

**DRAFT DISCUSSION DOCUMENT ON
A POLICY FOR THE ALLOCATION OF RIGHTS FOR
COMMERCIAL TUNA LONGLINING IN SOUTH AFRICA**

BACKGROUND

The tuna long-lining sector is a fairly new one in South Africa in that the resource has mainly been exploited by fleets from Japan and Taiwan, fishing in South African waters under bilateral licensing agreements. These agreements will terminate by the end of January 2003. The on-going South African experimental fishery that was initiated in 1997 will be closed, and rights for commercial tuna long-lining will be allocated with effect from (xx date) 2003. It must be kept in mind that the threshold of entry into this fishery, in terms of investment level and skills requirements is relatively high.

Stocks of highly migratory species, such as swordfish and tunas, are managed by Regional Fishery Management Organizations (RFMOs) such as the International Commission for the Conservation of Atlantic Tunas (ICCAT) and the Indian Ocean Tuna Commission (IOTC). South African catches to the west of Cape Agulhas are managed by the former, while those to the east are managed by the latter. Country allocations are generally based on past performance.

Therefore, particularly in the short term, the policy objective of highest priority is to build up a South African catch history in terms of tuna.

Otherwise, all the “traditional” policy objectives applicable for rights allocations in other fisheries will apply in this sector as well, such as –

- Economic growth;
- Human resource development/transfer of skills;
- Transformation of the fishing industry;
- Sustainable resource utilization.

KEY POLICY ISSUES

Consolidation of fisheries targeting large pelagic species

It is a policy objective to amalgamate all fisheries based on the targeting of large pelagic species, after consultation with industry associations and other relevant stakeholders. It is expected that pelagic shark targeting will be prohibited once the current rights for shark long-lining expire by the end of 2005. In future it is foreseen that sharks caught by pelagic long-lining will be regulated by means of by-catch provisions. Current holders of rights for shark long-lining who wish to continue operating within the pelagic long-lining sector, must apply for a right to target tuna and/or swordfish as contemplated in this document.

Duration of rights and assessment of performance

Given that the highest policy priority is to build up a South African catch history in the tuna fishery, taking into account that the threshold of entry into this fishery in respect of investment and expertise is high, it is recommended that the duration of the rights be set at ten years, as proposed by SATLA. It is further recommended that the fishing performance of right holders be subject to close monitoring and annual assessment. Thus, as from the second year after the allocation, any right holder not performing within a minimum of 30% of the average vessel catch per calendar year per sector, may be withdrawn and re-allocated.

TAE and structuring of the fishery

Thirty experimental longline permits were issued for South African waters towards the end of 1997, ostensibly for catching tuna. The objectives for the experimental fishery were as follows: 1) to develop a performance history in tuna fishing so that RFMOs would be more inclined to allocate country quotas to South Africa in future; 2) to develop local technological and fishing expertise in the tuna industry, and; 3) to collect biological and fisheries data in order to provide a scientific basis for the management of a large pelagic fishery. Thus far a performance history has steadily been built up for tuna and swordfish, but particularly for swordfish, as vessels used American style monofilament gear and light sticks (used for targeting swordfish) with the result that swordfish comprised the bulk of the catch (50-70%). Consequently, technology and fishing expertise has largely been developed for this species. However, swordfish catch rates along the western edge of the Agulhas Bank declined by 70% between the last quarter of 1997 and the first quarter of 1999. Recreational anglers have been unable to catch swordfish since 1998. These data strongly suggest a case of localized swordfish depletion as has occurred elsewhere.

During the experimental fishery MCM regularly interacted with industry and other relevant associations through Tuna Management Advisory Group (TMAG) meetings. These meetings were held to discuss various issues, including management issues, permit conditions, catch statistics, and were also used as a means to provide feedback to industry. The last TMAG meeting, held on 29 August 2002, was used to present MCM's proposals on the management of a future commercial pelagic longline fishery to the South African Tuna Longline Association (SATLA), South African Tuna Association (SATA), Shark Longlining Association (SLA) and the South African Deep Sea Angling Association (SADSAA), as rights in the pelagic longline fishery are scheduled to be allocated at the beginning of 2003.

Faced with the problem of how to increase our tuna performance without overexploiting our swordfish resource, an internal advisory group of Marine & Coastal management recommended that 50 longline permits should be allocated, but that these should be divided into 20 swordfish directed and 30 tuna directed permits. It appears that additional domestic tuna vessels could replace the number of foreign tuna vessels to be excluded from fishing in South Africa's EEZ in 2003, but this is misleading as the removal of foreign tuna vessels from SA's EEZ will not decrease fishing effort on tuna stocks as these vessels will likely continue to fish on the high seas adjacent to SA's EEZ. Hence, a conservative approach of only 30 tuna permits was recommended. SATLA, SATA and SADSAA agreed to the proposal of 50 longline permits. However, SATLA disagreed with the split of 20 swordfish and 30 tuna permits. SATLA insisted that swordfish and tuna should be available under one permit due to seasonal fluctuations in abundance of swordfish and tuna species. MCM considers SATLA's response unreasonable, especially when considering that

swordfish and tuna directed vessels would be allowed by-catches of tuna and swordfish respectively.

On this basis, it is recommended that the fishery be structured as follows:

- ***20 swordfish-directed rights (one vessel per right)***
- ***30 tuna-directed rights (one vessel per right)***

Regulatory measures

It is recommended that a number of restrictions and conditions be introduced, as set out in the draft permit conditions (attached).

Nationality of vessels

In terms of the emphasis given to the policy objective of establishing a South African catch history in this fishery, it would seem to be a matter of concern that too few suitable SA'n – flagged vessels may be available in the short-term. Therefore, the recommended policy is to give preference to applicants who apply in terms of an adequate SA'n vessel. However, it is recommended that joint ventures (JV's) or bare-boat (BB) charters in terms of foreign-flag vessels also be considered, subject to certain firm commitments by the applicant, such as – for instance –

- Any applicant who apply in terms of a foreign-flag vessel must obtain and submit authorization from the flag state that the catch in terms of that vessel will statistically accrue to SA and that the vessel be subject to compliance with all relevant SA'n legislation;
- Changes with regard to the flag-state status of the vessel must be promptly reported to the Department;
- Any applicant who apply in terms of a foreign-flag vessel must undertake a binding obligation that – should he/she be successful, then the vessel will be re-flagged to SA within a maximum period of five years.
- Failure to comply with such commitments may result in the withdrawal of the right.

Identity and profile of the applicant

It is recommended that preference be given to applicants who demonstrate willingness and capability to take an active role in the fishery or in the processing/marketing. It is further recommended that preference be given to applicants who – in terms of ownership structure and the sourcing of capital – demonstrate willingness and capacity to undertake investment and risk exposure. If the applicant is a JV is between a PDI and a non-PDI company, there must be a clear undertaking with targets and milestones which can be readily monitored, in respect of skills/capacity transfer. It must be demonstrated that the proposed venture be subject to SA'n overall management and – in particular – active involvement in the marketing of products. Applicants will be expected to reveal details in respect of any arrangements, contractual or otherwise organized, involving agents and/or management assistance, particularly for the purpose of identifying how related costs will influence the profit and loss account of the venture and the distribution of profits and/or other benefits between all parties involved.

SA'n crew versus foreign crew on tuna long-lining vessels

It is recommended that preference be given to applicants who will be operating with a SA'n crew. To the extent that the applicant is dependent on having a foreign crew or crew members, it is recommended that the application still be considered; provided – That the applicant undertakes a training program to replace the foreign crew members with SA'n citizens within a maximum period of 5 years. Failure to comply may result in the withdrawal of the right

Application fee and levies

It is recommended that an application fee of R6 300 will apply, and that landed catch be subject to the payment of levies as follows:

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| 1. Swordfish, Yellowfin- and Bigeye tuna: | R3 600 per ton landed; |
| 2. Southern Bluefin tuna: | R12 000 per ton landed; |
| 3. All other catches, included Albacore tuna and sharks: | R107 per ton landed |

Observer program requirements

This fishery is covered by the "Tender specification for the provision of ship-board scientific observer services – Offshore observer programme".

Vessel monitoring (sattelite tracking)

It is recommended that this fishery be subject to Inmarsat C – based VMS.

Vessel details

An overview of vessels currently (per date) engaged in the experimental fishery shows that SA'n vessels range from 19,24 meters to 34,8 meters in length. Foreign-flag vessels range from 28,6 meters (St. Vincent) to 76 meters (USA) in length. A well-motivated, independent recommendation regarding stipulation of vessel size cannot be made without compromising already operating SA'n vessels. One suggestion might be to stipulate a minimum size of 19 meters in length, and in the case of tuna give preference to vessels larger than 25 meters and further preference to vessels with super-freezing capacity.

If an application is submitted in terms of a vessel which has been "black-listed", then the applicant must submit proof that the vessel has subsequently changed beneficial ownership, otherwise the application in terms of such vessel will not be considered.

Equipment and/or gear details

It is recommended that a successful applicant must show proof at site inspection within a maximum period of six months after being awarded the right, that adequate equipment for commencing operation is at the applicants disposal.

Assessment of applications

It is envisaged that applications will be evaluated and scored on criteria based on merits in respect of, *i.a.*

- Degree of Transformation (ownership/senior management)
- Degree of involvement and investment in the sector
- Capacity to harvest and market the resource/product (Business plan)
- Past performance
- Legislative compliance
- Degree of “paper quota risk”
- Other parameters??

Consultation and Gazetting

Recognized industrial bodies and other interested parties will be invited to comment and make inputs to this draft allocation policy, including criteria for the evaluation of applications. When finalized and approved, the policy and the evaluation criteria will be published in the Government Gazette together with the call for applications.