

3 Sablefish: QS Transfers and QS Prices

Permanent transferability of QS is an important feature of the IFQ program. Transfers allow QS to move to persons who feel that they can use it more profitably and to consolidate QS holdings and fishing operations. This chapter looks at the extent of permanent transfers and the prices paid for QS in permanent transactions during the first 17 years of the program.

Section 3.1 presents data on the volume and rate of permanent QS transfers and on the number and percentage of persons who transferred QS, by management area, from 1995 through 2011.

Section 3.2 presents similar data on QS transfer rates and on QS holder transfer rates, by management area and vessel category from 1995 through 2011. In this section tables, “LE” means “less than or equal to” and GT means “greater than”. Categories refer to the length overall at the vessel on which IFQ generally may be fished.

Section 3.3 presents estimates of average prices for permanent QS transfers broken out by management area, vessel category, and year.

3.1 Transfer Rates by Area

Table 3-1 displays data on QS transfer rates and on QS holder transfer rates for each management area and year from 1995 through 2011, and for all 17 years together. The table contains information on the QS holdings at the end of each year, the total QS permanently transferred, the QS transfer rate, the total number of QS holders at the end of the year, the total number of QS holders who transferred QS (transferors), and the rate at which QS holders transferred QS. The QS transfer rates are the ratios of QS transferred to QS held at the end of the year, expressed as a percentage. The QS holder transfer rate is the ratio of QS transferors to total QS holders at the end of the year, expressed as a percentage. These data reflect total units transferred even if a particular unit is transferred more than once. “All Year” data reflect sums of annual QS and QS holders and QS transferors, not numbers of unique QS units or persons.

Table 3-1 shows a substantial volume of permanent QS transfers. Over all 17 years combined, the QS transfer rates range from a low of 4.5% in the West Yakutat area, to a high of 12.3% in the Bering Sea area. No single area appeared to consistently have the lowest or highest QS transfer rate during the different years.

The QS transfer rates for the 17 year period tended to be slightly lower than transfer rates for the State of Alaska limited entry permits. Over the years 1995 to 2011, the ratio of the total number of limited entry permit transfers to the total number of transferable permit-years, interpreted here as the permit transfer rate, was 8.3%. Annual average permit transfer rates during the period ranged from 4.5% to 12.3%.²²

²² Iverson, Kurt, Al Tingley, and Elaine Dinneford. *Executive Summary. Changes in the Distribution of Alaska's Commercial Fisheries Entry Permits, 1975-1998*. Alaska Commercial Fisheries Entry Commission. CFEC 99-3N-EXEC. Juneau: July, 1999. Table 1, page 4. However, transfer rates of State of Alaska limited entry permits and sablefish QS units are not strictly comparable. Limited entry permits provide an all-or-nothing access to the

In four of the six management areas, the volume of QS transferred, and the QS transfer rate in 2011 both decreased, and the Western Yakutat and the Aleutians were the only area in which both volume and rate rose.

Table 3-1 also reports on the QS holder transfer rates. These are the rates derived from the ratios of the number of persons transferring QS to the total number of persons holding QS at the end of the calendar year. Over the 17 years combined, these rates ranged from a low of 11.2% in the Bering Sea and West Yakutat area to a high of 12.3% in the Western Gulf area.

In all but the Western Gulf and the Aleutians the number of QS transferors and the QS transferor rate dropped from 2007 to 2011. Some of these declines in QS transferors were substantial, and were likely due to overall consolidation of holders as initial issues left the fisheries.

QS holder transfer rates tended to be higher than the QS transfer rates, reflecting the overall trend toward fewer QS holders over time. In the Bering Sea area the QS transfer rate was slightly lower, while in the Southeastern area the QS holder transfer rate was slightly higher.

3.2 Transfer Rates by Area and Vessel Category

The annual QS and QS holder transfer rates for each area and vessel category are shown in Table 3-2. Data are provided for each year from 1995 through 2011, and for all 17 years together. The information shown in this table is similar to that presented in Table 3-1; however, observations include more detailed management area and vessel category breakouts, as opposed to the management area summaries presented in Table 3-1.

Table 3-2 contains information on the QS holdings at the end of each year, the total QS permanently transferred, the QS transfer rate, the total number of QS holders at the end of the year, the total number of QS holders who transferred QS (transferors), and the rate at which QS holders transferred QS. The QS transfer rates are the ratios of QS transferred to total QS held at the end of the year, expressed in percentage form. The QS holder transfer rate is the ratio of QS transferors to total QS holders at the end of the year, expressed as a percentage.

QS transfer rates often diverged widely among vessel categories within an area. For example, over the 17 year period the average QS transfer rate for catcher vessels “greater than 60 feet” in the Aleutian Islands area was only 15.7%, while the rate for catcher vessel “60 feet or less” was 14 %. Similarly, in the Central Gulf area, the QS transfer rate for catcher vessel “greater than 60 feet” was 5.2% while the rate for freezer vessels was 8.1%. QS holder transfer rates also showed large differences among vessel categories.

The Western Gulf area had the highest “17 year” average QS transfer rates in the “less than or equal to 60 foot” catcher vessel categories.

fishery, and leasing is prohibited, except in emergency cases. Sablefish QS units may be leased and can be transferred in small amounts by persons who remain in the fishery.

3.3 QS Sales Prices

This section uses information on transfers to provide estimates of average prices per unit of sablefish QS. Due to a significant database change, 1999 data are not available in the following tables.

Table 3-3 shows estimated weighted annual prices per QS unit transferred by area for 1995 through 2011. QS may be transferred without all of the associated current-year IFQs. The prices shown in this table were calculated from transfers in which the actual current-year IFQ was transferred with the QS and was within 5% of the standard IFQ per unit of QS for that year and management area.²³ The pounds of IFQ, the amount of QS, and the number of transfers used to produce the estimates are also shown.

The QS prices for the Bering Sea and Aleutian Islands QS were generally based on only a few transactions; prices tended to be much lower in other areas. QS prices in dollars per QS unit are not comparable across areas since the ratio of IFQ to QS differs from area to area and from year to year as TACs change.

Prices in dollars per pound of associated IFQ are more comparable across areas. In the four areas in which prices are based on a relatively large number of transactions, the prices ranged from a low of \$2.01 in the Aleutian Islands area in 2000 to a high of \$25.61 in the West Yakutat area in 2012. The estimated average prices in dollars per pound of IFQ rose in each year in all areas.

Table 3-4 provides a more detailed breakout of QS price estimates by management area and vessel category (as opposed to the management area analysis in Table 3-3). The price analysis data shown are the same as in Table 3-3.

In many of the area and vessel category combinations there are so few transactions that confidentiality standards do not permit reporting the price data. In some of the cases for which estimated prices are reported, they are based on small numbers of transactions. In all the areas the price of QS tended to go up over the 1995 through 2011 time period, repeating the pattern observed in the more aggregated data summarized in Table 3-3.

Table 3-5 provides associated annual QS price information for transfers in which QS was sold without any of the current year IFQ. To avoid confusion, prices are provided only in dollars per QS unit. There are fewer of these types of observations than there are of transfers of QS with all or most associated IFQ. Hence, prices are only available for three management areas. Note that, as before, prices in dollars per QS unit are not easily comparable across management areas due to the differences in the amount of IFQ pounds per QS unit across areas. The available estimates of average prices range from a low of \$0.49 per QS unit in the West Yakutat area in 1998 to a high of \$2.84 per QS unit in the Southeast area in 2011.

For all of these tables there are several caveats associated with the reported statistics. The information provided on the NMFS transfer application forms can be ambiguous.

²³Standard IFQs were calculated by multiplying the amount of QS by the ratio of the area's total allowable catch to the amount of QS in the area's QS pool on January 31st of the year. Mean and standard deviations for the price per QS unit are provided in dollars per pound of IFQ and in dollars per QS unit.

The form does not explicitly differentiate between sale transfers and other transfers. Sale transfer observations used in the tables in this section were selected because prices were supplied. Other sale transfer observations, for which no prices were supplied, could not be used to make the estimate.

The transfer application forms from which pricing data were gathered also differed somewhat among years. For example, the 1995 form requested prices net of brokers' fees, while the 1996 through 2011 forms requested prices including fees.

The associated current year IFQ is important in determining QS prices, but the ratio of IFQ to QS can vary between holdings within a management area due to underages and overage adjustments from the preceding year. In addition, only a portion of the associated current year IFQ might have been transferred with the QS. This makes it harder to calculate a meaningful average price per QS unit within a management area. This difficulty has been dealt with herein by calculating QS prices for QS sold with "approximately" the associated current year IFQ and for QS sold with no current year IFQ.

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