

**SPEECH BY THE MINISTER OF WATER AFFAIRS AND FORESTRY, MR
RONNIE KASRILS AT THE LAUNCH OF SINGISI FOREST PRODUCTS
MABELENI DAM, EASTERN CAPE
14 AUGUST 2001**

This occasion represents the fruits of a long labour. It has been a labour of love for my Department and the Department of Public Enterprises who have worked jointly on this project, as well as for our many partners in the Eastern Cape government, the trade union movement, the private sector and perhaps most importantly, the communities. It has been a labour of love because this has been a complex and ambitious project. Its success demonstrates that it is possible to transfer Government assets in a manner that favours communities while at the same time meeting the needs of workers and investors.

Today we celebrate the transfer of these Government forest assets to Singisi Forest Products. This unique company is a joint venture between Hans Merensky Holdings – a private company with long experience in the Eastern Cape - the adjacent communities in the form of the Singalanga Trust and the Eastern Cape Government through the Eastern Cape Development Corporation. The shareholding reflects these various interests as well as the interests of employees who will participate in an employee share ownership programme controlling a substantial number of shares.

The involvement of the Singalanga Trust represents the very first time that a black owned organisation, and a rural entity in particular, has owned shares in a company that grows and processes timber. I am very proud to be part of this process and determined that this should be the beginning of much greater black participation in forestry. I would like to commend Hans Merensky for their commitment to true empowerment in this process and call on other private companies to follow this important example.

Today we demonstrate that the restructuring of state assets is not only about increased efficiency and the mobilisation of private sector investment. Such restructuring can also take empowerment forward in a very real and immediate way. State assets represent public investment over a long period of time.

Indeed, in this particular case, the state has invested in growing and developing these forests and sawmills for more than fifty years. We now believe that state intervention has achieved its goal of promoting a viable industry and we believe that there is no longer any reason for the state to directly manage the assets. However when the state decides to dispose of such assets we need to do so in a manner that benefits those in whose names the investments have been made – rural communities and employees. I believe that we have succeeded in doing so in this case.

I would like to highlight four aspects of this transaction - land, environment and labour and investment. I am sorry that the Minister of Land Affairs was not able to join us today.

She and her Department have been closely involved in the process which we consider to be a breakthrough for land reform. We have also been working very closely with the Regional Land Claims Commissioner and I am delighted that representatives of that office are with us today.

The basis of this transaction is that the land will not be sold but will rather be leased to the company. The company will pay a rental which amounts to almost R2.5m per annum. This rental will be paid to successful land claimants as these are identified over time.

Where there are no land claims, the Minister of Land Affairs has given the go-ahead for the rental to be paid to structures representing the communities living around the land in question. I will be communicating with the Singalanga Trust in this regard. This is an innovative approach to land reform which ensures that the land claimants and other communities receive direct financial benefits while at the same time ensuring that existing economic practices are not disrupted and indeed that these are strengthened. The lease also ensures that the communities have an ongoing role in liaising with the forest managers, and that their traditional rights to collect wood and other products continue to be respected.

The lease also regulates the environmental aspects of forest management. The lease requires that the forest managers acquire and maintain international certification of their environmental practice. This involves independent auditing of environmental practice by an accredited agency which operates internationally. The lease also stipulates other requirements including those related to the impact of the forests on water and the management of the small patches of indigenous forest that are within the lease area. My Department has set up a special unit to ensure that all aspects of the lease are adhered to and to liaise with the forest managers on an ongoing basis. This regulatory framework has served to attract private investment in the sector.

On the labour side I am pleased to be able to say that we have worked very closely with all the trade unions who represent employees affected by this transaction. We have worked especially closely with NEHAWU which has the largest membership and also with CEPPWAWU, SAAPAWU and the PSA. There are a number of trade union representatives who have joined us here today.

The labour aspect also represents a significant innovation. When we inherited the forests from the former Transkei Government they were heavily overstaffed when compared with industry norms. This is one of the main reasons that these forests have been loss-making for many years. We sat down with the unions in 1998 to try to find a solution to the problem. We agreed that the forests could only be viable if the number of employees could be reduced. At the same time, we agreed that no workers would be retrenched except through voluntary means. This meant that we offered workers the chance to volunteer to transfer to the new company on the understanding that only a certain number would have the chance to do so. Those workers who did not wish to transfer were redeployed to other areas of our work – mostly in the indigenous forests which have historically been understaffed. In addition some workers have elected to take voluntary

severance packages within the framework of the public service arrangements and with an attached social plan package.

To make matters more complicated however, the wages offered in Safcol and in the industry as a whole are lower than those in the public service. We therefore agreed with the unions and with individual employees that those workers transferring to the new company would do so on the basis of the Safcol wages and conditions. This means that the 593 transferring workers have effectively taken a reduction in wages. To make up for this, my Department has paid the transferring workers a transfer package which compensates for the difference in wages over a period of three years. In addition we have established a special pension fund for the transfer workers and this fund will be jointly administered by the unions.

There are those that sometimes portrays unions as being inflexible. In fact in this case the unions have been willing to recognise the economic realities and to work closely with Government to find realistic and lasting solutions. I would like to thank the trade union leadership for their dynamic and innovative approach to this transaction.

Finally there is the question of investment which is crucial to this region. This transaction will result in new investment in the Weza sawmill which was established by Safcol and also significant investments in the forests, including planting of new areas, upgrading of employee accommodation and expansion of infrastructure. I believe that the forest sector has a great role to play in rural development in this region and my Department will continue to support these investment initiatives in the sector. The Minister of Trade and Industry has taken a close interest in this transaction and assisted with various aspects.

This has not been an easy transaction to manage. It has required us to join together what the former homeland system broke apart. We have joined the former homeland forests managed by my Department which the former RSA forests managed by Safcol, a state enterprise. We have done so in the interests of the local and national economy. I would like to commend all those Government officials, Safcol employees as well as the many other individuals who have helped to make this happen and I extend a special word of thanks to the UK Department for International Development which has played a crucial supporting role.

The reward is the knowledge that we are building a sustainable and prosperous forest sector in this region, with lasting benefits for the rural population. We are reconstructing and developing our economy. We are empowering rural communities. We are working closely with trade unions. We are building the future and it is a bright future for our people.