



DEPARTMENT OF AGRICULTURE, FORESTRY AND FISHERIES

**POLICY ON THE ALLOCATION AND MANAGEMENT OF FISHING RIGHTS IN THE
SQUID FISHERY: 2013**

**THIS POLICY MUST BE READ WITH THE 2013: GENERAL POLICY ON THE ALLOCATION
AND MANAGEMENT OF FISHING RIGHTS
(available at www.daff.gov.za)**

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(In case of any inconsistency, the English text prevails)

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1. Introduction

This policy for the allocation and management of fishing rights in the squid fishery ("the fishery") is issued by the Minister of Agriculture, Forestry and Fisheries ("the Minister") and shall be referred to as the "**2013: Squid Fishery Policy**". The 2013: Squid Policy shall be read together with the 2013: General Policy for the Allocation and Management of Fishing Rights ("2013: General Policy").

The Minister intends delegating the section 18 powers to allocate commercial fishing rights in terms of section 79 of the Marine Living Resources Act 18 of 1998 ("the MLRA") to an official of the Department ("the Department").

This policy sets out objectives, criteria and considerations that will guide the evaluation and allocation of fishing rights in the squid fishery. This policy will guide the delegated authority in taking decisions on applications in this fishery.

2. Profile of the fishery

2.1. Description of the fishery

The squid fishery is a capital intensive and investments in vessels and fish processing establishments are very important. The fishery is boat-based and predominately operates in the eastern part of the country with most catches in the area between Plettenberg Bay and Port Alfred. The fishery is export-driven as the bulk of, if not all, of the catches are exported to the international market, being mainly southern Europe.

2.2. History 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 1960s and 1970s, the squid resource was heavily exploited by foreign fleets. During this period, squid was caught predominantly by trawlers from the Far East. Foreign fishing activity was phased out in the late 1970s and early 1980s. This followed South Africa's

declaration of an Exclusive Economic Zone ("EEZ"). Squid and other cephalopods, (i.e. other species of squid and octopus), however, continued to be caught by South African trawlers. The squid by-catch in the demersal fishery fluctuates between 200 tons and 600 tons annually.

A dedicated jig fishery for squid 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 12 000 tons in 2003/2004. Average catches in the 1990s 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.

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 five weeks to minimise fishing pressure during the peak spawning season in order to maximise spawning and recruitment success. Increases in vessel efficiency and catch technology have led to increases in fishing efficiency. The squid fishery provides employment for approximately 3 000 people, including land-based personnel (approximately 2 400 sea-going). In turn, the squid fishery supports the families of these employees indirectly. The landed catch is worth R300 million to R500 million per year.

The current allocation of effort in the squid fishery is set at a maximum of 136 vessels. This has been the upper limit since 2005 and has translated to 121 rights allocated in 2005/6. During 2008 and after the global financial crisis the markets for squid in Europe collapsed and had a drastic effect on squid operators in South Africa. As a result a number of operators were forced to sell their businesses to economically established companies with available capital. This was achieved through transfers and consolidation of fishing rights, leading to the number of rights holders in the sector decreasing from the original 121.

2.3. Current resource users

In the previous rights allocation process rights were allocated to 121 companies mainly based in the Eastern Cape. Fishing occurs mainly in the inshore waters between Plettenberg Bay and Port Alfred. There is a fair allocation afforded to traditional linefishers where a maximum of 20 squid per person per day is permitted. Squid caught by linefishers is only for personal use and may not be sold. A substantial proportion of squid is landed by the trawl sector as by-catch. Limited recreational catches for squid are permitted where permit holders are restricted to 20 fish per person per day. However, no upper catch limit is set for commercial fishing.

2.4. The biological status of the squid fishery

The squid fishery targets chokka squid (*Loligo reynaudii*), which is the most abundant squid in the South African coastal waters. Squid is found between Namibia in the west and the Wild Coast in the east. Squid completes its lifecycle within one year but lives for up to 18 months. Sexual maturity is attained within one year of hatching. Maximum length is 46 centimetres (male) and 28 centimetres (female). Squid spawn on the seabed, usually in inshore areas, but sometimes in the deep water on the Agulhas Bank. Spawning occurs year round, but is most prolific in the summer months. Squid prey on crustaceans and fish. The abundance of squid fluctuates substantially. The effects of fluctuations in predation, prey availability and the physical environment are acute in squid because their short life span offers little inter-annual continuity. Presently, squid abundance is at near-record low levels.

3. The 2005/2006 long-term fishing rights allocation process

During the 2005/2006 long-term fishing rights allocation process, 121 commercial squid fishing enterprises were granted rights. An upper limit of 2 422 crew to fish for squid on a maximum 136 vessels was set. The results of 2005/2006 fishing rights allocation process were as follows:

- (a) the total black shareholding for the fishery was 35%;

- (b) almost all the rights holders were SMMEs; and
- (c) the vast majority of workers/employees were black.

4. Objectives

4.1. The objectives of allocating fishing rights in the squid fishery are to:

- (a) promote transformation, broaden meaningful participation (increase participation, value-creation, and linkage) and growth;
- (b) improve the quality of jobs through the promotion of permanent employment and allocation of rights to SMMEs owned by historically disadvantaged persons
- (c) promote adherence to fair labour practices;
- (d) to promote food security and poverty alleviation;
- (e) allocate rights to applicants reliant on squid as their main source of income;
- (f) promote further investment in vessels;
- (g) facilitate the recovery of over-exploited and collapsed fish stocks;
- (h) achieve optimum utilisation and ecologically sustainable development of marine living resources; and
- (i) promote youth and female ownership and development.

5. Granting of fishing rights

Fishing rights are granted in terms of section 18 of the MLRA. All rights granted shall be

valid from the date of allocation for a period not exceeding 15 years, whereafter they shall automatically terminate and revert back to the State.

5.1. Form of right holder

Applications will only be considered from South African-owned companies, close corporations and co-operatives.

5.2. Duration of rights

Fishing rights will be granted in the squid sector for a period not exceeding 15 years. The duration of rights will be determined by the delegated authority, taking into account amongst other things, the level of transformation in the fishery, the capital intensity of the fishery, the need to encourage further investment and economic growth, the current knowledge of the biological status of the target species and the performance of participants in the fishery.

6. Evaluation criteria

Applications will be screened in terms of a set of “exclusionary criteria”. All applicants will thereafter be separately scored in terms of a set of weighted “comparative balancing criteria”. A cut-off will then be determined in order to select the successful applicants and effort will be allocated to each successful applicant.

6.1. Exclusionary criteria

In addition to the criteria described in the 2013: General Policy pertaining to the lodgement of applications and material defects, the delegated authority will exclude applicants that fail to meet the following requirements:

(a) Compliance

Applicants, including their members, directors or controlling shareholders that have

been convicted of a serious transgression of the MLRA (without the option of the payment of a fine) will be excluded. Applicants, including their members, directors or controlling shareholders, that have had any fishing right cancelled or revoked in terms of the MLRA, will also be excluded. Minor infringements, including payment of admission of guilt fines, may be taken into account as a balancing criterion and may also adversely affect an application.

(b) Paper quotas

Applications from paper quota applicants, as defined in the 2013: General Policy, will be excluded.

(c) Non-utilisation

Applicants that failed to effectively utilise their squid fishing right between the period 2007 to 2012 or who have not collected a permit for any particular reason without providing a reasonable explanation and/or supporting documentation maybe excluded.

(d) Access to a suitable vessel

An applicant will be required to demonstrate a right of access to a vessel suitable for the harvesting of squid. Access may be in the form of ownership, part-ownership, catch agreement, charter agreement, or bank guarantee in the case of a purchase of a vessel or to build a vessel. If an applicant intends purchasing a vessel then additional proof of a purchase agreement must be provided. If in the case of a new build vessel then the vessel plans and cost from the vessel building company must be provided.

6.2. Balancing criteria

Applicants will be evaluated in terms of the following balancing criteria which will be weighted in order to evaluate and assess applications:

(a) Transformation

Applicants will be assessed and scored on –

- (i) The percentage of black and women ownership and black and women representation at top salary, board of directors, members and senior official and management levels;
- (ii) Whether employees (other than top salary earners) benefit from an employee share scheme;
- (iii) 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 give regard to the wage differentials between the highest and lowest paid employees;
- (iv) Compliance with the Basic Conditions of Employment Act, 1997 (No. 75 of 1997) (BCEA). Applicants that comply with the BCEA will score more points than applicants not complying.
- (v) Affirmative procurement;
- (vi) Compliance with legislation on skills development and the amounts spent on the training of blacks and youth and participation in learnership programmes; and
- (vii) Corporate social investment.

(b) Investment in the fishery

Investment in the squid fishery related to vessels, processing, and human capital will be taken into consideration.

(c) Fishing performance

- (i) The fishing performance of applicants holding fishing rights in the squid sector will be examined to determine if they have effectively utilised their fishing rights.
- (ii) Applicants that did not harvest any squid during a fishing season or who have not collected a permit for any particular season without providing a reasonable explanation and/or supporting documentation may be excluded.

(d) Reliance on squid

Preference will be given to applicants who rely on the harvesting of squid for a significant portion of their gross annual income above applicants deriving income from sources outside the fishery.

(e) Local economic development

- (i) The delegated authority will take into consideration the landing of catches in fishing harbours outside the metropolitan areas to promote local economic development.
- (ii) The delegated authority may, in order to ensure that all fishing communities share in the marine living resources, use landing sites/fishing harbours as scoring or tie-breaking criteria.
- (iii) Applicants are encouraged to land or process fish in harbours and fishing communities that are economically depressed.

(f) Job creation

Job creation and increases in jobs as a result of the allocation of long-term fishing rights will be taken into consideration, and in particular, in respect of applicants that have provided their employees with –

- (i) permanent employment;
- (ii) medical aid and pension;
- (iii) safe working conditions; and
- (iv) an employee share scheme as a shareholding entity of the right holder.

(g) Payment of levies

Applicants that were granted fishing rights in 2005/2006 will be required to provide proof that they are up to date on the payment of their levies on fish landed at the date of submitting their applications.

6.3. Suitable vessels

- (a) A suitable vessel in the squid fishery is a vessel that has a minimum SAMSA registered length of eight metres and is equipped for squid fishing using the hand jig method.
- (b) The Department will require each vessel owner to invest in an acceptable vessel monitoring system ("VMS") after the allocation of fishing rights and also that the vessel shall be fitted with such a VMS at all times for the entire duration of the right. The VMS shall be functional at all times during fishing operations.

6.4. Multi-sector involvement

Applicants 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 other fishing sectors.

7. Application fees

No application fees will be payable for applications in this fishery.

8. Provisional lists, representations and consultations

- 8.1. The delegated authority may issue provisional lists for comment on any aspect relating to an application in any fishery/sector.
- 8.2. The delegated authority may request comment on any of the information provided by an applicant and on the basis of the comments received make a final decision.
- 8.3. The delegated authorities may invite representations regarding the assessment of the applications before making final decisions.

9. Management measures

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

9.1 Ecosystem approach to fisheries

This fishery will be managed in accordance with the ecosystem approach to fisheries ("EAF"). An ecosystem approach to fisheries management is a holistic approach that maintains or improves the health of an ecosystem and balances the diverse societal needs and values. This approach also defines the ecosystem in its broadest sense and includes ecological, social, economic and governance systems.

9.2 Performance measuring

Successful applicants will be subjected to a number of performance measuring exercises for the duration of the fishing rights. 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.

9.3 Utilisation of fishing right

Successful applicants that fail to utilise their squid fishing right for one season without any reasonable explanation, will have their rights cancelled or revoked in terms of the provisions of the MLRA.

9.4 Grant-of-right fees

All successful applicants may be required to pay a grant-of-right fee. The Department will determine the applicable grant of right fee payable for each fishery after consultation with the successful applicants in each fishery. The grant-of-right fee for each fishery will be subject to the approval of the Minister and the Minister of Finance.

10. Permit conditions

Permit conditions for this fishery will be issued annually. The permit conditions will be determined after consultation with the successful applicants in this fishery and will be subject to revision as and when it may be necessary.

11. Glossary of terms

- 11.1. "Application period" means the period commencing with the publication of the invitation to apply for a fishing or harvesting right in the sector to and ending on the date on which the appellate authority finally decides the appeals in the sector.
- 11.2. "MLRA" means the Marine Living Resources Act, 1998 (Act No. 18 of 1998)
- 11.3. "Race, gender and disability" means to race, gender and disability as defined in the

Employment Equity Act 55 of 1998.

- 11.4. "Rights" means fishing or harvesting rights granted in terms of section 18 of the Marine Living Resources Act, 1998 (Act No. 18 of 1998).
- 11.5. "Right Holder" means a person that was granted a fishing right during the period 2005 – 2006 in a specific fishery, or became a right holder in a fishery by way of an approved transfer of a fishing right.
- 11.6. "SMME" means Small, Medium and Micro-sized Enterprises.
- 11.7. "The 2013: General Policy" means the General Policy on the Allocation and Management of Fishing Rights: 2013.
- 11.8. "The Department" means the Department of Agriculture, Forestry and Fisheries.
- 11.9. "The Minister" means the Minister of Agriculture, Forestry and Fisheries.
- 11.10. "Total allowable catch" means the maximum quantity of fish of individual species or groups of species made available annually or during such other period of time as may be prescribed, for combined recreational, small-scale, commercial and foreign fishing.
- 11.11. "Total applied effort" means the maximum number of fishing vessels, the type, size and engine power thereof or the fishing method applied thereby for which fishing vessel licences or permits to fish may be issued for individual species or groups of species, or the maximum number of persons on board a fishing vessel for which fishing licences or permits may be issued to fish for individual species or groups of species.