

## 5 Sablefish: Types of Transfers, Financing of Transfers, Relationships between Transferors and Transfer Recipients, and Use of Brokers.

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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.” The chapter examines the extent to which different financing sources were used in priced 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. 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 help to complete these forms. The transfer application form asks some basic questions to help NMFS monitor changes under the IFQ program. Appendix II provides copies of the transfer applications used from 1995 through 1998 and 2011. Data from the transfer application form has been used for the analyses in this chapter.<sup>39</sup>

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 did not specifically ask if a QS transfer was a sale, gift, or trade. Without this information, the authors had to use other available transfer form 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 often answered 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.

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

In 1997 NMFS-RAM revised their transfer application forms to provide more detail on gift and trade transactions. With these changes it was possible to reduce the percentage of observations assigned to the “unknown transaction type” category and increase the numbers assigned to “gifts” and “trades.” Because of these refinements, the data series may not be comparable between 1995-1996 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 numbers of observations assigned to the “priced” category were not affected and this series should be comparable for the 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 by priced sales.<sup>40</sup>

The “priced sales” category was the predominate class of permanent transfers. In all six of the management areas “priced sales” accounted for over 70% of the QS transferred during the seventeen years. In three of the areas it was at or almost 80% of the QS transferred during the seventeen years.

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.

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 change in the percentage of “gifts,” “trades,” and “unknown” transactions. Therefore, this summary will focus on amounts of QS by type in 1997 - 2011.

In 1997 and 2011, the percentage of QS transferred in “other sales” ranged from zero in a number of area-year combinations up to 8.2% average in the Central Gulf. The percentage of QS transferred in “trades” ranged from zero in several area-year combinations up to 3.7% average in Southeastern region. The percentage of QS transferred as “gifts” ranged from zero in two area-year combinations up to 15.8% average in Southeastern region. The percentage of QS transferred in “unknown” transactions 8.4% average in the Aleutians.

Table 5-1b provides information on the number and percentage of sablefish 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 since the amount of QS transferred can vary widely across transactions.

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<sup>40</sup> 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.

## 5.2 Finance Source on Priced Sales Transfers

The transfer application form asks for the “primary” source of financing for the transfer. Possible sources listed on the form include personal, bank, Alaska Department of Commerce and Economic Development (DCED) or 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.

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%.

Personal resources and banks were the most important sources of financing. Personal resources were the most widely used financing method for QS in the Southeast, West Yakutat, Central Gulf, Western Gulf, and Aleutian Islands areas over the seventeen year period. Banks overall average was slightly higher in the Bering Sea area during the seventeen years. The average percent of QS financed with personal resources ranged from 24% in the West Yakutat area up to 35.7% in Southeast area during the seventeen years. The percent financed by banks ranged from 24.7 % in Southeast to 38.7% in the Aleutian Islands during the period.

The other financing methods were generally used for less than 10% of the QS over the seventeen -year period. Exceptions are “seller financing” in the Southeast, West Yakutat , Central Gulf, Bering Sea, and Aleutian Islands areas and “other financing” in the West Yakutat Central Gulf, Western Gulf and Bering Sea areas.

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. Again, 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 that in Table 5-2a. Personal resources are the most important finance method, followed by banks, seller financing, and other methods.

## 5.3 Relationship of Buyer and Seller on Permanent Transfers

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.” Note that these tables should be read with caution because the actual categories on the NMFS-RAM transfer application form changed over the time period.

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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 all six 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 four of the management areas the seventeen -year average was over 80%.

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 in 1996 and 1997.

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 areas over 60% of the seventeen -year transfers are between parties with “no relation.” In three of the six management areas the percentages for “no relation” are over 70%.

#### **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.

Table 5-4a provides information on the use of brokers by year. The table provides data on the amount of QS transferred with the help of brokers in each year, and the percentage that amount represents of all of the QS transferred. The table also has data on the number of QS transfers involving a broker and the percentage those transfers represent of all QS transfers.

Brokers were involved in a large proportion of the permanent transfers each year. Table 5-4a shows that annual broker involvement ranged from 38.8% of the transactions in 1995 to 62.7% in 2011. The amount of QS transferred with the help of a broker ranged from 49.1% in 2011 to 72.3% in 1997.<sup>42</sup>

Table 5-4b is similar to Table 5-4a, except that it provides information on the use of brokers by management area as well as by year. The table provides data on the amount and percentage of QS transferred with the help of brokers. The table also provides data on the

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<sup>41</sup>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.

<sup>42</sup>These figures are based on summing QS amounts and QS transfers across areas. Recall that QS units are not comparable across areas.

number of QS transfers involving a broker and the percentage those transfers represent of all QS transfers.

As can be seen, brokers were involved in a large proportion of the transactions in all areas and years. The lowest percentage of transactions conducted with the help of brokers was in the West Yakutat area in 1995, when only 23.2% of the transactions involved brokers. The highest level of broker involvement came in the West Yakutat area in 1997 when 80.1% of the transactions involved brokers.

Table 5-4c provides similar information on the use of brokers over all areas by vessel category and year.<sup>43</sup> Brokers were involved in large proportions of transactions in all vessel classes and years. The lowest percentage of transactions conducted with the help of brokers was for catcher vessels greater than 60 feet in 1995 (28%) while the highest level of broker involvement was for freezer vessels in 1996 (88.2%).

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<sup>43</sup>The comment in the previous footnote applies to this table as well. These figures are based on a summation of QS amounts and QS transfers across areas. QS are not comparable across areas.

**Table 5-4 a. Use of Brokers in Sablefish QS Permanent 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	12,168,638	22,065,416	55.1%	233	381	61.2%
	Yes	9,896,778	22,065,416	44.9%	148		38.8%
1996	No	7,479,488	26,120,387	28.6%	178	381	46.7%
	Yes	18,640,899	26,120,387	71.4%	203		53.3%
1997	No	8,139,802	29,352,033	27.7%	186	467	39.8%
	Yes	21,212,231	29,352,033	72.3%	281		60.2%
1998	No	8,844,525	17,060,632	51.8%	96	220	43.6%
	Yes	8,216,107	17,060,632	48.2%	124		56.4%
1999	No	NA	NA	NA	NA	NA	NA
	Yes						
2000	No	7,296,023	21,515,808	33.9%	89	264	33.7%
	Yes	14,219,785	21,515,808	66.1%	175		66.3%
2001	No	14,436,529	26,117,427	55.3%	94	208	45.2%
	Yes	11,680,898	26,117,427	44.7%	114		54.8%
2002	No	14,196,553	25,553,686	55.6%	95	196	48.5%
	Yes	11,357,133	25,553,686	44.4%	101		51.5%
2003	No	10,727,300	28,495,781	37.6%	106	283	37.5%
	Yes	17,768,481	28,495,781	62.4%	177		62.5%
2004	No	4,597,852	14,461,708	31.8%	57	157	36.3%
	Yes	9,863,856	14,461,708	68.2%	100		63.7%
2005	No	7,280,744	23,511,957	31.0%	84	222	37.8%
	Yes	16,231,213	23,511,957	69.0%	138		62.2%
2006	No	10,492,953	20,434,754	51.3%	91	169	53.8%
	Yes	9,941,801	20,434,754	48.7%	78		46.2%
2007	No	13,943,789	27,328,970	51.0%	95	225	42.2%
	Yes	13,385,181	27,328,970	49.0%	130		57.8%
2008	No	6,436,181	17,333,148	37.1%	81	179	45.3%
	Yes	10,896,967	17,333,148	62.9%	98		54.7%
2009	No	11,979,751	20,694,882	57.9%	72	135	53.3%
	Yes	8,715,131	20,694,882	42.1%	63		46.7%
2010	No	6,939,226	18,098,134	38.3%	62	160	38.8%
	Yes	11,158,908	18,098,134	61.7%	98		61.3%
2011	No	9,144,665	17,960,822	50.9%	63	169	37.3%
	Yes	8,816,157	17,960,822	49.1%	106		62.7%

Broker usage rates are calculated over all sablefish 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 equivalents would be different than the rates shown here.

## 5.5 Use of Broker Services in Lease Transfers

Table 5-5a shows the extent to which brokers helped arrange leases of QS by year. In this table QS and transfers are summed across all management areas.<sup>6</sup> Data are provided on the amount of QS leased with broker help in each year, the percent of all QS leased that was leased with broker assistance, the number of leases in which brokers helped, and the percent of all leases assisted by brokers.<sup>7</sup>

Brokers helped arrange large proportions of the leases in each year. They were involved with no leases in 2011 and a high of 56.0% in 1997. Leases arranged by brokers accounted for none of the total QS leased in 2011 and a high of 74.6% of the QS leased in 1997.

<sup>44</sup> These figures are based on summing QS amounts and QS transfers across areas. Recall that QS units are not comparable across areas.

<sup>45</sup> This report uses the QS amounts shown in lease transactions on NMFS-RAM computerized files. In a few cases, 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.

Table 5-5b shows the extent to which brokers helped arrange the leases of QS by management area and year. The data in this table is similar to that provided in Table 5-5a. The table provides data on the amount and percentage of QS leased with the help of brokers. The table also provides data on the number of QS lease transactions involving a broker.

As can be seen, brokers were involved in a large proportion of the lease transactions in most areas and years. The lowest percentage of leases conducted with the help of brokers was in the Central Gulf in 2011, when 0.0% of the lease transactions involved brokers. The highest level of broker involvement came in the Western Gulf in 1996 when 100% of the leases involved brokers.

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

Year	Was Lease Brokered ?	QS Leased	Total Annual QS Leased	Percent of Annual QS Leased	Number of Leases	Total Annual Leases	Percent of Annual Leases
1995	No	8,753,538	17,221,961	50.8%	50	77	64.9%
	Yes	8,468,423	17,221,961	49.2%	27	77	35.1%
1996	No	3,083,823	11,299,983	27.3%	33	51	64.7%
	Yes	8,216,160	11,299,983	72.7%	18	51	35.3%
1997	No	3,307,521	13,011,461	25.4%	22	50	44.0%
	Yes	9,703,940	13,011,461	74.6%	28	50	56.0%
1998	No	8,504,242	12,973,226	65.6%	29	57	50.9%
	Yes	4,468,984	12,973,226	34.4%	28	57	49.1%
1999	No	NA	NA	NA	NA	NA	NA
	Yes						
2000	No	12,551,388	14,689,409	85.4%	59	79	74.7%
	Yes	2,138,021	14,689,409	14.6%	20	79	25.3
2001	No	11,886,689	12,939,294	91.9%	59	67	88.1%
	Yes	1,052,605	12,939,294	8.1%	8	67	11.9%
2002	No	11,001,336	11,391,036	96.6%	52	60	86.7%
	Yes	389,700	11,391,036	3.4%	8	60	13.3%
2003	No	15,531,930	15,822,110	98.2%	52	56	92.9%
	Yes	290,180	15,822,110	1.8%	4	56	7.1%
2004	No	9,533,997	9,832,648	97.0%	41	47	87.2%
	Yes	298,651	9,832,648	3.0%	6	47	12.8%
2005	No	7,694,785	7,922,408	97.1%	33	35	94.3%
	Yes	227,623	7,922,408	2.9%	2	35	5.7%
2006	No	5,223,383	5,554,381	94.0%	32	35	91.4%
	Yes	330,998	5,554,381	6.0%	3	35	8.6%
2007	No	5,989,340	6,103,711	98.1%	32	34	94.1%
	Yes	114,371	6,103,711	1.9%	2	34	5.9%
2008	No	8,067,471	8,425,322	95.8%	44	47	93.6%
	Yes	357,851	8,425,322	4.2%	3	47	6.4%
2009	No	8,731,814	9,074,746	96.2%	51	52	98.1%
	Yes	342,932	9,074,746	3.8%	1	52	1.9%
2010	No	8,802,296	8,917,157	98.7%	46	50	92.0%
	Yes	114,861	8,917,157	1.3%	4	50	8.0%
2011	No	8,194,789	8,194,789	100.0%	47	47	100.0%
	Yes	-	8,194,789	0.0%	0	47	0.0%

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 percentages reported in this table may be different from the IFQ equivalent percentages.

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