



SASMIA NPC

Reg. No. 2016/114300/08

Trading as

THE SOUTH AFRICAN SQUID MANAGEMENT INDUSTRIAL ASSOCIATION
DIE SUID-AFRIKAANSE PYLINKVIS BESTUURSNIWERHEIDVERENIGING

Tel: (041) 585 1652

Fax: (041) 585 8605

Email: sasmia@webec.co.za

P.O. BOX 22276

PORT ELIZABETH, 6000

Www : <http://www.bcre.org.za/sasmia/>

29 October 2020

2020 ANNUAL GENERAL MEETING CHAIRMAN'S REPORT

The last year has been one of the more difficult in a long time, with the worst December since before 2007. The only thing that saved us was the fact that the prices were good and the Rand remained weak, bolstering returns to make up for the low catches.

The current 2020/21 season also started very slowly in July to September, but thankfully ended with some good fishing in October just before closing. We hope that the fish hangs around for another month so that the coming December returns to normal.

The year was also beset by other challenges, with the COVID-19 pandemic and lockdowns and safety protocols to deal with and further developments on the proposed inclusion of squid in the small-scale basket of species and its potential impact on the sector.

Despite doing relatively well in dealing with the lockdown, the industry suffered some significant losses, with Jim Tucker and Nico Bacon among the 18,000 South Africans who have succumbed to the virus.

The economic challenges brought on by the lockdown and the massive job losses in many sectors will be felt for years to come and will affect all of society.

We have probably been affected less than some other industries so far, with the lockdown coinciding with our closed season and the pricing remaining reasonably steady. We will, however, face our own challenges in the next 18 months as we navigate the finalisation of the resource split between commercial and small-scale sectors in the next 2 months and then the FRAP process for us to renew our long term rights from 2022 onwards.

Directors : Adrian Smith, Dino Moodaley, Greg Christy

Executive Committee : Adrian Smith (Chairman), Dino Moodley, Greg Christy, William Gqeke, Mongezi Vika, Karen Humby, Neville Brink, Mark Rowe, Eugene Van Niekerk

I will cover some of the areas of interest over the past year below and we will also get feedback directly on some of these matters during the AGM.

1. COVID-19

The industry was fortunate in that the main closed season co-incided with the level 5 and 4 lockdown. This reduced the impact on the sector and gave us time to organise ourselves for the re-opening of the season on 1 July, where vessels were allowed to sail over a week before the opening of the season in order to limit the congestion on sailing day.

This worked successfully with no cases of COVID-19 at the opening of the season and with the protocols developed there being successfully repeated during the period since then.

We will be requesting that the same leeway be granted for the coming opening of the November season on 23rd November and that vessels be granted the right to sail early again. We will revert on that prior to the opening of the season.

2. JIM TUCKER

Despite managing to minimise the exposure of the crew when the season opened, the sector did not escape unscathed. Jim Tucker contracted Covid late in July. He was hospitalised and put up a good fight but in the end succumbed to the virus on the 4th of September.

Jim was involved in the squid sector from the start in the 1980's as a skipper and vessel owner. He served on the SASMIA exco for many years and as chairman from 2001 to 2007 where he led the association through the first medium and long term FRAP processes. He was actively involved in the setting up of EOCAF and the Statutory Council and in promoting fair treatment of crew. He also gave input into the Scientific Working Group and is fondly remembered by the scientific community. He remained on the exco and was still actively involved and even logged into one of our zoom meetings shortly after he contracted the virus.

He had numerous interests including diving and flying and riding Harley's, and was also a family man and leaves Ady who was his partner in everything and two children. We will always remember him for his intelligence, telling it like it is (only one anchor) and his great sense of humour. Rest in peace Jim.

3. THE ADDO MPA

We were in the process of trying to engage with DEFF and Sanparks to clarify some of the aspects of the Addo MPA last year. With the COVID-19 lockdown and the small-scale-issue requiring more urgent attention we have not taken that process any further yet. We will look at revisiting it in the future.

4. SAMSA AND THE NATIONAL FISHING FORUM (NFF)

SAMSA dealt valiantly with the COVID-19 pandemic, issuing the most Marine Notices seen in a year, which provided guidance and support through the lockdown and with procedures to be followed.

It was also busy with an update to the Merchant Shipping Act, which was open for comment and should be finalised soon.

The STCW-F implementation which was deferred until 2021 in last year is still on track and the new syllabus which was consulted over in November 2019 has now been finalised.

The National Fishing Forum is SAMSA's body which deals with fishing related matters. It is chaired by Selwyn Bailey and includes representation by each fishing sector and by Fish SA. We are currently represented on it by Eugene Van Niekerk and William Gqeke and Greg Christy also sit on it.

Selwyn will be giving feedback to the AGM.

5. OTHER SAMSA RELATED MATTERS

A new International Maritime Organisation (IMO) regulation which requires all vessels of 20m and over to obtain an IMO number and be subject to the working in fishing convention has been implemented. We are still finding out what impact that will have on our vessels and by when it must be complied with.

6. SOCIO ECONOMIC STUDY

We are still busy finalising the socio-economic study which was started last year. We need to decide whether to update the information for the latest season and also to chase the outstanding responses - the response to date was only 52%.

7. ALGOA BAY AGRICULTURE DEVELOPMENT ZONE

The Algoa Bay ADZ was finally approved on the 28 February 2020. There was a window to appeal against the decision until 4th July 2020. We did object to the initial proposal, but did not submit any appeals against the decision.

8. OIL & GAS INDUSTRY IMPACT & SEISMIC SURVEYS

The Brulpadda (Caltex) oil development process carried on last year. We were able to negotiate that seismic activity be delayed until the middle of January this year, which should have meant the season was good until then, but

They are currently busy with another EIA to allow the implementation of another well in the area and to do further exploration and we also have a few other EIA's coming through, one of which is South East of Port Elizabeth.

We are busy working with Fish SA and other fishing sectors to develop a task team and find a consultant to assist the industry in monitoring all of the developments related to this and to ensure that we respond when we need to.

9. CLOSED SEASONS 2020 and 2021

The additional closed season this year was once again from 1 April to 30 June, with the end of year closed season remaining in the Oct/Nov period.

With the change in the TAE for 2020/21 to reserve 25% of the effort for the small-scale sector, there was a chance that the current season would have to stop at the end of January / mid-February 2021 in order to allow an additional 1.5 - 2 month closed season to allow the small-scale implementation.

We have objected to that as it would have meant a 4.5 - 5 month closed season which would not be viable for vessel owners or crew, but with the new gazette which was issued on last Friday proposing that the small-scale be implemented from 1 January 2020, it is not clear at all what effect that would have on closed seasons.

We have requested that DEFF give feedback on that in the Management Working Group meeting which will be held on Friday 30th October 2020 over zoom, failing which we will be requesting that a Scientific Working Group Meeting be held by the 7th December in order to discuss the possible small-scale implementation and its effect on the 2021 season and closed seasons and effort utilisation.

10. CLOSED SEASONS GOING FORWARD

We have independently of the issues regarding closed seasons raised in the previous item, also identified the length of the 3-month closed season as an issue.

In the current year many of our members provided additional support to their crew during the April-June closed season. Many of our members also supported the Fish SA food drive and some members were able to receive some of the food parcels and distribute them to their crews.

One thing that was clear was that the break of 3 months, while on some levels easier for employers, is very hard on the crew, particularly when combined with the lockdown which made finding alternative employment impossible.

We will be requesting feedback from members and the unions on whether they would prefer two shorter closed seasons of either one month and two months or two periods of 6 weeks each instead of the current 3 month closed season.

The feedback asked for will also request input on the timing of the shorter closed seasons.

11. LABOUR ISSUES

SASMIA is not the body responsible for most labour issues as that is dealt with by SEASI, which is the squid sector employer's association and which represents many of the SASMIA members.

We have had a request that SASMIA attend the next Statutory Council meeting with the unions in order to update them on the impact of the introduction of small-scale and clarify the impression of the unions that industry is busy negotiating with DAFF to increase the closed season by two months.

I believe we need to apply our minds properly to this as the implementation of small-scale will have a direct impact on both the vessel owners and the crew and we should be on the same page when responding to it.

The unions have also advised that they would like to enter wage negotiations and have made some demands which SEASI will need to follow up on. William Gqeke is chairman of SEASI and will be giving feedback to the AGM on the labour side.

12. LEARNERSHIPS & TETA

The learnerships applied for last year were approved for 50 employed learners (R900,000) and 40 unemployed learners (R1,680,000 including stipends).

The learnerships will be done over two years and include courses that will benefit the employed learners and that will allow the currently unemployed learners to be ready to go to sea when they complete their course.

The learnerships are funded by the Transport Education and Training Authority (TETA) and SASMIA and TETA have entered into an MOU to facilitate and promote further training in the sector going forward. We hope that this will be the first of many joint projects and that the important need of training new skippers and officers will also be covered in the future.

Siyaloba Training Academy who will be facilitating the learnerships will give us further feedback in the AGM, as will Malcolm of TETA.

13. FISH SA

Fish SA have been involved in representing all of the commercial fisheries in a number of forums and have also been the main driver of consultation between the industry and DAFF / the Minister.

It was also responsible for co-ordinating a drive to provide food parcels to fishers all along the coast during the lockdown, which was well supported by SASMIA members. Some of our members also benefitted from the food parcel initiative.

Our membership of Fish SA has therefore continued and the membership fees for 2021 increased by 10% to R33,000.

They were also present in our discussions with DAFF over the small-scale. Their chairman, Mr Loyiso Phantshwa will give us further feedback at our AGM.

14. CONSULTATIVE ADVISORY FORUM

We nominated Greg Christy to the Consultative Advisory Forum (CAF) last year. The forum must still be re-constituted by the Minister.

15. RESEARCH COMMITTEE AND THE CLOSED SEASON RESEARCH

The research committee met in October and approved various projects for the closed season. The closed season tenders were also submitted and the two successful vessels were from Balabi and will be active during the closed season in assisting with the research.

The committee was made up of myself, Greg Christy, Tris Wooldridge, Mike Roberts and Malcolm Smail, with Eugene and Dino unable to attend. Tris is responsible for the vetting and tracking of the projects.

We have updated all of the project records and did also confirm the query from last year's AGM regarding the vehicle, which is a Toyota Hilux DC 2.4 GD-6 which was acquired in September last year and is registered to Bayworld Centre For Research and Education (BCRE). It was partly funded (R260,869 plus vat) by SASMIA together with the BCRE and NRF with the vehicle costing R446,861.

It is available and used by the squid researchers during the closed season.

Dr Jean Githiga Mwicigi will give us more feedback on the state of the resource and catches and an update on the research being done at the AGM.

16. LOGBOOK ELECTONIC CAPTURING PROJECT

The pilot project of industry completing the logbooks electronically ran successfully from November last year onwards and allowed DEFF to update the catch statistics more quickly for the past season. They will be looking at expanding the project to cover more vessels in the coming season. Granville Louw of DEFF will give us more feedback on the project at the AGM.

17. FISHERIES IMPROVEMENT PROJECT

The Fisheries Improvement Project (FIP) for the squid sector, which is being run by the WWF and funded by the Dutch postcode lottery, had a meeting in March to review the squid sector pre-assessment and determine the measures that needed to be looked at during the FIP.

It had a further meeting with the SASMIA exco in August and is currently ready to commence with the actual FIP process, but will need SASMIA support in order to go ahead. We will need to make a decision on that in the coming month and Bokamoso Lebepe will give us an update on the FIP at the AGM.

18. MARINE STEWARDSHIP COUNCIL CERTIFICATION

Flowing from the discussions regarding the Fisheries Improvement Project, the question was raised whether we could skip the FIP and apply for MSC Certification instead. Many of the exco do not believe there is any benefit to doing so yet, but I did find out the cost of certification, which is in the region of R950,000 once off and then an annual cost of +- R200,000 per year.

Part of the MSC certification process would be to develop and adopt a Fisheries Management Plan (FMP) to govern the sector and would mean that future changes, including implementation or changes to small-scale, would have to go through a much more rigorous process before being implemented.

Based on the pre-assessment, it is likely that we could obtain certification within 12-13 months. With certification we should be able to achieve better pricing on any fish sold through supermarket chains, which if it reaches even 5% of the total sales should be more than enough to cover the cost of certification.

If we did decide to go ahead with certification as an entire industry, then the cost per permit would be equate to a cost of 4.2c per kg spread over a 5 yr period before taking into account any premium we might receive on the price.

19. SASMIA MEMBERSHIP

We have received SASMIA membership confirmation forms back from 74 out of the 79 rights holders, representing 2,125 out of 2,443 permits, which is a 95% level of representivity.

20. FUNDING AND MEMBERSHIP FEES GOING FORWARD

We need to invoice the membership fees since the inception of the NPC in August 2018. Given the fact that membership is directly linked to the permits, we will be invoicing the fees as follows :

Jul 19 - Feb 20	- 18 Months	R225 per man
Mar 20 - Feb 21	- 12 Months	R150 per man

We have accrued the first invoice in the NPC 2020 Annual Financial Statements<are just waiting for the NPC's vat registration to be finalised so that we can do the invoicing. (Above figures exclude vat)

We will invoice both amounts above once the vat number comes through, but the second invoice will only be payable by end of Feb 2021.

This funding should be enough to carry us through the next year including the FRAP process, apart from any additional legal fees which may be incurred if we need to challenge the small-scale process. If that is required we will have a meeting before going ahead and will determine what additional funding may be required at that point.

21. FINANCIAL REPORT AND STATUTORY COMPLIANCE

We will give a financial update at the AGM. Our main expenses apart from the research, which is funded out of the research fund, have been legal fees of approximately R500,000 over the past two years, mainly related to PAIA requests and working out how to respond to the small-scale, and the membership fees for Fish SA which was R33,000 this year.

Going forward we expect the legal fees to peak in next year as we finalise the small-scale situation and go through the FRAP process.

We have completed the last financial statements for the association up to July 2020 and it's reserves have been transferred into the NPC from that date.

The NPC has a Memorandum of Incorporation in place and we will review the constitution in the next year and incorporate some of it into the MOI by the next AGM.

We will be looking at expanding the exco in the AGM and must also consider whether the entire exco become directors or we retain the 3 directors currently in place, which are myself, Dino Moodaley and Greg Christy.

22. WEBSITE

Our web presence has been piggy backing on the BCRE site up to now. We will in the next month be launching our own website and twitter and facebook accounts in order to increase our profile and have a forum to showcase what we are doing and some of our achievements.

We will also be doing profiles on some of the businesses and personalities in the sector and I would appreciate it if you could send me any pictures or videos of vessels or squid fishing or other aspects of the operations so that we can use them in developing the site.

Part of the site will also be a section to store the results of squid research which has been done over the years. We have one of the best researched squid sectors in the world and it will be good to have it all in one place. We will also from next year be having a separate meeting for those who are interested to review the research in more detail.

23. THANKS

I would like to thank everyone on the exco for their assistance over the past year and their input into the meetings with DAFF and particularly Dino and Charmaine who are still involved on the financial and administrative side, Greg and Eugene who have continued to be involved in the Scientific Working Group and on the NFF and

William and Mongezi who have represented some of the members at SEASI and the statutory council.

Thanks are also due to all who will be providing input to the meeting and presenting on various issues affecting the sector and who have been involved in making the sector work and getting us through the COVID crisis so far.

God bless for the coming season and the year ahead.

Adrian Smith
Chairman

ANNEXURES - SMALL SCALE, FRAP PROCESS, SECTION 21's

I have included the update on the small-scale implementation and the FRAP Process and Section 21's in separate annexures due to their size.

ANNEXURE A - INCLUSION OF SQUID IN THE SMALL-SCALE BASKET OF SPECIES

The biggest challenge facing the squid industry since its inception in the 1980's is the potential inclusion of squid in the small-scale basket of species and the proposed re-allocation of 25% of the effort in the sector to small-scale co-operatives.

To summarise the developments over the past issue over the 18 months :

- In March 2019 it was proposed that squid be included in the small-scale basket of species and that 25% of the Total Allowable Effort be given to the small-scale co-operatives. We were asked to comment.
- We engaged with DAFF and met with their senior management in June 2019 and subsequently submitted our comments objecting to the inclusion of squid in the small scale basket and to the allocation of 25% to the small-scale.
- The proposed resource split was later withdrawn in August 2019 after the appointment of the new Minister.

That was the position at the last AGM. Since then :

- Squid was included in the basket of species allocated to some small-scale co-ops which were announced in November 2019;
- Granting of rights letters including squid were issued to 15 co-operatives in November;
- They were encouraged to enter catch agreements with existing rights holders;
- The allocations to the small-scale co-operatives were not published.
- SASMIA eventually found out about the granting of rights in July 2020 and immediately requested a meeting with DAFF in order to find out more.
- The full SASMIA exco met with DAFF senior management on 28th July and explained our concerns regarding the process being followed.
- DAFF noted our concerns but from the start advised us that we might have to agree to disagree over a number of the points raised. Despite this we had a fruitful meeting in that we were able to explain our point of view and to gain an understanding of what had been done up to that point and how they were planning to implement the small-scale.
- From the meeting we identified the following issues :
 - DAFF were preparing to issue small-scale permits in 2020 despite the granting of rights letter noting it would have to wait until the FRAP process is completed.

- They were also planning to issue the small-scale co-operatives with full commercial permits, which is not in line with the MLRA or the small-scale policy.
- We also found out that the TAE for the current year was amended to allocate 25% of the effort in the squid sector to the small-scale sector. (Despite the resource split consultation process not having been finalised.)
- All of this was essentially illegitimate, was done without any socio-economic or other viability studies and will have a direct impact on the future viability of the sector.
- Having examined our position we then concluded that we needed to submit an appeal to the Minister against the decisions that we had a problem with. This was done on 19th August 2019.
- The Minister has not responded to the appeal yet, but DEFF have once again gazetted the proposed sector split, which is still proposing that 25% of the TAE be allocated to the small-scale sector.
- The gazette came out on Friday the 23rd October 2020 and we have 30 days to respond to it, by 21st November 2020.
- DAFF will then have until 31 December 2020 to consider the responses and determine a final resource split and how that will work.
- They have as part of their proposal suggested that the new structure come into effect in two months time, from 1 January 2021, despite their granting of rights letter to the small-scale sector referring to it having to wait until the FRAP process is completed.
- All of our squid rights expire on 31 December 2020 and in terms of the roll-over that was approved for the delay in the FRAP process, must be extended for a year at least, which will apparently be done via an exemption.
- We will during that time then also have to go through the FRAP process, where DAFF have indicated that they are looking at introducing new entrants, which will further reduce the amount of TAE available to our members going forward.

We are currently weighing up our options on how to respond to this.

- The first step is to re-submit our comments on the proposed sector split. We will be discussing this with the unions as the introduction of small-scale will have an even greater impact on their members and their livelihoods than on the vessel owners.
- The process beyond that will not become clear until a final resource split is announced and the exemptions to fish in 2021 are issued.
- If the process runs smoothly and the final resource split percentage allows us to remain viable and our crew to retain their livelihoods then it may be that we will be able to accept it.

- If not and there are any hiccups in the process then we will possibly have to stop fishing at the end of December 2020 or we will have to interdict the allocation to small-scale and challenge the entire process followed to get to the current position.

Either way, the next three months are critical to the future of the squid sector.

ANNEXURE B - THE FISHING RIGHTS ALLOCATION PROCESS

The Fishing Rights Allocation Process (FRAP) process was extended by one year so that it must be finalised by 31 December 2021. Currently DEFF is busy appointing service providers and doing socio-economic studies on each sector and we anticipate that the FRAP allocation process will then kick into gear in the first half of 2021, with the issue of the general and sector policies for review and comment and then the issue and submission of applications for rights.

The process already seems to be behind schedule, so we will have to see if the proposed submission date for applications of the end of March 2021 is achieved.

We will have to meet as a sector to review the general and sector policies once they are issued and will need to comment on them.

ANNEXURE C : SECTION 21 TRANSFER OF RIGHTS / CHANGES IN SHAREHOLDING

The section 21 transfer of rights window closes on 31 December 2020 and no applications for changes in shareholding or to transfer rights can be submitted after that date. If you do have any section 21 transfers to submit, please do so as soon as possible.

We will be requesting clarity from DEFF on the position of minority shareholders and whether minority shareholding changes may still happen beyond the 31 December 2020 deadline. In other sectors where rights were issued in 2017, there was a two year freeze on any changes in shareholding for anyone receiving a right. If the same rule is applied to squid it will mean that there might not be any shareholding changes allowed from 1 Jan 2021 until 31 December 2023.

We anticipate that the section 21 policy will also be re-gazetted for input and comment as part of the FRAP process and will also consult over that and submit a response from SASMIA based on input from the members.