3,784,635	540,662	22.1
		GT 60 ft	11,319,633	60	0	0	0	0	0	0.0
		LE 60 ft	2,660,576	42	0	0	0	0	0	0.0
	1997	Freezer	17,537,967	29	6	8	6	5,437,538	679,692	31.0
		GT 60 ft	11,319,633	59	0	0	0	0	0	0.0
		LE 60 ft	2,660,576	41	0	0	0	0	0	0.0
	1998	Freezer	17,537,967	29	9	9	9	3,516,048	390,672	20.0
		GT 60 ft	11,319,633	56	0	0	0	0	0	0.0
		LE 60 ft	2,660,576	40	0	0	0	0	0	0.0
	ALL YRS	Freezer	68,573,621	116	30	35	31	19,183,450	548,099	28.0
		GT 60 ft	45,045,367	233	0	0	0	0	0	0.0
		LE 60 ft	10,384,553	164	0	0	0	0	0	0.0

5.4 QS Lease Prices

This section provides information on sablefish QS lease prices. Table 5-4 provides summary data on the total number of formal lease transactions over the 1995 through 1998 time period and the number and percentage of these transactions that had lease prices available from the transfer forms. The table indicates that there were 235 sablefish QS lease transactions over the four year period, but lease prices were available for only 144 (61.3%) of the transactions.⁴⁴

As can be seen, QS leases occurred in all sablefish areas in each year. The leases occurred largely within the freezer vessel class. There are no QS leasing restrictions for freezer (harvester-processor) QS. During the first three years of the IFQ program, holders of catcher vessel QS in an area could lease up to 10% of that QS. As noted earlier, the regulations that allowed leasing of catcher vessel QS expired on January 2, 1998 and have not been renewed.⁴⁵

Table 5-5 provides information on the sablefish lease transactions for which prices were available. The table provides information on the number of priced lease transactions, the amount of QS involved in the lease, the average QS per lease, the amount of IFQ associated with the lease, and the average IFQ per lease by area and vessel category.

Where sufficient observations are available to preserve confidentiality, average lease prices are reported. Prices are reported in dollars per leased QS unit and in dollars per pound of IFQ leased. Prices per pound of IFQ leased are comparable across areas within a year.

As can be seen, there are not enough priced observations in many categories to report an average price. Since there were relatively few priced lease transactions, the reader should view the reported average lease prices with caution.

The only reportable average prices are for freezer vessels. In 1995, the average lease price for freezer QS in terms of dollars per pound of IFQ varied from \$.53 per pound in the Bering Sea and Aleutian Islands Areas to \$1.03 per pound in the Southeast area.

In 1996, there are fewer reportable average lease prices. Average lease prices for freezer vessel QS could be reported in only three areas and varied only slightly. The average lease prices varied from \$.99 per pound of IFQ in the Southeast area to \$1.00 per pound of IFQ in the Central Gulf and Western Gulf area.

⁴⁴NMFS-RAM personnel have suggested that most lease transactions have monetary considerations. However, in many cases the lease contract is a "share" contract or percentage contract. In such cases, persons coding the transfer document have no way to calculate the exact amount of the lease or the rental price per pound of IFQ. Thus in the computer file the fields are left blank or "unpriced" even though the lessor will receive compensation.

⁴⁵See 50 CFR 679.41 (h)(2).

In 1997, average lease prices per pound of sablefish IFQ were lower than in 1995 or 1996 in most areas, with the exception of Southeast Alaska. Average lease prices in 1997 varied from \$.37 per pound of sablefish IFQ in the Bering Sea to \$1.18 per pound in Southeast Alaska.

In 1998, lease prices per pound of sablefish IFQ averaged \$.78 over all areas. Average lease prices ranged from \$.58 per pound of IFQ in the Bering Sea area to \$1.04 per pound of IFQ in the Central Gulf area.

Prices over “all” areas are reported in the last rows of the table for each year from 1995 through 1998. Again, prices can only be reported for the freezer vessel category. Average prices over all areas for the lease of sablefish freezer vessel QS ranged from \$.68 per pound of IFQ in 1997 to \$.96 per pound of IFQ in 1996.⁴⁶

⁴⁶ The reader should note that more observations can be included in the average calculated over all areas while preserving the confidentiality of the data.

Table 5-4. Priced and Unpriced Sablefish QS Leases By Area and Vessel Category, 1995-1998

Area	Year	Vessel Category	Number of Leases	Number of Priced Leases	Pct. Priced Leases	All Leased IFQ	IFQ In Priced Leases	Pct. In Priced Leases	
Southeast	95	Freezer GT 60 ft	15	12	80.0	237,140	203,375	85.8	
			1	0	0.0	1,647	0	0.0	
	96	Freezer LE 60 ft	10	4	40.0	179,295	34,339	19.2	
			3	1	33.3	8,338	985	11.8	
	97	Freezer GT 60 ft LE 60 ft	9	6	66.7	139,443	79,318	56.9	
			2	0	0.0	13,679	0	0.0	
			3	0	0.0	40,913	0	0.0	
	98	Freezer GT 60 ft LE 60 ft	12	6	50.0	192,820	82,583	42.8	
			1	0	0.0	10,931	0	0.0	
			1	1	100.0	30,660	30,660	100.0	
	W. Yakutat	95	Freezer GT 60 ft	13	7	53.8	127,988	97,172	75.9
				1	0	0.0	9,957	0	0.0
96		Freezer	8	3	37.5	73,969	52,157	70.5	
97		Freezer	6	4	66.7	25,134	19,432	77.3	
98		Freezer LE 60 ft	6	2	33.3	22,703	5,401	23.8	
			2	0	0.0	1,694	0	0.0	
C. Gulf		95	Freezer	16	11	68.8	397,159	353,943	89.1
		96	Freezer LE 60 ft	10	4	40.0	163,744	68,732	42.0
	3			1	33.3	4,973	1,987	40.0	
	97	Freezer GT 60 ft	7	4	57.1	95,394	42,756	44.8	
			1	0	0.0	7,355	0	0.0	
	98	Freezer LE 60 ft	8	5	62.5	181,898	134,966	74.2	
			1	0	0.0	4,225	0	0.0	
	W. Gulf	95	Freezer	12	8	66.7	456,929	382,203	83.6
96		Freezer	5	4	80.0	306,110	305,674	99.9	
97		Freezer	8	5	62.5	131,737	117,869	89.5	
98		Freezer	8	7	87.5	135,138	125,461	92.8	
Bering Sea	95	Freezer	8	6	75.0	172,971	148,956	86.1	
	96	Freezer	5	2	40.0	51,502	29,941	58.1	
	97	Freezer	6	6	100.0	81,318	81,318	100.0	
	98	Freezer	9	8	88.9	245,198	232,757	94.9	
Aleutians	95	Freezer	11	9	81.8	602,564	575,372	95.5	
	96	Freezer	7	2	28.6	218,346	184,706	84.6	
	97	Freezer	8	8	100.0	280,466	280,466	100.0	
	98	Freezer	9	8	88.9	210,570	193,870	92.1	

Table 5-5. Average Prices For Sablefish QS "Priced" Leases By Area and Vessel Category, 1995-1998

Area	Year	Vessel Category	Average Lease \$/IFQ	Average Lease \$/QS	IFQ in Priced Leases	Average IFQ PER Lease	QS in Priced Leases	Average QS Per Lease	Number of Leases
Southeast	95	Freezer	\$1.03	\$0.20	203,375	16,948	1,072,697	89,391	12
	96	Freezer LE 60 ft	\$0.99	\$0.15	34,339	8,585	225,993	56,498	4
			C	C	985	985	6,668	6,668	1
	97	Freezer	\$1.18	\$0.15	79,318	13,220	633,885	105,648	6
98	Freezer LE 60 ft	C	C	82,583	13,764	689,567	114,928	6	
		C	C	30,660	30,660	262,994	262,994	1	
W. Yakutat	95	Freezer	\$0.67	\$0.10	97,172	13,882	624,900	89,271	7
	96	Freezer	C	C	52,157	17,386	423,997	141,332	3
	97	Freezer	\$0.62	\$0.06	19,432	4,858	188,228	47,057	4
	98	Freezer	C	C	5,401	2,701	53,959	26,980	2
C. Gulf	95	Freezer	\$0.81	\$0.11	353,943	32,177	2,586,923	235,175	11
	96	Freezer LE 60 ft	\$1.00	\$0.11	68,732	17,183	631,607	157,902	4
			C	C	1,987	1,987	18,497	18,497	1
	97	Freezer	\$0.51	\$0.05	42,756	10,689	399,450	99,863	4
98	Freezer	\$1.04	\$0.11	134,966	26,993	1,282,294	256,459	5	
W. Gulf	95	Freezer	\$0.99	\$0.12	382,203	47,775	3,110,377	388,797	8
	96	Freezer	\$1.00	\$0.10	305,674	76,419	3,133,082	783,271	4
	97	Freezer	\$0.74	\$0.03	117,869	23,574	3,147,642	629,528	5
	98	Freezer	\$0.91	\$0.08	125,461	17,923	1,436,038	205,148	7
Bering Sea	95	Freezer	\$0.53	\$0.05	148,956	24,826	1,730,019	288,337	6
	96	Freezer	C	C	29,941	14,971	587,458	293,729	2
	97	Freezer	\$0.37	\$0.02	81,318	13,553	1,424,719	237,453	6
	98	Freezer	\$0.58	\$0.04	232,757	29,095	3,702,649	462,831	8
Aleutians	95	Freezer	\$0.53	\$0.05	575,372	63,930	6,154,374	683,819	9
	96	Freezer	C	C	11,986	11,986	143,455	143,455	1
	97	Freezer	\$0.63	\$0.03	280,466	35,058	5,437,538	679,692	8
	98	Freezer	\$0.64	\$0.04	193,870	24,234	3,252,541	406,568	8
All Areas	95	Freezer	\$0.75	\$0.09	1,761,021	33,227	15,279,290	288,288	53
	96	Freezer LE 60 ft	\$0.96	\$0.09	502,829	27,935	5,145,592	285,866	18
			C	C	2,972	1,486	25,165	12,583	2
	97	Freezer	\$0.68	\$0.04	621,159	18,823	11,231,462	340,347	33
98	Freezer LE 60 ft	\$0.78	\$0.06	775,038	21,529	10,417,048	289,362	36	
		C	C	30,660	30,660	262,994	262,994	1	

