

5th Annual General Meeting of Forestry South Africa
Speech by Mrs LB Hendricks, Minister of Water Affairs and Forestry
Pietermaritzburg
16 March 2007

Chairperson,
Board of Forestry South Africa and members,
Ladies and Gentlemen

1. Introduction

I wish to thank Forestry South Africa for inviting me to your Annual General Meeting, I felt that it was important to attend this meeting and give recognition to the important role of the forestry industry in our country and in our economy. I held a very fruitful meeting with the members of the executive of Forestry South Africa last week where we held discussions on some of the challenges facing the industry and we reached agreement on a number of issues, which I will touch on today.

Like most industries in our country, forestry and the downstream processing sectors faced huge challenges when we opened up our economy to international competition in the mid 1990's. The protection measures that were removed as a result of trade liberalisation, lowering of tariffs, and trade agreements have forced industry to become more competitive – and today issues of labour productivity, better use of technology and improved yields are high on the agenda; as are issues of value addition and exporting of processed and manufactured goods. This week I was acting Minister of Trade and Industry and had to respond to a question in Parliament on this very issue of trade liberalisation and export orientation. In dealing with this question it was interesting to note that last year South Africa exported almost double the value of manufactured goods as it did primary products, whereas in 1992 it was a different picture with primary products being our leading export earner. It is clear that structurally the South African economy is very different to what we found in 1994; and as we move onto a higher growth path in line with ASGI-SA, we need to ensure that we remove the impediments to growth and we ensure that we add value to our primary goods. All of which should take on board the principles of broad based black economic empowerment so that our growth is shared.

Forestry has a critical role to play in contributing to our higher growth path and to shifting our economy towards export led growth.

2. Growth

Ladies and Gentlemen, the one of the biggest challenges for the forestry industry, as the foundation stone on which the processing industry is based, is quite simply afforestation. In my meeting with the FSA executive last week they outlined the limits of this growth, which include:

- Land available for afforestation
- Awareness of the forestry industry
- Licensing for water
- Financing

In that meeting we reached consensus on a number of areas to be addressed in order to grow the industry. Firstly, I agreed to support the industry efforts to raise the profile of forestry. Secondly, that we need to work with Land Affairs to resolve the outstanding land claims issues so that we can move forward with certainty on who the beneficiaries are for rental income, contracting arrangements, and support measures, amongst other things, which I will discuss in more detail a bit later. Thirdly, we need to streamline the water licence application process so that it is shorter, consultation takes place but within a defined period, and responsibility is given to one government department to take a final decision. And fourthly, we recognised the need to undertake a much broader and possibly countrywide Strategic Environmental Assessment (SEA) for where afforestation could take place.

A task team will be established to take forward these issues and the FSA representatives at the meeting agreed to send us comments on what they feel should be included as the terms of reference for this task team.

Importantly, the task team would need to make recommendations on whether there needs to be any changes to legislation so that we can tighten up the water licensing process.

I believe the outcomes from this task team will in no small measure contribute to removing the impediments facing the industry and achieving growth of the forestry industry. And in giving my support to the process I look forward to seeing substantive transformation taking place in the industry - not just tinkering at the margins but a serious commitment to transformation, and implementing what has been agreed in the Forestry Charter. I will also be ensuring that all the instruments available to my department are used to encourage broad based BEE; for example under the Broad-Based Black Economic Empowerment Act, 2003 (Act No 53 of 2003), National Forests Act, 1998 (Act No 84 of 1998) and National Water Act, 1998 (Act No 36 of 1998) my Department has the responsibility to ensure that the procurement, sale, licensing and other authorisations are applied to advance Broad-Based Black Economic Empowerment.

3. Broad Based BEE Charter for the Forestry Industry

Programme director, the past 18 months have been exciting and challenging times for the Forest Sector; as Industry, Government, Labour and Civil Society stakeholders have embarked on the process of developing a Transformation Charter for the Sector. This process was launched by my predecessor Minister Sonjica at the Forestry Indaba held on 18 April 2005. Since then, a Charter Steering Committee and its Working Groups have done tremendous work in developing the Charter and a draft has now been completed. The Steering Committee have requested a meeting with me to hand over the draft Charter, and within the next two months we will hold an indaba, make the document available for public comment, and hold regional consultation workshops. I look forward to Forestry SA supporting and participating in these processes. Once the public comments and consultation process is completed we will finalise and publish the Charter in the Government Gazette as a Charter and as Sector Codes.

I say the past few months have been challenging because the process has not been easy, but if it were to have been 'smooth sailing' it would not have been a meaningful process! It was important for the various stakeholders to put their positions on the table in an open and frank manner and to agree on how to achieve meaningful and lasting transformation in a sector that is historically white and male dominated, and characterised by large disparities in access to opportunities and benefits for black people, especially black women.

The development of the charter must be viewed against the background of the difficulties faced by the industry to increase raw material supply to sustain growth; where many small scale, mostly black owned, operators struggle to remain afloat; and where ordinary workers have seen casualisation of jobs and where poor employment conditions still persist. I am pleased that the draft Charter addresses these issues in a meaningful manner.

Forestry South Africa has played a key role in developing the draft Charter, and I wish to thank the Forestry SA management and Board for their contribution and commitment to the process. I also wish to thank the Forestry SA members for their pledge to commit funds to the work of the Charter Council that will be established to oversee the Charter implementation. As we all know, once the Charter has been completed the real work of implementing the various undertakings and targets in the scorecard begins! However, a lasting house needs a solid foundation and a good building plan, and this has been achieved for forest sector transformation by agreeing on a common vision, key principles and a set of targets and plans for implementation.

To meet the challenge of transformation with growth in the Forest Sector, I believe it is necessary that there are well functioning and representative structures in place for the Forest Industry. This includes the strengthening of organisations representing the various Forest Sub-sectors, as well a mechanism to facilitate co-operation between the Sub-sectors. The initiatives taken by Forestry SA to broaden its representation and ensure that it more effectively services the needs of black emerging growers are commended. I encourage you to be bold and innovative in taking this process forward. It may also be worthwhile establishing sector wide co-operation structures to improve co-ordination across the value chain, and to facilitate engagement with Government on matters of transformation and growth in the Sector.

4. Downstream industry development

Ladies and Gentlemen, various implementation initiatives are already underway to promote the development of the downstream timber industry, such as the Eastern Cape forestry initiative that was launched last month and the development of a sector growth strategy for the forestry, timber, pulp and paper industries in South Africa. The meeting held in Mthatha last month, in co-operation with the Department of Trade and Industry, was a major step forward in promoting the development of the forestry and timber processing sector. At that meeting I spoke about the link between the upstream and downstream industry, and “the urgent need to increase the forest base” and that “the development of a raw material resource will attract greater processing capacity in the form of sawmills, board mills, chipping plants and treatment plants.”

What came through strongly at the conference was the need for increased local beneficiation and meaningful participation of black people, particularly black women in downstream forestry enterprises. We cannot afford to ignore Broad Based BEE in the downstream industry and look back in 10-years time only to find that empowerment has been limited to the supply of raw material. The Forest Industry needs work with other players in the sector to roll out a strategy that will ensure investment and participation by black people in value adding enterprises. I am aware of the fact that Forestry SA represents growers and not the processing industry. However, under conditions of a shortage of raw material, Forestry SA can wield considerable influence in shaping transformation in downstream activities. Furthermore, key members of Forestry SA are also engaged in timber, pulp and paper industries. I, therefore, call on Forestry SA to engage with its members and forestry processing industries to develop a framework and commit to investing in black owned and managed processing enterprises.

5. Land Claims

Programme director, much has been said during the Charter deliberations about the fact that large tracks of private and State forest land are subject to land claims and the need to deal with this process expeditiously and in a manner that will ensure that the new land owners continue with forestry operations. The point has also been made that new land owners cannot be forced to continue with forestry and that forestry must be made viable and attractive for the new owners to ensure that the land remains under forestry production. A collective effort by all stakeholders is required to ensure that land restitution and other forms of land reform:

- Result in the creation of sustainable businesses or business opportunities in the hands of black people along the value chain; and
- Result in the transfer of specialized skills or productive capacity to the new land owners.

It cannot be expected from the Department of Land Affairs and the Land Claims Commission to deal with this alone, and stakeholders in the Forest Sector need to support the process. During the last Charter Steering Committee meeting it was recommended that my Department and other sector stakeholders must work together with the Land Claims Commission and develop a co-ordinated strategy for the settlement of land claims to ensure the continued and sustainable use of existing plantation areas for timber production. This includes post-settlement support to the new owners of such land.

I am aware of the fact that various forestry companies are following their own strategies to deal with the settlement of land claims. However, many (if not most) claims affect more than one land owner and the settlement of claims on individual parcels of land cannot be handled successfully if they are not viewed within a broader geographical context. Also, what happens in one case has a knock-on effect for other cases. It is, therefore, important that we approach this from a sector perspective. I therefore propose that the Task Team we are establishing also look at the restitution issues, as unresolved this issue creates uncertainty for communities as well as being an impediment to growth in the forestry industry.

6. Employment Code of Conduct

Programme director, the Charter Steering Committee has emphasised the need to ensure equitable and sustainable contracting and employment practices in the Forest Sector and proposed the establishment of Industry Codes of Conduct to deal with this. And by improving employment practices we will ensure that not only the quantity, but also the quality of black participation in the industry is improved. I encourage sector stakeholders to produce the Codes of Conduct as soon as possible so that there is clarity in the sector on contracting and employment requirements. I call on Forestry SA to take the lead and talk to other sub-sector

industry representatives and labour unions about setting up a process to develop these Codes of Conduct. My Department would like to participate in this process but should not be the one to take the lead.

7. Conclusion

To conclude, ladies and gentlemen, in my meeting last week with the FSA executive two other very important issues were raised, the first is the concern that the industry has around pests and diseases that can seriously damage plantations. I agreed with FSA that we need to relook at the role of government in supporting industry efforts to protect plantations from pests and diseases; and the necessity for our efforts to include both big and small growers.

The other issue we discussed was the need for us to have extensive greening and tree planting programmes that extend beyond commercial forestry plantations, and are for beautification, CO2 reduction, and providing fruit. We need to look at township greening, trees planted in schools, clinics and other institutions as well as indigenous forests. When I met with the President recently he was strongly of the view that a lot more needs to be done in this area, and there needs to be greater levels of mobilisation of our people around the planting of trees. We are putting together plans for such a programme the details of which I will announce in due course. I hope to see the commercial forestry sector joining hands with us in such a programme.

I thank you.