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## MEMORANDUM

TO: MINISTER-DESIGNATE PALLO JORDAN

ATTN: PRESIDENT NELSON MANDELA  
JAKES GERWEL - SECRETARY OF THE CABINET

FROM: THE FISHERIES DEVELOPMENT UNIT

*(revised with handwritten notes in Sebastian's paper)***CONTRIBUTION TOWARD A CRITIQUE OF THE SOUTH AFRICAN FISHING INDUSTRY**

## I. A BRIEF HISTORY OF THE SOUTH AFRICAN FISHING INDUSTRY

Historic records state that the commercialisation of the South African fishing industry began around the end of the last century when two British gentlemen, namely Irvin and Johnson, combined to form the first deep-sea trawling company combining both harvesting i.e. the catching of fish, and processing. These historic records often ignore the masses of freed slaves from Indonesia who with their horse drawn carts were the first fish mongers, or *langana*, involved in spreading the trade of fish to the sparsely populated areas in land. The exploitation of the abundant hake resource by Irving and Johnson became the mainstay of the South African industry and has remained such to the present day.

Up the the period of 1948, an unregulated fishing industry continued to grow in South Africa. This was dominated largely, on the one hand, by indigenous fishermen, who were involved in the catching and mongering of fish, and on the other hand, by the newly arrived English colonials. These merchant capitalists infused capital into the industry through the creation of fish processing plants. This is a checkered history characterised by many failures and a few successes. Sufficient to say, in the time leading up to 1948, the South African fisheries economy had become the domain of white English capital. The fishery at this time could be described as a "catch as you can" system whereby exploitation of the resource was open to all those who wanted to engage in fishing. Obviously, the masses of the fisherfolk with limited resources where able to sustain a meagre existence under this system and those who could capitalise flourished.

On the eve of the seizure of power in 1948, serious efforts were being made by the Afrikaners to position themselves in key areas within the South African economy. Similar efforts were being made in the fishing industry. In this period, we see a struggle emerging within the Afrikaner ranks between those who wanted to aspire to big industry and compete with English capital within the market place, and the nascent "national socialist" ideology of the *help-mekaar* societies which in terms of fishing put emphasis on the development of fishing co-operatives.

An investigation is launched in 1944 (see Union of S A Report of the Select Committee on Subject of Fishing Industry Development Bill, 1944 - S.C.4-'44). The primary objective of the investigation was to consider the transformation of the South African fishing industry and specifically consider the best manner through which to facilitate the entry of Afrikaner interests. Whilst the plight of the fishermen at this investigation were ignored representations were made through trade union representatives such as Ray Alexander and Oscar Mpetha of the then Food and Canning Workers Union (which eventually became FAWU).

Following the investigation of this Select Committee, its recommendations led to the promulgation of the Fishing Industry Development Act (No.20) of 1952 which in the main provided for the the creation of Viskor - Visserye Korporasie, or Fiscor. Fiscor had become the development arm of the fishing industry in South Africa up to its dissolution in the mid-1980's upon which its assets were transferred over the the Small Business Development Corporation. Today, with the unbundling of the SBDC, funds which originated with Fiscor are currently being transferred over the Department of Trade and Industry.

Fiscor, which received massive grants from the government, provided for two distinct forms of development assistance - namely "A" and "B" shares. "A" shares were offered to aspiring Afrikaner capitalists for the purpose of establishing a presence in the processing sector. "B" shares were offered primarily for the purchase of boats for those interested in harvest. The legacy of the "B" share holders in this industry would be the sector which operates in the industry called the "private boat owners" - who are today led by a man called Ricky Dunagie. The unstated mandate of Fiscor and the issuing of these shares was to entrench Afrikaner interests within the fishing industry.

Coinciding with the establishment of Fiscor was the discovery of the pelagic resources - namely pilchards and anchovies, the former being canned for human consumption whilst the latter is turned into fish oil and fish meal for chicken meal. This is one of the sectors over which emergent Afrikaner capital was able to take control.

In this period, black fishermen, other than those working on the deep-sea hake trawling vessels and pelagic boats, were involved primarily in lobster catching and line-fishing. During the 1970's when the quota system, as a regulatory mechanism, was introduced the access enjoyed by black fishermen particularly in the lobster sector was abruptly taken away. The rights to harvest these resources, mainly lobster, were given to white-owned companies and black lobster men who had enjoyed historic rights were compelled to deliver their catches to the factories of these companies. Gradually, these companies acquired their own dinghies and black fishermen had to man these little boats with out ever enjoying permanent employment status. This is largely the situation we find ourselves in today.

The line-fishermen, whose fish is deliver as the "catch of the day" to the dining tables of the top restaurants and hotels of this country, are forced to brave the seas in highly unsafe vessels which are mostly owned by a few big companies. These fishermen are amongst the poorest in the industry where the majority don't own boats, but rather work for companies who own not only the boats but the permits under which the line-fish are caught. Line-fishing is run on a permit system and is not considered a quota species. The permit system, run out of the Department of Sea Fisheries has been used to exclude and limit the ownership possibilities of

black fishermen. Permit and boat licenses are the primary domain of the white fishermen and the big companies who own them.

## II. WHO OWNS OF THE SOUTH AFRICAN FISHING INDUSTRY

The management of the South African fisheries resource is governed by scientific projections for a given season which determine what is the *maximum sustainable yield* of given species to be harvested while still ensuring sustainability of the resources in the future. This maximum sustainable yield is ultimately converted into what is called the *Total Allowable Catch* of (TAC) which is converted into tonnage.

Under the quota system which was instituted in the mid-1970's, TAC were set for the following species: hake; sole; pilchard; anchovy; horse mackerel; west coast rock lobster, south coast lobster; and abalone.

If we work from the Fishing Industry Handbook, 1994 - the 22nd edition - we can establish a very skewed ownership pattern of the fishing industry. Eight major companies control the lion share of the resource - that is holds the most significant quotas and permits. These companies are:

Irvin and Johnson (Anglovaal Group)

Sea Harvest (CG Smith Group)

Atlantic Fishing (Premier Group)

Marine Products (Foodcorp Group)

Oceana (Tiger Oats / Real Africa Investments Limited)

Luistania

Viking Fishing

Suiderland

These companies are controlled by a few key individuals who wield enormous power in terms of the industry and in relationship to the Department of Sea Fisheries and the policy formulation process. The former managing director of Sea Harvest is a Eckard Kramer who currently is the spokesperson for the Deep-Sea Trawling Association. He sits on the Sea Fisheries Advisory Council and is the main negotiator for the industry within the policy formulation process.

Of the total TAC of all the above mentioned species these companies control 93 % of that TAC. This breaks down as follows:

Hake - 88 % ; Sole 85 %; Pilchard 80 %; Anchovy 99 %; Horse Mackerel 80 %; West Coast

Rock Lobster 70%; South Coast Rock Lobster 75%; and Abalone 84%.

Within the hake sector alone, three companies, I&J, Sea Harvest and Marine Products control 83% ownership. This sector is by far the most profitable sector in the industry. As of 1994, in the abalone sector, 100% of the TAC was dominated by 4 companies Marine Products, Oceana, I&J, and Blue Star HLDGS. This picture alone, understanding the dynamics of the abalone economy, would take more analysis.

As of 1994, the percentage of the ownership was awarded to black groups - that is African, Coloured, or Indian was 0.75%. The number of black boat owners was 7% and the number of fishing licences issued to blacks was 6%. Blacks control in terms of access rights would be: in Hake 2%; Pilchard 0.3%; and West Coast Rock Lobster 2%.

Since 1993, there have been new entrants to the industry from the black community in most of the fishing sectors. The amounts of fish received however by these black groups, cannot be used to promote viable business. A further development has been attempts by the big companies to offer limited shareholding and worker participation schemes in ownership of the companies. These have been on a very limited basis and can easily be seen as a cynical attempt by companies who are earning super-profits to keep control of the industry under the guise of "black empowerment." These schemes are fooling no one!

The above stated covers only the harvesting side of the industry. However there is much more to the fishing industry - namely the processing and marketing of fish and fish products. The South African fisheries economy is dominated by what has now been termed "vertical integration." As Gowan Mbeki describes in terms of the mining economy in his essay on "Monopoly Capitalism in South Africa" - vertical integration works whereby - "enterprises are responsible for successive stages in the supply and production of a product. Such a combination can occur between suppliers of iron ore, a steel producer and a firm that specialises in the production of steel products, e.g. farm implements" (p.143, Learning from Robben Island, 1991.)

In the fishing industry, we find that companies such as I&J and Sea Harvest have an even larger share of control over the processing and the marketing of fish and fish-related products. Hence the industry is characterised by extreme concentration of wealth over, bordering on a form of monopoly capitalism operating beyond the rights that are granted to these companies by the state.

### III. THE DEPARTMENT OF SEA FISHERIES / THE SEA FISHERIES RESEARCH INSTITUTE

The Department of Sea Fisheries is the most important implementing agency within the ministry for the management of the marine resources. Various other agencies like the Quota Board, the Fisheries Advisory Committee, and a number of Sea management Committees function alongside and within the Department. Being based in Cape Town, the Department has a very skewed representation and is viewed very suspiciously by those outside the Cape.

The Department of Sea Fisheries performs two distinct tasks, viz. the management of the resources and the scientific monitoring of these resources. The latter function is performed by the Sea Fisheries Research Institute employing a number of marine scientists with extensive cooperation from a number of universities.

In some way, the ownership patterns of the industry is mirrored in the way the functionaries in the Department perform. At best the Department Sea Fisheries forms a support system for the few big companies which dominate the industry. At worst some, mainly scientists, carry on their tasks unrelated to the industry which provides their upkeep. Science, in this instance, is carried on as an end in itself, operating unrelated to socio-economic conditions. This ultimately bolsters the status quo as the scientific establishment gets used by big business against the interest of small-scale fisheries development. This has been evidenced in the implementation of experiential fisheries such as long-lining which have become the primary domain of entrenched interest to the exclusion of black fishermen.

Scientists on the whole however are very far removed from the industry. They have no contact with fishermen who constitute the largest single force upon whom their research impacts. Ultimately their work bolsters the patterns of economic ownership in the industry.

One of various committees, the Sea Fisheries Advisory Committee (SAC) is where the representatives of the big companies gather with the scientists to decide on how much fish would be caught during the coming season. After much horse trading a recommendation is made to the minister who has to make 'a political' announcement stating publicly how much of a particular resource could be caught by these companies. This is where the TAC's get for various species are announced and specific allocations via the Quota Board follows.

The Quota Board (QB) allocates amounts of fish to various quota holders to catch during the coming season. The TAC is decided by the SAC and duly announced by the minister. The QB allocates this fish within the framework of a set of guidelines greatly favouring the exiting quota holders - the big companies. Over the years, this has meant that no new entrants were allowed entry. Where the QB has allowed new entrants the response from capital has been to exert maximum to reverse these decisions. Legal action has been brought by these companies and the QB is continuously kept under pressure.

Recent attempts to grant blacks - fishermen and small entrepreneurs - entry into the industry, has consisted of allocations which do so small as to foreclose the possibility for the establishment of viable business. These small allocations such as the 343 ton offered to 13 new entrants for Hake this past season has been seen by many as an attempt to these applicants up for failure. By in large such allocations forces new entrants to enter into agreements with established players in joint ventures on terms most beneficial to the big companies.

Many have argued that the fishing industry in South African operates beyond the guise of clearly stated policy but rather officials within the Department act with great discretionary powers, especially the senior officials have been making major decisions in the industry maintaining the *status quo*. Accountability for officials in the past has meant one thing - accountability to their constituency - big business. Protests by outsiders, particularly

fishermen, have been viewed by these officials as the first hurdle they most overcome..

Just to give a sense of the regulatory framework which has controlled the allocation of access rights, following the Diemont Commission of 1985 the following recommendations were made with regard to the "The Trawling Sector" (White Fish):

### ***Recommendation 3.31.1***

*That the Minister's understaking be confirmed that 80% of any further hake TAC increase up to a maximum of 135 000 metric tons for the Deep Sea Sector and 12 000 for the Inshore Sector, be shared proportionally amongst existing participants.... The remaining 20 % of the hake TAC increase will be allocated at the discretion of quota-granting authority*

This became known as the 80-20 rule and was ultimately thrown out to allow to allow for the first black entrants into this sector in 1993. These new entrants were made up of four groups, one headed by Sam Montse, New Africa Fishing a company of coloured fishermen sponsored by Franklin Sonn, and two groups from the Eastern Cape. This illustration goes some way towards showing the barriers that have been erected in the past, and which largely remain in place.

Most ministers responsible for fishing in the past have left it to the officials at Sea Fisheries to see their affairs. One notable exception is the case, during the early 1980's, of Minister John Wiley. Wiley, as his name might imply, played the game to his own tune and tried to move closer to the coloured fishermen and tip the apple cart by granting limited access rights to coloured fishermen. He gave a 30 ton Kreef quota to the coloured community of Kalk Bay, he gave Kreef to the lobster men along the West Coast, he gave a perlemoen quota to coloureds in Hawston and the larger Walker Bay area, and pelagic fish to the coloured trawlermen. All of this was eventually reversed following his abrupt death by suicide.

## **IV. ACCESS RIGHTS - THE DEBATES**

"The natural resource of the land and sea of South Africa are a national asset and heritage of all its people and should be managed and developed to the benefit of the country as a whole. In this context, custodianship of marine resource will be entrusted to the State, which will allocate rights to utilise living marine resources. At the same, the State will promulgate regulations to ensure that such utilisation is undertaken on a long-term sustainable basis and that it results in optimum social and economic benefits for its people."

This is the in the preamble of Draft 6 of the Fisheries Policy Development Committee and despite all the fighting between various groupings in this industry, is generally accepted as the springboard from which a responsible fishing policy must begin.

The quota system described in this memorandum in terms of the ownership of the fishing industry characterises the system of access rights in South African. Ensuring a regulatory framework for controlling access is a necessary means to ensuring the sustainability of the

resource. The scientists speak of this in terms of “input controls” - e.g. controls which limit the number of harvesters of fish. In other countries various means of controls have been used to control access to the resource. These vary widely from controlling the number boats at sea, to gear restrictions, seasonal restrictions and so.

Many in the South African context see the quota system as the source of all corruption and feel that a total and complete dismantling of the quota system is the only means through which any form of economic justice can occur. It is interesting to note how the fishing industry was

restructured in Namibia. Les Clark, a consultant from the Food and Agricultural Organisation commented, “the most effective way to transform any fishing industry is to do it swiftly.”

This was exactly what the Minister charged with fisheries set out to do following SWAPO's accession to power. With immediate effect, all quota allocations were frozen and all vested interests were called to make submissions. This was followed by a re-allocation of all quotas giving the bulk to new entrants. South African companies, which had huge stakes in the Namibian fishery were forced to pack their bags and trek south. Oceana who had significant interests in Namibia decided to challenge this transformation process by going to court. They initially won their court battle using the old statutes but by the time SWAPO were able to take effective political power in Namibia they changed the statute making Oceana's victory short lived.

In the current context, the debate on access rights is taking an interesting turn in terms of the new policy formulation commission. One group, currently involved in the commission, the so-called “subsistence fishermen” or Informal Sector, led by Andy Johnson, a self-described “poacher” are calling for a “controlled open access system.” This system would attempt to have limited “input controls” registering fishermen and controlling who can catch and where they can catch in. Their system would also provide for some limited gear restrictions.

Besides these controls however, a TAC would still be set for various species and from there on it would be “catch as you can” system where no limitations in terms of quotas would apply. While this system may create access for those who are currently excluded from catching fish because of exclusion under the quota system, the fundamental ownership patterns of the industry would remain unchanged as those who currently control the means of production in the industry would be given free reign to exploit the resource - and would most likely catch and even larger proportion of the TAC than they are already allocated.

Access rights remains the most thorny of issues in the South African fishing industry and the largest single point of contestation and debate within the policy formulation process. Fundamentally, the large corporations would prefer to see the current quota system remain in place, safeguarding that they will be still be allowed to “keep”, in terms of allocations rights, what has already been granted to them. Any call for transformation in terms of redistribution of quotas to allow new entrants and those historically excluded are resisted vociferously.

## V. THE FISHERIES POLICY DEVELOPMENT COMMISSION (FPDC)

On 19 November 1992 the ANC (W/Cape) convened a meeting with the “captains of the fishing industry” to discuss a process which could assist in restructuring the industry and proposed a broad forum to facilitate this. Soon after this meeting objections were raised by the companies’ representatives about the ANC’s chairing of the proposed forum. The services of the Consultative Business Movement (CBM) was obtained and Zora Ebrahim, today a director of Premier Fishing was seconded by CBM to chair the proceedings. One effective decision that was taken at the initial meeting was the establishment of a forum representing various players in the industry from the Deep-Sea Trawling Association, perlemoen and squid, Department of Sea Fisheries, ANC, COSATU - namely, FAWU.

This forum eventually became the Western Cape Fishing Forum whose first chairperson was Eckard Kramer of the Deep-Sea Trawling Association. Following the establishment of the Western Cape Fishing Forum, subsequent forums were established in the other coastal areas, namely the Eastern Cape and Natal, and following the election of April 1994, the Northern Cape.

Presumably, following a decision from the cabinet in late 1994, Dr. Dawie De Villiers was instructed to begin the process of developing a new fishing policy for South Africa. Hence, the Fisheries Policy Development Commission (FPDC) was established and Mandla Gxanyana the General Secretary of FAWU was appointed to steer the process. Following the lead of the fishing forums, it was decided that this process would be an inclusive one drawing upon all the sectors in the industry including: big business, small business, labour, the provincial fishing forums, recreational fishers, the informal sector and environment.

A launch was organised for January 1995, at the Good Hope Centre to which hundreds of uninvited fishermen arrived turning the entire effort into disarray. Since that time the FPDC has constituted a steering committee and continued with consultative meetings where little consensus has been reached on the major issues. Whilst the notion of “restructuring” and “transformation” of the industry were clearly part of the brief in the development of a new policy, efforts toward such a position have been strongly resisted.

Today in May of 1996, the FPDC is on its 6th Draft of the proposed “ Fishing Policy for South Africa.” The draft was completed this March and has been worked-shopped around the country to various groups of fishermen. The response of the fishermen has been to reject the document as a *status quo* policy. At the last meeting of the steering committee the policy was presented, and it was clear that little consensus could be achieved on the fundamental areas of policy including: policy objectives; access rights; institutional structure; research and development; and resource management.

The dynamics of this steering committee and various interest represented deserves a brief discussion. In a simplistic way, representation on the FPDC, can be broken down into two groups - those in favor of the *status quo* and those who are in favor of transformation. Within these groups however there are of course varying objective interests.



On the side of change we find - the Informal Sector, Small Business, the Eastern Cape Fishing Forum, and the Environmental sector. On the side of *status quo* would be - Industry (big business), and Labour. [The Western Cape fishing forum is currently in disarray and it is meant to be represented on the steering committee by one Richard Ball.]

We have already mentioned the Informal sector and their view. They are currently in an alliance with the environmental sector led by Andy Gubb. This is a strange alliance because, the access rights view expressed by the Informal sector remains largely unsubstantiated as regards to its environmental impact. The majority of the scientific community have not surprisingly reacted negatively to these proposals. The Eastern Cape Forum is amongst the most militant in its views countering big business largely due to the legacy of big business and its concentration in the Western Cape to the disadvantage of the Eastern Cape fishermen.

The role of labour needs to be highlighted as the joker in the pack. Labour is represented most strongly on the FPDC by, Mr. Norman Daniels, who represent the Trawlermen's Association. This Association is made up, by in large, of coloured trawlermen who are well established and earn decent wages. This grouping is a sweat-heart organisation that mouth the line given to it by big business - namely, that if there is any restructuring in the fishing industry entailing taking away quotas from big business, jobs will be lost. This argument, which needs careful consideration is also mouthed by FAWU, who represent most of the processing workers at the factories of the major companies.

In a recent meeting, held this past Monday, May 13, 1996 in Cape Town, the draft policy was presented to an open meeting of Western Cape fishing interests. At this meeting, 4 bus loads of workers were brought to Cape Town from Saldanha Bay by the major companies to call for no "restructuring." Also at this meeting, in great numbers, were members of the Informal Sector. This meeting degenerated in a shouting matches between members of these two groups, many of whom are coming from the same objective conditions of poverty. For some this was a very sad occasion whereby people from the same communities were screaming each other down - the one with the call "you want to take our jobs away" and the other saying "you are pawns of the big companies." This while the executives of the big companies stood cynically on the side lines.

This is perhaps a sharp contradiction which must be resolved if any responsible fishing policy is to come to completion. How can we transform the ownership patterns of this industry while ensuring that no job losses occur? It is clear that the Informal sector does not have the answer to this dilemma. There are certainly case studies from small fish processors who can argue that they can employ greater labour than the big companies per ton of processed fish. Individual cases aside, the strategy of big business in terms of the FPDC is clear. Use labour to draw the line against restructuring.

What we need to constantly remind ourselves however is the "super-profits" being made by these companies through their successful vertical integration of the industry. Processing jobs are merely part of the equation. What needs to be considered are concrete proposals to change the ownership patterns of this industry whereby harvesting rights are redistributed, whilst

guaranteeing in the immediate conjuncture, the stability of the processing sector of this economy. The jobs argument must careful be considered in any proposals for restructuring.

## VI. THE FISHERIES DEVELOPMENT UNIT - VISION STATEMENT OF INTENT FOR THE RESTRUCTURING OF THE SOUTH AFRICAN FISHING INDUSTRY