

Launch of the Sappi/Lereko Investments BEE transaction
Speech by Ms BP Sonjica, Minister of Water Affairs and Forestry
Sappi Head Office, Johannesburg
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Salutations!!!

The growth of the commercial timber products sector is one of the great success stories of our economy. The sector has grown from humble beginnings in the 1940's to one of the largest value adding sectors of our economy. The commercial plantation resource of approximately 1,37 million hectares provides a basis for a number of value-added timber enterprises, ranging from pulp and paper products to sawmilling, board products, poles, mining timber, wood chip and charcoal. Today the commercial timber products sector makes a major contribution to South Africa's economy. The value addition of this sector amounted to R12,3 billion in 2003, contributing 1% to the total RSA GDP, 2,4% to the Primary Sector GDP and 4,3% to the Manufacturing Sector GDP. The forest products industry ranks amongst the top exporting industries in the country, contributing some nine percent to the overall export of manufactured goods.

The Forest Sector is also recognised as a high growth potential sector of the economy. The Sector needs to contribute substantially to the Accelerated and Shared Growth Initiative for South Africa (ASGI-SA) to achieve the annual growth target of 6% that has been set for the economy. This accelerated growth is necessary to optimise the broad-based impact of the economy in terms of increased employment, black ownership and enterprise development.

The transformation of our economy – ensuring an equitable participation by all South Africans in the ownership, management control and benefits of our productive resources is a national imperative and must happen for the new democracy to succeed.

Yet, making it happen for a company that has followed a successful recipe in building the business into a powerful multi-national organisation requires courage and commitment from its managers and shareholders. Today we celebrate Sappi's substantial contribution to transformation not only of the county's forest sector but also to our economy as a whole.

As the Government representing the people of our country we welcome this achievement. At the same time Government recognises that it is an important partner to the Forest Industry in effecting meaningful and sustainable transformation. We take this role seriously. I officially launched the process to draft a Forest Sector Broad-Based Black Economic Empowerment Charter at an Indaba held on 18 April 2005. Since then Government, industry, and other stakeholders in the sector have worked tirelessly through the Charter Steering Committee and its sub-sector Working Groups in developing the Forest Sector Charter. From the outset, it was agreed that Broad-Based Black Economic Empowerment and economic prosperity and growth in the Forestry Sector must go hand-in-hand. Sustainable growth is simply not possible without Broad-Based Black Economic Empowerment and the scope for sustainable Black Economic Empowerment is severely constrained without prospects for growth. The importance of this link needs to be understood within the context of the forest sector's role in the South African economy.

The Charter Steering Committee has identified the looming shortage of roundwood supply as a key constraint to growth, sustainability and equity in the forestry value chain. The Committee is in the process of finalising recommendations on how this matter should be addressed and the role of both Government and Industry in dealing with the matter. The Black Economic Empowerment (BEE) transaction announced today broadens the base of black economic empowerment in the roundwood supply chain and brings Lereko into the fold to become a key partner to the solution of the problem.

However, it must be clearly understood that Broad-Based Black Economic Empowerment does not stop with the conclusion of large-scale BEE deals such as the one that has brought us together today. Today is an important first step in the process of fundamental transformation that also needs to attend to matters such as:

- Ownership by women;
- management control;
- skills development;
- preferential procurement;
- enterprise development, and
- social investment.

Furthermore, whilst I commend Sappi, I must emphasize that such deals also need to happen across the value chain and not only on the upstream side. For the country to meet the envisaged shortage of roundwood supply, it is necessary for new areas to be planted with trees. I am referring specifically to the Eastern Cape and KwaZulu-Natal where potential for growth of the resource has been identified. There must be incentives for these communities to embark on tree growing initiatives. Our communities need to benefit more in the downstream rather than only from the growing of trees. I, therefore, challenge the Industry to ensure that tangible benefits from across the value chain accrue to many more participants in the sector.

Finally, Government is committed to playing its role in addressing the shortage of roundwood supply. This entails amongst others expediting the afforestation authorisation process, securing land holding rights and structures to support new afforestation opportunities, and transport infrastructure improvements to reduce the cost of transporting timber. Government and industry also need to work together in securing sources of finance to support black owned forest enterprise development that will increase the supply of roundwood, improve the productivity and yield of existing resources and to create new value adding opportunities in the sector. The effective transfer of skills and technology from established enterprises to small scale and emerging black owned enterprises is of equal importance and also needs to be addressed in the Forestry Charter. I, therefore challenge Sappi to give support to Lereko amongst others by mentoring and sharing technical skills.

Let me conclude by reminding you of the words of the Freedom Charter, written just over 50 years ago, where the people of South Africa said "*The national wealth of our country, the heritage of South Africans, shall be restored to the people*". Land, water and the capacity to grow trees, to process them and reap money from this, are part of this national wealth. Today marks one step on that journey to restore the national wealth of our people to the people. There are still many steps to take, but let this one give us the motivation to take many, many more.

Thank you.