

Black economic empowerment and the hake deep-sea trawl fishery

- Historically disadvantaged individuals and companies currently hold 86% of rights in the hake deep-sea trawl fishery, according to the latest estimates of the Department of Forestry, Fisheries and the Environment.
- The top three companies in the hake deep-sea trawl industry are level one contributors to BBBEE.
- Shareholding by black South Africans has almost tripled since 2005 when long-term rights were allocated for the first time.

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 period (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	FRAP 2020
	1979–1990	1991–2001	2002–2005	2006–2020	2022–2037
Rights holders at the beginning of period	5	17	56	55	37
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	4
Average quota per new entrant	627	605	302		
Number of rights holders exiting	0	6	3	27	0
Number of rights holders at end of period	17	56	55	33	

Source: Felet *et al.*, 2020, updated following the completion of FRAP 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 the first long-term rights allocation (2005) 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 again ahead of FRAP 2020. (FRAP 2020 took place over the period 2020 to 2024.)

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.

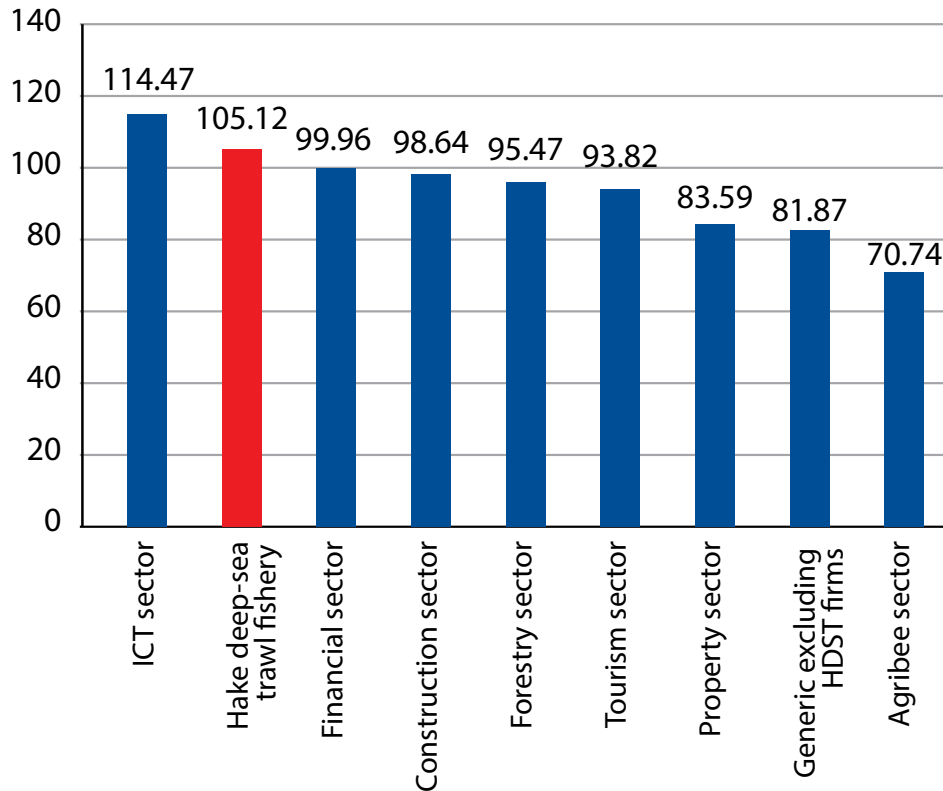
As the graph on the following page shows, the hake deep-sea trawl fishery ranked second among other sectors of the economy.



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.

References

Felet, A., Fiandero, 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.

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Unlocking the value of the Cape hake resource