

## 7 Halibut: Changes in QS Holdings by Type of Person

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Under the halibut IFQ program, individuals, partnerships, skippers, corporations, and other types of entities are defined as “persons” who may hold QS. This chapter examines the distribution of QS by type of person holding the QS.

Table 7-1 summarizes information on the distribution of QS by management area and type of person. Table 7-2 provides similar information on the number of persons holding QS. Tables 7-3 and 7-4 provide similar information for aggregated person-type categories.

This chapter only looks at data from 2000 to 2011 due to the change in computer data base and an increase in number of fields an accurate comparison could not be made from the 1995-1999 data.

The halibut IFQ program contains restrictions on the ability of corporations and hedging partnerships to hold and use catcher vessel QS and IFQ. The intent of these restrictions is to assign QS to corporations and partnerships that were initial recipients, but to impose restrictions on the ability of corporations and partnerships to expand their positions in the fishery. These restrictions are somewhat more strict in Area 2C than elsewhere.

These tables provide information on the following types of QS:

<i>Corporate:</i>	QS held by corporations
<i>CQE:</i>	QS held by non-profit Community Quota Entities for use by residents of eligible communities.
<i>Estates:</i>	QS held by estates of QS recipients or other owners.
<i>Individual</i>	QS held by natural persons who are initial QS recipients.
<i>Non Profit</i>	QS held by groups that the proceeds from the CDQ allocations to start or support commercial fishery activities that will result in ongoing, regionally based, commercial fishery or related businesses.
<i>Partnership:</i>	QS held by partnerships.
<i>Skipper:</i>	QS held by individuals who are “IFQ crewmembers” rather than initial issueses.
<i>Sole Proprieter:</i>	QS held by business is owned by one individual.

Corporations and partnerships and other non-individual QS holders that are initial catcher vessel QS recipients can use the QS and IFQ they were issued and, except in Area 2C, can buy and use additional catcher vessel QS. The corporation or partnership must have at least a 20% ownership interest in the vessel on which the QS is used, and the vessel must be operated by a “Hired Master” employed by the corporation. In Area 2C, corporations and partnerships can only use the catcher vessel QS that they received as an initial allocation. The 20% minimum vessel ownership provision of the regulation was first implemented by NMFS-RAM in the 1997 season. Prior to that, there was no minimum on the percentage of vessel ownership that a corporation or partnership must have for the vessel that fished their QS.

Corporations and partnerships *that are not* initial catcher vessel QS recipients cannot acquire catcher vessel QS by transfer. If a corporation or partnership that is not an initial QS recipient comes into possession of catcher vessel QS, perhaps following a default on a loan, it will not be able to fish with the QS.<sup>48</sup>

A corporation or partnership, except for a publicly held corporation, loses the rights to fish its initial catcher vessel allocation and to buy additional QS if a new shareholder or partner is added (except for court appointed trustees acting on behalf of shareholders or partners who become incapacitated). In these cases, QS must be transferred to an individual before it can be fished again.<sup>49</sup>

Corporations and partnerships that are not initial issues may purchase freezer vessel QS.<sup>50</sup>

An IFQ crew member is defined in the IFQ program as an individual approved by NMFS as having at least 150 days experience working as part of a harvesting crew in any United States commercial fishery or any individual who receives an initial allocation of QS. An individual must meet these requirements to buy QS.<sup>51</sup>

Table 7-1 compares from 2000 and year-end 2011 distribution of QS by IFQ area and type of person. Data are supplied on the QS issued to each type of owner in 2000 for each management area, the QS held at year-end 2011 by each type of owner, the change in QS held, the percent change, and the percentage of the area’s QS held by each type of owner at 2000 and at year-end 2011.

The table shows that:

Individuals held the highest proportion of the QS in all areas except 4B and 4D at year-end 2011. The percentage of an area’s QS held by Individuals at year-end 2011 varied from a low of 27.5 in Area 4C to a high of 92.6 in Area 2C.

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<sup>48</sup> See 50 CFR 679.41(g)

<sup>49</sup> See 50 CFR 679.42(j)(1)(2)(3), and (4)

<sup>50</sup> The IFQ regulations do not prohibit freezer QS purchases by corporations and partnerships that were not initial issues.

<sup>51</sup> NMFS\_RAM classifies persons according to their status when they first enter the system. A person whose first contact is the purchase of the QS is classified as “crew”. If a person classified as crew consequently receives an initial allocation of QS, they would not be reclassified. Thus crew occasionally appear as “initial QS holders”.

The amount of QS held by Individuals declined in Areas 2C, 3A, 3B, 4A, 4B, 4C and 4D, and rose in Area 4E. In Area 4E the entire TAC has been devoted to CDQs and none is available for IFQs.

The amount of QS held by “skippers,” increased in all areas except 4E. Skipper holdings are becoming a substantial part of overall holdings. Skipper holdings ranged from a low of 5.7 % of overall holdings in Area 2C to a high of 55.4% of overall holdings in Area 4C. The tables show that the proportion of allocations to corporate holders varied considerably among IFQ areas. 2000 allocations of QS to corporate holders ranged from a low of 1.6% in Area 2C to a high of 46.9% in Area 4D.

In seven of the eight areas the proportion of the QS held by corporations decreased from 2000 to year-end 2011. The largest decline was in Area 4A where corporate holdings dropped from 29.2% to 18.3%. The proportion of corporate holdings decreased by relatively small amounts in all areas except Area 4E.

Table 7-2 provides similar information on the number of persons holding QS by area and type of entity. Typically, the numbers of skipper QS declined. The declines in QS holders were largely due to the consolidation of QS holdings that occurred from 2000-2011. The overall numbers of QS holders declined in each area. The declines in QS holders led to some changes in the percentage distribution of total QS holders in most areas by type of entity. The most noticeable changes were the decline in the percentage of QS holders who are individuals and the increase in the percentage of QS holders who are skippers.

The descriptions of QS holdings and holders by category in Tables 7-1 and 7-2 can obscure changes in the relative QS holdings of corporations and natural persons. This topic is likely to be one of particular interest.

In Tables 7-3 and 7-4, the categories of corporate, CQE, estates, individuals, non-profit, and partnership QS holder types are shown by QS management areas and vessel classes. Table 7-3 displays the amount of QS held and Table 7-4 displays the numbers of persons holding QS. These tables are sorted by type of QS holder, vessel category, and management area.

Table 7-3 provides the total 2000 QS, the total year-end 2011 QS, the change and the percentage change in QS from 2000 to 2011 for each person type, management area, and vessel category combination. It also shows the percentage of total QS for the vessel category and area that was held by each person type at initial issuance and at year-end 2011.

“Individuals” held the vast majority of the QS in the “36 to 60 feet” and “less than or equal to 35 feet” catcher vessel class in all areas, both in 2000 and at year-end 2011. Individuals also held a majority of the freezer vessel class QS in Areas 2C, 3A, 3B, 4A, and 4C, and a majority of “greater than 60 feet” class QS in Areas 3A, and 4C, both in 2000 and at the end of 2011.

“Corporate” owners held a majority of the “freezer” vessel QS in Areas 4B and 4D in 2000 and at the end of 2011. They held a majority of “greater than 60 feet” class QS in Areas 4B, 4D and 4E in 2000, and 4A, 4C and 4E at the end of 2011.

Non profit held small portions of the QS in the freezer catcher vessel class. In 2011 the QS held by non-profits more than doubled from 2000, to 2011.

CQE held no QS in 2000 and has started to accumulate QS for 2011 in both the GT 60 feet and 36-60 feet.

Table 7-4 provides similar data for QS holders. Data show the numbers of QS holders of each person-type that held QS in 2000, the number of QS holders of each person-type held QS at year-end 2011, and the changes and the percent changes in the numbers of QS holders. The table also shows the percentages of QS holders that fall into each person-type category for each vessel category and year.

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