

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

7.1 Introduction

QS Blocks

The sablefish 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 if their QS would have resulted in less than 20,000 pounds of sablefish, given 1994 TACs.⁵³ 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.⁵⁴ A person can hold no more than two blocks in an area, 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 their combined total is worth less than 5,000 pounds of a hypothetical IFQ.⁵⁵ 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 the Bering Sea and Aleutian Islands management areas for community development quotas (CDQs). When portions of the TAC were set aside for CDQs, individuals who received QS in the CDQ areas were faced with reduced harvest limits. The IFQ plan contained provisions designed to compensate QS holders for this reduction.⁵⁶ The goal of the plan was to spread the burden of the compensation equally among all persons who initially received sablefish QS. Compensation was provided by giving fishermen from the CDQ areas (Bering Sea and Aleutian Islands) additional QS in each of the management areas in which CDQs were not allocated (Southeast, West Yakutat, Central Gulf, Western Gulf).

⁵³ 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 in the QS pool change.

⁵⁴ 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.

⁵⁵ The original sweep-up limit was 3,000 pounds. In April 1996 the NPFMC approved an amendment that increased the sweep-up limit to 5,000 pounds. This regulation is now incorporated into 50 CFR 679.41(e).(2). The 5,000 pounds of hypothetical IFQ was based upon 1996 TACs and the QS pool as of January 31, 1996. The revised regulation translates the rule into a specific amount of QS units for each sablefish area. This regulation became effective in December, 1996 and therefore had little impact on 1995 and 1996 sweep-up transactions. Tables in this report use the new 5,000 pound sweep-up limit to analyze the effects of sweep-ups.

⁵⁶ 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 QS “Swaps”

In many cases persons received CDQ compensation QS in areas where they had not previously fished or had not been issued regular QS. The Council addressed this situation by adding provisions to 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.⁵⁷

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 catcher vessels of any size category until it is swapped or transferred. These rules facilitate the transfer and use of CDQ compensation QS.

If a person held other QS for the same area when their CDQ compensation QS was issued, their catcher vessel CDQ compensation QS was “unswappable,” and was rolled into their other QS holding for the area. This summed holding became either blocked or unblocked, depending upon its size.⁵⁸

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

7.2 Blocked QS, CDQ Compensation QS, and Swappable CDQ Compensation QS.

Table 7-1a provides summary data on the initial and 1998 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 QS change and percent change is also given by area and block status. Note that the total number of QS units declined slightly after initial issuance due to 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 of the QS; 4) Administrative revocations of QS.

⁵⁷ See 50 CFR 679.41(i).

⁵⁸ See 50 CFR 679.41 (j)(3)

Table 7-1a indicates the percent of QS that was issued as blocks varied greatly by area. The Bering Sea shows the highest percentage of blocked QS, with 64.6% of the total QS in the area initially issued in blocks. The other management areas had much lower percentages of blocked QS, ranging from 8.1% in the Central Gulf to 19.9% in the Western Gulf. In three of the six areas, the amount of blocked and unblocked QS increased from initial issuance to the end of 1998 due to the net effects of the four factors mentioned above.

The CDQ compensation QS issued in the Southeast, West Yakutat, Central Gulf, and Western Gulf areas represented about 3.5% of the total QS in each of these areas. Persons received either swappable or non-swappable CDQ compensation QS, depending upon whether the person was also issued regular QS in the area. Non-swappable CDQ compensation QS was rolled into the other blocked or unblocked holdings of initial QS recipients. Swappable CDQ compensation QS was issued to persons who were not initially issued any other kind of QS for the area. Swappable CDQ compensation QS is transferable and loses its “swapability” upon first transfer. The overall amount of this type of QS has decreased since initial issuance as it has been transferred. The net result of these changes can be seen in the “Year-end 1998” column of Table 7-1a.

Table 7-1b contains much of the same information as Table 7-1a, except it shows the number of QS holders, rather than the amount of QS, by area and block status. The table also indicates the net changes in the number of QS holders from initial issuance through the end of 1998.

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 will fall into both categories in Table 7-1b; therefore, the year-end 1998 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 177 persons who received CDQ compensation QS in each of the Southeast and Western Gulf areas, and 176 persons who received CDQ compensation QS in the West Yakutat and Central Gulf areas.⁵⁹ These persons received either swappable or non-swappable CDQ compensation in each of the four non-CDQ areas. The proportion of persons who received either swappable or non-swappable CDQ compensation QS varied by area, depending upon how many of the persons had also been issued regular QS in the area. For example, in Southeast 77 persons received swappable

⁵⁹This discrepancy may be an error in the database.

CDQ compensation QS and 100 persons received non-swappable CDQ compensation QS. In contrast, in the Central Gulf only 16 persons received swappable CDQ compensation QS and 160 persons received non-swappable QS.

All persons who received non-swappable CDQ compensation had their compensatory QS rolled into their other initial holdings, as the *Year-end 1998* column of Table 7-1b indicates. The number of persons holding swappable CDQ compensation QS also dropped substantially. Note that this type of QS is no longer swappable after it is transferred for the first time, regardless of whether it is “swapped” to a different catcher vessel category or is transferred within the vessel category.

The overall number of QS holders has decreased in all areas, although the drop was considerably smaller in the Bering Sea and Aleutian Islands (see Table 3-1a, Chapter 3). Most of the decrease in total QS holders 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 the Central Gulf.

Table 7-2 repeats information presented in Tables 7-1a and 7-1b, but only presents data associated with swappable CDQ compensation QS. It shows, by area, the initial issuance and 1998 year-end amounts of CDQ compensation QS and the numbers of persons who held this type of QS. The table helps to show that a substantial amount of the swappable CDQ compensation QS had been transferred by the end of 1998.

In the Southeast area, 204,001 swappable QS units had been transferred, either with or without a “swap” in vessel category, by the end of 1998. This represents 46.4% of the total swappable QS issued in the area. In other areas the percentage of swappable CDQ compensation QS transferred was slightly higher. For example, in West Yakutat 50.8% of the swappable CDQ compensation QS had been transferred (51,099 QS units), and in the Central Gulf and the Western Gulf, 59.5% and 63.3% of the respective swappable QS units had been transferred. As previously stated, these transfers may or may not have occurred with an accompanying vessel category swap. The table also shows that the number of persons holding swappable CDQ compensation QS has dropped 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 1998. The table serves to illustrate how much QS has been “swapped” from each vessel category in a management area. It also indicates 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 1998 indicates a decrease in all but one catcher vessel category in the Central Gulf.

The table also shows how administrative appeals and revocations have changed the amount of swappable CDQ compensation QS in catcher vessel categories.

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 only small amounts of CDQ compensation QS were swapped to other vessel categories.

Table 7-5 lists the initial and year-end distribution of all QS by management area and vessel category. It shows how the amount of 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, 1998 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. This provision was never used for sablefish QS prior to the expiration date.⁶⁰ 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.

Table 7-5 indicates there have been only small changes in the distribution of QS between vessel categories, relative to the total amount of QS in each area. Administrative revocations have played a greater role than CDQ compensation swaps in changing the distribution of QS between vessel categories. Administrative appeals and other actions have also resulted in small QS changes between vessel categories.

⁶⁰ See 679.41.(i).(2).

Table 7-1a. Sablefish Initial Allocation and Year-end 1998 QS by Area, Block, and CDQ Status

Area	Block Status	Initial Amount of QS	1998 Amount of QS	Initial Pct. of Area QS	1998 Pct. of Area QS	Change in Total QS	Percent Change QS	Total Revoked QS
Southeast	Blocked	9,623,346	9,776,050	14.5	14.8	152,704	1.6	1,490
	CDQ Swappable	439,563	235,562	0.7	0.4	-204,001	-46.4	0
	CDQ Non-Swappable	1,895,599	0	2.9	0.0	-1,895,599	-100.0	0
	Unblocked	54,516,286	55,956,236	82.0	84.8	1,439,950	2.6	505,456
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		66,474,794	65,967,848			-506,946		506,946
W. Yakutat	Blocked	6,843,813	6,860,592	12.8	12.9	16,779	0.2	0
	CDQ Swappable	100,648	49,549	0.2	0.1	-51,099	-50.8	0
	CDQ Non-Swappable	1,793,665	0	3.4	0.0	-1,793,665	-100.0	0
	Unblocked	44,694,735	46,297,084	83.6	87.0	1,602,349	3.6	225,636
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		53,432,861	53,207,225			-225,636		225,636
C. Gulf	Blocked	9,052,345	8,429,805	8.1	7.6	-622,540	-6.9	86,026
	CDQ Swappable	39,263	15,885	0.0	0.0	-23,378	-59.5	0
	CDQ Non-Swappable	3,726,604	0	3.3	0.0	-3,726,604	-100.0	0
	Unblocked	98,659,337	102,586,733	88.5	92.4	3,927,396	4.0	359,100
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		111,477,549	111,032,423			-445,126		445,126
W. Gulf	Blocked	7,195,568	7,229,732	19.9	20.1	34,164	0.5	34,754
	CDQ Swappable	64,524	23,656	0.2	0.1	-40,868	-63.3	0
	CDQ Non-Swappable	1,214,046	0	3.4	0.0	-1,214,046	-100.0	0
	Unblocked	27,611,743	28,697,624	76.5	79.8	1,085,881	3.9	100,115
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		36,085,881	35,951,012			-134,869		134,869
Bering Sea	Blocked	12,022,360	11,102,238	64.6	59.7	-920,122	-7.7	17,678
	Unblocked	6,582,794	7,485,238	35.4	40.3	902,444	13.7	0
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		18,605,154	18,587,476			-17,678		17,678
Aleutians	Blocked	3,156,873	3,008,760	10.0	9.5	-148,113	-4.7	0
	Unblocked	28,361,303	28,509,416	90.0	90.5	148,113	0.5	0
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		31,518,176	31,518,176			0		0

Table 7-1b. Sablefish QS Holders: Initial Allocation and Year-end 1998 QS Holders, By Area, Block, and CDQ Status

Area	Block Status	Initial Number of QS Holders	1998 Number of QS Holders	Initial Pct. of Area QS Holders	1998 Pct. of Area QS Holders	Change in QS Holders	Percent Change in QS Holders
Southeast	Blocked	391	300	48.2	50.6	-91	-23.3
	CDQ Swappable	77	35	9.5	5.9	-42	-54.5
	CDQ Non-Swappable	100	0	12.3	0.0	-100	-100.0
	Unblocked	244	258	30.0	43.5	14	5.7
		-----	-----			-----	
		812	593			-219	
W. Yakutat	Blocked	276	206	47.4	55.5	-70	-25.4
	CDQ Swappable	37	20	6.4	5.4	-17	-45.9
	CDQ Non-Swappable	139	0	23.9	0.0	-139	-100.0
	Unblocked	130	145	22.3	39.1	15	11.5
		-----	-----			-----	
		582	371			-211	
C. Gulf	Blocked	403	311	50.3	59.8	-92	-22.8
	CDQ Swappable	16	8	2.0	1.5	-8	-50.0
	CDQ Non-Swappable	160	0	20.0	0.0	-160	-100.0
	Unblocked	222	201	27.7	38.7	-21	-9.5
		-----	-----			-----	
		801	520			-281	
W. Gulf	Blocked	139	120	37.9	58.3	-19	-13.7
	CDQ Swappable	40	25	10.9	12.1	-15	-37.5
	CDQ Non-Swappable	137	0	37.3	0.0	-137	-100.0
	Unblocked	51	61	13.9	29.6	10	19.6
		-----	-----			-----	
		367	206			-161	
Bering Sea	Blocked	137	120	95.1	93.0	-17	-12.4
	Unblocked	7	9	4.9	7.0	2	28.6
		-----	-----			-----	
		144	129			-15	
Aleutians	Blocked	87	77	64.0	60.6	-10	-11.5
	Unblocked	49	50	36.0	39.4	1	2.0
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		136	127			-9	

Note: The counts of QS holders do not represent unique individuals. Persons who received non-swappable CDQ compensation QS in the Southeast, West Yakutat, Central Gulf and Western Gulf areas are counted in the non-swappable category as well as either the blocked or unblocked categories. Persons from all areas in the year-end 1998 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 1998, by Area**

Area	Block Status	Initial Amount of QS	1998 Amount of QS	Change in Total QS	Percent Change QS	Initial Number of QS Holders	1998 Number of QS Holders	Change in QS Holders	Percent Change in QS Holders
Southeast	CDQ Swappable	439,563	235,562	-204,001	-46.4	77	35	-42	-54.5
W. Yakutat	CDQ Swappable	100,648	49,549	-51,099	-50.8	37	20	-17	-45.9
C. Gulf	CDQ Swappable	39,263	15,885	-23,378	-59.5	16	8	-8	-50.0
W. Gulf	CDQ Swappable	64,524	23,656	-40,868	-63.3	40	25	-15	-37.5

Table 7-3. Swappable Sablefish QS: Net Changes From Initial Allocation to Year-end 1998, 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	1998 Amount of Swappable QS
Southeast	GT 60 ft.	330,423	21,183	125,707	0	0	183,533
	LE 60 ft.	109,140	0	57,111	0	0	52,029
		----- 439,563	----- 21,183	----- 182,818		----- 0	----- 235,562
W. Yakutat	GT 60 ft.	25,886	5,687	8,449	0	0	12,742
	LE 60 ft.	74,762	2,078	34,793	0	92	36,807
		----- 100,648	----- 7,765	----- 43,242		----- 92	----- 49,549
C. Gulf	GT 60 ft.	2,030	0	0	0	0	2,030
	LE 60 ft.	37,233	4,180	19,015	0	183	13,855
		----- 39,263	----- 4,180	----- 19,015		----- 183	----- 15,885
W. Gulf	GT 60 ft.	28,140	0	11,899	0	0	16,241
	LE 60 ft.	36,384	27,178	1,791	0	0	7,415
		----- 64,524	----- 27,178	----- 13,690		----- 0	----- 23,656

Table 7-4. Swappable Sablefish 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
Southeast	GT 60 ft.	330,423	21,183	5	0	0	-21,183	-6.4
	LE 60 ft.	109,140	0	0	21,183	5	21,183	19.4
		----- 439,563	21,183	5	21,183	5		
W. Yakutat	GT 60 ft.	25,886	5,687	1	2,078	3	-3,609	-13.9
	LE 60 ft.	74,762	2,078	3	5,687	1	3,609	4.8
		----- 100,648	7,765	4	7,765	4		
C. Gulf	GT 60 ft.	2,030	0	0	4,180	3	4,180	205.9
	LE 60 ft.	37,233	4,180	3	0	0	-4,180	-11.2
		----- 39,263	4,180	3	4,180	3		
W. Gulf	GT 60 ft.	28,140	0	0	27,178	3	27,178	96.6
	LE 60 ft.	36,384	27,178	3	0	0	-27,178	-74.7
		----- 64,524	27,178	3	27,178	3		

Table 7-5. Initial and Year-end 1998 Sablefish 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 / Reversals	Net QS Change Due To Other	1998 Amount of QS
Southeast	Freezer	6,336,302	0	265,436	0	0	6,070,866
	GT 60 ft.	13,711,775	-21,183	206,625	-11,870	-11,694	13,460,403
	LE 60 ft.	46,426,717	21,183	34,885	11,870	11,694	46,436,579
		-----	-----	-----	-----	-----	-----
		66,474,794	0	506,946	0	0	65,967,848
W. Yakutat	Freezer	4,364,968	0	15,071	0	0	4,349,897
	GT 60 ft.	32,474,615	-5,687	210,473	0	3,070	32,261,525
	LE 60 ft.	16,593,278	5,687	92	0	-3,070	16,595,803
		-----	-----	-----	-----	-----	-----
		53,432,861	0	225,636	0	0	53,207,225
C. Gulf	Freezer	17,110,532	0	140,725	0	0	16,969,807
	GT 60 ft.	53,273,465	2,858	254,567	0	3,912	53,025,668
	LE 60 ft.	41,093,552	-2,858	49,834	0	-3,912	41,036,948
		-----	-----	-----	-----	-----	-----
		111,477,549	0	445,126	0	0	111,032,423
W. Gulf	Freezer	13,686,455	0	92,275	0	0	13,594,180
	GT 60 ft.	15,587,157	25,971	22,459	0	1,207	15,591,876
	LE 60 ft.	6,812,269	-25,971	20,135	0	-1,207	6,764,956
		-----	-----	-----	-----	-----	-----
		36,085,881	0	134,869	0	0	35,951,012
Bering Sea	Freezer	7,288,858	0	0	0	0	7,288,858
	GT 60 ft.	7,773,286	0	14,922	0	0	7,758,364
	LE 60 ft.	3,543,010	0	2,756	0	0	3,540,254
		-----	-----	-----	-----	-----	-----
		18,605,154	0	17,678	0	0	18,587,476
Aleutians	Freezer	17,537,967	0	0	0	0	17,537,967
	GT 60 ft.	11,319,633	0	0	0	0	11,319,633
	LE 60 ft.	2,660,576	0	0	0	0	2,660,576
		-----	-----	-----	-----	-----	-----
		31,518,176	0	0	0	0	31,518,176

Notes to Table 7-5:

1) The RAM data indicates two swap transactions on QS segments that were not swappable. This involved 11,694 QS units in the Southeast area and 2,590 QS units in the Central Gulf.

2) There appears to be an administrative change made to a QS segment during the transfer process. A vessel category change appears in the RAM data base without an accompanying swap transaction or administrative appeal transaction. This involves 992 QS units from category B (60 ft. or greater) to category C (36-60 ft.) in West Yakutat.

