

**DRAFT**



**DEPARTMENT OF ENVIRONMENTAL AFFAIRS AND TOURISM  
BRANCH MARINE AND COASTAL MANAGEMENT**

**POLICY FOR THE ALLOCATION AND MANAGEMENT OF  
COMMERCIAL FISHING RIGHTS IN THE  
SQUID FISHERY: 2005**

**THIS DRAFT POLICY MUST BE READ WITH THE DRAFT GENERAL  
POLICY ON THE ALLOCATION AND MANAGEMENT OF LONG-TERM  
COMMERCIAL FISHING RIGHTS: 2005 (available at [www.mcm-  
deat.gov.za](http://www.mcm-deat.gov.za))**

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## 1. Introduction

This is a draft policy on the allocation and management of commercial fishing rights in the squid fishery and is issued by the Department of Environmental Affairs and Tourism: Branch Marine and Coastal Management (“the Department”) for public comment. This policy must be read with the Draft General Policy on the Allocation and Management of Long-Term Commercial Fishing Rights: 2005 (“the General Fisheries Policy”). Interested and affected parties may submit written comment to the Department by 4 April 2005. Comments shall be submitted as follows:

<b>By Fax:</b> Fax Number: (021) 670-1782 Attention: The Deputy Director-General Squid Policy Comments	<b>By Mail:</b> Attention: Mr Horst Kleinschmidt The Deputy Director-General The Department of Environmental Affairs and Tourism P.O Box 44963 Claremont 7735 Squid Policy Comments	<b>By E-mail:</b> <a href="mailto:RVU@deloitte.co.za">RVU@deloitte.co.za</a> Attention: The Deputy Director-General Squid Policy Comments
		<b>By Hand</b> Attention: The Deputy Director-General The Rights Verification Unit 11 Landsdown Road Claremont Squid Policy Comments

The purpose of this policy is to set out the considerations that will apply to the allocation of long-term commercial squid fishing rights. Many of these considerations are not new. They have been applied by the Department when allocating rights in the past. This policy documents these considerations, but includes a few changes and additions.

Certain post-rights allocation management policies are also presented in this draft policy. A Squid Fishery Management Manual will be finalised with all right-holders during the course of 2006. This manual will stipulate in detail the management methodology and procedures for the fishery.

The Minister of Environmental Affairs and Tourism intends to delegate the section 18 power to allocate squid fishing rights in terms section 79 of the Marine Living Resources Act 18 of 1998 (“the MLRA”) to a senior official of the Department.

## **2. Biology and resource dynamics**

The squid fishery targets chokka squid (*Loligo vulgaris reynaudii*), the most abundant squid in South Africa's coastal waters.

Chokka squid is found between Namibia in the west and the Wild Coast in the east. Like all squid, they complete their lifecycle within two years. Sexual maturity is attained one year after hatching. Maximum length is 46 centimetres (male) and 28 centimetres (female). Chokka squid spawn on the seabed, usually in inshore areas, but sometimes in deep water on the Agulhas Bank. Spawning occurs year round, but is most prolific in the summer months. Chokka squid prey on crustaceans and fish.

The abundance of chokka squid fluctuates substantially. The effects of fluctuations in predation, prey availability and the physical environment are more acutely felt by squid because their short life span offers little inter-annual continuity.

Presently, chokka squid abundance is at near-record levels, but experience suggests that substantial declines can be expected.

## **3. Profile of the fishery**

Chokka squid (hereafter referred to as squid) has been used as bait by linefishers for many years. The species is also landed as by-catch in the demersal trawl fisheries. In the 1960's and 1970's, the chokka squid resource was heavily exploited by foreign fleets. During this period, squid were caught predominantly by trawlers from the Far East. Foreign activity was phased out in the late 1970's and early 1980's following South Africa's declaration of an Exclusive Economic Zone ("EEZ"). However, squid and other cephalopods, including a number species of squid and octopus,

continued to be taken by South African trawlers. The chokka by-catch in the demersal fishery fluctuates between 200 tons and 600 tons annually.

A dedicated jig fishery for chokka was initiated in 1984. The jigs are operated by handlines, making this a particularly labour-intensive fishery. In 1989, the jig fishery registered its highest catch of 9 800 tons. Average catches in the 1990's amounted to between 6 000 and 6 500 tons per annum. Squid is frozen at sea, usually in 10 kilogram blocks. It is generally landed at harbours between Plettenberg Bay and Port Alfred and exported whole to Europe. In 2002, when the South African Rand was at its lowest levels against the major currencies, the price of squid rose to almost R50 per kilogram. The average price of squid in 2004 was R30 per kilogram.

Between 1986 and 1988 a licensing system was introduced with a view to limiting the number of vessels participating in the fishery. The fishery is currently regulated in terms of a total applied effort ("TAE"). The squid fleet is divided into vessel categories and the maximum crew complement for the vessels in each category is fixed. Since 1988, the fishery has been closed once a year for four weeks in an attempt to counter the effects of "*creeping effort*". Increases in vessel efficiency and catch technology have led to increases in fishing efficiency.

The chokka squid fishery provides employment for approximately 3 000 people, including land-based personnel. The landed catch is worth more than R180 million per year.

#### **4. The medium-term rights allocation process**

In 2001, the Department allocated rights to 128 commercial squid fishing enterprises, thereby authorising more than 2 400 crew to fish for squid on 145 vessels. Allocation records show that:

- 33 percent of right-holders are majority-owned by blacks;
- 61 percent of workers are black;
- almost all right-holders are small- and medium-sized enterprises ("SMEs").

The crew were allocated to vessels nominated by the successful applicants. The number of crew allocated to each vessel depended on the length of the vessels.

## 5. Over-arching fishery objectives

The over-arching objectives of allocating long-term fishing rights in this fishery are to:

- Substantially increase the transformation profile of this fishery;
- Integrate the so-called “restricted rights” into the fishery;
- Affirm applicants who live in, or whose place of registered business, is the Eastern Cape;
- Encourage further investment in vessels, infrastructure and jobs, particularly by historically disadvantaged persons;
- Allocate rights to applicants who predominantly rely on squid for their income;
- Support the economic viability of the fishery;
- Ensure the environmental sustainability of the fishery.

## 6. Duration of rights

Having regard to –

- the transformation profile of the fishery; and
- the substantial fluctuations in resource abundance,

the Department will allocate commercial rights for a period of eight years (01 January 2006 to 31 December 2013), subject to review at regular intervals against predetermined performance criteria, including the attainment of agreed transformation goals (*see Paragraph 13 below*).

## 7. New entrants

Although the squid fishery is currently optimally exploited and there is no room for additional

participants, new entrant applicants will be considered and may be preferred over existing right-holders if their inclusion will assist in the transformation of the squid fishery.

## **8. Evaluation criteria**

Applications will be screened in terms of a set of “*exclusionary criteria*”. New entrant applicants and right-holder applicants will then be separately assessed in terms of a set of weighted “*comparative balancing criteria*”. A cut-off score or rank will then be determined in order to select the successful applicants. A proportion of the TAE will then be allocated to each successful applicant in terms of a set of “*quantum criteria*”.

### **8.1 Exclusionary criteria**

Apart from the criteria described in the General Policy pertaining to the lodgment of applications and material defects, the Department will exclude applicants that fail to meet the following requirements:

- (a) **Form of the applicant:** Applications will only be considered from entities incorporated in terms of the Close Corporations Act 69 of 1984 and the Companies Act 71 of 1973. Applications from natural persons (i.e. individuals or sole proprietors) and trusts will not be considered.
- (b) **Compliance:** Applicants, including the directors or controlling shareholders that have been convicted of an offence in terms of the MLRA (without the option of the payment of a fine) will not be allocated a squid fishing right. Applicants, including the directors or controlling shareholders, that have had any fishing right cancelled or revoked in terms of the MLRA will also not be allocated a squid fishing right. Other breaches of the MLRA will adversely affect the evaluation of applications, as specified below.
- (c) **Paper quotas:** Paper quotas as defined in the General Policy will be excluded.
- (d) **Access to a suitable vessel:** Applicants will have to demonstrate a right of

access to a suitable vessel (*see paragraph 9 below*).

- (e) **Non-utilisation:** Right-holders that failed to utilise their medium-term commercial squid fishing right between 2002 and 2004 will not be re-allocated a squid fishing right.

## **8.2 Comparative balancing criteria**

Although the following criteria will generally be applied to both right-holder applicants and new entrant applicants, the weighting that will be applied to each category will differ.

### **(a) Transformation**

Currently, only 33 percent of right-holders in this fishery are black-owned; 32 percent are black-managed.

Applicants will be assessed and scored on –

- The percentage black and women representation at ownership and executive management levels;
- Whether employees are shareholders in the applicant and the extent of their benefits;
- Affirmative procurement;
- The representivity of blacks and women at the various levels below executive management;
- Compliance with the Employment Equity Act 55 of 1998; and
- Corporate social investment.

### **(b) Investment in the fishery**

As far as right-holder applicants are concerned, the Department will specifically

consider:

- Investments in suitable vessels. In this regard, investment in the form of shareholding will be considered. Right-holder applicants will not be rewarded for having concluded purchase agreements, charter agreements or catching agreements.
- Investments in processing and marketing infrastructure. In this regard, the Department will reward right-holder applicants that have invested in squid processing and marketing initiatives.

As far as new entrant applicants are concerned, the Department will consider what investments have been made in the form of vessels, processing and marketing infrastructure. In addition, new entrant applicants will have to demonstrate that they have the knowledge, skill and ability to participate in the squid fishery.

**(c) Performance**

Right-holder applicants will be assessed by having regard to their squid fishing performance over the medium-term period (2002 to 2004).

New entrant applicants will be assessed by having regard to whether they have the ability, knowledge and skills to fish for squid.

**(d) Reliance on squid**

The Department will prefer applicants who rely on squid fishing for more than 50 percent of their gross annual income. Applicants or their controlling shareholders who derive any income from sources outside of the fishing industry will be penalised.

**(e) Local economic development**

The Department will positively score those applicants that elect to land their catches at small harbours, such as those along the Cape south coast and in the Eastern Cape Province.

**(f) Jobs**

The squid fishery is labour intensive and employs approximately 2 400 sea-going personnel. The Department will reward those applicants who have provided their employees, or who undertake to provide their employees with –

- Full-time employment;
- Medical aid and pension;
- Any other employment benefits; and
- Safe working conditions.

The Department will also have regard to the wage differentials between the highest and lowest paid employees.

**(g) Non-payment of fish levies**

The Department requires every right-holder to pay a levy on the targeted fish landed. A number of right-holders have either not paid their levies or have under-reported catches to, *inter alia*, avoid the payment of levies. The former will be penalised in the comparative balancing process as set out below. The latter will be excluded. However, if any such applicant qualifies for a right, a fishing permit will not be issued until the total amount of outstanding levies (plus interest) has been paid to the Department.

**(h) Compliance**

Right-holders, including their directors or controlling shareholders, who are currently being investigated for breaches of the MLRA, whether criminal or administrative, will not be allocated a squid fishing right until the conclusion of the investigation.

Minor infringements of the MLRA, including its regulations, by the applicant, its directors or controlling shareholders will be negatively scored.

### **8.3 Empowerment of squid fishers**

The Department will require all fishing crew who are intending to work on squid boats to register with the Department on its Squid Crew List. Those applicants who are successful in applying for a squid fishing right will be required to select their crew members from among those who are listed on the Squid Crew List.

### **8.4 Effort allocations**

In the medium-term rights allocation process, the allocation of crew to vessels was determined in accordance with a formula premised on the length of the vessels nominated by the successful applicants. Successful applicants were allocated all the vessels nominated. The Department intends to revise this method of allocating effort.

Firstly, the Department will allocate crew based on the maximum crew complement authorised by the South African Maritime Association (“SAMSA”). The Department will reserve a pool of approximately 30 vessels for allocation to applicants that are transformed or who have invested in squid vessels. The Department will allocate one vessel to each successful applicant. The pool of reserved vessels will be allocated to those applicants that scored highest on transformation criteria and who requested more than one vessel.

## **9. Suitable vessels**

A suitable vessel in the squid fishery is a vessel that:

- has a minimum SAMSA certified length of approximately eight metres. Smaller vessels may be considered on the basis of their squid fishing performance;
- has a functioning vessel monitoring system; and
- is equipped for squid fishing using the jigging method.

Vessels will be disqualified if the length had been artificially increased by the right-holder in an attempt to increase its crew complement.

## **10. Multi-sector involvement**

Right-holders in the squid fishery (including their controlling shareholders and members of their executive management team) will not be precluded from holding commercial fishing rights in the Cluster A and Cluster B fisheries. Squid right-holders will, however, not be permitted to hold commercial fishing rights in the Cluster C and Cluster D fisheries.

## **11. Application Fees and Levies**

The application fee for the squid fishery will be set having regard to:

- The cost of the entire rights allocation process, including consultation, receipting, evaluation of applications, verification, appeals and reviews. In this regard the costs incurred during the medium-term process will be used as a guide; and
- The value of the fish being allocated over the duration of the right.

The annual levies payable with effect from 01 January 2006 will be revised, after consultation with affected and interested parties.

## **12. Management measures**

The management measures discussed below reflect a number of the Department's principal post-right allocation management intentions for this fishery.

### **12.1 *Ecosystem approach to fisheries management***

This fishery will be managed in accordance with the ecosystem approach to fisheries ("EAF"). An ecosystem approach to fisheries management is a holistic and integrated policy which recognises that fishing and associated land-based activities impact on the broader marine environment. This part of the squid fishery policy does not attempt to provide a policy statement on EAF in the squid fishery. The EAF in the squid fishery will be detailed further in the Squid Fishery Management Manual. South Africa remains committed to the target date of 2010 for the implementation of an EAF in the commercial fisheries.

### **12.2 *Consolidation of participants***

After the allocation of eight-year commercial fishing rights in this fishery, the Department will facilitate the consolidation of the number of right-holders active in the fishery, particularly where:

- Right-holders share the same shareholders, offices or management team; or
- Where smaller right-holders opt to consolidate their business operations so as to further increase the transformation profile of this fishery.

Consolidation of right-holders is, however, subject to the Department's approach on monopolies (*see paragraph 12.4 below*). In addition, consolidation will not be supported by the Department where it could result in the reduction of the transformation profile of the

fishery.

### **12.3 Vessels and fishing effort**

There are presently 163 squid vessels in this fishery. Although the current vessel effort levels may be optimal, should the TAE be revised downward, the number of vessels may have to be reduced. The Department will, however, first aim to curtail effort in this fishery by, *inter alia*, reducing the use of lights, closing areas to fishing and lengthening the closed season.

### **12.4 Monopolisation**

While the Department will encourage the consolidation of right-holders in this fishery, the Department is opposed to monopolies which may operate to the detriment of smaller right-holders.

## **13. Performance measuring**

The Department will institute a number of formal performance measuring exercises for the duration of the commercial fishing rights. It is envisaged that the first performance measuring exercise will take place after a year, and thereafter every three years.

Although the Department will finalise the precise criteria against which right-holders will be measured after the allocation of commercial fishing rights, and after consulting with right-holders, the following broad performance-related criteria may be used:

- transformation;
- investment in vessels and gear;
- squid catching performance;
- compliance with applicable laws and regulations.

**14. Observer programme**

The Department's current observer programme will be expanded to include compliance observation. In addition, the Department will progressively increase the observer coverage of this fishery. Right-holders will be required to bear the costs of the observer programme.

**15. Permit conditions**

Permit conditions for this fishery will be issued annually. The permit conditions applicable to this fishery for the 2005 season is attached as **Annexure A**. Interested and affected parties are invited to comment on these permit conditions.