

**SPEECH BY THE MINISTER OF WATER AFFAIRS AND FORESTRY, MR
RONNIE KASRILS AT THE LAUNCH OF SIYAQHUBEKA FORESTS
KWAMBONAMBI, KWAZULU-NATAL
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This occasion represents the second harvest in the forestry restructuring process. The first was when we handed the Eastern Cape north package to Singisi Forests in August. Today Minister Radebe and myself hand these forest assets to the SiyaQhubeka consortium in the presence of the leadership of KwaZulu-Natal Province. I am delighted that senior members of the KZN government could be with us today.

State assets represent public investment over a long period of time and this is especially so in the forestry sector where the state has been involved in timber plantations for more than 100 years. We have decided to make these assets available for restructuring because we believe that the state has played its part in developing these assets and they must now be used to serve the objectives of black empowerment, community empowerment and increased investment. This transaction will do all of those things.

Black empowerment will be served in two ways. Firstly, Imbokodvo Lemabalabala, a company headed by Mr. Moses Molefe and representing a large number of black investors, will own 10% of the shares in this company. The overall value of the company is 100 million rand and a 10% share holding is therefore substantial. This is the first time that a black company, other than a community trust (which was the case at Singisi) has taken shares in a forestry company. We in Government are determined to ensure that black South Africans are properly represented in all aspects of the economy and our restructuring process has delivered that.

At the same time, Minister Radebe and I were concerned that the shareholding of Imbokodvo Lemabalabala would not sufficiently ensure that the people of this province,

and the surrounding communities in particular, would be empowered. We therefore asked SiyaQhubeka to put aside a substantial shareholding for the adjacent communities as well as the small timber growers that are part of Khulunathi Grower project. A further 10.8% of the shares have been put aside for this purpose. SiyaQhubeka has agreed to work with government to facilitate the establishment of the necessary trusts and to explore various funding options. My Department will be happy to support these processes along with our colleagues in the Department of Public Enterprises, Land Affairs and Trade and Industry. It will be particularly important for the provincial Government to be involved in this process and MEC Singh has already offered to assist in this regard, on behalf of the Premier.

In addition to this, the employees will be offered shares through the employee share ownership programme. The National Empowerment Fund will receive 10% of the shares. This is a coup for black empowerment, for community empowerment and for idea that we can all benefit from the restructuring of state enterprises.

But this is not all. In addition to the shareholding, I must point out that the land will not be sold to the company. Instead they will pay a rental of just over R5m per year. This rental will be paid to my Department which will pay this money to successful land claimants or to other community structures where land rights can be established. In this regard we have been working closely with the Minister of Land Affairs and with the Commission for the Restitution of Land Rights. I consider the forestry process to be a model of the way in which land rights can lead to secure incomes for rural communities. I would like to express my thanks to the Minister and the Department of Land Affairs for their important work in this regard.

The leasing of the land also allows us to ensure proper regulatory control over the assets. The forests are leased by myself as Minister of Water Affairs and Forestry and my Department will ensure that the forest managers comply with the lease requirements. These include environmental management, as well as community access to certain forest products. One of the lease requirements is 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.

This transaction will also lead to increased investment – not only in the forests themselves but also in the processing plants at Richards Bay. SiyaQhubeka will be converting much of the area from pine to gum trees and this will create new opportunities for pulp and paper production. As a Government we are very serious about promoting investment and job opportunities in rural areas and the transaction will make an important contribution.

Forestry is an important industry in our country and plays an important role in rural development. The forest and forest products industry not only employs 500 000 South Africans but has annual exports that are worth more than the fruit and sugar industries combined. We must do all we can to support this sector.

But perhaps the most spectacular aspect of this transaction is the impact on the Greater St. Lucia Wetland Park. This transaction allows 11 000 hectares of plantation to be removed from the shores of Lake St. Lucia. These areas are not suitable for forestry. The trees will be cleared over the next five years and the land will be incorporated into the Greater St. Lucia Wetland Park. This has come about as a result of the efforts of the Department of Environmental Affairs and Tourism and the Lebombo Spatial Development Initiative. Unfortunately Minister Valli Moosa was not able to join us here today as he is out of the country. However I have promised to return next year with him and other Ministers to hand over the land to the Park. This is truly a victory for integrated rural development.

I want to commend Mondi in particular for their work on the Wetland issues. They recognised early on that forestry is best served by strict adherence to environmental management and they gave their full support to the decision to exclude the 11 000 hectares. In addition, Mondi and the other partners in SiyaQhubeka have agreed to move

the boundary fence of the park to include a sizeable portion of its plantations, allowing for better management and freer movement of animals. This is a world-first for commercial plantation forestry and a World Heritage Site. There are tremendous eco-tourism opportunities in this area and these will be opened up through the Park.

From what I have already said it will be clear that this transaction has not been simple. It has involved challenging policy issues including land tenure, environmental management, labour conditions and forestry regulation. The conclusion of this transaction has involved a tremendous amount of work and commitment and I would like to express my thanks to all concerned. The Director General of the Department of Public Enterprises and his officials, Mr Andile Nkuhlu and Mr. James Patterson have shown great wisdom and commitment. The Safcol officials and advisors have also played an important role. They have all worked closely with officials of my Department, Ms. Lael Bethlehem, Ms. Maud Dlomo, Mr. Winston Smit, Mr. Mike Pitcher and other members of the team, as well as officials of the Departments of Treasury, Land Affairs, Public Works and Environmental Affairs and Tourism. I would like to thank them all.

I would also like to recognise the role played by the trade unions. A number of unions have been involved in this process including NEHAWU, CEPPAWU and SAAPAWU. They have shown great vision and worked closely with us to ensure the best outcome for stakeholders. These unions have shown that it is possible for Government and labour to work together in restructuring of state assets in the interests of all South Africans. They drive a hard bargain and they have kept us on our toes. A number of union representatives are here today and I express my thanks to them.

I would also like to thank the UK Department for International Development (DFID) which has provided financial and material support for the forestry restructuring. Mr Sam Sharpe of DFID, you and your staff have been more than donors. You have worked with us, shared your experiences and put your shoulders to the wheel. We look forward to working with you again in the future.

Before closing I would like to make a special call to the industry. We have seen today that black South Africans, and communities in particular, can be brought into the forestry industry as shareholders and owners. This has happened where the state has restructured forest assets. But it has not yet happened in the private forestry industry. It is true that the industry has large and significant small grower schemes involving up to 20 000 people. This is commendable. But no initiatives have been taken to ensure that black South Africans are brought in as shareholders. I would like to issue a challenge to the forestry industry and in particular to the large companies. I challenge you to find ways to extend shareholding in your companies to black South Africans and especially to your neighbours on the land - black, rural communities. I propose that you emulate the example provided by the forestry restructuring and establish community trusts so that neighbouring communities can own shares. I am quite sure that the investment this would require will be more than worthwhile in terms of the local support from the communities. My Department would certainly be available to assist you in this process.

Friends, we have worked long and hard for this day. Our reward is the knowledge that we are building a sustainable and prosperous forest sector, with lasting benefits for the rural population. We are reconstructing and developing our economy. We are empowering rural communities. We are building a better life for all South Africans.

Thank you.