



**DEPARTMENT OF AGRICULTURE, FORESTRY AND FISHERIES**  
**BRANCH FISHERIES MANAGEMENT**

**DRAFT REVISED SQUID POLICY ON THE ALLOCATION AND MANAGEMENT OF FISHING RIGHTS: 2013**

**THIS POLICY MUST BE READ WITH THE GENERAL POLICY ON THE ALLOCATION AND MANAGEMENT OF  
FISHING RIGHTS: 2013**

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**This document is also available in Afrikaans, isiXhosa and isiZulu**

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**Lencwadi iyafumeneka nangolwimi lwesiBhulu, lwesiXhosa nolwesiZulu**

**Lencwadi iyatholakala nangolwimi lwesiBhulu, lwesiXhosa nolwesiZulu**

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## **1 Introduction**

This policy on the allocation and management of fishing rights in the Squid sector is issued by the Minister of Agriculture, Forestry and Fisheries (“the Minister”) and shall be referred to as “**Squid Policy: 2013**”. The Squid Policy: 2013 shall be read together with the General Policy. The Minister intend to delegate her 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.

This policy sets out objectives and the criteria, which will guide the evaluation and allocation of commercial fishing rights in the squid fishery sector.

## **2 Profile of the Fishery**

### **2.1 Description of the fishery**

The squid fishery is a capital intensive fishery where investment in vessels and fish processing establishment plants its key for survival. The fishery is boat based and it predominately operates in the Eastern Part of the country with most catches in the area between Plettenberg Bay and Port Alfred. Vessels operating in the fishery include 7 men ski boats to 26 men modern vessels (most cases in excess of 19 meters in length). The fishery is export driven as the bulk if not all catches is exported to the international market, mainly Europe and Asia

### **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 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. 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 (approximately 2 400 sea-going). The landed catch is worth more than R180 million per year.

The current allocation of effort in the squid fishery is set at maximum 136 vessels which has been translated to 121 rights allocated in 2005/6. Following transfer and consolidation of fishing rights the number of right holders have decreased from the original 121. Some small operators has been bought out by the more economically and capially established companies resulting in the control of the industry lying in the hands of a few operators who present themselves as transformed. The industry has in recent years gain popularity that relates to fronting. This has not been quantified or qualified but the Department has been served with petitions and complaints from those who have been defrauded during the 2005/6 Rights allocation process.

### **2.3 Resource users today**

Currently rights are allocated to 121 companies mainly based in the Eastern Cape. Fishing occurs mainly in the inshore waters between Plettenberg bay and Port Alfred. Limited recreational catches for squid are permitted where permit holders are restricted to 20 fish per person per day. No upper catch limit is set for commercial fishing.

### **2.4 The Biological Status of Squid Fishery**

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 The 2005/6 long term rights allocation process**

During the long term rights allocation process, 121 commercial squid fishing enterprises were granted rights authorising them to use more than 2 422 crew to fish for squid on 136 vessels. Allocation records show that:

- 3.1 the total black share holding in the fishery was 35% black at allocation and has
- 3.2 increased as findings from the 2009 review process to 48%

### **4 Over-arching fishery objectives**

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

- 4.1 Notably improve the transformation profile of this fishery;
- 4.4 Affirm applicants who live in, or whose place of registered business, is the Eastern Cape;
- 4.5 Promote further investment in vessels (to modernise or replace ageing vessels) and infrastructure and to promote job creation;

- 4.6 Allocate rights to applicants who predominantly rely on squid for their income;
- 4.7 Support the economic viability of the fishery;
- 4.8 Ensure the environmental sustainability of the fishery.

## **5 Allocation of Rights**

### **5.1 Duration of Right**

Having regard to the biological status of line fish stocks, the need to encourage higher levels of compliance and adherence to fisheries laws and the need to affirm fishers from squid fish villages along the entire coast, the need to further promote equal and fair access to the resources commercial rights will be allocated for a period of **seven** years (1 January 2014 to 31 December 2020). Each right holder will be tested against predetermined performance criteria.

### **5.2 Form of right holder**

6.1.1 Section 18 of the MLRA provides that only South African persons may hold fishing rights.

6.1.2 The following South African persons will be considered:

- (a) a company;
- (b) a close corporation;
- (c) a trust;
- (d) a co-operative established in terms of the Small-Scale fisheries policy; and
- (e) an Individual who is a South African citizen as described in the constitution.

### **5.3 New entrants**

Although the squid fishery is currently optimally exploited and there is no room for *additional* participants, new entrant applicants will be considered, *amongst others*, and may be preferred over existing right-holders if their inclusion will assist in the transformation of the squid fishery.

## **6 Empowerment of squid fishers**

The Department will require all fishing crew who are intending to work on squid boats to register on a Crew Register. Squid right holders will be required to select their crew members from among those who are listed on the Crew Register. The Department will only register persons on the crew register if they have successfully completed a SAMSA safety training course, demonstrate some reliance on squid fishing and historical involvement in squid fishing. Crew will be registered free of charge and the registration process will commence in the last quarter of 2005. Registered crew may only fish from vessels authorised to catch squid. This does not mean that persons registered on the Crew List may not crew on vessels in other fisheries.

## **7 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*".

### 7.1 Exclusionary criteria

Apart from the criteria described in the General Policy pertaining to the lodgment of applications and material defects, the delegated authority 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 fishing right allocation right holder applicants provided that they comply with the guidelines set out in the General Policy.
- (b) **Compliance:** If an applicant, or its members, directors or controlling shareholder has been convicted of a serious infringement of the MLRA, the regulations, permit conditions or other serious fishery related offences during the medium-term right period, the applicant will not be allocated a squid fishing right. This does not include the payment of an admission of guilt fine. Rights will also not be allocated to an applicant if the applicant, or its members, directors or controlling shareholders, has had any fishing right cancelled or revoked in terms of the MLRA, or assets seized under the Prevention of Organised Crime Act 121 of 1998 or the MLRA. Decisions may be reserved on applications if an applicant (or its members, directors or controlling shareholders) is being investigated for a breach of the MLRA. Right-holders are required to pay a levy on targeted fish landed. Right-holders that have underreported catches to avoid the payment of levies will be excluded. Right-holders that have not paid levies will be penalised in the comparative balancing process as set out below. Should such an applicant nevertheless qualify for a right, a fishing permit will not be issued until the outstanding monies have been paid to the Department.
- (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:** The delegated authority may refuse to re-allocate a right if a right holder applicant failed to fully utilise its medium-term commercial squid fishing right between 2002 and 2004.

### 7.2 Comparative balancing criteria

Right-holder applicants and potential new entrants will be evaluated in terms of the following balancing criteria, which will be weighted to assess the strength of each application. 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**

The fishing right allocation records suggest that this fishery is comparatively less transformed than other fisheries. Applicants will be assessed on

- (i) The percentage black and women ownership and black and women representation at top salary, board of directors and senior official and management levels;
- (ii) Whether employees (other than top salary earners) benefit from an employee share scheme;
- (iii) Affirmative procurement;
- (iv) Compliance with the Employment Equity Act 55 of 1998 and the representivity of blacks and women at the various levels of employment. The delegated authority may also have regard to the wage differentials between the highest and lowest paid employees;
- (v) Compliance with legislation on skills development and the amounts spent on the training of blacks and participation in learnership programmes;
- (vi) Enterprise development; and
- (v) Corporate social investment.

**(b) Investment in the fishery**

As far as right-holder applicants are concerned, the delegated authority will consider:

- (i) Investments in suitable vessels and other fixed assets. In respect of vessels, investment in the form of shareholding will also be considered. Right-holder applicants will not be rewarded for having concluded vessel purchase agreements;
- (ii) Investments in processing and marketing infrastructure. The delegated authority may reward right holder applicants that have invested in squid processing and marketing. As far as new entrant applicants are concerned, the delegated authority will consider investments made in other sectors in the form of vessels and fixed assets, marketing and processing.

**(c) Performance**

Right-holder applicants will be assessed by having regard to their squid fishing performance over the medium-term period (2002 to 2004). All new entrant applicants will be required to demonstrate that they have the capacity knowledge and skill to participate in the squid fishery.

**(d) Reliance on squid**

The delegated authority will positively score applicants who rely on squid fishing for a significant proportion of their gross annual income.

**(e) Local economic development**

Investment in South Africa's smaller coastal towns should be promoted. The delegated authority may reward those applicants that have invested in smaller coastal towns outside of the large metropolitan areas of Port Elizabeth and Cape Town. Squid right holders that have invested in facilities in Cape Town and Port Elizabeth will not be negatively scored.

**(f) Jobs**

Job creation and increases in jobs as a result of the allocation of fishing right allocation fishing rights will be rewarded, and in particular, applicants that have provided their employees with

- (i) Full time employment;
- (ii) Medical aid and pension; and
- (iii) Safe working conditions.

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

Right holder applicants will be penalised if their levies payable to the Department are outstanding for a period longer than 60 days at the date of application.

**(h) Compliance**

If the applicant, its members or its directors or controlling shareholders have been convicted of a minor infringement of the MLRA, the regulations, permit conditions or other fishery related offences, during the medium-term right period, or paid admission of guilt fines for contraventions of the MLRA, its regulations or permit conditions, the applicant will be penalised.

### **7.3 Effort allocations**

Following the public consultation process, and consultations with the registered industrial body for this fishery, it was decided that effort will be allocated in accordance with the following broad principles:

- (a) The number of persons on board a fishing vessel will be restricted to the maximum crew stipulations determined per vessel category (see below);
- (b) The number of vessels engaged in the industry should not exceed the current number of active squid vessels, being 138;
- (c) 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 length 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.

- (d) **Category of vessel** *Maximum persons per vessel*
- 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
- (e) 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.
- (f) If two or more right-holders are allocated rights in respect of the same vessel, the delegated authority will require the respective right holders to agree on the proportional allocation of crew on that vessel.

Before a final decision is made on the allocation of effort, the delegated authority must consult with successful applicants on the allocation of effort.

#### **7.4 Suitable vessels**

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

- (a) has a minimum SAMSA registered length of approximately eight metres. Smaller vessels may be considered on the basis of their squid fishing performance;
- (b) has a functioning vessel monitoring system;
- (c) is HACCP compliant; and
- (d) 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.

#### **7.5 Multi-sector involvement**

Right-holders in the squid fishery are not precluded from holding commercial fishing rights in the Cluster A and Cluster B fisheries. Squid right-holders, including their controlling shareholders or members (in the

case of close corporations) and members of their executive management team will not be permitted to hold commercial fishing rights in the Cluster C and Cluster D fisheries and traditional line fish rights.

## **8 Application Fees and Levies**

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

- 8.1 The cost of the entire rights allocation process, including consultation, receipting, evaluation of applications, verification, appeals and reviews; and
- 8.2 The value of the fish being allocated over the duration of the right.

The annual levies payable with effect from 1 January 2014 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.

## **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 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.

### **9.2 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.

### **9.3 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 consulting with right-holders, the following broad performance-related criteria may be used:

- 11.1 transformation;
- 11.2 investment in vessels and gear;
- 11.3 squid catching performance;

11.4 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.

#### **10 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.

#### **11 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.