



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 POLICY MUST BE READ WITH THE GENERAL POLICY ON THE
ALLOCATION AND MANAGEMENT OF LONG-TERM COMMERCIAL
FISHING RIGHTS: 2005

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1. Introduction

This policy on the allocation and management of commercial fishing rights in the squid fishery is issued by the **Minister of Environmental Affairs and Tourism ("the Minister")**. This policy must be read with the General Policy on the Allocation and Management of Long-Term Commercial Fishing Rights: 2005 ("the General Fisheries Policy").

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 of Environmental Affairs and Tourism: Branch Marine and Coastal Management ("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 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** intends to delegate the section 18 power to allocate squid fishing rights in terms of section 79 of the Marine Living Resources Act 18 of 1998 ("the MLRA") to a senior official of the Department. **This policy document will guide the delegated authority in taking decisions on applications in this fishery.**

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 of 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. **The jig fishery registered its highest catch of approximately 12000 tons in 2003/2004.** 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 138 vessels. Allocation records show that:

- 33 percent of right-holders are majority-owned by blacks¹;
- 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;

¹ A recent study into transformation levels in this fishery revealed that 42% of right holders are black, which is below the industry average of 66%.

- 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). **The Department will regularly evaluate right holders** against predetermined performance criteria (*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, *inter alia*, 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. **Natural persons (i.e. individuals or sole proprietors) will not be granted rights. Current natural person right holders must apply in the form of a close corporation or company and will be treated as medium term right holder applicants provided that they comply with the guidelines set out in the General Policy.**
- (b) **Compliance:** Applicants, including their **members**, 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 their **members**, 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. **The criteria stated below must be read with the corresponding criteria in the General Policy for further detail. This applies in particular to the “transformation” criterion.**

(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 ownership and black and women representation at top salary, board of directors and senior official and management levels;**
- **Whether employees (other than top salary earners) benefit from an employee share scheme;**
- **Affirmative procurement;**
- **Compliance with the Employment Equity Act 55 of 1998 and the representivity of blacks and women at the various levels of employment below senior official and management level. The Department may also have regard to the wage differentials between the highest and lowest paid employees;**

- Compliance with legislation on skills development and the amounts spent on the training of blacks and participation in learnership programmes; 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 and other fixed assets. In respect of vessels, investment in the form of shareholding will be considered. Right-holder applicants will not be rewarded for having concluded vessel purchase 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 committed to 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 a significant proportion 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. Job creation and increases in jobs as a result of the allocation of medium term fishing rights will be rewarded, and in particular, applicants that have provided their employees with –

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

(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 **members**, directors or controlling shareholders, who are currently being investigated for breaches of the MLRA, whether criminal or administrative, **may** 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. The Department will only register persons on the crew list if they have successfully undertaken a SAMSA safety training course, establish a reliance on squid fishing and are able to demonstrate some form of historical involvement in squid fishing.

Registration of crew on the Squid Crew List will be free and will take place in the last quarter of 2005. The squid crew registered on the crew list may only fish from vessels authorised to catch squid.

8.4 *Effort allocations*

Following consultations with interested and affected parties, and in particular the registered industrial body for this fishery, it was decided that effort in this fishery will be allocated in terms of the formula used in 2001/2002. Attainment of the objectives set out for this fishery, and in particular the transformation objectives, will be achieved as those right holders that failed to perform adequately, that failed to transform or that failed to invest and

involve themselves in this industry will be excluded. Right holders were cautioned in this regard when the 2001 rights were allocated (see paragraph 1 of the Squid General Published Reasons published in January 2002).

Accordingly, the number of persons on board a fishing vessel will be restricted to the maximum crew stipulations determined per vessel category (see below) and in terms of the following effort policy:

- (a) the number of vessels engaged in the industry should not exceed the current number of active squid vessels, being 138;
- (b) the vessels nominated by an applicant are consigned to a length category which determines the maximum number of persons per vessel. The categories and the maximums are set out in the table below (lengths refer to the **registered lengths** according to the SAMSA Safety Certificate for vessels in excess of 25 tons and the **recorded lengths** on the licence certificate for vessels under 25 tons. Where a conflict of length does arise, **the Department will allocate the vessel the shorter length.**)

Note: The reference to “maximum persons per vessel” does not entitle the successful applicant to the maximum number of persons.

Category of vessel	<i>Maximum persons per vessel</i>
Ski boat or non freezer vessel	7 persons
Vessels up to 13 metres	12 persons
Vessels from 13 to 15 metres	16 persons
Vessels from 15 to 17 metres	20 persons
Vessels from 17 to 19 metres	22 persons
Vessels over 19 metres	26 persons

- (c) if a right-holder is allocated a number of persons that is different from the number of persons permitted in respect of the nominated vessel's SAMSA safety certificate, the right-holder will be given three months from the date of the issue of the permit to have the safety certificate for the vessel altered to ensure that the maximum number of persons permitted on the vessel is equal to the number of persons allocated to it;
- (d) if two or more right-holders are allocated rights in respect of the same vessel, the Department will require the respective right holders to agree on the proportional allocation of crew on that vessel.

9. Suitable vessels

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

- has a minimum SAMSA registered length of approximately eight metres. Smaller vessels may be considered on the basis of their squid fishing performance;
- has a functioning vessel monitoring system;
- is HACCP compliant; 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, including traditional line fish.

11. Application Fees and Levies

The application fee for this fishery will be determined having regard to:

- The cost of the entire rights allocation process, including consultation, receipting, evaluation of applications, verification, appeals and reviews; 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 determined after consultation with right holders. The levies payable will be utilised by the Department for mitigating the annual costs of management, compliance and research.

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 138 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 Monopolies

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.

The purpose of performance measuring will be to ensure that the objectives of the fishery are being met and that management methodologies and procedures remain current and suitable for the fishery.

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 will be determined after consultation with right holders in this fishery and will be subject to revision as and when it may be necessary.