

- (a) Implement the WfW programme under policies that will ensure *a sustainable, all-be-it reduced, supply of non-invasive alien plant material.*
- (b) Disseminate information on the availability of raw material sources as an initiative under the WfW programme.
- (c) Promote the development of BBBEE enterprises linked to the utilisation of wood products from the clearing of invasive alien trees.

These measures will be operational within one year of the effective date of the Charter.

#### 12.5. Instruments to support Industry Specific Initiative Targets

Requirement	Instruments	Responsibilities	Target date
Secure and adequate supplies of raw material for processing enterprises	A National Saw log growing strategy and programme	DWAF & Industry	1 year
	Forest protection strategy ???	DWAF & industry	
<i>Provide incentives for beneficiation of raw materials</i>	<i>Tighten anti-dumping measures in pulp and paper products</i>	<i>Government</i>	<i>??</i>
Road Infrastructure development in support of forestry development	Incorporate infrastructure requirements into National Transport Plan, Provincial Growth and Development Strategies and Municipal Integrated Development Plans	Government	??
	Road infrastructure development business plans for key forest areas through DTI funded Wood Cluster initiatives	Government in partnership with industry	??
	Transport infrastructure plans in place for key forestry areas in Eastern Cape, KZN and Mpumalanga	Government	2 years
	Transport infrastructure plans in place for other key forestry areas	Government	3 years
Appropriate technology and innovation to support BBBEE and enterprise development	Forest Sector R&D Strategy and programme: development of a forest sector research road map with responsibilities, funding mechanisms and timelines	Government in partnership with Industry	6 months
Expedite Restitution claims on forestland	Framework for settlement of outstanding claims on private forest land through M.O.U's between the Land Claims Commission and Industry	Land Claims Commission and Industry	6 months

	Framework for settlement of outstanding claims on state forest land through M.O.U's between the Land Claims Commission and DWAF	Land Claims Commission and DWAF	6 months
	Expedite the resolution of land claims: settle 90% of all land claims on forestland	Land Claims Commission and DLA	5 years
Strengthening representative industry structures	Strengthen and/or set up representative organisations for contractors, emerging growers, saw millers, charcoal producers, <u>and forest sector workers</u>	Industry, <u>trade unions</u>	2 years
Increase the profitability and investment potential of timber growing	Review of levying of Property Rates in Forest Areas	Government	1 year

#### 12.5.1 Sawlog growing strategy and programme for South Africa

The country is facing severe shortages in saw timber, as supply has not kept pace with increased demand. The long rotation period for saw logs make this less attractive to the private sector. The State plantations have traditionally provided most of the country's sawlogs. With the State's exit from commercial forestry operations, measures are needed to ensure a sustained and increased production of saw logs. Government undertakes to work with the industry in reaching a sector agreement of a sawlog growing strategy and programme that will include the following:

- A review of the State Forest Exit Strategy in Southern and Western Cape.
- Incentives for emerging black growers to invest in long rotation saw timber crops.
- Government conditions on lease of state forestland to ensure the continued production of sawlogs.
- Greater investment by the sawmilling industry in raw material supply.
- Land dedication schemes for long rotation crops linked to tax incentives
- Sector programmes involving government and the industry to combat softwood plantation losses (plantation fires and SIREX).

A sawlog growing strategy and programme will be in place within one year of the effective date of the Charter.

#### 12.5.2 Transport infrastructure development in support of forestry

Transport of timber to markets represents a large cost component in timber production. Poor rural infrastructure in many forestry areas of the country negatively impact on the profitability of small grower. Government has a key role to play in improving and maintaining rural road infrastructure and rail transport services and is committed to doing this in a manner that supports forestry development. To this end Government undertakes to:

- Ensure that forestry transport infrastructure requirements are incorporated into the National Transport Plan, Provincial Growth and Development Strategies and Municipal Integrated Development Plans. The Department of Water Affairs and Forestry will work with the Department of Transport and provincial and local government to implement these arrangements.
- Work with the forest industry through the Wood Clusters established with the support from the Department of Trade and Industry in developing road infrastructure development business plans for key forest areas in the country.

Priority will be given to the development of a transport infrastructure development plan for forestry development in the Eastern Cape, KZN and Mpumalanga within two years of the effective date of the Charter and for other key forestry areas within three years thereafter.

#### **12.5.3 Anti –dumping measures**

*The paper industry worldwide has surplus production capacity in many grades of paper. Due to the capital-intensive nature of the industry, mills are under pressure to keep producing even if the demand for their products is not adequate. Many producers resort to selling their surplus production in foreign markets at prices significantly lower than in their domestic markets. This practice, called dumping, is recognised by the World Trade Organisation as an unfair practice and procedures to remedy it are prescribed by international agreement. The reason that it is unfair is that it reduces prices in the market where product is dumped. This can and has caused local producers to go out of business. South Africa has anti-dumping procedures in line with international agreements. The experience of enterprises attempting to use these procedures is that they are so slow that by the time that the antidumping measures are in place, the applicant has been severely damaged or the dumper has moved on to other markets. Also, in one application, proof of dumping and damage to the local producers was found but the International Trade Administration Commission (ITAC) chose not to act.*

*Government undertakes to lobby the ITAC to commit to do more, within its legal constraints, to provide greater protection for South African producers from foreign dumpers.*

#### **12.5.4 Strategy and programme for Forest Sector R&D in South Africa**

Greater attention needs to be given to forest sector innovation, research and development to ensure that the sector has access to information, appropriate technology and innovation to support BBBEE and enterprise development. To this end Government undertakes to drive the process to develop of a forest sector research strategy with responsibilities, funding mechanisms and timelines clearly outlined. This measure will be operational within six months of the effective date of the Charter.

#### **12.5.5 Expediting restitution claims on forestland**

The completion of the restitution process will facilitate the transfer of a substantial portion of state and private forestry land to previously disadvantaged communities and will bring greater stability to the forest industry. To this end the Land Claims Commission and industry has worked together in establishing frameworks for the settlement of land claims on private forestland. This has resulted in the signing of a

Memorandum of Understanding with some of the large corporate forestry companies. Government and industry is committed to extending this arrangement to all components of the industry. The agreement should be extended to include post settlement support commitments by government and industry. A similar arrangement will be made between the Land Claims Commission and DWAF with regard to the settlement of land claims on state forestland.

These measures will be operational within six months of the effective date of the Charter.

#### 12.5.6 Industry structures

Well functioning structures that represent and work on behalf of the various interest groups within the forest industry are required for sustainable transformation and growth in the sector.

- (a) **Forestry Contractors:** The forestry contractors industry is committed to strengthening the forestry contractors organisation to enable it to effectively bargain on behalf of all members; to represent contractors in forestry industry structures; and to organise for improved support services to small and emerging forestry contractors in the country.
- (b) **Sawmillers:** The sawmilling industry is committed to the establishment of an organisation representing all sawmillers in the country with the aim of collectively developing the industry and organising improved support services to small sawmillers in the country.
- (c) **Emerging growers:** The forestry industry is committed to equitable representation of emerging growers in industry structures, as well as improved small grower organisation at the local and provincial levels to facilitate access to support services and the pooling of resources for the procurement of goods and services and the marketing and sale of timber.
- (d) **Charcoal producers:** The charcoal production industry is committed to the establishment of an organisation representing all charcoal producers in the country with the aim of collectively developing the industry and organising improved support services to small charcoal producers in the country.
- (e) **Forest sector workers:** *Trade unions are committed to improved levels of organisation and representation of workers throughout the sector. In particular, they undertake to find appropriate and effective ways to organise forestry workers in the context of widespread casualisation and outsourcing. The forestry industry respects the right of all workers to join organisations of their choice, and is committed to an enabling environment for the establishment and growth of worker organisations.*

#### 12.5.7 Review of levying of Property Rates in Forest Areas

The levying of property rates by some municipalities on forestry areas where the imposition of such rates is not clearly justified, for example where no viable alternative land use exists or where the services rendered to the forestry operation do not justify the rates, severely compromises the profitability of growing timber.

DWAF undertakes to engage with different government departments and municipal structures in an attempt to increase the profitability and investment potential of timber growing.

### **13. Institutional arrangements**

#### **13.1. Charter Council**

Forest Sector Charter Council will be established to oversee the implementation of the Charter.

##### **13.1.1. Functions**

- (a) Monitor the implementation of the Charter and review the Charter as outlined in par. 13.2 below.
- (b) Provide interpretation and guidance with respect to the Charter
- (c) Facilitate the communication and popularisation of the Charter
- (d) Facilitate cross-industry and government negotiations to promote the application and implementation of the Charter.
- (e) Provide guidance on sector-specific matters affecting BBBEE in entities within the Sector.
- (f) Share information with the national monitoring mechanism and approved accreditation agencies that are relevant to the sector.
- (g) Implement programmes to ensure that sufficient independent capacity of verification agencies exist to support the Charter.
- (h) Initiate procedures to convert the Forest Charter into Sector Codes.

##### **13.1.2. Membership**

- (a) The Council shall consists of 15 members appointed by the Minister of Water Affairs and Forestry in consultation with parties (still to be debated) to the Charter with the following composition:
  - a. A Chairperson, who shall be assigned by the Minister of Water Affairs and Forestry in consultation with stakeholder constituencies;
  - b. A Chief Executive Officer, who shall be responsible for the daily administration and operations of the Council and serve on the Council in an ex-officio capacity;
  - c. 6 members representing industry associations in the forest sector;
  - d. 2 members representing organised labour;
  - e. 3 members representing broader stakeholders;
  - f. 2 members representing government.

- (b) The composition of the Council shall fairly reflect the stakeholders in the sector and be racially and gender representative.
- (c) The terms of office for members of the Council shall be 3 years and members shall be eligible for re-appointment.

#### **13.1.3. Constitution:**

- (a) The Council shall be guided by the following five basic principles:
  - a. Transparency
  - b. Fairness
  - c. Corporate Governance
  - d. Consultation and Inclusivity
  - e. Socio-economic transformation
- (b) Decisions of the Council shall be taken on a consensus basis. If on any issue the Council is unable to achieve consensus, there will be a dispute breaking mechanism as agreed to within the Council or by reference to arbitration of mediation.
- (c) The Council shall establish an Executive Committee, led by a Chief Executive, to attend to the routine work.
- (d) The Council may create sub-committees to deal with specific matters as and when required.
- (e) The council may co-opt experts to serve on or advise sub-committees as contemplated above.
- (f) A Constitution of the Council shall be tabled for adoption at the first meeting of the Council and must be adopted by a two-third majority within 60 working days after the gazetting of this Charter.
- (g) The Council may amend the constitution of the Council from time to time.
- (h) The Council shall, in consultation with the BEE Advisory Council and by resolution, formulate rules to further regulate its proceedings.

#### **13.1.4. Funding**

- (a) The Forest Industry and Government shall fund the Council jointly on an equal basis. (still to be debated)
- (b) The Council shall prepare an annual business plan that will include a budget for the work of the Council.

#### **13.2. Progress Reports and Review**

- (a) The Charter Council shall report annually to the Minister of Trade and Industry, the BEE Advisory Council and the Minister of Water Affairs and Forestry on progress made by the Forest Sector in implementing the Charter.

- (b) After three years of implementation (September 2009) the Charter Council shall undertake a comprehensive review of the Charter to identify any shortcomings in the strategy, scorecard and instruments in meeting the objectives outlined for the Charter and to assess if there is a material change in circumstances that requires adjustments to the Charter.
- (c) The Charter Council shall conduct further reviews at intervals to be determined by the Council after consultation with the BEE Advisory Council and key stakeholder in the sector.
- (d) The Charter Council will undertake a final review at the end of September 2016 to determine the impact that the Charter has had on transformation and growth in the Forest Sector and to propose what steps might be required to beyond the lifespan of the scorecard targets.

#### 14. Financial requirements (to fund BEE transactions)

The financial requirements for implementing the Charter are outlined in the table below. (Cost inputs still required from Government and Fibre sub-sector before this section can be finalised)

Cost item	Cost calculation	Industry cost		Government cost
		Once off cost (R million)	Annual cost (R million)	
Ownership transformation	Cost estimated at 7% of value of industry <sup>1)</sup>	2 100	-	
Skills development	3% of estimated payroll costs	-	216	
Enterprise development				
- Non-recoverable	2% of profit before tax	-	60	
- Recoverable	3% of profit before tax	-	90	
Corporate social responsibility	1.5% of profit after tax	-	32	
Industry specific initiatives	1.5% of profit after tax	-	32	
Charter Council				
BBBEE verification				

**Note:** 1) Based on value of SA operations only

The key parameters for estimating the costs in the table for the industry are the following:

- Value of industry (2006): R30 billion
- Profit before tax: R3 billion

- Profit after tax: R2,1 billion

The approximate split by sub-sector is as follows: Growing (15%), fibre (55%), sawmilling and mining timber (15%) and others (15%).

## 15. Signatories to the Charter

Still to be finalised

14. Financial requirements (in Rand million)

The financial requirements for implementing the Charter are outlined in the table below. (Cost inputs are required from Government and the sub-sector before this section can be finalized)

Government Cost	Industry Cost		Total cost/estimated	Cost Item
	Annual cost (R million)	One-off cost (R million)		
		2 100	Cost estimated as 7% of value of industry	Ownership transition
	510		2% of estimated joint costs	Skills development
	60		2% of profit before tax	Enterprise development
	60		2% of profit before tax	Research
	22		1.5% of profit after tax	Corporate social responsibility
	22		1.5% of profit after tax	Industry specific initiatives
				Charter Council
				BOEVE - verification

Note: 1) Based on value of SA exports only. The key parameters for estimating the costs in the table for the industry are the following:

- Value of industry (2007): R20 billion
- Profit before tax: R2 billion