

5 Halibut: Types of Transfers, Financing of Transfers, Relationships between Transferors and Transfer Recipients, and Use of Brokers

This chapter uses information collected during QS transfers to classify transactions by type of transaction. Transfers were classified as “priced sales,” “gifts,” “other sales,” “trades,” and “unknown.” This chapter also examines the extent to which different financing sources were used in priced sales transfers, the relationships between parties to transfers, and the extent to which brokers are involved in transfers. All permanent transfers or leases of QS must be reviewed and approved by NMFS-RAM. Persons involved in the transfer or lease of QS are required to complete and submit a transfer application to NMFS-RAM. Part of this application is to be filled out by the transferor, and part of it is to be filled out by the transfer recipient. In some cases, brokers who are the marketers for the transactions help to complete these forms. The transfer application form asks some basic questions to help NMFS monitor changes under the IFQ program although some questions changed overtime. Appendix II provides copies of the transfer applications used from 1995, 1998 and 2011. Data from the transfer application files are sources for the analyses in this chapter.³⁹ Due to a significant database change, 1999 data are not available in the following tables.

5.1 Sales, Gifts, Trades, and Other Transfers

In the early program years, the transfer application form does not specifically ask if a QS transfer is a sale, gift, or trade. Without this information, the authors had to use other available information and some decision criteria to decide how transactions should be classified. For example, on the transfer application persons often indicated whether or not a transfer was a gift when they answered one of the open-ended questions such as, “*What is your reason for transferring the QS and/or the IFQ...?*” and “*If this is a purchase of QS or IFQ, how are you financing the purchase...?*” Respondents would often answer these questions by writing in “gift,” “gift transfer,” “gift to son,” or a similar answer. The transfer transactions were divided into one of five categories:

<i>Priced sales</i>	A price for the QS transferred was listed on the transfer application form.
<i>Other sales</i>	Some monetary exchange occurred but during a transfer NMFS-RAM could not calculate a price for the QS, based on application data.
<i>Trades</i>	Something was traded for the QS during a transfer.
<i>Gifts</i>	A QS transfer is noted as a gift with no evidence of a reciprocal exchange.
<i>Unknown</i>	Insufficient or no information was provided or to classify a transaction.

In 1997 NMFS-RAM revised their transfer application forms to provide more detail on gift and trade transactions. Because of these changes in 1997, the percentage of observations assigned to the “unknown transaction type” category was smaller, and the percentage assigned to “gifts” and “trades” was higher. Because of these refinements, the data series are not highly comparable between 1995–96 and 1997 - 2011. Although other application question changes were made over time they did not separately affect classification of transfers in these groups throughout these changes. The number of observations assigned to the

³⁹ There has been some changes in the survey from one year to another. These are discussed in this chapter where they may be significant.

“priced” category was not affected and this series should be comparable across the entire 1995-2011 period.

Table 5-1a provides data on the amount of QS transferred in permanent transactions from 1995 through 2011 by management area and the type of exchange. The first columns show the total amount of QS transferred in priced sales and the percent of all QS transferred that was transferred in priced sale.⁴⁰ The remaining columns show the amount and the percentage of each area’s QS transferred in “other sales,” “trades,” “gifts,” and “unknown” transaction types. As noted earlier, because of changes in the available data it is difficult to interpret the changes in the percentage of “gifts,” “trades,” and “unknown”. In 1997 to 2011, the percentage of QS transferred in “other sales” ranged from zero in a number of area-year combinations to 5.6 in Area 4D. The percentage of QS transferred in “trades” ranged from zero in several area-year combinations to 3.6% average in Area 4C. The percentage of QS transferred as “gifts” ranged from zero in some area-year combinations to 22.3% average in Area 2C. The percentage of QS transferred in “unknown” transaction types ranged from zero in three area-year combinations up to average of 9% in Area 4C.⁴¹

Permanent transfers occurred in all areas during the seventeen-year period including Area 4E, where 100 of the TAC has been devoted to CDQs. The only transfers of Area 4E QS occurred in 1997, 2003 and 2011.

“Priced sales” was the most important category of permanent transfers. In seven of the eight management areas priced sales accounted for most of the QS transferred during the seventeen year period. In seven of these areas priced sales accounted for over two-thirds of the transfers, and in four of them, priced sales accounted for almost three-quarters of the QS transferred.

The total percentages of QS transferred through sales are higher than indicated by the table for priced sales, since the “other sales” category and probably some of the “unknown” transfers were also sales transactions.

Table 5-1b provides information on the number and percentage of halibut transfer transactions (as opposed to QS transferred) that were classified as priced sales, other sales, trades, gifts, or unknown. Transfer transactions are distributed roughly in the same fashion as QS transferred. However, differences exist because the amount of QS transferred can vary widely across transaction.

5.2 Finance Source on Priced Sales Transfers

The transfer application form asks for the “primary” source of financing for each transfer. Possible sources listed on the form include personal, bank, Alaska Department of Commerce and Economic Development (DCED), Commercial Fishing and Agriculture Bank (CFAB), NMFS’ Financial Services Division (FSD), seller, processor, and “other”. In many cases persons indicated more than one source of financing. In other cases application forms had missing information.

The transfer form did not ask for the proportions of financing derived from different sources. This means that if personal financing and bank financing were both used on a particular transaction, it would be impossible to determine what proportion of financing was derived from each source.

⁴⁰ These tables reflect QS transferred one or more times. Therefore the apparent percentage of the entire QS “pool” (total units issued) transferred over time is higher than the actual percentage of unique QS units transferred either annually or over time.

⁴¹ Assignments to different transaction types is complicated by changes in the transfer form between years (as well as by the changes in the data available on the NMFS-RAM computerized data set as described in the text).

Table 5-2a provides information on the sources used to finance QS transferred in “priced sales” transactions in 1995-2011. The table provides data on the amount and percentage of QS transferred under each finance method. These data are reported by area. Since some reported more than one finance method used, the row percentages in the table total more than 100 %. Note that there were no “priced sales” transfers in Area 4E.

Personal resources were the most important source of financing. Personal resources were the most widely used financing method for the QS in each of the seven management areas for which a financing method was reported. In Areas 2C and 3A, personal resources were reported as a source of financing far more often than the next most significant financing source. For all years in 3B, 4A and 4 B this trend changed in 2000-2011 and for these areas bank financing became a significant, if not dominate source of funding.

Banks were typically the second most important source of financing, DCED or CFAB and sellers were typically the third most important sources. The processors were relatively minor sources of financing in most areas over the seventeen-year period.

Table 5-2b also provides information on the sources used to finance QS transferred in “priced sales” transactions in 1995-2011. However, while Table 5-2a provides information on the *amount* and percentage of QS transferred, Table 5-2b provides information on the *number* and percentage of QS *transfers* under each finance method. As in Table 5-2a, these data are reported by area. Also, as before, since some persons reported more than one finance method used, the row percentages in the table may total more than 100%. The data in this table are generally consistent with those in Table 5-2a. Personal resources are the most important finance source, followed by banks, sellers, and other sources.

5.3 Relationship of Transferors and Transfer Recipients

This section examines the relationship between transferors and transfer recipients in permanent QS transfers. In the tables in this section these categories were designated as “partner,” “family,” “friend,” or “none.” These tables should be read with caution because the actual categories on the NMFS-RAM transfer application form changed over the time period.⁴²

Table 5-3a provides a summary of the responses to this question for all QS transfers recorded as transfer, sweep-up, spousal, and court transactions on the NMFS-RAM data base. The data are provided by management area and show the amount of QS involved in transfers based upon the relationship between the buyer and seller.

“None” or “No relationship” was the most likely response in all areas. In seven of the eight management areas where permanent QS transfers occurred during the seventeen-year period, 60% or more of the QS transferred moved between persons indicating “No relationship.” In seven of the management areas family transfers had a significant percentage of transactions.

The table should be read cautiously because many respondents did not answer, especially in 1995. What may appear to be a change in the QS transferred in a relationship category may in fact be due to a reduction in missing data.

⁴² The relationship question on the transfer application form changed between 1995 and 1996. In 1995 respondents were given a choice of “No relationship,” “Business Partner,” “Personal Family Member,” and “Other Friend or Relative.” In 1996 “Personal Family Member” became “Family Member,” “Other Friend or Relative” became “Friend,” and an “Other” category was introduced.

Table 5-3b provides similar summary data but focuses on the number of transfer transactions rather than on the amount of QS involved in the transactions. The results are similar to those in Table 5-3a. In all eight areas, over 60 % of the transfers over the seventeen-year period were between parties with “No relationship.”

5.4 Use of Broker Services in Permanent QS Transfers

The transfer forms asked whether or not a broker was involved in the transfer. The tables in this section look at broker involvement in permanent transfers of QS. The next section looks at broker involvement in leases. These sections report the proportions of transfers and leases being facilitated by a broker.

Brokers were involved in a large proportion of the permanent transfers. The number of transactions involving brokers grew from 1995 to 1996, but then fell from 1996 to 1997 and fluctuating from 1997 to 2011. Table 5-4a shows that broker involvement started at 44.8% of the transactions in 1995, fluctuating to 53.7% in 2004, and ending at 59.5% in 2011. The table also shows that brokers were involved in the transfers of 47.1% of the QS transferred in 1995, 60.8% of the QS in 2003, and 58.4% in 2011.⁴³

Table 5-4b provides information on the use of brokers by management area and year. The table provides data on the amount and percentage of QS transferred with the help of a broker. The table also provides data on the number of QS transfers involving a broker and the percentage those transfers represent of all QS transfers. Table 5-4c provides similar information on the use of brokers over all areas by vessel category and year.

Table 5-4b shows that brokers were heavily used in all areas. In 85 of the 122 area-year combinations, over 40% of the transactions involved brokers. In 54 of 122 area-year combinations, brokers were used in at least half of the transactions. Table 5-4c likewise shows that brokers were widely used in transfers for each vessel class. In 72% of the 68 vessel class-year combinations brokers were used in over 40% of the transactions. In eight combinations they were used in over half of the transactions. The use of brokers appears to be smallest in the “less than 35” foot catcher vessel class. Perhaps because the fleet is comprised of smaller vessels in 2C, 3A and 3B area, in which a significant proportion of transfers were made within families. (table 5-3A)

Table 5-4a. Use of Brokers in Halibut QS Transfers, by Year

Year	Was a Broker Used?	QS Transferred With Broker	Total Annual QS Transferred	Percent of Annual QS Transferred	Number of Transactions	Total Annual Transactions Per year	Percent of Annual Transactions
1995	No	25,814,841	48,759,092	52.9	695	1,259	55.2
	Yes	22,944,251	48,759,092	47.1	564	1,259	44.8
1996	No	16,697,697	46,728,209	35.7	715	1,472	48.6
	Yes	30,030,512	46,728,209	64.3	757	1,472	51.4
1997	No	15,320,317	38,473,505	39.8	698	1,407	49.6
	Yes	23,153,188	38,473,505	60.2	709	1,407	50.4
1998	No	9,794,778	20,077,127	48.8	365	697	52.4
	Yes	10,282,349	20,077,127	51.2	332	697	47.6
1999	No	16,017,287	31,805,962	50.4	403	817	49.3
	Yes	15,788,675	31,805,962	49.6	414	817	50.7
2000	No	14,498,314	30,079,420	48.2	361	672	53.7

⁴³ In Tables 5-4a and 5-4c, broker usage rates are calculated over all halibut areas. Note that while these rates are calculated over all halibut areas, the QS for different areas are not equivalent with respect to current year IFQ associated with the QS. Therefore, rates calculated across areas in current – year IFQ equivalents would be different than the rates shown here.

Year	Was a Broker Used?	QS Transferred With Broker	Total Annual QS Transferred	Percent of Annual QS Transferred	Number of Transactions	Total Annual Transactions Per year	Percent of Annual Transactions
	Yes	15,581,106	30,079,420	51.8	311	672	46.3
2001	No	11,541,943	26,650,293	43.3	348	647	53.8
	Yes	15,108,350	26,650,293	56.7	299	647	46.2
2002	No	11,420,823	22,777,956	50.1	311	584	53.3
	Yes	11,357,133	22,777,956	49.9	273	584	46.7
2003	No	11,471,649	29,240,130	39.2	331	626	52.9
	Yes	17,768,481	29,240,130	60.8	295	626	47.1
2004	No	10,259,174	22,852,166	44.9	275	594	46.3
	Yes	12,592,992	22,852,166	55.1	319	594	53.7
2005	No	10,438,312	20,656,168	50.5	256	517	49.5
	Yes	10,217,856	20,656,168	49.5	261	517	50.5
2006	No	9,507,863	19,440,708	48.9	241	501	48.1
	Yes	9,932,845	19,440,708	51.1	260	501	51.9
2007	No	12,013,820	24,886,858	48.3	332	681	48.8
	Yes	12,873,038	24,886,858	51.7	349	681	51.2
2008	No	10,184,079	18,251,075	55.8	318	582	54.6
	Yes	8,066,996	18,251,075	44.2	264	582	45.4
2009	No	5,475,554	11,337,587	48.3	125	299	41.8
	Yes	5,862,033	11,337,587	51.7	174	299	58.2
2010	No	5,615,028	14,557,757	38.6	235	551	42.6
	Yes	8,942,729	14,557,757	61.4	316	551	57.4
2011	No	6,913,604	16,625,050	41.6	211	521	40.5
	Yes	9,711,446	16,625,050	58.4	310	521	59.5

Broker usage rates are calculated over all halibut areas. However, the QS for different areas are not equivalent with respect to current year IFQ associated with the QS. Therefore, rates calculated across areas in current-year IFQ equivalents would be different than the rates shown here.

5.5 Use of Broker Services in Lease Transfers

The tables in this section show the extent to which brokers were involved in leases of QS during the first seventeen years of the program. Table 5-5a looks at overall broker involvement by year, and Table 5-5b looks at broker involvement by year and management area.

Brokers were involved in significant proportions of QS leases in each year and use of Brokers decreased sharply and remained low from 2000 on. Broker use fell from 22.6% of the transactions in 1995 to 6.1% in 2000, and then rose to 18.8% in 2004 and fell to 3.8% in 2011. They were involved in the leases of 33.1% of the QS in 1995 but only 4.7% in 2011. In each year the proportions of QS leased with broker assistance were smaller than the proportions of QS transferred permanently with broker assistance.

Table 5-5b shows how broker involvement in leases varied across management areas. A comparison with Table 5-4b shows that while the trend were the same the proportions of QS leased with broker assistance were generally smaller than the proportions of QS transferred with broker assistance.

Table 5-5a. Use of Brokers in Halibut QS Leases, By Year

Year	Was a Broker Used?	QS Leased With Broker	Total Annual QS Leased	Percent of Annual QS Leased	Number of Leases With Broker	Total Annual Leases	Percent of Annual Leases
1995	No	1,683,341	2,516,123	66.9	24	31	77.4
	Yes	832,782	2,516,123	33.1	7	31	22.6
1996	No	2,266,843	3,068,724	73.9	55	61	90.2
	Yes	801,881	3,068,724	26.1	6	61	9.8
1997	No	2,013,408	2,765,233	72.8	42	52	80.8
	Yes	751,825	2,765,233	27.2	10	52	19.2
1998	No	2,129,820	2,988,080	71.3	32	43	74.4
	Yes	858,260	2,988,080	28.7	11	43	25.6

Year	Was a Broker Used?	QS Leased With Broker	Total Annual QS Leased	Percent of Annual QS Leased	Number of Leases With Broker	Total Annual Leases	Percent of Annual Leases
1999	No	2,191,361	2,729,602	80.3	34	39	87.2
	Yes	538,241	2,729,602	19.7	5	39	12.8
2000	No	2,667,570	3,303,102	80.8	46	49	93.9
	Yes	635,532	3,303,102	19.2	3	49	6.1
2001	No	3,977,029	4,431,229	89.8	44	48	91.7
	Yes	454,200	4,431,229	10.2	4	48	8.3
2002	No	3,633,838	3,930,614	92.4	47	51	92.2
	Yes	296,776	3,930,614	7.6	4	51	7.8
2003	No	3,470,740	4,019,749	86.3	36	39	92.3
	Yes	549,009	4,019,749	13.7	3	39	7.7
2004	No	2,968,792	3,267,443	90.9	26	32	81.3
	Yes	298,651	3,267,443	9.1	6	32	18.8
2005	No	3,602,135	3,716,292	96.9	41	42	97.6
	Yes	114,157	3,716,292	3.1	1	42	2.4
2006	No	2,651,190	2,982,188	88.9	39	40	97.5
	Yes	330,998	2,982,188	11.1	1	40	2.5
2007	No	3,620,986	4,260,791	85.0	63	66	95.5
	Yes	639,805	4,260,791	15.0	3	66	4.5
2008	No	6,230,843	6,503,261	95.8	96	101	95.0
	Yes	272,418	6,503,261	4.2	5	101	5.0
2009	No	8,099,520	8,350,322	97.0	131	136	96.3
	Yes	250,802	8,350,322	3.0	5	136	3.7
2010	No	8,000,590	8,180,456	97.8	126	130	96.9
	Yes	179,866	8,180,456	2.2	4	130	3.1
2011	No	8,073,524	8,473,064	95.3	127	132	96.2
	Yes	399,540	8,473,064	4.7	5	132	3.8

Note: QS were added across management areas to prepare this table. Since the pounds of IFQ per QS unit can vary across management areas and between years, the QS lease percentages reported in this table may be different from the IFQ equivalent percentages.

a) NA indicates data not available

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