

Launch of the Forest Sector Transformation Charter
Speech by Mrs LB Hendricks, Minister of Water Affairs and Forestry
Kopanong Conference Centre, Benoni, Gauteng
25 June 2007

Distinguished guests,
Ladies and gentlemen,

1. Introduction

It is with great pleasure that I welcome you all to this important event. This Indaba represents the achievement of a key milestone for the Forest Sector, namely the tabling of the draft Transformation Charter for the Forest Sector that sets out the Sector's commitments and plans to speed up broad-based black economic empowerment (B-BBEE). Today we celebrate this important achievement and are gathered to review and discuss the draft document and to chart the way forward in finalising and implementing the Charter.

The importance of today is reflected by the gathering of people present – people from all walks of life and from across the country. There are captains of industry in the forestry production and processing sectors and representatives from a range of forest industry bodies such as Forestry South Africa and the Paper Manufacturers Association of South Africa, Amahlathi Contractor's Forum and the South African Forestry Contractors Association. There are also representatives of labour, FAWU and CEPWWAWU; small timber growers; saw millers and charcoal producers; as well as non-government organisations, researchers and academics. I am pleased that political leaders from the various forestry provinces are present to participate in today's event. The number of people and the variety of organisations represented here today is a reflection of both the diversity and importance of the Forest Sector in the South African economy and the role it plays in the lives of millions of people in South Africa.

In going into this final phase of the charter, which has taken over two years to come to fruition, we need to ensure that the objectives of why we need to have broad based black economic empowerment is not lost. The Chairperson of the Charter Steering committee officially handed over this document to me on Friday, and during this handover informed me of the complexity of the process to develop the charter and the difficult negotiations.

2. Broad-Based BEE

What is important is that this charter is comprehensive enough to ensure we redress past discrimination; discrimination that left our people living in rural areas in poverty. The South African forestry industry is a multi-billion dollar industry that cuts across several industries and sectors, yet the people on whose backs this industry was built still remain in poverty. Our aim through this charter is to ensure that we continue to grow the forestry sector and that it remains a globally competitive industry, while we ensure that there is broad-based BEE.

Later this week the African National Congress will be holding its Policy Conference. One of the issues that will be high on the agenda for delegates is the transformation of our economy and assessing if our existing policies are sufficient in creating a better life for our people. Clearly there is much to be done before we can confidently say that we have achieved our goals; however through Broad-Based BEE we are making a significant contribution to giving black people and women greater access to the economy, and thereby reducing inequality in our society.

I believe that more than any other industry there is huge potential for forestry to be very broad based and thereby creating opportunities for those rural communities who were pushed into extreme poverty through Apartheid to create a better life for themselves and their children.

To ensure that we are indeed broad-based there are areas that we must look at during this consultation period to make this charter as inclusive as possible. One such area that I have identified from my initial review of the charter is the minimum of R5 million for qualifying small enterprises. While this rand value takes its cue from the Codes of Good practice that were Gazetted earlier this year, it is clear that the amount will exclude a significant number of the companies in the forestry sector and is therefore not practical. It is necessary for us to understand that the Codes of Good Practice are there to guide us as well as for industries where no charter exists but do not replace what is agreed amongst industry players in a sector charter.

Programme Director what is critical is the resolution of the land restitution process; I believe restitution offers the industry an opportunity to bring communities on board so that these communities are able to benefit not only from accessing their historically disposed land but are also able to be included into broad-based BEE initiatives. Through creative and visionary responses to working with communities we can bring significant economic benefits to rural areas whilst ensuring the long-term sustainability of the forestry industry – what Minister Sonjica referred to in her address at the start of this process as ‘win-win’ approaches to BEE.

3. Charter Steering Committee and Charter process

A lot of hard work and tough negotiations have gone into developing the draft Charter over the past two years since the Charter Steering Committee and its working groups were established to take on this mammoth task. I think that none of us had expected that it would take so long to get to this point, but it was not possible to finalise the draft until the national framework for Broad-Based BEE was formally in place and the initial draft Charter could be aligned with this framework. This happened with the gazetting of the Codes of Good Practice on Black Economic Empowerment at the beginning of February 2007. I must also say that this time was well used. Good progress has already been made in establishing a firm basis for the roll-out of the Charter. During my budget speech in Parliament in May 2007 I announced that a budget of R40 million has been set aside this financial year to start implementing the Charter. This constitutes 8,7% of my Department's forestry budget of R460 million. Plans are also well underway to give effect to a number of key undertakings in the Charter, which I will address shortly.

Before I do that I want thank the Charter Steering Committee under the able chair of Ms Gugu Moloi and its various Sub-sector Working Groups led by Messrs Moses Qomoyi, Mike Edwards, John Hunt, Thami Zimu, and Angus Curry for the sterling work they have done in developing the Charter. I know that this has been done with inputs from various stakeholders from the different forestry regions in the country. Much time and effort has gone into producing the Charter and I wish to thank you all. A word of thanks also to Dr Themba Simelane of the Department of Water Affairs and Forestry and the Charter Secretariat, they ably supported the Steering Committee and Working Groups in organising meetings, preparing documentation and presentations and arranging the stakeholder consultation workshops.

Ladies and Gentlemen, three months ago I had addressed the Annual General Meeting of Forestry South Africa, where I noted that the process of developing the Charter had been challenging and that that is a good sign: If it had 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 the Sector. To be meaningful the Charter has to deal with challenges facing the Forest Sector:

- The fact that it is historically white and male dominated, and characterised by large disparities in access to opportunities and benefits for black people, especially black women;
- the fact that many small scale, mostly black owned, operators struggle to remain afloat;
- the problem of wide scale casualisation of jobs and the reality that poor employment conditions persist; and
- the need to increase raw material supply to sustain growth and employment in the entire forestry value chain.

I am pleased that the draft Charter addresses these issues in a meaningful manner. However, it is not enough to have good intentions on paper. To be successful the Charter needs to represent the shared commitment of all stakeholders (industry, labour, government and communities) to a common vision for the Forest Sector and practical strategies and plans to achieve this. The vision presented in the Charter is that of:

- An inclusive and equitable Forest Sector in which black women and men fully participate;
- a Forest Sector that is characterised by sustainable use of resources, sustainable growth, international competitiveness and profitability for all its participants; and
- a Forest Sector that contributes meaningfully to poverty eradication, job creation, rural development and economic value-adding activities in the country.

The Charter will be both a plan for transformation, as well as, growth and development for the Sector, because sustainable transformation and Sector growth goes hand in hand. Already the draft Charter captures all the key national priorities for the Sector reflected in the Accelerated and Shared Growth Initiative for South Africa (AsgiSA), and the Joint Initiative on Priority Skills Acquisition (JIPSA). What is

important is that we align this Charter to the broader vision of the whole forestry and forest products value chain and work closely with the Department of Trade and Industry so that there is an effective industrial strategy for the sector: an approach that President Mbeki called for in his last State of the Nation Address.

Programme Director, the presentations that will be made during the course of the morning will be the start of the consultation process and an opportunity to discuss issues that concern us, and there will also be a further opportunity to comment on the draft Charter over the next few weeks before it is finalised and submitted for gazetting.

4. Support to the Sector

Ladies and Gentlemen, from the side of the Department of Water Affairs and Forestry we have recently made changes to our structure so that we are better placed to service the Forestry Sector more effectively and support the implementation of the Charter. These changes have seen the different forestry units that were operating across the department being consolidated into a single branch in the Department, and a Deputy Director-General has been appointed to lead the Forestry Branch.

I believe that through this branch and other changes we will be better placed to ensure the planting of an additional 100 000 ha of forest plantations over the next 10 years, a measure that will support greater equity and sustainable growth in the sector. Much of this planting will happen in the poorest regions of the Eastern Cape where there are few other viable opportunities for job creation and economic activity, and will support broad-based empowerment as these forests will mainly be owned by the local communities.

Programme Director our success in being able to increase the amount of land under forests and the development of additional raw material resources will attract greater processing capacity in the form of sawmills, board mills, chipping plants and treatment plants; and will contribute towards economic growth. For example, through this afforestation programme, it is anticipated that an additional R500 million per annum could be generated on the plantations part of the industry, which had a turnover of R32 billion last year; and add in excess of R1,5 billion per annum in the value adding processes.

4.1 Unlocking Constraints

One of the constraints to unlocking the afforestation potential is the slow pace at which water licences for new forests are issued. Because the issuing of these licences involves several Government departments and other role-players, a co-operative initiative is required. My Department has worked closely with other departments on the process of reducing the administrative burden on forestry development. Applications for afforestation have increased dramatically from 800 hectares (ha) in 2004 to 5 500 ha this year and under the Charter we are aiming to process in the order of 15 000 ha per year for the next 10 years, with the intention of getting a net increase in forestry of about 10 000 ha per year. One of the options we are looking at is to undertake a much broader and possibly countrywide Strategic Environmental Assessment (SEA) to confirm those areas where afforestation could take place.

A priority for us is to work with the Department of Land Affairs to resolve the outstanding tenure reform issues so that we can unlock the forestry potential that exists in our rural areas. And we look forward to the transfer of ownership and lease rentals on State forest plantations held in trust for communities, as these transfers require the confirmation of tenure rights. I am pleased that both the Department of Land Affairs and the Commission on Restitution of Land Rights have actively participated in the Charter development process.

Linked to the tenure issue is the fact that large tracks of 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, and as I mentioned earlier this finalisation of this process will have significant implications for broad-based BEE.

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. 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. Steps are underway to establish a task team to 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.

The Cabinet decision, which was reconfirmed in March this year, to transfer Komatiland Forests to the private sector and to wind-up the South African Forestry Company Limited (SAFCOL), will also contribute to broad-based BEE and increasing the participation of rural communities in the forestry sector.

Another constraint is the matter of access to finance, which is a challenge for many emerging entrepreneurs, and I am aware that the draft Charter makes proposals for negotiating framework agreements with public funding and private banking institutions and also creating a Forest Enterprise Development Fund.

I am aware that the Industrial Development Corporation (IDC) is committed to being a key player in the transformation of the Sector and making it competitive. They have identified opportunities in the primary and secondary processing in the chips, pulp, paper, sawmilling, and timber board and energy products. I have been informed that they have a panel of specialist consultants in the forestry business that can assist in the development and nurturing business opportunities from emerging forestry entrepreneurs. They are keen to partner my Department and other stakeholders to meet their mandate of financing activities with a maximum impact on job creation, and rural development. I therefore challenge the Sector to harness the opportunities and goodwill that government is availing through the IDC.

5. Broad-Based BEE Downstream

The issue of sawlog supply to emerging black sawmillers is a major constraint and a challenge for my Department. I have received numerous requests for assistance with getting access to sawlogs as the inability to buy sawlogs is inhibiting greater participation by black companies and constraining growth of the downstream industry. Government policy encourages the participation of Broad-Based BEE companies across all aspects of the forestry and forestry products value chain and we need to ensure that through the Forestry Charter we support these enterprises and the entry of new BEE players into the market.

Another point that has been highlighted repeatedly during the Charter deliberations is the need for meaningful participation of black people, particularly black women in downstream forestry enterprises. I have alluded to this before and I want to emphasise it again: We do not want to look back at our efforts in 10-years time, only to find that empowerment has been limited to the supply of raw material. The Forest Industry needs to 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. Government believes that the restructuring of State forest assets is necessary for the forestry and timber sector to contribute the maximum to the country's economic development and socio-economic transformation.

It is important that our efforts lead to true Broad-Based BEE, not only in the Forest Sector but also in the downstream processing opportunity. Hard work lies ahead to ensure that this transformation happens.

6. Conclusion

To conclude ladies and gentlemen, the imperative of Broad-Based BEE is too important to be left to chance, and the Charter provides us with clear targets and outcomes. While I have been assured that there is commitment from the industry to keeping to these targets, I will also ensure that all the instruments available to us are used to encourage Broad-Based BEE in both the forestry and forest products industry. 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 BEE.

Finally, 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 as a mechanism to facilitate co-operation between the Sub-sectors. This will also facilitate engagement with Government on matters of transformation and growth in the Sector. In due course a Forestry Sector Charter council will be established to facilitate co-operation between sector stakeholders and oversee the implementation of the charter.

I thank you.