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**THE CHIMERA OF REDISTRIBUTION:  
'BLACK ECONOMIC EMPOWERMENT' (BEE)  
IN THE SOUTH AFRICAN FISHING INDUSTRY**

Stefano Ponte and Lance van Sittert

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#### **"Black Economic Empowerment" (BEE) in South Africa**

This Working Paper series includes revised versions of papers that were presented at the workshop 'To BEE or not to BEE: South Africa's Black Economic Empowerment (BEE), Corporate Governance and the State in the South'. The workshop took place on 25-26 June 2006 at the Danish Institute for International Studies (DIIS) in Copenhagen with financing from the Danish Research Council on Society and Business (FSE) and DIIS. The papers do not constitute any official DIIS position on the subject. They can be downloaded free from [www.diis.dk](http://www.diis.dk). For more information, please contact Stefano Ponte ([spo@diis.dk](mailto:spo@diis.dk)).

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## Abstract

Redistributive processes do not belong to the pantheon of Neo-liberalism. In this framework, inequality of resources can only be addressed by equality of opportunity. Even in 'softer' impersonations of Neo-liberalism, corporate (mis)behaviour is tamed by corporate social responsibility, not by state disciplinary action. Yet, in the context of post-apartheid South Africa, the state can not ignore political pressure for redistribution, even if only rhetorically. The process of Black Economic Empowerment (BEE) is an attempt at marrying redistribution and Neo-liberal economic policy. The South African state, however, has different degrees of power to force real or imagined redistributive efforts in different sectors of the economy. Fisheries – along with energy, telecommunications, and mining – is one of the sectors where the allocation of licenses, exploitation rights and quotas makes the state theoretically more likely to be successful in achieving BEE.

In this paper, we examine redistributive processes in the hake deep-sea trawl (HDST) industry through a historical analysis of the principles, narratives and management systems that have been used to identify certain groups as 'legitimate fishers' since the late nineteenth century. We place this evolution as a background for a nuanced understanding of the first allocation of long-term fishing rights that took place in early 2006. We conclude that BEE, despite its formal intentions, is doubly conducive to the interests of large-scale South African capital – for which investment in fishing is only one among many others. First, it has largely confirmed the historical share of fishing rights to incumbent, largely white-controlled, operators. It has also allowed for the more flexible allocation of rights via the market in response to changing environmental, economic and social conditions. Second, BEE has created a new layer of 'black captains of industry' to whom incumbent players are increasingly outsourcing primary production in a volatile, high-risk, and currently loss-leading sector. While fishing operations are being outsourced under the banner of redistribution, fish trade is still effectively controlled downstream by white capital through logistics, distribution, marketing and branding assets.

# 1. Introduction

Redistributive processes do not belong to the pantheon of Neo-liberalism. In this framework, inequality of resources can only be addressed by equality of opportunity. Even in 'softer' impersonations of Neo-liberalism, corporate (mis)behaviour is tamed by corporate social responsibility, not by state disciplinary action. Yet, in the context of post-apartheid South Africa, the state can not ignore political pressure for redistribution, even if only rhetorically. The process of Black Economic Empowerment (BEE) is an attempt of marrying redistribution and Neo-liberal economic policy. The South African state, however, has different degrees of power to force real or imagined redistributive efforts in different sectors of the economy. Fisheries, along with energy, telecommunications, and mining, is one of the sectors where the allocation of licenses, exploitation rights and quotas makes the state theoretically more likely to be successful in achieving BEE. It is also a primary test of the redistributive intentions of the state: the hake deep-sea trawl fishery is regulated via a conservative allocation of quotas; therefore, extractive growth can not be used to distribute extra resources; resources need to be redistributed from the same pool.

Viewed historically, the current process of BEE in South African fisheries is but the latest in a long series of ethnic makeovers by corporate capital in response to state pressure. What is unique about the current conjuncture is thus not the state's use of access rights to leverage the position of its preferred 'previously disadvantaged' ethnic constituency with incumbents,<sup>1</sup> but: (1) the formalisation of the practice into standards, measurement matrixes, and official policy; (2) its extension from the inshore to the deep-sea sector; and (3) the attempt of changing the internal ethnic composition (shareholding) of incumbent players.

In this paper, we examine redistributive processes (of which BEE is only one instance) through a historical analysis of the principles, frameworks, narratives and management systems that have been used to identify certain groups as 'legitimate fishers' since the inception of the hake trawl industry in the late nineteenth century. We place this evolution as a background for a nuanced understanding of the first long-term fish rights (LTRs) allocation of 2006, which was probably the last real possibility for the government to enact a meaningful

<sup>1</sup> By 'incumbents', we mean fish industry players that were already active at the time of re-negotiation of the 'legitimacy' of a particular ethnic profile. Usually, these players belonged to a 'previously advantaged' group.

redistribution of quotas – given the current high political status of BEE processes in the country and the fact that the next allocation is only scheduled to take place in 2020.

The next section of the paper contains a short description of the hake deep-sea trawl (HDST) industry. This is followed by an examination of the changing nature of state-capital relations between the 1890s and the 1980s, and by an analysis of the post-apartheid process of transformation of the fishery previous to the 2006 long-term rights allocation. The central part of the paper examines procedures and outcomes of the 2006 allocation in detail. Finally, we go back to a historical analysis of the tools and frameworks that have characterised various ‘transformation’ processes in the last century or so and make some tentative reflections on the future of the South African fishing industry.

## 2. A brief Overview of the South African Hake Fishery

The hake fishery of South Africa is organized into four sectors: deep-sea trawl (HDST), in-shore trawl, longlining, and handlining, of which deep-sea trawl is by far the most important. The hake fishery started in the 1890s, with the employment of the first deep-sea trawlers, and grew steadily after World War II, with rapid growth in the 1960s and first half of the 1970s with the arrival of foreign fleets. Before 1978, the fishery was by and large unregulated and catches peaked at over 300,000 tons in the early 1970s. Following the establishment of an Exclusive Economic Zone (EEZ) in 1977, the industry has been regulated through the allocation of an annual total allowable catch (TAC) quota and of individual (non-tradable) quotas assigned to fishing companies. Foreign vessels have been excluded from the EEZ since 1983 (for a more detailed historical analysis, see below). The regulatory agency currently in charge of fisheries is Marine and Coastal Management (MCM), a branch of the Ministry of Environment and Tourism.

The HDST TAC has fluctuated between a minimum of 105,000 tons (in 1983) and a maximum of 140,000 tons (in 1997), generally hovering around 130,000-135,000 tons since the early 1990s (see Table 1). Two species of hake are caught in South African waters: *Merluccius paradoxus* and *Merluccius capensis*. These resources extend across the national boundaries – they are fished by neighbouring Namibia under a different management regime. The former species is

**Table 1a: HDST rights allocations (1978-1992)**

Company	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992
I&J	active	64125	64125	64125	56465	49760	50756	50756	52893	53715	53431	53575	53386	53386	54989
Sea Harvest	active	49575	49575	49575	43655	38470	39240	39240	40892	41527	41307	41462	41272	41272	42511
Atlantic Trawling	active	15000	15000	15000	13215	11645	11879	11879	12379	12571	12506	12495	12495	12495	12870
Viking	-	1650	2000	2000	1760	1555	2505	2505	2611	2652	2637	2644	2634	2634	2713
Marpro/Foodcorp	-	4650	4150	4150	3660	3225	6225	6225	6487	6588	6554	6571	6548	6548	6745
Fernpar	-	-	450	450	395	345	1045	1045	1489	1506	1200	1303	1299	2499	2574
Blue Continent	-	-	-	-	-	-	-	500	521	524	522	523	522	522	538
Eigelaars Bote	-	-	-	-	-	-	-	500	521	524	522	523	522	522	538
Moreson/Unomkala	-	-	-	-	-	-	-	500	521	524	522	523	522	522	538
Selecta	-	-	-	-	-	-	-	500	521	524	522	523	522	522	538
Snoek Wholesalers	-	-	-	-	-	-	-	500	521	524	522	523	522	522	538
Ex Long Liners (Ex Kingklip Allocations)	-	-	-	-	-	-	-	-	1500	1000	600	240	1440	1540	1953
Radaco Sea Products	-	-	-	-	-	-	-	-	-	524	522	523	522	522	538
Port Nolloth Community Trust	-	-	-	-	-	-	-	-	-	500	500	500	453	553	701
Trachurus Group	-	-	-	-	-	-	-	-	-	500	500	800	725	825	1046
Pat-Dro Sea Products	-	-	-	-	-	-	-	-	-	-	-	300	272	372	472
Oosterlig	-	-	-	-	-	-	-	-	-	-	-	-	200	200	254
Atlantic Fishing	-	-	-	-	-	-	-	-	-	-	-	-	-	100	127
Visko	-	-	-	-	-	-	-	-	-	-	-	-	-	-	63
Anglomar/Cic International	-	-	-	-	-	-	-	-	-	-	-	-	-	-	63
Siyaloba	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ziyabuya	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Surmon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
New South Africa Fishing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Hout Bay Fishing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Saco	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sistro (Ex Kingklip Longline)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
PIMENTA (Ex Kingklip Longline Allocation)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Algoa Bay	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Azanian Fishing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bayview Fishers Ko-Op Community Workers Fishing Ent	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dma Fishing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Hangberg Fishing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Impala Fishing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
John Ovenstone Ltd	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Laingville Fisheries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Lucas Be & Partner/Combined Fishing Enterprises #	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Mayibuye Fishing Cc	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Noordkaap Visserman Onderneming	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Pellrsrus Historical Fishing Ent	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Quayside Fish Suppliers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bhana L K	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dyer Eiland Visserye	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Engelbrecht B J	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Hoxies (Pty) Ltd	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
J&J Visserye Cc	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Khoi-Qwa Fishing Dev Corp	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Tradeforth 13 (Pty) Ltd	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Phambili Fisheries (Pty) Ltd/Vuna Fishing (Pty)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Pimpano 19/Port Nollh Fisheries (Pty) Ltd *	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rainbow Nation Fishing Cc	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Siyapambili Fishing Co-Op Ltd/Eyethu	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
St Helenabaai Lyn-En Netvisserers Vrg	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Usuthu Fishing Cc	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Walters E F H	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Zwm Fishing Cc	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

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Bato Star Fishing (Pty) Ltd	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Calamari Fishing (Pty) Ltd	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Offshore Fishing Company (Pty) Ltd	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ntshonalanga Fishing (Pty) Ltd	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Premier Fishing (Pty) Ltd	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bp Marine Fish Products	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Luzizi Fishing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>N</b>	<b>3</b>	<b>5</b>	<b>6</b>	<b>6</b>	<b>6</b>	<b>6</b>	<b>6</b>	<b>11</b>	<b>12</b>	<b>15</b>	<b>15</b>	<b>16</b>	<b>17</b>	<b>18</b>	<b>20</b>
<b>Total Allocations RSA (Deep-Sea Trawling)</b>	<b>135000</b>	<b>135300</b>	<b>135300</b>	<b>119150</b>	<b>105000</b>	<b>111650</b>	<b>114150</b>	<b>120856</b>	<b>123703</b>	<b>122367</b>	<b>123028</b>	<b>123856</b>	<b>125556</b>	<b>130309</b>	

Source: Fishing Industry Handbook (various) and Japp (2002)



**Table 1b: HDST rights allocations (1993-2006)**

Company	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
I&J	53386	53386	53386	53386	53088	50646	46128	44566	47662	45448	44819	43991	43439	40003
Sea Harvest	41272	41272	41272	41272	41042	39154	35770	34455	36849	35210	34722	34080	33653	27339
Atlantic Trawling	12495	12495	12495	12495	12425	11853	10830	10430	11155	10801	10651	10454	10323	8158
Viking	2634	2634	2634	2634	2619	2499	2269	2798	2993	3064	3022	2966	2929	2800
Marpro/Foodcorp	6548	6548	6548	6548	6511	6211	5706	6211	6642	6522	6432	6313	6907	8102
Fernpar	2499	2499	2499	2499	2485	2371	2153	2371	2537	2537	2502	2456	2425	1774
Blue Continent	522	522	522	522	519	495	560	560	599	772	761	747	1373	1424
Eigelaars Bote	522	522	522	522	519	495	560	560	599	611	603	592	584	216
Moreson/Unomkala	522	522	522	522	519	495	560	560	599	705	695	682	Marpro	
Selecta	522	522	522	522	519	495	560	560	599	772	761	747	738	768
Snoek Wholesalers	522	522	522	522	519	495	560	560	599	654	645	633	625	
Ex Long Liners (Ex Kingklip Allocations)	1540	Sistro	-			-								
Radaco Sea Products	522	522	522	522	519	495	560	532	569	719	709	696	687	343
Port Nolloth Community Trust	553	553	553			-								
Trachurus Group	1350	1350	1350	1350	1342	1279	1175	1175	1257	1330	1312	1288	Blue Continent, Luzizi, Bp Marine	
Pat-Dro Sea Products	372	372	372	372	370	352	417	417	446					
Oosterlig	200	200	Saco											
Atlantic Fishing	100	100	100	100	99	94	160	-						
Visko	200	200	200	200	310	295	360	306	327	539	532	522	516	
Anglomar/Cic International	200	200	200	200	199	189	254	255	273	369	364	357	353	579
Siyaloba	1000	1000	1000	1000	994	949	1014	1014	1084	1242	1225	1202	1187	706
Ziyabuya	1000	1000	1000	1000	994	949	1014	1014	1084	1208	1191	1169	1154	723
Surmon	1000	1000	1000	1000	994	949	1014	1014	1084	1259	1242	1219	1204	1491
New South Africa Fishing	1000	1000	1000	1000	994	949	1014	1500	1604	1710	1686	1655	1634	1609
Hout Bay Fishing	71	71	71	71	186	177	243	750	803					
Saco	-	613	813	903	902	859	839	859	918	1050	1035	1016	1003	2878
Sistro (Ex Kingklip Longline)	-	1026	1026	1026	1021	973	1038	1038	1110	1173	1157	1136	1121	990
Pimenta (Ex Kingklip Longline Allocation)	-	257	257	257	364	346	412	412	441					
Algoa Bay	-	257	257	257	255	243	308	308	329	491	484	475	469	485
Azanian Fishing	-	-	-	343	463	442	507	507	542	634	625	613	606	1159
Bayview Fishers Ko-Op	-	-	-	343	463	442	507	507	542	617	609	598	590	
Community Workers Fishing Ent	-	-	-	343	463	442	507	507	542	625	616	605	597	771
Dma Fishing	-	-	-	343	463	442	507	507	542	693	683	670	662	273
Hangberg Fishing	-	-	-	343	463	442	507	1000	1069	1245	1228	1205	1190	1723
Impala Fishing	-	-	-	343	463	442	507	507	542	590	582	571	564	747
John Ovenstone Ltd	-	-	-	343	463	442	507	Premier						
Laingville Fisheries	-	-	-	343	463	442	507	507	542	743	733	719	710	*
Lucas Be & Partner/Combined Fishing Enterprises #	-	-	-	343	463	442	507	507	542	744	734	720	711	957
Mayibuye Fishing Cc	-	-	-	343	463	442	507	507	542	727	717	704	695	2092
Noordkaap Visserman Onderneming	-	-	-	343	463	442	507	507	542	693	683	670	662	
Pellrus Historical Fishing Ent	-	-	-	343	463	442	507	507	542	642	633	621	614	259
Quayside Fish Suppliers	-	-	-	343	463	442	507	560	599	781	770	756	746	1527
Bhana L K	-	-	-		251	240	306	306	327	514	507	498	491	748
Dyer Eiland	-	-	-		251	240	306	306	327	480	473	464	458	287
Engelbrecht B J	-	-	-		251	240	306	306	327	412	406	398	393	167
Hoxies (Pty) Ltd	-	-	-		251	240	306	306	327	497	490	481	475	1397
J&J Visserye Cc	-	-	-		251	240	306	306	327	429	423	415	410	319
Khoi-Qwa Fishing Dev Corp	-	-	-		251	240	306	306	327	514	507	498	491	254
Tradeforth 13 (Pty) Ltd	-	-	-		251	240	306	306	327	515	508	499	492	150

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Phambili Fisheries (Pty) Ltd/Vuna Fishing (Pty)	-	-	-		251	240	306	1000	1069	1125	1109	1089	1075	2962
Pimpano 19/Port Nollh Fisheries (Pty) Ltd *	-	-	-		251	240	306	306	327	339	334	328	324	
Rainbow Nation Fishing Cc	-	-	-		251	240	306	306	327	438	432	424	419	217
Siyapambili Fishing Co-Op Ltd/Eyethu St Helenabaai Lyn-En	-	-	-		251	240	306	306	327	362	357	350	346	2328
Netvissters Vrg Usuthu Fishing Cc	-	-	-		251	240	306							
Walters E F H	-	-	-		251	240	306	306	327	456	450	442	436	118
Zwm Fishing Cc	-	-	-		251	240	306	306	327	531	524	514	508	
Bato Star Fishing (Pty) Ltd							1000	750	803	873	861	845	834	2573
Calamari Fishing (Pty) Ltd							1000	750	803	950	937	920	908	944
Offshore Fishing Company (Pty) Ltd							1000	750	803	780	769	755	745	350
Ntshonalanga Fishing (Pty) Ltd								750	803	831	819	804	794	838
Premier Fishing (Pty) Ltd								667	713	867	855	839	829	592
Bp Marine Fish Products													212	72
Luzizi Fishing													424	342
<b>N</b>	<b>25</b>	<b>28</b>	<b>27</b>	<b>39</b>	<b>54</b>	<b>54</b>	<b>57</b>	<b>56</b>	<b>56</b>	<b>53</b>	<b>53</b>	<b>53</b>	<b>53</b>	<b>46</b>
<b>Total Allocations RSA (Deep-Sea Trawling)</b>	<b>130552</b>	<b>131165</b>	<b>131165</b>	<b>135161</b>	<b>140092</b>	<b>133653</b>	<b>129659</b>	<b>129500</b>	<b>138495</b>	<b>138186</b>	<b>136272</b>	<b>133754</b>	<b>132075</b>	<b>125321</b>

Source: Fishing Industry Handbook (various) and Japp (2002)

mainly caught by deep-sea trawlers, but also since the mid-1990s by longliners; the latter species is caught mainly by inshore trawlers and by the longline and handline sectors. Currently, 83% of the hake quota is reserved to deep-sea trawl, 6% to inshore trawl, and 10% to longline and handline combined (MCM 2006: 6-7; see Table 2).

**Table 2: Structure and characteristics of South African hake industry (2006)**

<b>Sectors</b>	<b>Quota allocation (% of total hake quota)</b>	<b>Actual TAC volume (metric tons, 2006)</b>	<b>Number of rights holders</b>	<b>Jobs sustained</b>	<b>Jobs per 1000 tons of TAC</b>
deep-sea trawl	83	124500	46	8938	71
in-shore trawl	6	9000	17	1480	164
longlining	10	11000	132	1495	136
handlining		5500 (max)	na	na	na

<b>Sectors</b>	<b>Main export forms</b>	<b>Size of operations</b>	<b>Fleet (no. of vessels)</b>	<b>Proportion of TAC by HDI-controlled companies (%; 2006)</b>	<b>Proportion of TAC by HDI-controlled companies (%; 2002)</b>
deep-sea trawl	frozen, fresh	large	79	43	25
in-shore trawl	frozen, fresh	medium	31	54	50
longlining	fresh	medium-small	64	91	90
handlining	(little export)	small	130*	(low)	na

Source: www.feike.co.za

\* Total allocated effort (TAE)

**Table 3: South African hake exports (2003)**

	<b>ZAR ('000)</b>	<b>USD</b>	<b>% of total hake exports</b>	<b>% of total fish exports</b>
fresh hake	187.014	24.704.624	17	
frozen hake	250.661	33.112.417	23	
frozen fillets	647.580	85.545.575	60	
total hake exports	1.085.255	143.362.616	100	41
total fish exports	2.625.645	346.848.745		100

Exchange rate 1USD=ZAR 7.57 (www.oanda.com, average for 2003)

Source: Fish Industry Handbook: South Africa, Namibia and Mocambique 2004

The hake deep-sea trawl (HDST) sector is the most important fishery in South Africa and in the last decade has accounted for approximately half of the wealth generated from commercial fisheries in the country (MCM 2006: 6). According to data provided by fishing companies for

the 2006 long-term rights allocation, the deep-sea hake trawl sector provides 8,938 jobs (see Table 2), most of which are full-time with benefits. Sixty-five per cent of full-time jobs are land-based. The total book value of assets in the industry is reported at over ZAR 890 million (or USD 139 million) of which 79% is harbour and sea-based (MCM 2006). About 2/3 of the total hake trawl catch is landed in order to be further processed in one of over 50 shore-based facilities. The balance is processed into marketable products aboard factory ships at sea (Hutton 2003). The deep-sea trawl fleet is constituted by 79 vessels, over half of which are factory vessels with freezing and/or processing facilities, and the rest are wet-fish vessels.<sup>1</sup> Established rights holders are organized since 1978 in the South African Deep-Sea Trawling Industry Association (SADSTIA). Newer and smaller entrants in the industry formed a separate organization in 1996, the Association of Small Hake Quota Industries (ASHQI) (Hutton 2003).

The hake exports are exchange rate-sensitive but amount to approximately 40% of the total value of South African exports of fish and fishery products. This represented a value of 2.6 billion ZAR or USD 143 million in 2003 (the latest year for which there is data) (Crosoer et al. 2006). Sixty per cent of hake exports by value are frozen fillets, 23% are frozen fish (mostly headed and gutted) and 17% are fresh fish (mostly just gutted) (*Fishing Industry Handbook* 2005; see Table 3). Spain imports 38% of all value of hake exports from South Africa, followed by Italy (17%), Australia (13%) and Portugal (12%). Exports to EU-15 countries make up almost 80% of all South African hake exports by value (see Ponte 2006).

<sup>1</sup> All vessels are equipped with stern trawlers and have an average length of over 50m. Typically, wet-fish vessels land 50 tons of fish. Factory vessels can process fillets on board, and typically process 400-500 tons of fish in 35-40 day trips.

### 3. Historical Background: From Colonialism (1880s -1910s), to Laissez Faire (1910-1944), to Corporatism (1944-1986)

Although it has always promoted itself as the epitome of free market private enterprise (Irvin and Johnson 1963), historically, the hake deep sea trawling (HDST) industry in South Africa has been a creature of the state. At the beginning of the 20<sup>th</sup> century, the HDST industry in South Africa was modelled after the steam trawler fisheries of Europe. This was made possible by a combination of mineral-led population concentrations in the interior of southern Africa, colonial state railway construction, and prospecting of the continental shelf for demersal fishing grounds that took place in the final quarter of the nineteenth century (Wardlaw Thompson 1913; Van Sittert 1994; 1995). The domestic market, however, was small and distant from the coast, and the fishery was conducted by imperial trawling capital (Richard Irvin and Sons) subsidised by subventions from its Scottish parent company (Van Sittert 1994). Political union in 1910 improved the fishery's prospects by removing internal barriers and bringing the domestic market under a single political authority. Richard Irvin and Sons forged an alliance with imperial mining capital (Imperial Cold Storage) to exploit this opportunity by vertically integrating white fish production and wholesale distribution. Together with a Norwegian trawler operator (Charles Ocean Johnson) they formed Irvin and Johnson (I&J) in 1910 and used the state railway network and Imperial Cold Storage's parallel system of refrigeration facilities to create a national urban white fish market (Irvin and Johnson 1963; Van Sittert 1994). The resuscitation of the state marine survey in 1920 removed the final obstacle of a year-round supply to this market by proving vast new demersal grounds on the west coast (Van Sittert 1994; 1995). In 1922, I&J listed as a public company with a share capital of £550 million (Van Sittert 1994).

If vertical integration and monopolisation were necessary economic solutions to the peculiarities of a colonial market, they were also increasingly politically unsustainable by the interwar period. I&J's imperial origins, local alliance with mining capital and monopolisation of the HDST fishery made it a ready and regular target of both Afrikaner nationalists and organised white labour at a time when the issue of deepening white poverty dominated white politics. I&J was accused of complicity in creating 'poor whiteism' by dumping fish at sea to maintain artificially high white fish prices on the national market. Its detractors demanded that, as a private company profiting from public spending on the marine survey, it be called to account

by the state (Van Sittert 1994; 2002b). The company was duly forced to submit to repeated audits by the Board of Trade and Industries and to comply with savings trawl and anti-dumping legislation (Van Sittert 1994). In addition, it unbundled itself – Richard Irvin and Sons buying out Johnson and Imperial Cold Storage in 1935, and the latter joining with rival Scottish capital in the inshore sector, John Ovenstone, to form the National Trawling and Fishing Company (Van Sittert 1994). Despite official exoneration of price fixing, the end of dumping and increased competition in the HDST fishery, the political pressure on the company from Afrikaner nationalism continued to mount.

An interventionist national state gradually emerged from 1932 onwards, financed by the massive revenue windfall generated by abandonment of the gold standard (Yudelman 1984). The state formally assumed control over marine fisheries from the Cape Province in 1940. The need for a wartime social contract with labour led to the drafting of a Fishing Industry Development Bill in 1943 (Van Sittert 2002b). The bill, strongly supported by Afrikaner nationalists and organised labour, proposed to nationalise the HDST industry in the interests of higher wages and cheaper food for the urban working class (Van Sittert 2002b). I&J had exposed itself to such a measure by profiteering from the war through leasing half its fleet to the state at exorbitant rates for seaward defence purposes and ruthlessly exploiting the labour force on the remainder of the fleet to maintain catches at pre-war levels (Van Sittert 1994). The company, however, successfully mobilised national commerce and industry to force a last-minute exclusion of the HDST sector from the bill in 1944 (Van Sittert 2002b). This preserved the historical relationship between state and capital whereby the public purse subsidised private profit through the provision of research and infrastructure at nominal charge.

With the end of two decades of state pressure on the HDST sector, I&J was quietly reintegrated with mining capital through its takeover by Anglovaal in 1952 (Van Sittert 1994). I&J's ability to expand its production was once again constrained by the lack of local demand for fish from the majority black population for economic and cultural reasons (Anonymous 1949a-d; 1951; 1954; 1956b). Exports were also limited to neighbouring states with similar colonial market profiles by the dearth and cost of refrigerated shipping and protectionism further afield (Ibid.) Mining capital, seeking to offset the post-war effects of rising meat prices on operating costs, delivered the captive market of compound labour to the HDST as new fish consumers. But it was the growth of a white middle class demand under apartheid that transformed hake from a staple into a commodity through the application of quick freezing technology to trawl fish and the spread of retail and domestic refrigeration. This new cold chain linking producer and consumer allowed the development of pre-processed and pack-

aged hake products, of which the 'fish-finger' was the pioneer, marketed to white middle class housewives as a cheap, quick and healthy food for the emerging bourgeois family (Anonymous 1956a; 1956b; 1957; Irvin and Johnson 1963).

Due to the insurmountable structural constraints of the southern African market and in stark contrast to the technological advances in secondary processing, hake primary production fell increasingly behind international advances in deep sea fishing, where the diesel engine, stern trawl and freezer trawler dramatically transformed the efficiency and reach of northern hemisphere deepwater fleets in the decade after 1945. I&J, however, with only a very limited market to supply and still enjoying unchallenged access to the hake resources of the south Atlantic, continued to build steam-powered, side trawlers until the late 1950s. In 1962, much of the national HDST fleet remained steam-powered (Irvin and Johnson 1963). The isolation by distance from foreign competition for both the hake resource and domestic market effectively masked the growing technological obsolescence of the HDST fleet. '[I]ts fleet had become old-fashioned and inefficient: steam side-trawlers were still being ordered long after these had outlived their day: it took vigorous competition from new South African companies – and the challenge posed by some of the biggest and best-equipped foreign trawlers in the world – to prod Irvin & Johnson into the modern age' (Lees 1969: 264).

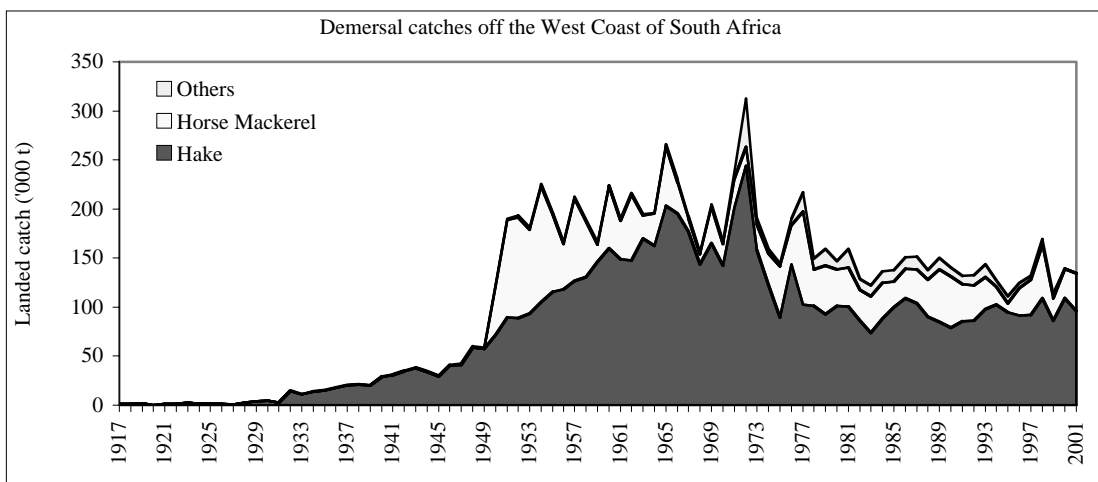
The HDST industry was rudely awakened to its technological obsolescence and political isolation with the arrival of the first foreign freezer trawlers offshore in the south east Atlantic and foreign capital onshore in 1961. Amalgamated Fisheries was founded at Hout Bay by British capital (the Vestey group), which erected a new freezing and smoking factory in 1964 and the following year introduced the first stern trawler into the South African fleet (Lees 1969: 264). In 1965, Spanish capital (Pescanova SA) in partnership with South African (Imperial Cold Storage) and expatriate Dutch inshore fishing capital (Southern Sea Fishing Enterprises) established the Sea Harvest Corporation at Saldanha Bay (Lees 1969: 265). This was characterised as 'one of the most advanced trawlfish processing factories in the world – its facilities incorporating the biggest, fully-automatic refrigeration installation in South Africa ... fed by a fleet of Spanish-built and crewed stern-trawlers which tied up directly alongside the factory to become virtually a part of the production line' (Ibid.).

Foreign capital's lead was quickly followed by cash-rich Afrikaner capital in the inshore sector that sought expansion into the offshore sector. Marine Products, the subsidiary of *volkskapitalisme's* primary financial vehicle, Federale Volksbeleggings (O'Meara 1983; Van Zyl 1992), followed the more cautious if heretical strategy of buying into I&J. It took a 15% stake in the company and appointed two of its directors to sit on the I&J board (Van Zyl 1992:

268). The flamboyant fishing *volkskapitalist*, A.P. du Preez, on the other hand, initially chose to go head-to-head with I&J. His company, Kaap Kunene, added three stern trawlers, the first freezer trawler and first factory trawler – all Dutch custom-built – to the national fleet in 1964-66 (Lees 1969: 264-66). The following year, however, Kaap Kunene threw in the towel and followed Marine Product's example, merging its HDST interests with I&J. A.P. du Preez acquired a 30% share in I&J, becoming its deputy-chairman and chairman of its new holding company Irvin-Kunene Holdings (Lees 1969: 267-68).

The national state extended its territorial waters from three to twelve nautical miles in 1963 to protect Afrikaner capital's inshore fishing interests, but otherwise left the HDST industry to fend for itself on the unregulated high sea commons it had so ruthlessly fought for and won in 1944. Under these circumstances, I&J pursued the only option open to it, a crash conversion program to diesel freezer stern trawling, in order to maintain catch levels in the face of foreign competition (Republic of South Africa 1976). The company belatedly ordered its first two stern trawlers in 1963 and it is a measure of the crisis that I&J was prepared to enter an alliance with Afrikaner capital in the form of Marine Products to finance this program (Lees 1969: 265; Van Zyl 1992: 267-68) and Kaap Kunene to expand its stern-trawler fleet by other means (Lees 1969: 267-68). The escalating fishing arms race in the south east Atlantic, however, only hastened the inevitable tragedy of the commons signalled by the steady increase in the catch (see Figure 1) and concomitant collapse of catch per unit of effort in the hake fishery (Hutton 2003: 202).

**Figure 1: The South African hake catch (1917-2001)**



Source: Griffiths et al. (2004)



By the mid-1970s, both the national state and the HDST industry recognised the urgent need to end their longstanding mutual animosity in order to save the national hake fishery from extinction. A rapprochement was facilitated by the emergence of monopoly capital in the national economy, which gradually effaced the old Afrikaner-English divide in national capital. The sacrifice of a series of state-managed fisheries to the profits of Afrikaner capital had also created a legitimacy crisis for the state, which it sought to resolve by closing the marine frontier and changing the basis of marine resource management from *volkskapitalisme* to scientifically-determined sustainability (Republic of South Africa 1972). For its part, the HDST industry, facing imminent commercial extinction as spiralling fuel and vessel replacement costs ate further into returns already badly eroded by foreign competition both at sea and in the supermarkets, was finally willing to accept state regulation (Republic of South Africa 1976). The context and blueprint for a new relationship between state and capital in the HDST sector was provided by the International Commission on South East Atlantic Fisheries (ICSEAF) – formed in 1969 to manage the region’s high seas fisheries. Here, South African senior state bureaucrats and captains of industry discovered their mutual interests and the benefits of co-operation (Hutton 2003).

In the discourse of the emerging security state, hake was thus redefined as a strategic resource on the grounds of both its role in ensuring food self-sufficiency into the 21<sup>st</sup> century and as a foreign exchange earner (Republic of South Africa 1976). This mandated national state intervention in the HDST industry to: annex the resource for the exclusive use of national capital; facilitate its sustainable and efficient use through the imposition of restrictions on catches and fishing effort; and provide direct subsidies and tax relief to national capital for facilitating the replacement and renewal of fleets (Republic of South Africa 1976). This new *modus vivendi* between the national state and HDST industry was consummated by the declaration of a two hundred nautical mile Exclusive Economic Zone (EEZ) in November 1977 (Anonymous 1977a-b), which created the modern HDST sector in its current form. In return for the exclusion of all foreign fishing vessels from this zone, the HDST industry agreed to abide by state regulation setting an annual total allowable catch (TAC) and to first ensure that the domestic market was fully supplied with cheap hake before exporting any surplus (Hutton 2003).

When the imposition of a TAC in 1978 failed to reverse the continued increase in fishing effort, individual producer quotas were allocated from the following year – on the basis of historical performance in the fishery. As a result, the quota holders organised themselves in the South African Deep-Sea Trawling Industry Association (SADSTIA) (Hutton 2003). The new corporatist basis of the hake fishery was formalised with the establishment of a South African Deep-Sea Resource Management Committee (DSRMC) in 1982, comprising

SADSTIA and the state's fisheries managers and scientists, to effectively govern the sector (Hutton 2003) and the expulsion of all foreign vessels from the EEZ the following year. The DSRMC met bi-annually thereafter and its main purpose was the formulation, implementation and monitoring of a conservative management strategy to rebuild the hake stock. This was based on the understanding that SADSTIA would be rewarded for its deferral of immediate profits in exchange for being allocated any increase in the hake TAC that may result in the future (Hutton 2003).

The creation of an EEZ was also a necessary, but not sufficient, condition for Afrikaner capital to acquire an independent stake in the HDST. The transformation of Marine Products into Federale Voedsel (later Foodcorp) in 1977 and its acquisition of Table Top Foods brought it into direct competition with I&J in the frozen vegetable market (Van Zyl 1992: 270). As a result, Marine Product's directors were asked to resign from the board of I&J in 1980 to avoid a conflict of interest. The company then sold its share in I&J and set about realising its longstanding ambition of its own HDST operation through a flurry of acquisitions of small incumbents in 1980-82 (Ibid.). The HDST quotas and vessels of Lusitania, Viking Fishing and Blue Continent were thus merged to create Marpro with 3% of the total HDST quota (3,225 tons in 1982), three trawlers and berthing and processing facilities in Cape Town harbour (Ibid.). But this was not enough to turn a profit from a flat market in the face of escalating fuel costs and poor catches.

Marpro, as so often in the past, then turned to the state for salvation. The latter, now constrained by the requirements of scientific management, first awarded it a 6,000 ton HDST quota for the Namibian colony in 1982 (Ibid.: 271). The Namibian stocks had been so comprehensively looted by South African and foreign fishing capital (Moorsom 1984), however, that Marpro's Walvis Bay operation failed the following year. Finally, in 1984, Marpro's South African HDST quota was doubled to 6,000 tons providing a 'desperately needed injection and for the first time the South African deep sea investment was economically viable' (Van Zyl 1992: 271).<sup>2</sup>

<sup>2</sup> The loss of the Australian market through anti-apartheid economic sanctions in the late 1980s however, forced the company to diversify into low value fish for the domestic market and pushed it back into the red (Van Zyl 1992: 271-72). Only with the end of apartheid and South Africa's readmission to global markets in the 1990s did Afrikaner capital's very modest HDST operation finally move securely into the black (Ibid.: 272; Crosoer et al. 2006).

The state's enclosure of the hake resource in an EEZ and imposition of restrictions on its harvesting by national capital arrested the decline of the hake resource and stabilised the CPUE (Hutton 2003: 202). The recovery, however, nowhere near approximated the optimistic predictions of the mid-1970s (Republic of South Africa 1976). This suggests that, as with all the other Benguela Large Marine Ecosystem fisheries under apartheid, albeit for different reasons, the natural capital of the hake fishery was largely mined out during the hake rush of 1962-77, and that the fishery has subsequently survived on a much reduced patrimony. Indeed, it is a telling measure of the extensive depletion of Benguela inshore resources that hake could be regarded as a healthy resource in the mid-1990s and as the main prize in the post-apartheid redistribution of access rights.

Although SADSTIA shared the common concern of all fishing capital about the tenuous security of its access rights and preference for longer-term tenure (Republic of South Africa 1980; 1986), as a strategic resource, hake was effectively ring-fenced against the redistribution of fishery access rights to client 'coloured' petty capital which followed in the wake of the Soweto revolt (1976) and tri-cameral constitution (1983) in a bid to shore up moderate black support for continued white minority rule (Republic of South Africa 1980; 1986). It was only in 1992, following the unbanning of the black nationalist movements and just ahead of the first democratic election that hake access rights were redistributed in the form of community quotas to help secure the 'coloured' vote for the National Party (NP) in the Western Cape Province (Du Plessis and Schutte 1997). This was a purely token redistribution, however, as the high entry costs to the hake fishery forced the recipient community trusts to immediately sell their rights back to the HDST industry to realise their value (Republic of South Africa 1994; Du Plessis and Schutte 1997).

By stabilising the hake fishery biologically and politically, the new corporatist regime restored a modicum of modest profitability to the HDST sector. Fleet data suggest that substantial investments were made in primary production during the hake rush, such that the average vessel age halved in the decade after c.1955 and remained below ten years (the industry agreed standard vessel life) for a decade (Republic of South Africa 1976). From the late 1970s, however, vessel age slowly began to rise again and by 1990 the average HDST vessel was a decade and a half overdue for replacement. The general redistributive climate in the 1980s, the 'looters law' of the sanctions era (1986-91) and renewed fear of radical redistribution in the 1990s, first in Namibia (1990) and then South Africa (1994) following black majority rule, all favoured short term profit maximisation and militated against long term investment in the fishery.

## 4. Reforming the Corporatist Fishery: Neo-liberalism and BEE (1987-2006)

Following Namibian independence and the unbanning of the black nationalist movements in 1990 there was a growing awareness on the part of capital of the inevitability if not the need for redressing the racially-skewed ownership structure of the apartheid fisheries. This was manifested in the establishment of a fisheries forum with the ANC in the Western Cape in 1993, the proliferation of employee share option programs (ESOPs) and the active recruitment of politically-connected black capitalists to the boards of fishing companies (Van Sittert 2002a). The HDST sector, however, was conspicuous by its absence from these efforts (DEAT 2002). I&J made over 2.2% of its share capital and Sea Harvest 8% to employees in 1996, but otherwise the incumbent monopoly's embrace of BEE dates from 1998 (see Table 4). By comparison, in the inshore fisheries, the dominant interest, Oceana, instituted an ESOP in 1994 and concluded a BEE deal with Real Africa Investments the following year (Van Sittert 2002a). The HDST sector's tawdry response to political change was perhaps due to a misplaced sense of its own invulnerability derived both from the high entry costs to the fishery and its cosy relationship with the state, which had reserved any increase in the TAC exclusively for incumbents. The creeping liberalisation of the late apartheid corporatist state, through the abolition of the Fisheries Development Corporation (1987) and creation of a Quota Board (1990), had also substantially disarmed the interventionist state in the fisheries and further contributed to SADSTIA members' sense of security (Van Sittert 2002a; see also Hersoug and Holm 2000).

The formation of a government of national unity (GNU) following the first democratic election in 1994 and the appointment of National Party politician Dawie de Villiers as minister of The Department of Environmental Affairs and Tourism (DEAT) with responsibility for reforming ownership in the fisheries seemed to confirm SADSTIA in its assumption of business as usual. De Villiers duly appointed a Fisheries Policy Development Committee (FPDC) in 1995 to draft a new fisheries act. The FPDC was dominated by the better-resourced and -organised incumbent right holders. SADSTIA, in alliance with organised labour and marine science, bluntly refused to countenance any redistribution of hake quotas as prejudicial to the sustainability and economic stability of the sector and demanded the effective privatisation of the fishery through the conversion of the existing annual access rights into individual transferable quotas (ITQs) held in perpetuity and tradable as corporate assets (Republic of South Africa 1996; Martin and Nielsen 1997; Van der Elst et al. 1997; Cochrane and Payne 1998;

Van Sittert 2002a). The only thing more surprising than SADSTIA's revanchism was that the FPDC both endorsed its demands and wrote them into the first draft of the new Marine Living Resources Act (MLRA) in 1997 (Republic of South Africa 1996; 1997a; 1997b; Van Sittert 2002a).

On the cusp of an improbable and unprecedented victory, SADSTIA's planned privatisation of the apartheid hake fishery was undone at the last minute by the disintegration of the GNU at the end of 1996. The subsequent appointment of an ANC minister, Pallo Jordan, and deputy-minister, Peter Mokaba, in the DEAT heralded a dramatic shift leftwards towards a radical redistribution of access rights in the fisheries. This reflected not only Mokaba's personal populist predilections, but also the looming second democratic election in 1999 and the ANC's determination to wrest control of the rebel Western Cape Province from the NP (Van Sittert 2002a). The ANC-led Portfolio Committee on Environmental Affairs and Tourism (PCEAT) thus duly rejected the draft MLRA and fundamentally rewrote it, fully restoring the interventionist state to the final version promulgated in 1998 (Van Sittert 2002a; Republic of South Africa 1997c; 1997d; 1998a). This sudden shift in policy exposed the HDST sector as the least transformed of all national fisheries, where un-reformed I&J and Sea Harvest between them still controlled 75% of the TAC. The latter belatedly sought to avert external redistribution of their quotas by internally redistributing share ownership through black economic empowerment (BEE) deals with politically-connected black capital. In 1998 I&J's parent Anglo Vaal Industries (AVI) transferred a 20% stake in the company to a BEE triumvirate comprising Siphumele Investments (10%), Ntshona Investment Enterprises (5%) and Dyambu Holdings (5%), in a deal valued in excess of ZAR 162m. In the same year, Sea Harvest's parent Tiger Brands sold a 27% share in its operations to a consortium controlled by Brimstone, the BEE company headed by the former ANC provincial MEC for economic development, Chris Nissen, valued at ZAR 148m. This included a 10.8% stake in Sea Harvest (Van Sittert 2002a) (see Table 4).

**Table 4: HDST sector BEE transactions**

BEE Partner	Corporate	Shareholding	Joint Venture
<b>Brimstone</b>	Sea Harvest	10.76% (1998) + 10.76% (2003) = 21.52%	-
<b>Dyambu Holdings</b>	Irvin & Johnson	5% (1998-2004)	-
<b>Mast Fishing Investment Holdings</b> Mast Fishing	Irvin & Johnson	10% (2005) in consortium with Ntshona Investment Enterprises	Umsobomvu Fishing (1999, squid)
<b>Ntshona Investment Enterprises</b> Ntshonalanga Fishing	Irvin & Johnson	5% (1998-2004); 10% (2005) in consortium with Mast Fishing	Igagasi Fishing (2001, hake)
<b>Siphumele Investments</b>	Irvin & Johnson	10% (1998-2003)	-
<b>Vuna Fishing</b>	Sea Harvest	-	SeaVuna Fishing (2000, hake & sole)

Sources: *Cape Times Business Report*; Irvin & Johnson, *Group Corporate Overview*, *Black Economic Empowerment and Corporate Citizenship Report* (2005); [www.avi.co.za](http://www.avi.co.za); [www.brimstone.co.za](http://www.brimstone.co.za); [www.cipro.co.za](http://www.cipro.co.za); [www.tigerbrands.co.za](http://www.tigerbrands.co.za);

The danger of quota redistribution was further heightened by the steady devaluation in the national currency in the late 1990s, which turned hake export into a foreign exchange bonanza and the hake fishery into the primary target of the populists (Crosoer et al. 2006). The latter, however, in their eagerness to seize the prize, overreached themselves. Jordan's attempt to use the MLRA to redistribute ownership in the inshore sector was interdicted by incumbents in the courts, while popular anticipation of an imminent radical redistribution of all access rights saw the state fisheries administration incapacitated by a deluge of applications (Van Sittert 2002a). The legal and administrative crippling of the state and, more importantly perhaps, the failure of the populists to deliver the Western Cape to the ANC in the 1999 election, saw them swiftly purged in its wake.

The Mbeki presidency's preference for orthodox neo-liberal economic policy was clearly signalled in the fisheries by the appointment of Valli Moosa as minister for the DEAT in 1999. Moosa resumed responsibility for the fisheries from his deputy-minister in 2000 and announced a five-year timetable for the transition from annual to medium-term rights (MTRs) and eventually to long-term rights (LTRs) in the fisheries, to be allocated according to criteria determined in consultation with established players in the industry (Van Sittert 2002a). This led to a switch in emphasis away from populist 'external' (quotas to new entrants) to Neo-liberal 'internal' (shares to BEE consortia) redistribution – justified in the interests of econ-

omic efficiency and international competitiveness (see Mather et al. 2003; Sauer et al. 2003). The final Neo-liberal restoration in the HDST fishery was completed by Moosa's successor, Martinus van Schalkwyk, the former leader of the NP following his appointment to minister of the DEAT in 2004. The granting of hake LTRs in January 2006 marked the final transformation of the fishery in two senses: from exclusive white to 'blacker' ownership; and from a publicly-managed to a quasi-privatised fishery (Van Sittert et al. 2006).

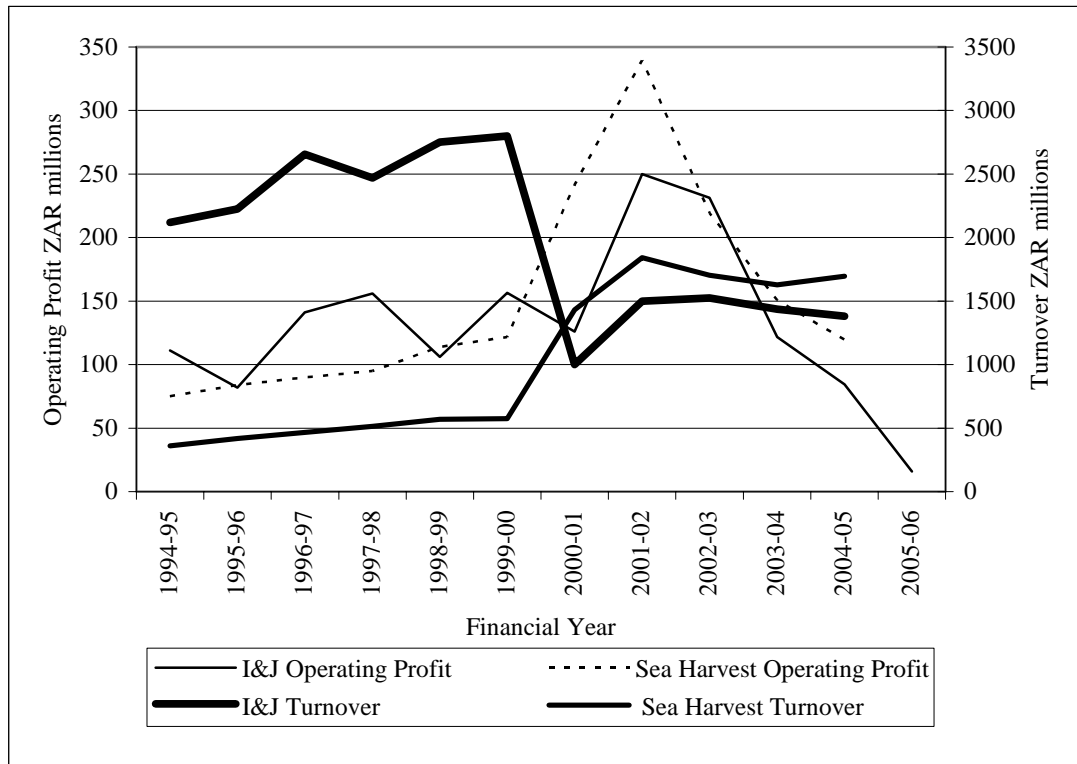
The neo-liberal tripod of sustainability, stability and equity on which the quasi-privatised HDST fishery rests may not be as stable as its architects believe, however. First, there are increasing signs that the hake resource is not as healthy as everyone has always thought. The 2005/06 hake TAC is the lowest in fifteen years – back at a level last seen during the late apartheid corporatist regime's 'rebuilding' phase – with the expectation that it will shrink still further in 2006-07 (see Table 1). The political discounting of the hake stock in the 1990s to accommodate new entrants without dispossessing incumbents (Van Sittert 2002a), possibly exacerbated by climate change (Clark 2006), would thus appear to have jeopardised the long-term profitability of the fishery and of its players. Falling catches, fish size and CPUE – coupled with a strengthening in the ZAR and fuel price inflation – has burst the post-apartheid hake export bubble (Crosoer et al. 2006). It has sent balance sheets, flush just a few years ago with the profits of exporting, on a precipitous plunge (see Figure 2).

The big step-down in I&J's turnover in 2000-01 was a result of the disposal of its frozen vegetable and French fry operations and refocusing on white fish (the latter also involving acquisitions in Argentina and Chile).<sup>3</sup> Conversely, Sea Harvest's turnover and operating profit after 1999-00 is inflated by it being combined with that of Oceana in the Tiger Brands financial accounts.<sup>4</sup> If anything, Sea Harvest's performance has been even worse than I&J's and the company reported a ZAR 9.6m operating loss in its latest interim results (*Business Report*, 28 May 2006) Even with these distortions, the 2001-3 exchange rate export bubble is clearly visible in both companies' results, as is the equally steep drop in turnover and operating profits over the past three years. Finally, the coupled environmental and financial crises have put the post-apartheid social contract in the HDST sector under increasing strain. The controlling capital interests demand cost-cutting plant closures and redundancies that are detrimental to organised labour. At the same time, BEE partners recruited during the boom have been looking at ways to exit the sector.

<sup>3</sup> Source: [http://www.avi.co.za/operations/3.2\\_divisional\\_ij.html](http://www.avi.co.za/operations/3.2_divisional_ij.html)

<sup>4</sup> Source: <http://www.tigerbrands.co.za>

**Figure 2: Sea harvest and I&J profits and turnover (1995-2006)**



Source: *Cape Times Business Report*, [www.avi.co.za](http://www.avi.co.za) and [www.tigerbrands.co.za](http://www.tigerbrands.co.za)

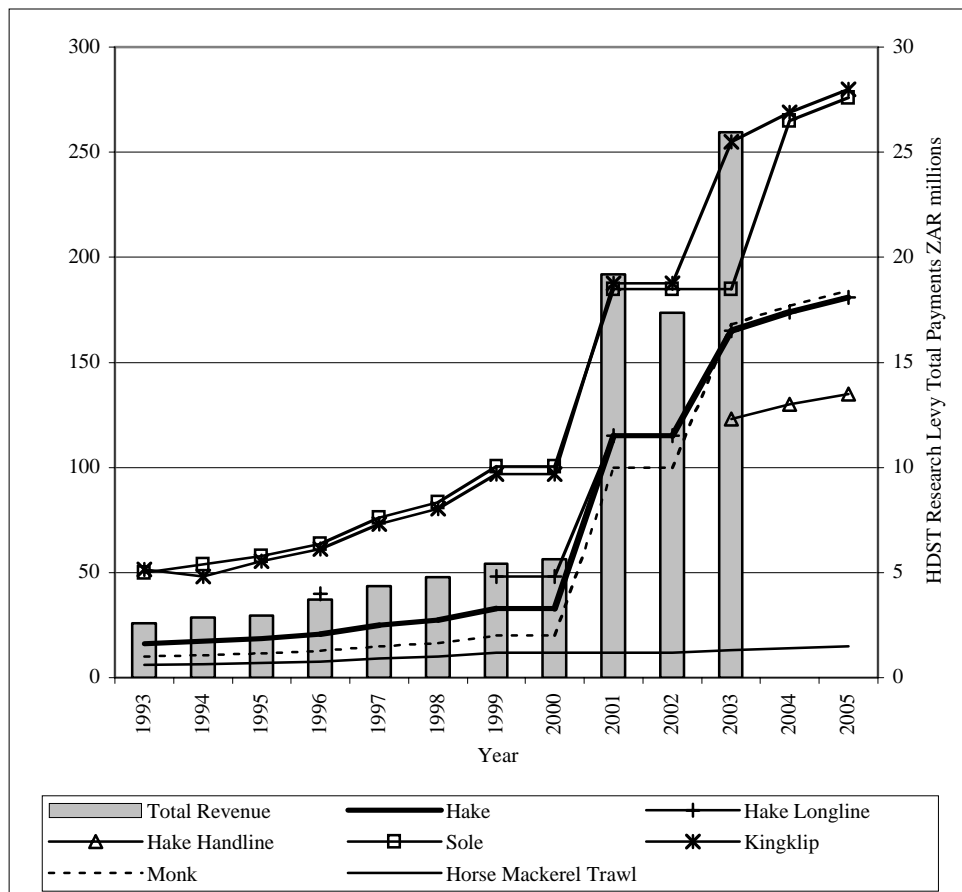
I&J's 1998 BEE deal unravelled in 2003 when Siphumele Investments sold its 10% stake back to AVI (*Business Report*, 6 July 2004). The remaining BEE partners – Dyambu Holdings and Ntshona Investment Enterprises – then negotiated to also sell their 5% stakes back to AVI the following year in return for shares in a reconstituted BEE consortium with an enlarged 25% interest in I&J valued at ZAR 201m and including a new BEE partner, Mast Fishing (*Business Report*, 6 July 2004). Dyambu and Ntshona were each to have a 36% stake in the consortium and Mast the remaining 28% (*Ibid.*). Dyambu, however, failed to meet unspecified criteria leading AVI to exclude it from the deal. The deal finally went ahead in 2005 with Ntshona and Mast Fishing taking a reduced 20% share in I&J, and AVI electing to redistribute the remaining 5% of the original deal as an ESOP to I&J employees instead (*Business Report*, 10 March 2005) (see Table 4).

Sea Harvest has had similar problems retaining its BEE partner, Brimstone. The latter doubled its stake in Sea Harvest to 21.5% following delisting in 1999 (*Business Report*, 1 December 2000). But two years later Brimstone exploited Sea Harvest's need for credible BEE partners ahead of the LTR allocation by securing a 'put option' from Tiger Brands to



buy back its stake at a specified price at a specified date (*Business Report*, 24 May 2005). The option was extended in December 2003 – when Brimstone paid ZAR 85.1m to its partner, Coronation Capital, for the second 10.76% share in Sea Harvest – to between 8 December 2006 and 8 December 2009, bleeding ZAR 94m from Tiger Brands net profits over three years 2003-05 to cover the exposure (*Ibid.* and *Business Report*, 9 December 2003). Although Brimstone has not yet used its golden parachute, the steadily worsening conditions in the HDST sector suggest it is not a question of if, but when. In January 2000, Sea Harvest also sold a 50% share in Mariette Fishing, its Mossel Bay hake and sole fishing operation, to BEE fishing company Vuna Fishing and the following year re-launched it as a joint-venture, SeaVuna Fishing Company (*Business Report*, 4 June 2001).

**Figure 3: MCM revenue from levies in hake sector (1993-2005)**



Source: Fishing Industry Handbook (various).

The increasing instabilities in the Neo-liberal tripod underpinning the post-apartheid HDST sector has been accompanied by the equally striking, but seldom noticed transformation of the state in the HDST from a corporatist to a Neo-liberal manager and the simultaneous degradation of its management capacities on a broad front. Neo-liberal state 'management through the market' in the HDST fishery has involved the imposition of a slate of steadily escalating user charges for everything from hake access right applications to landings (see Figure 3).

As a result the HDST sector's levies increased fivefold 2000-03 from ZAR 5m to ZAR 25m. The generalisation of cost recovery to the fisheries as a whole has seen the state's direct revenue yield approach break-even point with its non-capital expenditure on fisheries administration (Van Sittert et al. 2006). Yet, at the same time the state's fisheries research and management capacity is steadily degraded by the haemorrhaging of skilled personnel to the private sector and abroad. Thus, in 2000 the DSRMC ceased to function (Hutton 2003: 216) and in 2005 the annual hake survey did not take place because of a pay dispute between MCM scientists and management. The increasing inability of the state to fulfil its basic management functions in maintaining and, when necessary, stabilising the Neo-liberal tripod amplifies rather than alleviates the inherent environmental, economic and social instabilities of the tripod, increasing the likelihood of the critical failure of one or more of its legs.

## 5. The 2006 Allocation of Long Term Rights in the HDST Sector

### 5.1 THE PROCESS LEADING TO THE JANUARY 2006 ALLOCATION

It is hard to underestimate the significance, economic and political, of the allocation process for long-term rights (LTRs) in the hake deep-sea trawling sector for a variety of reasons: (1) it was probably the last real possibility for the South African government to enact meaningful transformation – given the current high political status of the BEE process in the country and the fact that the next allocation was scheduled to take place only in 2020 (Van Sittert et al. 2006); (2) due to deteriorating managerial and scientific capacity at MCM (see above and below), corrective measures during the validity of rights allocation are unlikely to happen in the future (Van Sittert et al. 2006; Ponte 2006); and (3) the newly enacted BEE Codes have

given legal and moral legitimacy to the process of transformation, which together with recent judicial history makes it more difficult to reverse allocation decisions in court (Witbooi 2006).

At the time of the medium term rights (MTR) allocation of 2001, MCM had developed a generic policy, but had left substantial space for decision to industrial associations. The policy included a skeleton of content and a list of items to be covered – industrial bodies were supposed to fill in the details – but no specified criteria. MCM relied on the incumbents for writing its sectoral policies (Van Sittert 2002a). What came back from the latter, however, was the unambiguous provision for their own entrenchment. In 2001, there was then too little time for MCM to devise clear and coherent sectoral policies of its own, and very few specifics were in place at the time of allocation. The 2001 allocation of MTRs thus maintained the status quo in the HDST industry prompting a second wave of litigation, not by incumbents as previously, but by historically disadvantaged individuals (HDIs). From 2001 to early 2004, the state fisheries administration successfully defended no fewer than forty court cases (*Fishing Industry News Southern Africa*, Apr 2004: 23). Perhaps, the most famous and influential were the Phambili and Bato Star cases. Both companies were existing and ‘empowered’<sup>5</sup> rights holders at the time of litigation and received MTRs allocations that were only marginally higher than their previous allocation. They both challenged the allocation decision on the basis that it failed to take sufficient account of the MLRA principle of restructuring aimed at addressing historical balances (Evans 2003: 253). Mr. Bailey of Bato Star was quoted in the press saying that 2,500-2,700 tons of quota were needed to viably operate a 45-60 meter trawler (*Fishing Industry News Southern Africa*, Feb 2003: 10).<sup>6</sup>

Both applications were initially granted by the Cape High Court. Both were appealed by both government and industry respondents (16 companies). The Supreme Court of Appeal granted both appeals on the basis that the courts were not qualified to judge the merit of decisions, but only the form. It also argued that decision makers only needed to ‘have regard to’ the principle of transformation in connection to other principles, and thus that not all of them can be matched. The Supreme Court of Appeal also put some emphasis on the importance of maintaining stability in the fishing industry (Evans 2003: 254). Bato Star then took the matter to the Constitutional Court, which in 2004 ruled against it.

<sup>5</sup> Interestingly, Diemont (*Fishing Industry News Southern Africa* Apr 2004: 9) observes that Bato Star had scored only 1.7 points out of 4 on transformation in the MTR allocation, and that 77 other applicants at that time scored higher than Bato Star, including 4 out of the 5 ‘pioneer’ companies.

<sup>6</sup> Interestingly, in the LTR 2006 allocation, Bato Star obtained a quota of 2573 tons.

The courts emphasized that it was not their function to indicate the bureaucracy how to implement transformation. Furthermore, they highlighted that transformation can be implemented in various ways, not only through allowing new entrants from disadvantaged backgrounds. Two of these other ways are: (1) promoting internal transformation in 'pioneer companies', a main tenet of BEE in general, and regarded as being particularly suited to capital-intensive industries such as hake trawling; and (2) by increasing quotas of 'empowered' SMMEs (Witbooi 2006: 37). The latter principle, as we will see, was applied to the first draft of the hake allocation policy in 2005, and then in a more watered down manner in the final policy.

In essence, the courts recognised that: (1) the three objectives underpinning the MLRA can not be realised simultaneously; (2) there is no specified hierarchy among them; and (3) there is no specific indication on how to reach an equilibrium. Therefore, the courts respected the discretion of the Minister in making allocation decisions, provided that he/she 'has regard to' (rather than being mandated to) transformation objectives (Witbooi 2006: 38).<sup>7</sup> According to a senior MCM officer, the Constitutional Court judgement basically legitimized the approach MCM had taken to the allocation of rights, and thus paved the way for the allocation of long-term rights (*Fishing Industry News Southern Africa*, Apr 2004: 23). It also sent an implicit signal that the 'the process is blind to lobbying and other forms of applying pressure on the Department' (Ibid.), which have allegedly happened in the form of direct 'lobbying, cajoling, bribes and even implicit threats' (Ibid).

Contrary to the MTR allocation, in the LTR process the design has been very detailed and thorough; a general policy and sectoral policies were devised, and meetings with stakeholders were held 'with MCM maintaining a driving hand' (Ibid.). For the first time, information provided by applicants had to be audited by their own auditors. The information provided was much more detailed and reliable than in 2001.

In the first version of the hake policy, released in early 2005, the quantum criteria of redistribution applied the following mechanisms: (1) 10% of the TAC was to be re-distributed according to transformation scores; (2) 20% in accordance to the overall balancing score (other than

<sup>7</sup> However, in the Foodcorp case of 2004 (referring to pelagics allocations), the SCA found the formula used for the allocation 'so unreasonable that no reasonable person would have so exercised or performed the function' (*Fishing Industry News Southern Africa*, Dec 2004: 4). Again, the ruling was not related to the merit of the allocation, but to the failure to apply proper procedure.

transformation); and 10% was to be set aside for SMEs and SMMEs (ZAR 3-5 million turnover) (MCM 2005a: 12-13).

The provision for a redistributive pool for SMEs proved to be the most explosive issue. The technocratic explanation proposed by MCM was that SME clauses were devised to avoid the need for joint ventures to operate a vessel and the related risk of failure that comes with it. Therefore, a 'cut head and tail' approach was devised. This was also officially linked to a policy of capacity minimization and the need to optimize an oversubscribed fishery, thus putting less pressure on by-catch and illegal fishing to put together a viable 'vessel package'.

The draft policy was discussed with industry soon after its release. According to an MCM insider, what emerged in the discussion sessions was that: (1) industry was happy with the level of detail contained in the first draft of the policy; (2) dialogue was constructive and a good indicator of the maturity of the industry; (3) MCM admitted that the provision on SMEs did not make sense (see below); and (4) MCM recognized that the transformation pool system was not following the BEE Codes, and that it did not make sense in relation to the fact that a company would not get back all its quota even if it scored perfectly.

The reactions by big fishing companies that percolated in the media, however, were of a different tone. I&J claimed that the 10% SMME pool, if implemented, would cause 'between 600 and 800 job losses . . . [and] idle capacity in processing plants . . . [which would] "decimate" the industry's black economic empowerment (BEE) partners' (*Business Report*, 2/3/2005). Notice that already in 1995, I&J had raised the spectre of proliferation of players (and the possible rise of SMEs) in the industry, arguing that '[i]f the country opts to have lot of smaller companies then the country is going to lose a lot of this business' and that 'international food companies demand above else quality and guarantee of supply', which can supposedly be delivered by large companies only. Therefore, 'it would be unfair to just take away existing quotas as it would immediately involve cut-backs, retrenchments, write-offs and asset wastage' (*SA Commercial Marine* Jun-Aug 1995: 9).

In a repeat of the early 1990s argument, Sea Harvest was 'concerned that the recommendations would fragment an industry already reeling from the effects of a strong rand and weaker markets'. It also estimated a possibly loss of 900 jobs (*Business Report*, 7/4/2005). Oceana was reported to have even threatened to sue the government if the draft fishing policy were accepted. It also argued that the policy was scuttling a deal to sell Real Africa's (its BEE partner)

stake in the company due to one of the bank's refusal to finance it under the new policy (*Business Report*, 7/4/2005). Noticeably, Oceana had just been 'A-rated' in the EmpowerDEX<sup>8</sup> scale, meaning that 'Oceana meets Government's BEE criteria, that transformation is deliberate' (*Fishing Industry News Southern Africa*, Apr 2005: 27). Big fish players warned of possible losses of ZAR 350 million due to reduction in export sales, redundancy of 12 vessels and equipment to the tune of ZAR 40 million (*Business Report*, 8/4/2005). Where these figures came from and who produced them is not clear. The article where the figures were presented (in Cape Times' *Business Report*) was headed with the explicit warning 'Fishing policy may sink hake industry'.

As in earlier instances of resistance to redistribution, capital and unionised labour found themselves on the same side of the argument. The general secretary of the National Certified Fishing and Allied Workers' Union was quoted saying that 'the policy would affect the wellbeing of the union's members because the majority of fishers come from a historically disadvantaged background' (*Business Report*, 22/4/2005). In addition to this, an argument was put forward by the CEO of Brimstone (Sea Harvest's BEE partner) which went as follows: the hake trawling industry is capital intensive, and thus it is counter-productive to favour SMEs; rather, BEE deals are the way to empower the industry. So both capital intensity and job losses were used to justify the same argument. Brimstone's CEO also was quoted saying that 'we have been led to believe that if a company became empowered its quotas would not be tampered with. We have incurred in debt and now our investment is being exposed' (*Financial Mail*, 1/4/2005).

Interestingly, HDI-related justifications were used by both capital and unionised labour against the SME provision; the former argued that it would be bad for 'black capital' involved in BEE deals; the latter because the feared job losses would affect HDIs (as if alternative jobs created elsewhere were going to be given to non-HDIs). In defence of the SME provisions, Bato Star argued that 'black investment in big companies is largely passive and funded by big capital, which has no allegiance to government policy, but is being driven by the narrow interests of profiteering' (*Fishing Industry News Southern Africa* Jun 2005: 18). Bato star also claimed that BEE investment in large companies 'effectively excludes black entrepreneurs, who should choose the much more credible and challenging route into the industry by investing in their own businesses' (Ibid.). The spirit of the free entrepreneur is envisioned as a tool for overcoming passive/captive black capitalism.

<sup>8</sup> EmpowerDEX is a private economic empowerment rating and research agency.

In short, the legitimacy of the draft policy was attacked from several angles: (1) employment (proper jobs as opposed to non-unionised ones; number of jobs); (2) sunk investment and creation of overcapacity; (3) loss of value added production, thus lower export value; (4) loss of clout for marketing (as argued by Sea Harvest in *Financial Mail*, 1/4/2005); and (5) negative effects to HDI capitalists and workers. Having fought tooth and nail against the allocation of 10% of the total hake quota to the longline and handline sectors in the 1990s (both more suitable to SME players), big fishing companies were not going to let SMEs easily gain a further foothold in the trawling sector as well.

One of the more reliable arguments presented by industry to MCM was that the definition of SMEs and SMMEs (under 3 and 5 million ZAR turnover respectively) would disqualify most companies from the special provisions, making the whole exercise redundant (*Financial Mail*, 1/4/2005). This is the argument that persuaded MCM officers to change their mind. However, suggestions that MCM simply revise its definition of SMEs to bring it in line with that used in the National Small Business Act – less than 50 employees or a turnover of less than ZAR 13 million for ‘small’ business – were ignored (*Fishing Industry News Southern Africa*, Jun 2005: 14-15).

## 5.2 CRITERIA AND MEASUREMENT

In the revised (and final) version of the hake policy, the guiding principles for redistribution became the following: (1) the allocation of quantum would be determined in reference to the quantum held in 2005; (2) the redistribution of at least 10% of the TAC would take place to the benefit of holders with small allocations that have transformed and performed well during the MTR period; and (3) the allocation of an additional quantum would achieve objectives of transformation and performance; this would be designed in a ‘manner which should ensure that all successful applicants, regardless of the size of their previous allocations, will be able to benefit if they meet the criteria’ (MCM 2005b: 13). These changes made a potentially revolutionary redistribution process (encompassing up to 50% of TAC) into a relatively marginal one.

Some exclusionary criteria were applied in the allocation process,<sup>9</sup> followed by specific redistribution mechanisms.<sup>10</sup> The final score was divided into: 24% of points allocated to 'investment' (the larger the investment over the industry average, the higher the score) and financial performance; 26% to job creation, safety and value addition. Thus for 50% of the score, larger companies were more likely to perform above average. The remaining 50% was scored in relation to transformation, as re-engineered in the BB-BEE approach (broad-based BEE), which meant less focus on ownership and the adoption of a broader set of indicators. In the hake allocation, this meant that only 35% of the total score was allocated to ownership.<sup>11</sup>

Despite the fact that the system of redistribution was much more sophisticated than ever before, and based on more reliable information, the devil as usual was in the detail. According to an MCM insider, the specific weightings of individual items in the scoring card were not devised in advance, except at an aggregate level (percentage of redistribution in various pools). This allowed the decision-makers 'to play around with weights' and see who would be punished or not in different scenarios that could be 'reasonably defended'. The aura of objectivity covered only part of the process. The final weighting was indeed released just before the release of the allocation results. Preliminary results were presented to decision-makers, and if they did not like them, they were sent back for a change in weightings.

<sup>9</sup> The exclusionary criteria related to: individual persons (applicants need to be natural persons); non-compliance with some of the provisions of MLRA; non-payment of levies; 'paper quota' holders; lacking access to a suitable vessel. In practice, being a new entrant in the industry was also an unofficial exclusionary criteria, since no quota was allocated to them, irrespectively of their scoring.

<sup>10</sup> At first, each applicant was accorded the same proportion of the 2006 hake allocation as they received in 2005, then reduced as the 2006 TAC was smaller than in 2005. Redistribution pool 1 totalled 10% of TAC, and was created by subtracting from each applicant an amount proportional to their allocation. The proportion differed according to the overall score – the higher the score, the lower the proportional reduction. Pool 1 was redistributed to successful applicants with small allocations (no size given) and who scored well (above the 40 percentile across all successful applicants) on performance (investment and job creation) and transformation – according to sliding scale. Pool 2 was comprised of 400 tons (no justification given for the figure) subtracted from each successful applicant, together with what unsuccessful applicants would have received had their application been successful. Pool 2 was redistributed to all successful applicants in relation to the applicant's score on a sliding scale (MCM 2006: 25).

<sup>11</sup> The remaining 15% was subdivided into the following: number of black directors (0.5%), proportion of black top salary earners (4%), income levels of black staff (6%), distribution in occupational categories (0.5%), skills development (1.5%), corporate social investment (1%), affirmative procurement (0.5%), enterprise development (0.5%), and employment equity compliance (0.5%).



### 5.3 EVALUATING THE LTR ALLOCATION

In the LTR allocation, 27% of the total TAC was re-allocated, against 5% in 2001 (MCM 2002; 2006: 26): 10% on the basis of previous small allocations and good performance and transformation; and 17% on the basis of good overall score, irrespectively of size. As a result, 16% of the TAC was allocated to small rights holders that have scored well (the new ‘empowered captains’ of the hake fishery). This resulted in major gains for a set of companies that previously held smaller allocations. A new ‘middle class’ of companies was therefore created.

The allocation criteria were indeed intended to promote the consolidation of rights holders (MCM 2006: 26). The refusal to renew rights to six applicants was part of this strategy. Yet, other low scoring applicants saw their allocation reduced, rather than eliminated altogether. Compared to the allocation of Medium Term Rights (MTRs) in 2001-2005, at *prima facie* MCM achieved their ‘tripod’ of principles underpinning the LTR allocation process (2006-2020): (1) sustainability; (2) stability/consolidation; and (3) transformation.

In relation to sustainability, the allocation policy (MCM 2005b) explicitly mentioned the award of the ‘prestigious Marine Stewardship Council certificate’ as a stamp of approval indicating that South African hake is a sustainably and responsibly managed fishery. The policy also asserts that long-term sustainable utilisation of hake stocks also arise from South Africa’s regional and international obligations. It has been a long-held position among the large incumbents in the industry and scientists at MCM that the proliferation of operators equals more difficult monitoring and management of the resource. In this respect, consolidation of players in the middle segment indirectly achieves this objective, although the big players would have probably argued for a smaller number of players than the current total. In addition to this, the 2006 TAC was reduced by 10,000 tons in relation to the 2005 TAC. This figure, however, was arrived at on the basis of the precautionary principle – for the first time since the 1970s the hake survey did not take place in 2005 due to an unresolved dispute on overtime payment for the vessel crews that were supposed to operate the survey.

In relation to achieving stability/consolidation, two objectives were mentioned in the first version of the hake allocation policy (MCM 2005a): (1) redistribution to reward SMEs; and (2) excluding rights holders with weak performance records. The first formulation disappeared following big industry’s uproar on redistribution that would benefit SMEs per se (see above). In its place, the objective was reformulated as to affirm rights holders of small allocations that had sufficiently transformed and performed well during the MTR period (MCM 2005b). Interestingly, the ‘stated need for consolidation’ was not mentioned as a major objective in the poli-

**Table 5: Hake Deep-sea Trawling Rights before Redistribution due to LTR Allocation**

	Name of company	2006 allocation before adjustment (tons)	2006 allocation before adjustment (tons)	% of total allocation	Classification
1	I&J	41.217			
2	sea harvest	31.932	82.944	66	Big 2 (I&J, SH/Atlantic)
3	atlantic	9.795			
4	foodcorp (Marpro)	6.554			
5	viking	2.779	11.634	9	Medium 3 (2,000-10,000 tons)
6	ferpar	2.301			
7	new south africa	1.551			
8	BCP/oceana	1.303			
9	surmon	1.142			
10	hangberg	1.129	9.431	8	Medium-small 8 (1,000-2,000 tons)
11	siyaloba	1.126			
12	ziyabuya	1.096			
13	sistro	1.064			
14	Vuna fishing	1.020			
15	saco	952			
16	calamari	862			
17	bato star	792			
18	premier	786			
19	ntshonalanga	754			
20	Quayside	708			
21	offshore	707			
22	selecta	700			
23	combined fishing ent.	675			
24	laingville*	674			
25	mayibuye	659			
26	radaco	652			
27	DMA fishing	628			
28	noordkaap	628			
29	snoek	593			
30	pellsrus	582			
31	azanian	575			
32	community workers	567			
33	bayview	560			
34	eigelaars bote	554	21.312	17	Small 39 (up to 1,000 tons)
35	impala	535			
36	visko	489			
37	zwm	482			
38	tradeforth	467			
39	bhana coastal	466			
40	khoi qwa	466			
41	hoxies	451			
42	algoa bay	445			
43	dyer eiland	435			
44	walters	414			
45	luzizi	402			
46	rainbow nation	397			
47	visserye	389			
48	engelbrecht	374			
49	anglo mar	335			
50	eyethu/pioneer	328			
51	usuthu	320			
52	port nolloth	307			
53	bp marine	201			
	<b>Total</b>	<b>125.321</b>			

Source: Elaboration from MCM data

cy, but is mentioned in the document giving the general reasons for allocation (MCM 2006: 24). This led to a 'consolidation in the middle' mainly at the expense of Sea Harvest and the six rights holders that saw their allocations taken away (see next sub-section for details). A group of relatively new mid-size companies emerged as clear beneficiaries from the allocation process. As in the MTR allocation of 2001, no new entrants were awarded with quotas.

In relation to transformation objectives, the allocation policy mentions the objective of improving the transformation profile of the industry, without setting specific goals. MCM calculates that of the current 46 LTR holders, 27 (or 59%) are more than 50% black-owned. Interestingly, the document does not mention that in 2002 this proportion was 74% (DEAT 2002; 2004: 11). The TAC controlled by these entities has increased to 43% (from 25% in the MTR allocation, and 0% in 1992) (MCM 2006). Mean black ownership of rights holders (as opposed to the proportion of TAC allocated to black-controlled entities), however, increased from 59% to only 61%. Female shareholding remains at a low 22%. The ratio of black to white top salary earners is currently at 1.2, while the male/female ratio is 12.7. 75% of skippers are black. Interestingly, 'new applicants' (which were not allocated any rights) have a better profile, with an average black shareholding of 78% (much higher than current holders), an average female shareholding of 41%, a top salary earner black/white ratio of 1.3, and a male/female ratio of 2.

As we will explain in the next paragraphs, this official picture masks more than it reveals. But let us start from the picture of allocations before redistributive measures were applied (Table 5). Here, the industry structure is characterized by two large groups (we consider Sea Harvest and Atlantic Trawling as one group) controlling 66% of the total HDST TAC. They are followed by three companies with medium allocations (2-10,000 tons) for a total of 9% of the TAC. These are all fairly large 'pioneer' companies (that is, historically-white capital and holders of quotas in fishing before the first attempts at opening up the industry started in 1992). The next group is eight companies with medium-small allocations (1-2,000 tons) with a combined allocation of 8% of the TAC. These are all new players (with one exception) that became involved in hake either in the first wave of the early 1990s or the second wave of the mid-to-late 1990s. The last group is 39 companies with small allocations (under 1,000 tons), constituting 17% of the TAC. These are all players who started being active in the 1990s.

The new picture emerging from the LTR allocation (thus, after distributive adjustments; see Table 6) is the following: The 'Big 2' still hold 60% of TAC, down from 66%; below them, there is an enlarged group of companies with medium-size allocations (seven of them, but Marpro's allocation is much bigger than the others), now holding 19% of the quota (up from

**Table 6: Long-Term HDST Rights Allocation (2006-2020)**

	Name of company	2006 before adjustment	Gain/loss (tons)	Final 2006 LTR allocation (tons)	Final 2006 LTR allocation (tons)	% of total allocation	Classification
1	I&J	41.217	-	40.003			
2	sea harvest	31.932	-	27.339	75.501	60	Big 2 (I&J, SH/Atlantic)
3	atlantic	9.795	-	8.158			
4	foodcorp (Marpro)	6.554	1.547	8.102			
5	Vuna fishing	1.020	1.941	2.962			
6	saco	952	1.926	2.878			
7	viking	2.779	21	2.800	23.735	19	Medium 7 (2,000-10,000 tons)
8	bato star	792	1.781	2.573			
9	eyethu/pioneer	328	2.000	2.328			
10	mayibuye	659	1.433	2.092			
11	fermpar	2.301	-527	1.774			
12	hangberg	1.129	594	1.723			
13	new south africa	1.551	58	1.609			
14	Quayside	708	819	1.527	12.103	10	Medium-small 8 (1,00-2,000 tons)
15	surmon	1.142	349	1.491			
16	BCP/oceana	1.303	121	1.424			
17	hoxies	451	946	1.397			
18	azanian	575	584	1.159			
19	sistro	1.064	-74	990			
20	combined fishing	675	282	957			
21	calamari	862	82	944			
22	ntshonalanga	754	85	838			
23	community workers	567	205	771			
24	selecta	700	68	768			
25	usuthu	320	445	765			
26	bhana coastal	466	282	748			
27	impala	535	212	747			
28	ziyabuya	1.096	-373	723			
29	siyaloba	1.126	-420	706			
30	premier	786	-194	592			
31	anglo mar	335	245	579			
32	algoa bay	445	40	485	13.983	11	Small 28 (up to 1,000 tons)
33	offshore	707	-358	350			
34	radaco	652	-309	343			
35	luzizi	402	-60	342			
36	visserye	389	-71	319			
37	dye eiland	435	-148	287			
38	DMA fishing	628	-355	273			
39	pellsrus	582	-323	259			
40	khoi qwa	466	-213	254			
41	rainbow nation	397	-180	217			
42	eigelaars bote	554	-338	216			
43	engelbrecht	374	-207	167			
44	tradeforth	467	-317	150			
45	walters	414	-295	118			
46	bp marine	201	-129	72			
47	port nolloth	307	-307	0			
48	zwm	482	-482	0			
49	visko	489	-489	0			
50	bayview	560	-560	0	0	0	Excluded 7
51	laingville*	674	-674	0			
52	snoek	593	-593	0			
53	noordkaap	628	-628	0			
	<b>Total</b>	<b>125.3</b>		<b>125.3</b>			

Source: Elaboration from MCM data

9%). Below these, we have eight companies with small-medium allocations (same number as before redistribution, but different identities in some cases) holding 10% of quota (up from 8%). Finally, there is a much smaller group of companies with small allocations (28 instead of 41) holding 11% of the quota (down from 17%). Therefore, consolidation has happened mainly via the creation of a larger group of new and relatively 'empowered' players with medium-size allocations.

In terms of gains and losses of individual quota holders, the following emerges: the net loss of the 'Big 2' is significant, but not revolutionary. It is more marked for Sea Harvest/Atlantic Trawling (-6,230 tons, or -15% of allocated quota for 2006 before redistribution), but fairly minor for I&J (-1,213 tons, or -3%). As far as other Mid-3 'pioneer companies' (those that had an allocation of 2-10,000 tons in 2006 before adjustments) – jointly they have a net gain of 1,042 tons (mostly accruing to Marpro), which is similar to I&J's loss. The group of 'small-medium 8' (between 1-2,000 tons in 2006) have a net gain of 2,197 tons. The remaining small 39 (below 1000 tons in 2006 before adjustment) have a net gain of 4,205 tons.<sup>12</sup>

As far as transformation is concerned (see Table 7), very low scores resulted in major losses (especially for those that scored less than 11 out of 50 points). Sea Harvest and Lusitania are in this group and their losses amount to a total 6,757 tons. Others scoring less than 11 points accumulated total losses of 9,322 tons. Thus, the total loss of companies scoring less than 11 is about 16,000 tons, or 7.4% of total quotas allocated – a significant but not exactly revolutionary change, especially given the low score on transformation accrued by these companies.

High transformation scores *per se* did not necessarily lead to substantial gains (as stated in the general policy – suggesting a 'minimum standard' approach). Large winners (by over 1,000 tons) are not top performers on transformation (they do not score over 30, with one exception). Several large winners are found in a group of companies scoring between 27 and 30. This is to some extent expected, as the weight of the transformation score was only 50% of the total.

<sup>12</sup> Another way interpreting these results is that the gains of all companies below 2,000 tons (before adjustments) is similar to net loss sustained by Sea Harvest alone. However, this is only part of the story. If we consider the companies that have lost their whole quota (all small companies, seven in total, and assuming that the one under appeal loses the quota too), then companies that had small allocations before redistribution and that have maintained a quota gain 7,938 tons (approximately equivalent to the losses by Big 2 plus Lusitania). Non-renewals meant a loss of 3,733 tons to small companies that did not make it this time around. These have either scored lower than 30 points in the total score, or have been rejected on the basis of other factors.

**Table 7: 2006 LTR Allocation -- Gains/Losses by Transformation Score**

Name of company	Gain/loss (tons)	Transformation score	Total gain/loss by classification group	Classification
combined fishing ent.	282	44,1		
bhana coastal	282	43,3		
visserye	-71	40,9	1.289	moderate winners with high transformation scores
azanian	584	39,4		
impala	212	38,2		
hoxies	946	38,0	946	large winner with high tranformation score
laingville	-674	37,9		
community workers	205	37,8		
engelbrecht	-207	37,8	-804	losers/moderate winners with high transformation score
ntshonalanga	85	34,3		
khoi qwa	-213	34,3		
mayibuye	1.433	33,7	1.433	large winner with high tranformation score
offshore	-358	32,3		
ziyabuya	-373	31,5		
surmon	349	31,3	-952	losers/moderate winners with high transformation score
new south africa	58	30,4		
noordkaap	-628	30,4		
saco	1.926	29,7		
Vuna fishing	1.941	29,3		
bato star	1.781	29,0	7.649	large winners with medium transformation score
eyethu/pioneer	2.000	28,4		
foodcorp (Marpro)	1.547	27,7		
I&J	-1.213	26,5	-1.213	large loser with medium transformation score
walters	-295	25,0		
DMA fishing	-355	24,4		
luzizi	-60	24,0		
Quayside	819	23,9		
hangberg	594	21,7		
usuthu	445	21,0		
tradeforth	-317	20,8		
port nolloth	-307	19,8		
premier	-194	19,2		
zwm	-482	18,5	-574	mix batch with low transformation score
rainbow nation	-180	17,0		
BCP/oceana	121	16,7		
anglo mar	245	15,9		
calamari	82	15,3		
sistro	-74	15,2		
siyaloba	-420	15,2		
viking	21	13,9		
selecta	68	13,4		
pellrus	-323	13,3		
algoa bay	40	11,9		
atlantic	-1.637	10,5		
fernpar	-527	10,4	-6.757	large losers with very ow transformation score
sea harvest	-4.593	10,3		
dyer eiland	-148	9,8		
snoek	-593	7,4		
radaco	-309	6,4		
visko	-489	6,3	-9.322	losers with extremely low transformation score
eigelaars bote	-338	5,9		
bp marine	-129	4,9		
bayview	-560	0,9		

Source: Elaboration from MCM data

In addition to analysing the official allocation of rights, a proper understanding of ‘transformation’ in the HDST industry needs to reflect on how vessel transfers, financing, operations and marketing are operated ‘in practice’. According to Nielsen and Hara (2006), the new entrants that were allocated fishing rights in the 1990s (no new entrants were allowed in the MTR and LTR allocations) have followed four possible strategies:

- if they owned a vessel, they applied for fishing rights for other species to set up a ‘viable package’;
- they pooled quotas with others to jointly own a vessel;
- they sold their fishing rights to (usually) a processor (a ‘paper quota’ situation);
- they entered a joint venture agreement that covered a combination of catching, processing and marketing.

This picture can be extended by examining vessel financing mechanisms and the intricacies of cross-ownership. In order to be eligible for a fishing quota, a vessel has to be registered in South Africa. Before the ban on imports became operational in the mid-2000s, this meant that the vessel had to be brought into the country. Currently, it has to be procured locally. The operation of procuring a vessel can involve up to four entities: (A) a provider of financing; (B) a provider of the vessel; (C) a SA-registered company that will own the vessel; and (D) a second SA-registered company that manages fishing operations.

A and B are often the same company – more often than not, in the case of non-pioneer companies, a Spanish one. The vessel can not be chartered, it has to be owned by a South African company, even though full ownership will take some time to be achieved, depending on the financing mechanism. The vessel is often provided on an interest-free loan basis. Company C can be an individual company (if it has access to a quota of at least 1,200-1,500 tons, better if 2,000 tons of hake) or a joint venture of quota holders. Company D is often linked to company C in terms of ownership. Sometimes the two are separate entities, but operate under a commercial agreement. Company D is usually a mix of local and international operators, including a participation of companies A and B, normally with Spanish capital involved. In many new entrant companies involved in the HDST sector, processing is done on the freezer vessel and fish is downloaded ready for containerisation for export. Marketing is done by Company A/B or by an affiliate company on the basis of a 5-10% marketing commission. This is the dominant model in the hake trawling industry for all players who do not have their own private piers. However, elements of this model are also used by large fishing companies to make up for losses in ownership of quotas. In this case, deals can take the shape of joint

ventures in ownership of vessels, financing agreements, and/or processing/marketing agreements (Ibid.). It should be noted that these configurations tend to shift. In the time period leading up to the deadline for applications for the LTR allocation, numerous re-shufflings took place. One interviewee stated that he received almost daily calls from small quota holders that were 'shopping' for a vessel to link their quotas to.

**Table 8: LTR allocation by group**

Group type	Final 2006 LTR allocation (tons)	% of total	% of total	Classification
1 pioneer	41.799	33,4	64	Big 2
2 pioneer	38.459	30,7		
3 pioneer	8.102	6,5	28	medium 7
4 pioneer	8.012	6,4		
5 new player	6.344	5,1		
6 pioneer	4.787	3,8		
7 pioneer	3.609	2,9		
8 new player	2.573	2,1		
9 new player	2.092	1,7		
10 new player	1.723	1,4	3	med-small 3
11 new player	1.397	1,1		
12 new player	1.159	0,9		
13 new player	982	0,8	4	small 11
14 new player	771	0,6		
15 new player	759	0,6		
16 new player	748	0,6		
17 new player	706	0,6		
18 new player	287	0,2		
19 new player	273	0,2		
20 new player	254	0,2		
21 new player	216	0,2		
22 new player	150	0,1		
23 new player	118	0,1		
Total pioneer	104.767	83,6		
Total new players	20.553	16,4		
Total	125.321			

Pioneer group = relying on pioneer company (with quotas in fisheries before 1987)

New player group = relying on any company allocated quotas after 1987

Source: elaboration from MCM data and field interviews

If we take these factors in consideration, then we arrive at a new picture of allocation of rights by 'group' (Table 8). According to this, rather than 46 individual quota holders, we should look at the industry in terms of 23 operating groups. The identity of these groups has been



concealed as it is based on confidential information. Below the Big 2, we find seven medium groups holding 28% of the quota; some are constructed around 'pioneer companies', but others are 'new players'. These are followed by only three medium-small groups holding 3% of the TAC. Finally, there are 11 small groups holding 4% of the TAC. In the case of two of the 'pioneer' groups among the 'medium seven', once joint ventures and other agreements are taken into consideration, the stated losses in the LTR allocation actually end up being gains. In total, the losses sustained by 'pioneer' groups amount to 4,468 tons. Calculated as individual allocations, 'pioneer' companies sustained a loss of 6,281 tons. This means that through joint ventures and marketing agreements, the quota losses by 'pioneer' companies are almost one-third lower than it appears. 'Pioneer' groups still control almost 84% of the quota, directly or indirectly.

Given that the current pursuit of equity in the fisheries industry has been 'subject to the constraints that it should imperil neither the sustainability of resources nor the economic stability of the existing industry' (Van Sittert et al. 2006: 96-7), it is unsurprising that the 2006 LTR allocation did not yield revolutionary results. Yet, the amount re-allocated to smaller rights holders that scored sufficiently well suggests that this round of allocation did not simply maintain the status quo.

In conclusion, the reallocation process was more marked than in previous rounds, but it was far from revolutionary and came at the cost of opening up a secondary market for rights. In case the profitability of the industry went back to the levels of the early 2000s, this could lead to further consolidation of fishing operations. Legislation does not prohibit transferability and divisibility of quotas. We therefore envisage a more fluid future capital configuration in the HDST sector along a consolidation/unbundling continuum geared by shifting resource, market and policy signals.

Insiders at MCM made it clear that with the current rate of loss of scientists and managers at MCM, there will be no capacity to properly monitor the use and possible abuse of quotas. Thirty-five scientists have left MCM between 1996 and 2005 (*Fishing Industry News Southern Africa*, Dec 2005: 12). In January 2005, two of the key officers in charge of the allocation process resigned in response to being accused of racism and lack of transformation at MCM during a formal briefing to the portfolio committee on environment and tourism. This is particularly interesting as one has impeccable struggle credentials, and the other is an HDI. After the resignation, the Minister brought them back under a consultancy contract to carry out the same functions (at a much higher cost). After the LTR allocation, a review should follow every 2-3 years to assess compliance with the terms of the allocation policy, but

according to an insider, there is no capacity at MCM at present to undertake that. He stated that 'many quota holders are privately admitting that there will be a free ride for the next 15 years'.

A more likely short term scenario, however, is that profitability of hake trawling will remain poor. While still holding to fishing rights, large companies are increasingly likely to outsource fishing operations to concentrate on branding, marketing, value-addition and logistics.

## 6. Conclusion

BEE is but the latest attempt by the South African state to redistribute fisheries resources to historically-changing 'previously-disadvantaged' groups. In the case of industrial fisheries in general, this happened on another two occasions in the last century: (1) in 1944-76 with the 'empowerment' of Afrikaners in the context of Afrikaner nationalism and the corporatist age of fisheries in South Africa; and (2) in the late 1980s and early 1990s, with the gradual opening of the industry to coloured players in the attempt at partly-reforming the apartheid system (see Appendix). In both cases, however, the dynamics of redistribution in the HDST industry were different from those in the inshore industrial fisheries. Thus, while the post-1994 ANC government's use of fisheries access rights as a means of creating a beachhead for black capital has a long pedigree stretching back to 1948, this is not true of the HDST sector. The extension of this practice offshore marks one of the radical departures of the post-apartheid fisheries. Indeed, the post-apartheid democratic context has formalised and generalised rather than terminated the previously informal practices of state ethnic engineering of capital. Furthermore, these are now given an unassailable legitimacy by being pressed into the purported service of redressing the economic effects of historical racial discrimination under apartheid, segregation and colonialism.

As we have seen above, until World War II, South Africa's industrial fisheries were dominated by elements of 'imperial' capital – Scottish trawling capital in the offshore sector and English wholesale merchant capital in the inshore canning industry. In its 'colonial' period (1890 to 1910), imperial 'industrial fishers' were the legitimate players in the hake trawl sector under the rhetorical principle of 'progress' – in the absence of environmental constraints and with minimum state management of the resource. This was followed by a *laissez faire* period of minimal state regulation (1910-1944) which saw the consolidation of imperial fishing and mining capit-

al in the HDST in monopoly form (I&J) . Monopoly was defended by both capital and the state through the assertion of the principle of efficiency in exploiting the resource – within the severe limitations imposed by a domestic market largely confined to the tiny urban white middle class.

The 1930s depression brought a gradual shift from a *laissez faire* to an interventionist state approach to fisheries that came to characterise the ‘corporatist’ period of 1944-1986. The passing of the Sea Fisheries and Crawfish Export Acts in 1940 gave the central state the power to restrict entry to industrial fisheries on conservation grounds for the first time. The exclusion of the HDST sector from the Fishing Industry Development Act in 1944, however, shielded it from redistribution to the advantage of Afrikaner capital. Thus, while the National Party made the inshore fisheries a bastion of *volkskapitalisme* through preferential access rights allocations to Afrikaner corporate and small capital (O’Meara 1983; Van Zyl 1992) and, after Sharpeville in 1960, began fostering a client coloured capital as a bulwark against insurgent African nationalism (Republic of South Africa 1972; 1980; 1986), the HDST sector remained a strange anachronistic hangover from the imperial past – an English imperial capital monopoly subject to purely nominal state regulation.

While the ethnic corporatism of Afrikaner nationalism had no need to directly confront I&J, with the unexploited inshore pelagic resources of South Africa and its Namibian colony to fatten *volkskapitalisme* on (Van Sittert 2002a), it was happy to see the company undone by the foreign invasion of the south east Atlantic in the 1960s as repayment for its humbling in the 1943-44 battle over the Fishing Industry Development Act. The foreign fleets succeeded where Afrikaner nationalism had failed in prising open I&J’s headlock on south east Atlantic hake and the southern African market. This enabled *volkskapitalisme* to gain a belated, if indirect, foothold on the offshore marine frontier as well. Afrikaner capital’s increasing stake in hake and a dramatic shift in the basis of state legitimation in the fisheries from *volkskapitalisme* to scientific management had, by the mid-1970s, prepared the ground for the extension of the state’s corporatist umbrella to the HDST sector through the proclamation of an EEZ in 1977. In return for its prioritising the local over export markets, the state banished all foreign fishers from the EEZ and ring-fenced the HDST fishery against the various redistributive waves of late apartheid. It also helped consolidate an independent Afrikaner capital interest in the HDST sector through generous quota allocations to Marpro.

In the Neo-liberal era (from around 1987), the gradual redistribution of quotas to a new group of ‘legitimate’ fishers (coloured clients in the late apartheid regime, and African nationalist-aligned coloured and black capital after 1994) was more limited in the HDST sector than in

other fisheries. Also, the attempted 'external transformation' of the industry (via the entrance of new players) basically stopped in its tracks in the late 1990s as a result of the failed populist redistribution movement of 1998-99. With the start of the medium- and long-term right allocation processes of the 2000s, the rhetorical principle of 'external transformation' was finally dropped in favour of 'internal transformation' ('blackening' of established players; larger quotas to well-performing black players) under the umbrella of the so-called 'tripod of equity, sustainability and economic stability' (see Appendix).

Each of the 'legs' of the tripod notionally refers to one of apparently contradictory key policy documents: equity refers to the RDP (African National Congress 1994); economic stability to GEAR (African National Congress 1996) and sustainability to NEMA (Republic of South Africa 1998b). These principles were written into the MLRA (Republic of South Africa 1998a), but without any one being prioritised or given precedence (Witbooi 2006). Hence the slate of court cases that enveloped the industry since the late 1990s have been solved mainly on procedural grounds. This has happened despite the fact that the 1996 Constitution and Bill of Rights refers to a number of influential rights that could have been used to challenge the *substance* of allocation decisions. Above all, these are the 'environmental right' and the 'property right' (including access rights). In relation to the latter, the Constitution openly backs redistribution 'in order to redress results of past racial discrimination' (Section 25(8)). Yet, most successful cases have been solved in relation to the 'just administrative action clause' of the Constitution (Section 33) and the related 2000 'Promotion of Administrative Justice Act' (PAJA) (Republic of South Africa 2000; Witbooi 2006). The courts have basically limited themselves to judge on the *procedures* related to quota allocations and refrained from questioning the *merit* of administrative decisions.

However, the purported contradictions between the three legs of the legitimating tripod are more imagined than real. It is no secret that the ANC has *de facto* substituted the RDP with GEAR as the main point of reference for economic policy making (and, hence for social and environmental policy too). Indeed NEMA, which post-dates the adoption of GEAR, can be seen as enforcing its economic agenda and thus the broader 'stability' pact in the fishing industry (economic and environmental stability, but not social). The objectives of economic stability and sustainability can be (and have been) conflated. Marine Stewardship Council (MSC) certification (an external and market-based device for 'conservative management' of fisheries) of the HDST fishery has magnified this convergence (see Ponte 2006).

The balance of the 'tripod' was challenged during two 'populist flaring moments': (1) in the late 1990s, until MCM lost some key court cases and the ANC lost the Western Cape elections

of 1999; and (2) in 2005, when 'SME populism' was attempted in the first version of the hake allocation policy. Both 'black populism' and 'size populism' failed. What emerged instead is a new brand of empowered captains of industry – the holders of the entrepreneurial spirit of a 'proper' black capitalist class (instead of the rent-seeking spirit of 'paper-quota' holders of the 1990s). These, together with the 'empowered' BEE partners of major fishing companies, are the new faces of 'legitimate' fishers in South Africa.

It is also important to remember that the state's capacity to shape capital in sectors such as fishing, where it enjoys the leverage of gatekeeping, is more limited than it appears to be – given the extreme concentration of ownership in the South African economy (Chabane et al. 2006). Incumbent players in the HDST industry, far from constituting discrete ethnic (white) 'fishing capitals' unique to the sector, can be more accurately conceived of as merely local manifestations of large capital groups – Tiger Brands, AVI and Foodcorp – whose interests are multisectoral and operations multinational in scope. Indeed, Tiger Brands collapses the fishery inshore-offshore divide by also owning the controlling interest in the largest inshore producer, Oceana. Tiger Brands and AVI are respectively the first and second biggest consumer products makers by market value nationally (*Business Report*, 14 March 2006). Monopoly capital in South Africa, in keeping with international trends over the past few decades, has migrated up the value chain away from direct to indirect control over primary production through brand ownership. Under these circumstances, it is ultimately less important who catches the hake, so long as they do so according to monopoly capital's specifications.

BEE-driven reform of the HDST sector can thus be read as doubly conducive to the interests of incumbent capital. First and most obviously it has largely confirmed their historical share of access rights and, by effectively privatising all access rights as LTRs in 2006, allowed for their more flexible and efficient allocation via the market in response to changing environmental, economic and social conditions over the next fifteen years. Secondly, and far less apparently, by treating the HDST industry as a discrete sector and prioritising primary production (access rights) over others forms of control over the resource, BEE-driven reform has obscured and so left untouched monopoly capital and even assisted it in its migration up the value chain by providing a convenient cover for the spreading of risk and outsourcing of primary production to nascent black capital. That monopoly capital's HDST interests have been major loss leaders for the past few years underlines the extent to which BEE reform can be seen to have produced a double pyrrhic victory: (1) the betrayal of the masses, as widely denounced and decried by the populists and socialists; and (2) the much less obvious but no less detrimental saddling of black capital with the volatile, high risk, loss-leading primary production sector, which was outsourced by incumbent monopoly capital under the banner of redistribution, but

is still effectively controlled by it through downstream control over logistics, distribution, marketing and branding.

Despite repeated public declarations of long-term commitment to the HDST sector, the continued involvement of monopoly capital and its top-end BEE partners is governed solely by the short-to-medium term profit horizon and this currently does not look good. Thus, Tiger Brands is reviewing its fishing investments and is widely rumoured to be intending to divest itself of the loss-leading Sea Harvest and Oceana (*Business Report*, 7 April 2006). Some BEE partners have already done so, and others have reserved themselves the right to divest in the near future. The prognosis for the less mobile middle-level BEE players in the current scenario is bleak, judging by the repeated failure of Afrikaner capital, even with the generous assistance of a corporatist state, to establish a viable presence offshore in the 1960s and again in the 1980s. George Irvin is reputed to have said that the secret of success in the HDST fishery was not catching, but distributing the fish (Lees 1969: 268). The longevity of I&J and Sea Harvest (in alliance with Imperial Cold Storage) superficially seems to confirm the wisdom of this observation. Yet, we would add i) large capital resources and ii) diversification to Irvin's recipe as essential ingredients for success in the HDST sector. This is needed to spread risk and buffer profits against its endemic resource, market and political volatilities. By these criteria, the 'new black middle' is quite simply out of its league for the time being.

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## Appendix

# Historical Overview of the Hake Deep-Sea Trawling (HDST) Sector in South Africa





	COLONIAL	LAISSEZ FAIRE	CORPORATIST		NEO-LIBERAL		
			Ethnic Chauvinist	Ethnic Pluralist	Conservative	Populist	Quasi-private
	1890-1910	1910-1944	1944-76	1977-86	1987-97	1998-99	2000-2006
<b>1. Legitimate fishers</b>	Industrial	Monopoly capital	Afrikaners	Monopoly capital	Coloured clients (community quotas, ESOPs)	Historically-disadvantaged Individuals (HDIs)	HDIs, large and medium-sized players that are 'transformed'
<b>2. Rhetorical principle</b>	Progress	Economic efficiency	Afrikaner nationalism	Scientific management	External transformation (entrance of new players)	Radical redistribution (failed)	Internal transformation Balanced 'tripod': transformation, stability, sustainability
<b>3. Environmental discourse</b>	Maximum extraction, inexhaustible abundance	Maximum extraction, some limits	Some limits to extraction	Depletion/ scarcity; scientific management for long-term sustainability	Depletion/scarcity; scientific management for long-term sustainability	Social depletion/ scarcity trumps environmental depletion/scarcity	Systems management and environmental labelling (MSC)
<b>4. Management system</b>	Closed Areas	Closed Areas Savings trawl (1937); Dumping prohibition (1940)	Closed Areas Savings trawl; Dumping prohibition; Expansion of territorial waters from 3 to 12 nautical miles (1963)	Establishment of 200-mile Exclusive Economic Zone (EEZ) (1977); TAC (1978); Annually renewed individual producer quotas (1979)	EEZ; TAC; Annually renewed individual producer quotas; Quota Board (1990); Judicial review	EEZ; TAC; Annually renewed individual producer quotas; Judicial review	EEZ; TAC; MTRs (2001); LTRs (2006); More 'transparent' quota allocation; Judicial review (phasing down); De facto ITQs? Systemic management (MSC)
<b>5. State-capital relations</b>	State prospecting for private capital	State prospecting for private capital	Corporatist via FDAC (1944) and ICSEAF (1969)	Corporatist via DSRMC (1982)	Corporatist via DSRMC and FPDC (1995-97)	Breakdown following MLRA	Market mediated via user charges; Residual corporatism in RMG

	COLONIAL	LAISSEZ FAIRE	CORPORATIST		NEO-LIBERAL		
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	1890-1910	1910-1944	1944-76	1977-86	1987-97	1998-99	2000-2006
<b>6. Role of 'hard' science</b>	Prospecting	Setting limits to exploitation	Setting limits to exploitation	Scientific management	Scientific management; Defence of status quo	Scientific management (declining state capacity)	Ecosystem management (declining state capacity); Systemic management/certification
<b>7. Role of 'soft' science</b>	None	Measuring economic efficiency + white poverty alleviation	None	None	Black poverty measurement/alleviation	Black poverty measurement/alleviation	Measuring economic efficiency; Scoring; Verification
<b>8. Arguments against attempts at unbundling/redistribution</b>	N/A	Threat to economic efficiency	Economic efficiency White SA nationalism	White SA nationalism	Economic nationalism (jobs, value added, stability, resource depletion)	N/A	New SA nationalism (Jobs, value added, stability; conservative management to maintain MSC cert.); 'blackening' achieved
<b>9. Industry structure</b>	Competitive	I&J monopoly (public company); SMME competitors from mid-1930s	I&J monopoly (Anglovaal); Foreign competitors from 1960s; Local competitor Sea Harvest (1964)	I&J and Sea Harvest oligopoly; Some new medium competitors	I&J and Sea Harvest oligopoly; Medium competitors; Proliferation of new small black competitors	I&J and Sea Harvest oligopoly; Medium competitors; Small black competitors	I&J and Sea Harvest reduced oligopoly; Consolidation of new medium black competitors