

Transformation of the Hake Deep-Sea Trawl Fishery

Since it was first regulated 40 years ago, the hake deep-sea trawl fishery has seen substantial entry and transformation.

Prior to 1978, the hake fishery was subject to uncontrolled harvesting, with no annual total allowable catch (TAC) set by the state or specific fishing permits or quotas granted. In 1978 the first TAC was set in order to ensure proper conservation of the resource. Individual rights were granted in 1979.

Subsequent to 1979, one can identify a number of distinct periods of legislative processes in terms of rights allocation, namely (i) the initial quota-based period (1979–1990); (ii) the Quota Board period (1991–2001); (iii) medium-term rights allocation (2002–2005); and (iv) long-term rights allocation (2006–present). The table below summarises the evolution of entry and rights holders during each of these periods.

Table 1: Summary count of rights holders over time

	Initial quota	Quota Board	Medium-term rights allocation	FRAP 2005
	1979–1990	1991–2001	2002–2005	2006–2020
Rights holders at the beginning of period	5	17	56	55
Share of TAC of top 2 at start of period	84.2%	75.4%	66.2%	61.3%
Number of additional entrants	12	45	2	5
Average quota per new entrant	627	605	302	
Number of rights holders exiting	0	6	3	27
Number of rights holders at end of period	17	56	55	43

Source: Felet *et al.*, 2020.

- Entry primarily took place in the post-apartheid Quota Board period (1991–2001), with 45 new rights holders added to the 17 existing ones. These rights holders were almost exclusively historically disadvantaged persons (HDIs) and this period marked the beginning of the transformation of the industry.
- The medium-term rights allocation (2001) and long-term rights allocation (2005) processes sought to consolidate the entry that had occurred and accelerate transformation within the set of existing rights holders. This was done by elevating a range of transformation criteria within the allocation process (subsequently adopted in the Broad-Based Black Economic Empowerment Codes of Good Practice) and making it competitive insofar as relative transformation mattered for allocation.

Incorporating transformation into the allocation criteria strongly incentivised rights holders to transform themselves ahead of the fishing rights allocation process of 2005 (FRAP 2005) and to continue to do so in anticipation of FRAP 2020, now delayed to 2021.

In 2020, independent economists, Genesis Analytics compared the performance of the hake deep-sea trawl fishery to other sectors, using the 2018 results for top empowered companies published by Intellidex.

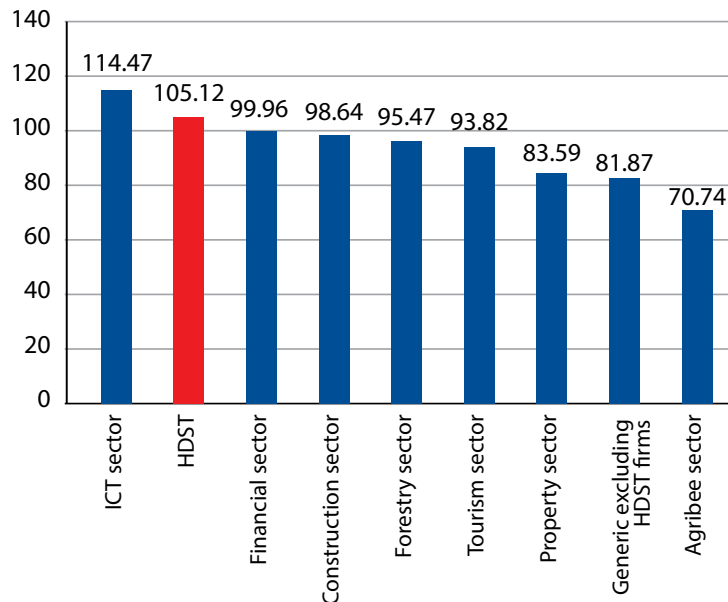
As the graph on the following page shows, the hake deep-sea trawl fishery ranked second against other sectors of the economy.



Transformation compared to other industries

When benchmarked against other sectors, the industry ranks second, after the Information and Communications Technology sector.

Average points achieved per sector and overall for 2018



Source: Felet *et al.*, 2020.

Note: Results based on performance of 100 listed companies and aggregated into sector performance results by taking the simple average. The results of HDST rights holders have been excluded from the "Generic" classification as they are part of the HDST sector.

References

Felet, A., Fiandeiro, F., Ntanz, A., van der Hoven, Z., Moses, P-J. & Goagoses, L. 2020. Economic study of the hake deep-sea trawl fishery and the implications for future fishing rights allocation policy. Johannesburg, South Africa, Genesis Analytics. 135 pp.

Genesis Analytics findings

In 2020, Genesis Analytics determined:

- Shareholding by HDIs has more than doubled from around 30% in 2005.
- HDIs currently hold approximately 67% of the shares in the firms that harvest 92% of the hake deep-sea trawl catch, and most likely the same or higher amongst the remaining smaller firms.
- The top three firms in the hake deep-sea trawl fishery are all level 1 B-BBEE contributors.
- The industry moved from an average B-BBEE score of approximately 100% in 2018 to approximately 105% in 2020.

Fishery scorecard

Management control

- The hake deep-sea trawl industry exceeds representivity targets at Board and Executive Director level. It has made headway at Executive and Senior Management levels but currently falls below target.

Skills development

- The hake deep-sea trawl industry meets targets on learnerships and has made headway on training and absorbing learnerships.

Enterprise and supplier development (ESD)

- The hake deep-sea trawl industry far exceeds targets for ESD spend.

Socio-economic development (SED)

- The hake deep-sea trawl industry's SED contributions are around the target levels set in the B-BBEE Codes of Good Practice.

Other factsheets and position papers in the SADSTIA series:

SADSTIA. 2021. The economic contribution of the hake deep-sea trawl fishery. SADSTIA Factsheet No. 1. Available at www.sadstia.co.za/publications-and-media

SADSTIA. 2021. Employment in the hake deep-sea trawl fishery. SADSTIA Factsheet No. 4. Available at www.sadstia.co.za/publications-and-media



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Unlocking the value of the Cape hake resource