Forestry South Africa

(Non-profit Organisation Registration Number – 017-638 NPO)

12th Annual Report for Year Ended 31st December 2013

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Muriel Farquharson - Financial Controller
Precious Singo - Office Assistant
Bethuel Maubane - Caretaker

Roger Godsmark - Operations Director
Norman Dlamini - Business Development Director
Judy Dowsett - Pietermaritzburg Office Manager
Nathi Ndlela - SGG Project Officer

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Bankers
- Standard Bank of South Africa Limited

Auditors
- Watermans, Chartered Accountants (S.A.)

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Layout and Design - Beatrice Bosch, ABC&D
Foreword by the Chair

Viv McMenamin

When the global financial crisis started in 2008, some analysts predicted that it would take three to five years before there were any signs of recovery in the world’s major markets and that the recovery would be very slow when it started. This has certainly been the case for the Forestry Industry and after a gruelling five years, we started to see some early encouraging signs in the market at the close of 2013.

While it is still early to be proclaiming a turnaround, the changes seen in 2013 (admittedly helped by a weak Rand in respect of exported forest products) were, nonetheless, a welcome respite from the years of deflation and recession that we have endured in Forestry in South Africa.

There was even better news in South Africa’s collective response to this challenge. Our team in FSA has engaged tirelessly with Government in trying to address the many social, economic and environmental challenges facing the sector. After years of lobbying both by Industry and by dedicated officials in Government, we received positive news in the research, development and innovation arena. In December the Department of Science and Technology (DST) approved FSA’s application to establish a Sector Specific Innovation Fund. This will contribute to the development of further innovations in the fields of forest protection, species and site productivity, engineering and many other fields critical to improving our global competitiveness. Given the limitations for physical expansion of plantations in the country, RDI presents our best chances for improving our competitiveness.

Our sincerest thanks go to Dr Phil Mjwara and his officials in the DST for this generous and crucial support and to Dr Ntibuseng Motete of DAFF and her officials for supporting our application.

Similarly, following years of lobbying, Transnet Freight Rail have demonstrated great vision in their dealing with the Industry. Where the Industry saw a major shift from rail to road due to decreased efficiencies, exorbitant tariff increases, closing of branch lines and sidings and reductions in forestry rolling stock, after meetings with the Group CEO in 2012 and senior TFR officials in 2013, they have put in place major efforts to address these challenges. These have reduced the logistics costs for many of our members. Our sincere thanks go to Brian Molefe, the Group CEO of Transnet, and to his team in TFR for these initiatives. We hope they herald a new era of co-operation between Transnet and the Forestry Industry, resulting in an increase in timber on rail, in the interests of both our Industry and the country at large.

These and other major achievements in the year are covered in more detail in this Report. There are significant new challenges which have arisen in 2013 relating to shifts in legislation, most importantly in relation to land restitution, broad-based black economic empowerment and changes in afforestation licensing requirements. These and other challenges are again described in detail in this Report, together with our action in this regard. We remain confident that with the excellent staff that we have in FSA, under the leadership of Michael Peter, and with the continued support from all Industry players, we can overcome these challenges in ways that make the Industry more resilient and ensure its sustainability.

I would also like to acknowledge and thank our Vice-Chair, Mr Murray Mason, who has been an invaluable support to me and FSA on a number of occasions when pressing issues required our attention. I look forward to working closely with him and Watson Nxumalo, as the new Chair and Vice-Chair respectively, in the year ahead.

I urge you all to give your active support to our Industry body. We need the active participation of all our members. Through our co-operative efforts, we continue to have influence way beyond our relative size, bringing important benefits to our members and ensuring our perspective is heard and understood in relevant national debates.

Wishing you all a prosperous and safe 2014.

Viv McMenamin
Chair
Forestry South Africa
List of Office Bearers
As at 31st December 2013

Executive Committee
Ms Viv McMenamin (Mondi) (Chair)
Mr Murray Mason (MGG) (Vice-Chair)
Mr Sisa Damoyi (SGG)
Mr Philip Day (MGG)
Dr Johan de Graaf (Merensky)
Mr Graeme Freese (MGG)
Ms Nomkhita Mona (SAFCOL)
Mr Andre Myburgh (TWK)
Mr Fhatuwani Netsianda (SGG)
Mr Watson Nxumalo (SGG)
Dr Terry Stanger (Sappi)
Mr Ian Henderson (Masonite) (Co-opted)
Mr Themba Siyolo (PG Bison) (Co-opted)

Medium Growers Group
Mr Murray Mason (Chair)
Mr Philip Day (Vice-Chair)
Mr Graeme Freese (Vice-Chair)
Mr Silas Cele
Dr Pat Coleby
Mr Sisa Damoyi
Mr Vusi Dladla
Mr Ralph Dobeyn
Mr Ant Foster
Mr Heiner Hinze
Mr Tony Hulett
Mr Patrick Kime
Mr Vaughan Lascelles
Mr Andrew Mason
Mr Jack Mason
Mr Rodney Miles
Mr Colin Morgan
Mr Fhatuwani Netsianda
Mr Harald Niebuhr
Mr Micheon Ngubane
Mr Neville Schefermann
Mr Malcolm Stainbank
Mr Ken Taylor
Mr Shaun Wescott
Mr Hendrik Ziervogel

Large Growers Group
Mr Theunis Bester (Reatile Timrite)
Mr Ferdie Brauckmann (TWK)
Mr Pieter de Wet (PG Bison)
Mr Chris Els (Bedrock)
Mr Leander Jarvel (Sappi)
Mr David Mbulaheni (KLF)
Mr Herald Ponoyi (Cape Pine)
Mr John Rance (Amathole)
Mr Erik Soderlund (Masonite)
Mr Pieter van der Merwe (York)
Mr Louis van Zyl (Merensky)
Mr Themba Vilane (Mondi)

Small-Scale Growers Group
(KwaZulu-Natal)
Mr Sisa Damoyi (Chair)
Mr Watson Nxumalo (Vice-Chair)
Mr Simeon Cele
Ms Ntokozo Dladla
Mr Vusumuzi Mfeka
Ms Busi Mnguni
Mr Elliot Nkomo
Mr Mangisi Sindane

Small-Scale Growers Group
(Limpopo)
Mr Fhatuwani Netsianda (Chair)
Mr Solomon Thagwana (Vice-Chair)
Mr Gerson Mudzunga
Ms Judith Muthala
Mr Samuel Netshiaha
Mr Elsius Neshitongwe

Honorary Life Members
Dr Doug Crowe
David Earl
Mike Edwards
John Henderson
Friedel Johannes
Fred Keyser
Friedel Klipp
John More
Vernon Schefermann
Spatz Sperling
Werner Weber
FSA 2013 Annual Report

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FSA Membership

There were no further changes to the FSA membership during the course of 2013. It is gratifying to know that FSA’s current membership accounts for over 92% of the area of plantation forestry in the country as well as production.

FSA would, as always, like to sincerely thank all members for their continued loyal support in both financial terms as well as through the time which many of them give to the business of the Association.

FSA must also acknowledge the contributions made to the Association of Messrs Bailey Bekker and Richard Tshivhase, both of whom passed away during the course of 2013.

Large Grower Representation on FSA Executive Committee

The current Large Grower Group (LGG) representation on the FSA Executive Committee is 5 members plus two co-opted members. This means that some member companies, despite making substantial financial contributions to FSA do not have a voice on the Executive Committee. Consequently, in the interests of inclusivity and based on the fact that decisions are only taken and implemented on a consensus basis, the FSA Executive Committee decided in November 2013 that:

- up until the 2013/2014 Annual General Meeting, the status quo be maintained;
- from 2014 onwards, LGG membership be expanded to 8 representatives with MGG and SGG membership increasing to 5 members each if considered necessary by the relevant Groups; and
- should LGG nominations for membership of the Executive Committee exceed 8, then voting amongst LGG members must take place to ensure only 8 nominations are made.

Benefits Derived from FSA Membership

As reported on later in this Report, urgent and drastic action was needed in the early part of the year to prevent the Association from becoming insolvent. A decision was thus taken to avert this by increasing the levy paid by members from R1.59 to R1.76 per ton of timber sold (and from R0.83 to R0.92 per ton for those who did not make a contribution to the ICFR) for the period July to December 2013. Although this averted the immediate crisis, it did prompt two of our larger members to ask the question as to what benefit they derived from FSA for the levies they paid. In response to this, FSA produced a Report which answered this question. It showed that (a) in a lot of
cases, FSA interventions benefitted all members and (b), the benefits of membership far outweighed the costs thereof. Benefits derived are of course not the same for all members, as some interventions made by FSA may benefit some but not others (e.g. the Sirex Control Programme only benefits pine growers or reducing port dues only benefits those who export their products). Over time, however, this tends to even itself out through the “what you lose on the swings you gain on the roundabout” principle.

Not only do members have a powerful “collective voice” in helping to shape Industry affairs, policies, legislation and regulations affecting them through their membership of FSA but, more importantly, can improve their bottom line through cost savings resulting from FSA’s actions and interventions. These cost savings can, in summary, be as a result of the following four main factors:

• **Deferring or stopping potential costs before they occur:** In many cases, members are not even aware that costs have been saved because they have never had to incur them in the first place. These can either be direct costs saved (e.g. property rates, rail tariffs, port dues, carbon tax etc.) or those associated with potentially increased compliance costs (e.g. Paraquat derogation, national road traffic regulations etc.). Some of these cost savings can be “once-off” and some recurring. The most important example of the latter relates to FSA’s success in lobbying Government 10 years ago for trees to be excluded from the market value of forestry estates which, at current values, is saving the Industry an estimated R100 million annually. This cost saving alone is almost 17 times FSA’s current operational cost.

• **Reducing potential cost of damage to plantations through forest protection interventions:** In 2013 FSA spent R7.7m or 26% of its entire budget on programmes to control various pests and diseases, including damage causing animals – the Sirex Control Programme receiving the lion’s share. Although extremely difficult to quantify, it is generally acknowledged that the cost to the Industry of not having these programmes in place would far exceed the cost of funding them. In the medium to long-term the Industry thus saves money.

• **Increasing productivity through research and skills training:** The largest proportion of FSA’s 2013 budget was allocated to research funding – R12.8m or 40%. Again, the increased productivity gained through the application of research findings and the transfer of skills is difficult to quantify but in the medium to long-terms will, like forest protection initiatives, be significant.

• **Reducing Industry intervention costs through leveraging additional outside funding:** Over the years, FSA has becoming increasingly successful in leveraging funding from outside partners and in 2013 this amounted to R5.0m or 17% of total expenditure. The most important source of this funding was DAFF who provided R3.4m to help fund the Sirex Control Programme. These funds are important as they in effect subsidise the Industry’s intervention costs – costs which would otherwise have had to be borne by the Industry itself.

The quantum of leveraged funding is set to increase substantially in 2014 following successful negotiations with the Department of Science and Technology, who have awarded FSA a R25m Sector Innovation Fund grant over a three year period. Further, in early 2014, a revised MoU with DAFF regarding the Sirex Control Programme was signed which will see R23.5m over a five year period flow into the Association and through ourselves, to FABI and the ICFR.

These are big sums of money but smaller amounts have also been forthcoming – these include, for example, the IIED’s contribution to the development of the small-scale grower sector and SANBI’s contribution to the development and conservation of grasslands within forestry estates. From these initiatives, FSA has, over the past few years, received many millions of Rands from these leveraged funds. THRIP funding for forest protection research has also been successfully leveraged, with every Rand of FSA money committed, being matched by Government. This has amounted to millions of Rands over the past 12 years of FSA’s existence.

Obviously, in many instances, FSA cannot claim sole responsibility for any successes gained, although in some it can. As mentioned above, it is extremely difficult to calculate the quantum, in monetary terms, of the total benefit that members collectively derive as a result of FSA’s actions but one thing can be sure – on an annual basis, it is many multiples of what it costs them to run the Association. This positive “cost-benefit” ratio is undoubtedly a factor in explaining why FSA’s membership remains so stable and its members so committed to the Association.
FSA Committees

Executive Committee

Three scheduled Executive Committee meetings were held during the course of the year under review. Various changes to the Committee occurred during the year. These were as follows:

- Mr Andre Myburgh of TWK took over from Mr Siggie von Fintel as the TWK representative.
- Mr Hendrik de Jongh of Sappi was replaced by Dr Terry Stanger following the former’s retirement.
- Ms Nomkhita Mona, SAFCOL’s CEO, replaced Mr Leslie Mudimeli as SAFCOL’s representative.
- Mr Ian Henderson of Masonite and Mr Themba Sibyo of PG Bison were appointed as co-opted members.
- Ms Viv McMenamin replaced Mr Silas Cele as Chair and Mr Murray replaced Ms McMenamin as Vice-Chair.

Mr Siggie von Fintel, who had served on the FSA Executive Committee for 7 years and Mr Hendrik de Jongh, who had done so for 6 years, are both sincerely thanked for their contributions to not only the Association itself but also to the Industry at large.

Group Committees

As in previous years, nine Annual Regional Meetings of the Group Committees were held in various forestry regions across the country during February 2013. Given the increasing number of issues of importance affecting our members, it was encouraging to note that attendance at these meetings by both corporate, commercial timber farmers and small-scale growers was excellent.

In addition to the abovementioned meetings, three “General Committee” meetings, comprising representatives from corporate, commercial farmer and small-scale growers were held in Pietermaritzburg during May, August and November 2013.

A list of members of each of the respective Group Committees is given at the front of this Annual Report.

Working Committees

In order for the FSA Executive Committee to make informed decisions, information and recommendations are fed into it by the FSA’s General Committee, Regional Committees as well as its various Working Committees. The latter includes Committees dealing with Environmental Management, Research, Transport, Human Resources and Land. Although not formed as yet, it has been decided to establish a Bio-Energy Working Group.

The work undertaken by these Working Committees is reported on later in this Annual Report.

Other Industry Committees

In its overall objective of promoting the interests of its members, FSA members and staff are represented on numerous collaborative structures which serve our members’ interests. Although by no means an exhaustive list, the most important ones are listed below:

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<tr>
<th>INSTITUTE/CONVENOR</th>
<th>COMMITTEE/STRUCTURES</th>
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<tbody>
<tr>
<td>(i): ICFR</td>
<td>Board of Control</td>
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<td>Remuneration Committee</td>
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<td></td>
<td>Sirex Control Programme</td>
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<td>Steering Committee</td>
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<td>(ii): FABI</td>
<td>TPCP Board of Control</td>
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<td>TPCP Finance Committee</td>
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<td>CTHB Board of Control</td>
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<td>(iii): NMMU (Sasveld)</td>
<td>Forestry Advisory Committee</td>
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<td>(iv): Stellenbosch University</td>
<td>Forestry Advisory Committee</td>
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<td>(v): FP&amp;M SETA</td>
<td>Board Audit Committee</td>
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<td>Governance and Strategy Committee</td>
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<td>(vi): Provincial LAACs Members</td>
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<td>(vii): DAFF</td>
<td>Minister’s Advisory Council (NFAC)</td>
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<td>CEO’s Steering Committee</td>
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<td>CEO’s Roundtable Commercial Forestry Liaison Committee</td>
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<td>Kabelo Trust</td>
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<td>(viii): DAFF-DWAFSA</td>
<td>Afforestation Technical Task Team</td>
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<td>Forest Sector Raw Water Tariff Committee</td>
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<td>(ix): Forest Sector Charter Council</td>
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<td>Finance Committee</td>
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<td>Land Task Team</td>
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<td>Contractor Codes Task Team</td>
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<td>Emerging Timber Grower Codes Task Team</td>
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<td>Council Review Task Team</td>
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<td>(x): The Wood Foundation</td>
<td>Executive Committee</td>
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<tr>
<td>(xi): Forest Industries Training Providers Association (FITPA)</td>
<td>Member</td>
</tr>
</tbody>
</table>
Non-Industry Affiliated Committees

There are several other collaborative structures which operate outside of the Forestry Industry and yet have significant impact on the Industry. It is thus important that FSA is represented either by staff or by our members in those structures to ensure that its members’ interests are promoted. Amongst the most important of these are Business Unity South Africa, the Agricultural Business Chamber, Agri SA’s Commodity Chamber, Kwanalu, Mpumalanga Agriculture, Working for Water, Working for Wetlands and Working on Fire Programmes and the SANBI Grasslands Biodiversity Forum.

Co-operation with Other Industry Organisations

While FSA’s main focus is on the primary production side of the Forestry Industry (i.e. the growing of trees), it is important that it has an integrated view of the entire Industry and collaborates with other Industry Associations, both in bi-lateral activities or in collaborative forums.

FSA has worked closely with the Paper Manufactures Association of South Africa (PAMSA) on a number of issues this year including that of responding to the proposed carbon tax, which National Treasury still intend imposing on the country, promoting the Sector in schools and the media, responding to environmental legislation and in skills development through the FP&M SETA where they are also represented with FSA.

Similarly, FSA have collaborated with Sawmilling South Africa (SSA) and the Institute for Timber Construction (ITC) on a number of issues and SSA and PAMSA both also serve on the DAFF CEO’s Steering Committee, through which we have managed to achieve resolution on a number of key challenges affecting the Industry.

The Wood Foundation, which was founded as a collaborative promotional and communication umbrella Association covering all the various sub-sectors involved in the forest sector value chain, has been slowly gaining momentum, despite continuing to be under-resourced. A full report on its activities is contained later in this Report and FSA are in discussions with the Wood Foundation, SSA and the ITC on ways to improve the resources available to the Wood Foundation in order for it to fully and effectively perform the role that it was set up for – namely, promoting the growing of trees and promoting the use of wood as a preferred building and construction material.

The Forest Sector Charter Council, while still experiencing some management challenges, has continued to be an effective platform for co-operation among the various sub-sectors and Government on issues of common interest, especially where these pose constraints to transformation and growth in the Industry. Progress on this forum is also reported later in this Report.
Co-operation with Government Departments, Agencies and Programmes

Department of Agriculture, Forestry and Fisheries (DAFF)

The new DDG: Forestry and Natural Resource Management, Dr Nthabiseng Motete addressed the FSA AGM in 2013 and showed great insight and appreciation, not just for the challenges faced by the Sector but also for the positive role that the Industry plays in the country, especially in terms of the rural landscape. Our engagements with DAFF in 2013 showed that this leadership is being felt throughout the Branch and there are numerous references to this in the specific sections of this Report where DAFF was able to assist the Industry.

Of particular importance to note was the development of the Agricultural Policy Action Plan which is to serve as DAFF’s Industrial Policy for the next term of Government and which will significantly influence the DST-led Bio-economy Strategy for South Africa. Through Dr Motete’s efforts, we as FSA not only became aware of the policy but were able to participate in three engagements on the policy formulations. These inputs helped to ensure that key issues like the recapitalisation of the exit areas in the Western Cape, Transformation, SMME development, afforestation, R&D and Forest Protection were captured in the Action Plan. This was extremely important as it will be DAFF’s responsibility to prioritise these issues in their plan.

Similarly, FSA made extensive input through the DAFF CEO’s Steering Committee into the business plan proposal to the Presidential Infrastructure Co-ordinating Committee, to ensure that major forestry investment projects are captured in Strategic Integrated Project (SIP) 11 of the PICC. These include afforestation in Eastern Cape and KwaZulu-Natal, recapitalisation of Mbazwana and Manzengwenya and the re-commissioning of plantations in the Western Cape.

Dr Motete and her entire team are sincerely thanked for their continued commitment to supporting the Industry, especially given the challenges that DAFF has of balancing its resources and focus between agriculture, forestry and fisheries. The historical neglect of forestry in DAFF has not stopped the Branch from working hard to fulfil their mandate and for this FSA is appreciative.

The Minister has made some encouraging statements about forestry during her tenure, such as that she would lobby for a separate Department to manage forestry and fisheries and establish the long-overdue forestry development grant that she announced in 2012. Unfortunately, neither of these two objectives were achieved in 2013 and the forestry budget in DAFF has remained the same for the past few years. For our 20 000 small-scale timber growers, the inability of DAFF or National Treasury to support the forestry grant, announced by the Minister, was most disheartening as it is many years overdue and serves again to emphasise the inequity that is shown in the allocation of public resources to forestry as compared to other sectors of the economy, including those in the same Department.

Similarly, it is noteworthy and perplexing, that the Minister has been silent on the issue of Broad Based Black Economic Empowerment. Despite Industry having invested hundreds of millions of Rands into empowerment since the signing of the Forest Sector Charter in 2008 and making good headway in meeting its various Charter commitments, DAFF, co-signatories to the Charter, have failed to fund most of their obligations. So, for the Minister to make no reference to BBBEE in either forestry, agriculture or fisheries during her 2013 Budget Speech to Parliament, is confusing as 2013 also marked the first ever Presidential BBBEE Summit and the Dti published an amended Act and revised codes, which seek to further transform the economy through BBBEE.

Given the above, we sincerely hope that DAFF takes cognisance of our concerns and, in recognition of assisting Industry in further transforming and growing the Sector, finally commit to allocating the necessary budgets in order to implement their key undertakings in terms of the Forest Sector Charter. However, despite DAFF’s non-performance regarding the implementation of its Charter commitments, FSA remains wholly committed to the principles of empowerment and believes, as stated in the Forests Charter, that this can best be achieved and sustained through the growth of the Sector.
National Afforestation Task Team
Possibly the lowest point in 2013 occurred in our engagements with the Department of Water Affairs (DWA) regarding two long-standing issues – afforestation licences and genus exchange applications.

FSA finally received a response in 2013 from the acting Director-General to our letter sent to him in 2011 on the issue of genus exchange. He expressed a view that FSA members in possession of afforestation licences would still need to apply to DAFF for a licence to switch genera. FSA has agreements with DWA going back to the year 2000 which show that this is patently incorrect. We are in the process, with DAFF’s support, of challenging the acting DG’s letter and seeking agreement on a more sensible approach.

Similarly, FSA became aware of the intention of DWA to make extensive changes to afforestation licences. When FSA asked DWA about this and raised it with DAFF and the Dti, who had also not been consulted in the process, senior officials in DWA dealing with licences denied that this was the case. It therefore came as a shock when FSA was given a copy of a licence issued to a community in the Eastern Cape which had made extensive changes to both the standard and specific conditions of the licences. This act of bad faith on the part of DWA, prompted FSA to withdraw from the National Afforestation Task Team in which we have participated for the last five years and in which DWA, DAFF and the Dti serve with FSA. We regard this action by DWA as an act of extreme bad faith and shocking governance, given the millions of Rands which DAFF, the Dti and the private sector have invested into EIAs and other processes to support new afforestation in areas identified in IPAP and the BBBEE Charter. DAFF have agreed to seek a political intervention to address these two crucial issues.

International Co-Operation
Having led the restructuring of the Advisory Committee for Sustainable Forest-based Industries of the Food and Agricultural Organisation of the United Nations (FAO), FSA’s Executive Director was asked to serve another 18 months as the Chairperson of the Committee, which is a great privilege for South Africa and for FSA. The Committee has been going for 55 years and is the only global forestry forum supported by the FAO, where the private forestry sector meets to collaborate on issues of common interest such as certification, climate change, bio-energy and sector promotion to name but a few. It is also the only private sector Committee in either agriculture, forestry or fisheries which enjoys financial and technical support from the FAO.

Another “feather in FSA’s cap” was the fact that the Executive Director was also elected as a member of the World Forestry Congress Steering Committee which will manage the process towards the hosting of the next (14th) World Forestry Congress which will take place between 7th and 11th September 2015 at the ICC in Durban. This is a massive conference that takes place every six years and presents a major opportunity to showcase forestry in South Africa to the region and the rest of the world. The last WFC, which was held in Argentina, attracted over 7 000 experts from governments, academia, research, the private sector, and non-governmental organisations over a seven-day period on a broad range of forestry related topics. The goal set for attendance at the 14th WFC in Durban is no less than 10 000 delegates. For more information on the WFC 2015 please visit their website at http://www.fao.org/forestry/wfc/en/

FSA 2013 Annual General Meeting
FSA’s 11th AGM was held on 16th May 2013 at the Fern Hill Hotel & Conference Centre near Howick in the KwaZulu-Natal Midlands.

It was once again another excellent and well attended AGM with two interesting speakers addressing the meeting. The keynote speaker, Dr Nthabiseng Motete, newly appointed DDG: Forestry and Natural Resource Management, gave attendees her Department’s vision for Forestry over the next three years which, inter alia, would focus on the following:

- The implementation of programmes to promote job creation and decent employment conditions.
- The creation of and support for viable and sustainable rural communities, including food security.
- The protection and enhancement of the environment and natural resources.
The second speaker; Mr Julian Ozanne, the Chief Executive Officer of The New Forests Company, gave an interesting talk on forestry investment opportunities in Africa entitled “Forestry In Africa: Risk, Rewards, Opportunities”.

FSA would like to thank the abovementioned speakers as well as the many members who attended the AGM for their participation.

FSA Staff Matters
As mentioned in last year’s Annual Report, after having been with FSA for 10 years, Steven Ngubane, FSA’s Business Development Director, left the Association in August 2012 to take up a position as Forestry Specialist in the Forestry and Wood Products Business Unit of the IDC.

The role that Steven filled from August 2012 to the end of May 2013, was ably handled by Winston Smit on a contract basis.

Following a thorough recruitment process, Norman Dlamini was subsequently appointed as FSA’s new Business Development Director and commenced duties on 1st June 2013. Norman, who has a BSc. in Agriculture and over 10 year’s experience in the agricultural and forestry environment, latterly as a Management Forester with Sappi, has proved a valuable asset to the organisation and FSA is looking forward to his continued contribution to developing the small grower sector.

After over 20 years of service with initially FOA and latterly FSA, the office secretary in Johannesburg, Mrs Ann Blake, resigned during the year. She is thanked for her contribution to the Association over the years she worked for us. Given the possibility that the Johannesburg office may be sold, a decision was taken not to replace her in order to save costs. Her duties will be handled henceforth by Mrs Judy Dowsett who is based in our Pietermaritzburg Regional Office. As a result thereof, Judy’s position has, in recognition of her extra duties and responsibilities, been promoted to the “Pietermaritzburg Office Manager”.
Forestry Industry Matters

Forest Protection

While DAFF did not provide further funding to the Forestry Branch of the Department in 2013, which meant that the DAFF approved Forest Protection Strategy (approved in 2011) remained unfunded, they nevertheless continued to provide generous funding to continue the fight against Sirex. Despite their contribution towards the Sirex Control Programme, which is greatly appreciated by the Industry, we would like to impress upon them the need to fund their Charter commitments regarding forest protection, as this is at least as important as forestry development and often more so, given the exponential increase in threats to plantations from pests, diseases, fire and climate variability.

Given the importance of protecting the Industry’s biological assets, FSA continued to invest significant amounts of its budget on forest protection. Similarly, our research partners in FABI and the ICFR invested tremendous effort in developing and deploying appropriate bio-control and other responses which resulted in some key breakthroughs during 2013. Without this world-class capacity, the sustainability of the Industry in South Africa would be severely compromised. Since the issue of “bio-security” is becoming increasingly important, a Working Group has been put in place under FSA to deal with this issue.

In terms of international co-operation, FABI received a proposal from the Australian Biological Control of Eucalyptus Pests Programme for the establishment of a multinational and multilaterally funded programme to help combat the world-wide spread of pests originating in Australia. Given the rapid increase in Eucalyptus pests over the last few years and the projections for this to continue, it was agreed by members to support this through funding in FSA's 2014 budget. A draft Agreement for the formation of the “Biological Control of Eucalypt Pests Research Alliance” (BICEP), comprising South Africa, Brazil and Australia, to be run under the auspices of the University of the Sunshine Coast in Queensland, Australia, is being finalised and will be fully in place during 2014.

Pests and Diseases

In 2013, a total amount of R9.05m, representing 38% of FSAs total Industry Activity budget, was allocated to combating pests and diseases. Below is a short description of the main pests and diseases which are of immediate and future concern to the Industry. Members are encouraged to visit the links which we have included in this Report for the first time as well as the websites of FABI and the ICFR, as they provide more detailed information on the research and management of these threats.

The development and deployment of biotechnology of this sort, is highly specialised and time consuming work, requiring constant attention by teams of dedicated scientists and practitioners. Anyone who has visited the FABI Bio-control Centre and seen the teams of people poring for hours over microscopes with minute instruments in their hands, or those involved in the 24 hour daily vigil needed to managing that living laboratory, will be aware of the kind of dedication that this work requires.

FSA would like to express our sincere gratitude to Professors Wingfield and Dyer at FABI and the ICFR respectively, as well as to each member of their teams and to our members and colleagues in Government who not only fund this crucial activity but who serve on structures such as the Tree Protection Co-operative Programme (TPCP) and Sirex Steering Committee, established to combat them.

*Sirex noctilio* (*Sirex Wood Wasp*)

Through the ongoing efforts of all involved in the Sirex Control Programme over the last ten years, the spread and level of infestation of Sirex has been largely brought under control. However, the Industry must continue to remain vigilant and the current Control Programme needs to be maintained. Despite the efforts being made, the second year of national monitoring has been completed and has indicated that Sirex levels are increasing in northern KwaZulu-Natal, southern Mpumalanga and the central region.

A Review of the Sirex Control Programme is being planned for 2014 to determine whether all objectives...
had been met and to guide the next phase of the Programme.

DAFF are most sincerely thanked once again for their continued efforts, under constrained budgetary conditions, in supporting the Sirex Control Programme with funding and dedicated officials who serve on the Steering Committee which is expertly managed by Professor Colin Dyer of the ICFR.


Fusarium circinatum (Pitch Canker)
This fungus continues to cause excessive post-planting mortality in young P. patula and P. radiata plantations. This three year programme, funded by FSA and managed by Dr Andrew Morris, was concluded in 2013 and includes seedling performance testing to identify Fusarium contamination and to compare post-plant survival rates of seedlings supplied by nine commercial nurseries.

A dedicated issue of the Southern Forests Journal will be released in 2014, which will focus on the research activities of and results emanating from the Programme. Members growing pine species are encouraged to look out for this.

More details on Fusarium and the work of FSA’s partners can be found by accessing the following websites:

Thaumastocoris peregrines (Bronze Bug)
This insect remains one of the most serious pests threatening the sustainability of Eucalyptus forestry in South Africa, with biological control currently the main option for control.

A Committee was established in 2013 with DAFF, to evaluate bio-control applications and on 11th October, the TPCP released a biological control agent for the bronze bug simultaneously around the Tzaneen, Pietermaritzburg and Richmond areas.

Research has continued at FABI in investigating biological control against this pest and the ICFR are implementing trials to measure its impact.

More information on Thaumastocoris can be found at: http://www.fabinet.up.ac.za/index.php/forest-threats/pests-of-plantation-forestry-trees/list-of-pests.

Leptocybe invasa (Eucalyptus Gall Wasp)
The biological control of Leptocybe has become a priority focus for FSA, given the extent and impact it has had on Eucalyptus plantations.

Following intervention by FSA, the release of the bio-control agent Selitrichlodes was “fast tracked” and was initially released in Zululand in July 2012 and subsequently on 600 sites in this and other infected areas. Just five months after the first release, FABI were reporting parasitism levels of up to 9% and
expectations are that parasitism rates will increase to over 70%, as achieved in contained release sites in Pretoria where it was first discovered.

It should also be reported that the ICFR facilitated an Industry workshop in June 2013 to discuss Industry-wide operational and research approaches to the management of this pest. As a result of this, a joint Working Group, led by the ICFR and FABI, has been established to develop an Action Plan to deal with the pest.

More information on the gall wasp can be found at:


Glycaspis brimblecombei (Red Gum Lerp Psyllid)

This sap-sucking insect, originating in Australia and feeding off eucalypts, was first detected in South Africa in Pretoria in 2010 on street trees but in 2013 was found in Eucalyptus plantations in the Mpumalanga, Limpopo and KwaZulu-Natal Provinces, although its exact distribution within these regions is currently not known.

As a result of this potential new threat, FABI approached FSA with a request for some funding (R340 000) in 2013, to start investigating potential bio-control agents to combat this pest. Within the same year, FABI had identified a potential bio-control agent and started conducting tests for host specificity at the FABI Bio-control Centre. Should this agent prove suitable, FSA will apply to DAFF for permission to release it into plantations as soon as possible. FABI are, in the interim, simultaneously developing screening trials on the main Eucalyptus species to determine their level of susceptibility to Glycaspis.

Puccinia psidii (Myrtle Rust)

As forewarned by FABI, this South American pathogen has now been found in South Africa, even while FABI were planning to conduct screening trials overseas. FABI have immediately started conducting initial research into the pathogen to determine the possible extent of the threat and to start screening for susceptibility.

Whilst only having been found in one garden on the south coast of KwaZulu-Natal to date, it is almost certain that it exists elsewhere and even more certain that it will spread. The importance of controlling this disease is highlighted by the fact that the Australian Forestry Industry has listed this pathogen as its most dreaded potential plant disease and will endeavour to do what it takes to keep it out of Australia.

In the South African context, it poses a threat to both plantation and indigenous trees and shrubs and its control will most likely only be achieved by selective breeding programmes, hence the importance of the screening trials that are underway.

Further information can be found at:


Damage Causing Animals

This was the second year of the three year Project, which is run under the auspices of the FSA Environmental Management Committee with the funding and knowledge management being managed by the ICFR. The Project has started to provide sound scientific insights into this important aspect of forest protection and will inform current and future management approaches.

During the year, the ICFR facilitated a workshop with Industry representatives to standardise the procedure for assessing baboon damage and the results from this are currently being written up as an ICFR Bulletin. A follow-up stakeholder workshop was held in November, to update all stakeholders on the research currently being undertaken.

Two Post-Graduate research projects are currently underway at the University of Cape Town, under the supervision of Professor Justin O’ Riain, who addressed FSA’s AGM in 2012 and who has been very complementary of FSA’s and Industry’s actions in dealing with this important issue.

Forest Fires

Forest fires cause more damage to plantations in South Africa than any other factor. It is thus not surprising that the Industry devotes an enormous amount of resources to combating forest fires. During the year under review FSA was in the forefront of initiatives (a) that helped to stave off potential regulations which could have impeded the Industry’s ability to effectively combat forest fires and burn firebreaks and (b) to initiate dialogue within Industry to formulate positions on issues of common concern.
• **Amendments to the National Veld and Fire Act and the National Forests Act**: FSA fully supported DAFF’s proposed amendments as, in our opinion, they would, amongst other things, strengthen Fire Protection Associations (FPAs) by compelling all State entities, including Municipalities, to become members of their respective FPA.

• **New National Fire Danger Rating System (NFDRS)**: As reported in last year’s Annual Report, serious concerns had been raised by various members and the KZN and Mpumalanga Forest Fire Associations (FFAs) about the alternative systems being proposed. Following FSA’s (and others) intervention, it is pleasing to report that DAFF acceded to our recommendation that the currently used “Lowveld System” be endorsed as the official new NFDRS. Thanks for this decision must be extended to the Minister and CSIR team investigating the alternative systems for their recognition of Industry concerns and their ultimate acceptance of the Industry’s recommendation.

• **National Forest Fire Awareness Workshop**. Following a decision by the Executive Committee, it was agreed that FSA should convene a meeting of Industry players to discuss common issues surrounding veld and forest fire management. This meeting was held on 4th November 2013 in Pietermaritzburg, a day before the annual Saasveld Forest Fire Symposium.

The meeting, which attracted over 60 participants, discussed a variety of issues and resulted in the formulation of common Industry standpoints on various fire related issues of concern. Champions have been identified to drive the action items flowing from the meeting and work on implementing the actions recommended will proceed in 2014.
FSA would like to thank all those who attended but in particular, Mr Ian Henderson who chaired the meeting and Messrs Ben Potgieter of Forestry Solutions and Tiaan Pool of Saasveld for their invaluable input in helping to make the meeting the success that it was.

- **Use of Paraquat in Firebreak Preparation:** Through sustained lobbying by the Timber Industry Pesticide Working Group (TIPWG), it is pleasing to report that the FSC eventually reversed an earlier decision and approved a “once-off” derogation for the use of Paraquat during the 2014 burning season under certain conditions. More details on this are contained under the Environmental Section of this Report. Thanks must be extended to the TIPWG members and in particular, FSA’s Environmental Consultant, Dr John Scotcher, for bringing about this change in the FSC’s stance regarding the use of Paraquat.

**Timber Theft**

Timber theft continues to be a major problem, particularly it would seem, in Mpumalanga. However, it is encouraging to report that the work being done by locally based “Timber Theft Forums” in Mpumalanga (Lowveld), Piet Retief / Vryheid, Richards Bay and Greytown are yielding fruitful results in the fight against the theft of timber and equipment.

As part of its awareness campaign, FSA has made all members aware of the importance of marking their equipment (and individual components of larger machinery) with unique markings as this will assist in (a) the recovery of stolen items to their rightful owners and (b) the prosecution of perpetrators.

On a positive note, following a request by FSA, the annual “Green Mamba” census form has been amended to include questions pertaining to the quantum and value of timber and equipment stolen during the year. This will enable FSA to effectively lobby the relevant authorities on the seriousness of the situation and for them to take the necessary action.

**Forestry Research**

Most of FSA’s funding is used for research. Of this funding, most goes to the ICFR, the Industry’s Research Institute and as mentioned earlier, a sizeable amount is spent on pests and diseases research at FABI.

Unfortunately, in 2013 we were forced to make drastic funding cuts (20% reduction) to the ICFR and other activities, as Industry could simply no longer afford to carry the burden of research alone, especially when most countries with whom we compete, have strong public-private sector approaches to research and other areas, which enhance their competitiveness in global markets and support their domestic socio-economic objectives.

The ICFR and FSA engaged throughout 2012 and 2013 on ways of reducing costs and sourcing new funding. There were two joint meetings of the FSA Executive Committee and ICFR Board of Control which were not only focussed on cost reduction but were also aimed at ensuring the sustainability of the ICFR into the future, given the pivotal role it plays in providing the research needs of the Industry.

To this end and to help develop an Industry vision for forestry research and development, the FSA Executive Committee established a Research Advisory Committee (RAC). The RAC produced a Terms of Reference calling for an independent service provider to do an assessment of South Africa’s forestry and related research capacity but no suitable independent forestry research expert could be found.

A major breakthrough, however, was made in 2013 when the Department of Science and Technology (DST) approved FSA’s application for the creation of a Sector Specific Innovation Fund. This will see R25 million transferred to FSA over the next three years for forestry research and development that supports innovation, competitiveness, transformation and most importantly, leverages in private sector investment.

The process started in 2012 when FSA approached DAFF for urgent intervention following the drastic funding cuts we were forced to make to the ICFR. DAFF advised that while their own applications to National Treasury had failed, they would be willing to support an application from FSA to the DST, as long as it was consistent with DAFF’s approved R&D Strategy. A proposal was subsequently drafted and submitted to the DST in August 2013, with the ICFR leading the process for FSA and with strong input from our partners in FABI and FSA’s Research Advisory Committee.

FSA would like to extend our sincerest gratitude to all the colleagues in the DST for the funding provided which recognises the excellence in forestry research that exists in South Africa and the further potential role that innovation in the bio-economy can play in enhancing our country’s competitiveness and developing and transforming the rural economy.
In this regard, the Director General, Dr Phil Mjwara and his senior officials, Messrs Patel and Maredi and Drs Durham and Galada are sincerely thanked. Similarly, we would like to thank Dr Motete of DAFF, who invited us to present the proposal to her entire Branch meeting and who lobbied her colleagues in DST to support it. Her officials, Ms Sebueng Chipeta and Dr Ronald Heath, were also instrumental in soliciting and supporting FSAs application and should thus also be extended a word of thanks from FSA.

Given the funding constraints that forestry research has experienced over the last two years, the support from the DST in granting our Sector Specific Innovation Fund (SIF) was desperately needed. We expect that this will see an increase in private sector investment into research, development and innovation and this private sector investment is one of the most important metrics that the DST will use to measure the effectiveness of the SIF and upon which the possibility of further funding will depend.

Importantly, the granting of the SIF funding will enable FSA to appoint a Research Director to manage the Industry’s research programmes in which we invest so much of our budget. We are confident that investment funding provided will increase our competitiveness and offset our comparatively (globally) high input costs and losses from pests, diseases, fire and weather related impacts.

Institute for Commercial Forestry Research (ICFR)

In spite of the difficult financial conditions which were placed on the ICFR, they nonetheless continued to deliver outstanding results in 2013. Some of the key outputs are described below and again members are encouraged to see the additional links provided and the ICFR’s website, as more detailed, updated reports can be found there.

- Dr Andrew Morris was seconded from Sappi to the ICFR, as Research Manager from July 2013, and this appointment had already made a significant impact, particularly in the development of project proposals for 2014.
- Simon Ackerman was appointed as the FESA Researcher and Programme Co-ordinator and more details on the work being conducted by FESA can be found below.
- The ICFR held its annual series of Steering Committee meetings in September to report on progress being made in 2013 and to propose plans for directly funded research for 2014. These were successful and funding for the research projects was secured.
- Twenty-two research reports including 12 bulletins, 5 technical notes and 5 peer-reviewed papers were produced in 2013 and these can be found on the ICFR’s website at www.icfr.ukzn.ac.za
- On the key area of knowledge management and technology, five very successful and well attended field days were held across the forestry regions of the country. These were attended by around 300 foresters, managers, researchers and growers. In addition to the field days, nine occasional seminars were hosted, providing the industry and research organisations opportunities to discuss and learn more about relevant research across the sector.
- As mentioned earlier, the ICFR, together with FABI, supported FSAs Research Advisory Committee in the development of the successful DST Sector Innovation Fund proposal and co-presented this with FSA to a DAFF Forestry Branch meeting at which the proposal was supported.
- The Institute co-hosted FSAs very successful Forestry Indaba, held on 19th November 2013, on which there is a detailed report later in this Annual Report.

Forest Engineering South Africa (FESA)

As mentioned in last year’s Annual Report, Simon Ackerman was appointed as FESA Researcher and Programme Co-ordinator on a one year contract – the aim being to further develop links between silvicultural and forest engineering research at the ICFR. He has made a significant impact in a short space of time and it is likely that FESA will be anchored permanently at the ICFR along with other Industry-level programmes such as the South African Sirex Control Programme, the South African Pitch Canker Control Programme and the Damage Causing Animals Initiative. A summary of developments during the year are summarised below:

- A well attended 2-day FESA Focus was held in the KwaZulu-Natal Midlands which focused on both mechanised harvesting and silviculture.
- The revision of two Handbooks – Guidelines for Forest Engineering Practices in South Africa and South African Cable Yarding Safety and Operating are currently underway.
• A study, through NMMU, has been undertaken, comparing three international trends in terms of hardwood processing.

• Three new studies commenced during 2013 dealing with productivity standards, forest engineering and silviculture integration and the optimisation of roundwood timber lengths for transport.

• A “Small-Scale Growers Working Group” has been established, the aim of which being to develop relevant harvesting technologies applicable to small-scale growers. Although these technologies are aimed at the needs of small-scale growers, they can equally be used by medium and large growers as well.

• Following a recommendation made at the Industry Fire Workshop held during the year and as reported elsewhere in this Report, FESA is investigating becoming more actively engaged with relevant fire management aspects.

Readers wanting more details concerning the outputs of FESA’s research and activities are encouraged to access the following webpage: [http://www.icfr.ukzn.ac.za/collaboration/fesa/fesa-publications](http://www.icfr.ukzn.ac.za/collaboration/fesa/fesa-publications)

**Afforestation Issues**

As reported earlier, DAFF, the Dti and Industry have been working closely alongside other key role players like the Eastern Cape Rural Development Agency, Industrial Development Corporation and others to establish the 100 000 ha of new afforestation that is so many years overdue. Unfortunately and inexplicably, the Department of Water Affairs (DWA) quashed any hopes of meeting this target in the agreed timeframe stipulated in the BBBEE Forest Sector Charter and the Dti’s IPAP, by unilaterally changing the conditions of new licences and not even discussing this with the multilateral National Afforestation Task Team that
was established some years ago to assist in getting the areas planted.

As mentioned, FSA felt compelled to suspend its involvement in the Task Team until such time as the respective Government Departments have met to address the reckless actions of DWA, so that a conducive environment for investment can be established.

The BBBEE target set in 2008 was to establish 10 000 ha per year, whereas less than 2 000 ha have been established in the last five years combined. Brazil, by comparison for the last 5 years, has been planting our ten year target of 100 000 ha, every 37 days. The target for South Africa now stands at 20 000 ha per year if we are to meet the commitments in the BBBEE Charter and unless the political intervention sought by FSA occurs, we will fail to reach anything near that target.

The net effect of this, is that communities become exceedingly impatient with the lack of service delivery and administrative justice and plant timber without the required licences to do so. FSA does not condone illegal activities and would far prefer a proactive and pro-forestry approach by the officials in DWA but unfortunately this has never been forthcoming in spite of the stated policy ambitions of DAFF and the Dti in respect of new afforestation. It is ironic and legally problematic for DWA that they invest effort in trying to pursue small-scale growers who have planted timber in desperation to sustain their businesses and livelihoods and yet other sectors, such as mining, carry on with large scale environmentally impactful activities without having first obtained the requisite water use licences.

### Water Issues

#### Raw Water Charges

For the 2013/14 tariff increases, DWA had once again proposed Stream Flow Reduction Activity (SFRA) water tariff increases of well above inflation – ranging between 10% and 382%. While no Sectoral water tariff meeting had been held with Forestry, FSA attended the National Consultation meetings and made representations to the Director General. The DG once again invited FSA to propose tariff increases which Industry could sustain and again we proposed inflation-linked increases in all Water Management Areas.

Unfortunately, our proposal was ignored and the increases across all the forest growing areas averaged 20%. This was, nevertheless, still much better than the increases of 300-400% that used to be levied on forestry in previous years.

Regarding the 2014/15 water tariffs, a sector specific meeting and the National Consultative meeting were attended. FSA again proposed a PPI increase, which is what is permitted in the Water Tariff Policy, and again offered to administer the collection of the charges on behalf of the DWA, subject to an agreement that the increase would be based on PPI. Again, DWA expressed interest and promised to follow up with us. The 2014/15 tariffs come into effect on 1st April 2014, but there is no indication at the time of writing as to what these increases might be.
Water Pricing Strategy

As previously reported, DWA undertook to involve FSA in developing a new Water Pricing Strategy and FSA made inputs into the Strategy during 2012 and 2013, the most important aspects of which are that:

• As mentioned above, FSA indicated that should the principle of inflation-indexed increases for Forestry be adopted in the Strategy, FSA would be willing to help collect the water charges on the proviso that any savings in this process could be passed onto our members in the form of discounted future tariff increases.
• FSA expressed our outright opposition to the idea of a standard tariff for all users, as Forestry could not be expected to pay for the cost of dams, infrastructure and personnel, as none of those costs are incurred in the provision of water to the primary side of the Forestry Industry.
• DWA should consider the relative social and economic returns to the country in relation to other water users as this dialogue will become increasingly important in future considerations around water use.

DWA proceeded to present its Revised Pricing Strategy for Raw Water to the DAFF CEO Steering Committee in November 2013 and it seemed from the presentation, that the Strategy lacked most of our inputs. There was some concession, however, in that Forestry need not pay towards the costs of dam safety – whereas we were resolute that we should not pay any dam costs whatsoever. Furthermore, the Strategy proposes the removal of tariff caps, whereas Forestry is capped at a maximum of R10.00 per hectare. Agriculture were equally dissatisfied with the proposed Strategy and, most importantly, DAFF themselves rejected it, until such time as the issues affecting Forestry and Agriculture have been addressed and until National Treasury had given the required financial commitment, without which the Strategy isn’t even remotely feasible.

Environmental Issues

Over the years, environmental issues have become an increasing focus of the Industry’s attention. We are thus appreciative as an Association to not only have an extremely active Environmental Management Committee, Chaired by Dr David Everard, but our own FSA Environmental Consultant, Dr John Scotcher, to handle these issues on our behalf. In brief, some of the more important developments during the year under review were as follows:

Forest Stewardship Council

• FSC South African National Standard: The South African FSC Standard Development Group submitted, along with the relevant documentation, the abovementioned Standard during the year. The Standard was accepted by the FSC, although with certain conditions and a final decision was expected in early 2014.
• FSC Principles and Criteria Version 5: The South African FSC Standards Development Group also submitted a plan to revise our local South African FSC standards to meet the new FSC’s Principles & Criteria during 2013. The revision process will begin in 2014.
• Establishment of an FSC National Office in South Africa: The FSC thought it would be beneficial that such an office be established locally in order to increase the FSC’s profile in SA and to facilitate the provision of support (including financial) to certificate holders. This was being investigated by the FSC through the appointment of consultants who would start work in January 2014 to develop a local FSC support structure.
• FSC Africa Region Meeting: The FSC Africa Region held their first meeting in Hartbeespoort in December 2013 where the FSC’s Africa Region Strategy was adopted. This Strategy would focus on growing the FSC brand in Africa with specific reference to those countries where they already had a presence, such as South Africa.
• FSC Smallholders Sub-Committee: During the course of the year the FSC appointed a sub-committee to research the options available for small-scale growers in South Africa to pursue FSC certification. FSA welcomes this development and made a R200 000 provision in its 2014 budget to help fund this initiative. Funding from the FSC itself has also been secured.
• Lobbying of FSC by FSA: FSA’s Executive Director, working closely with his counterpart in Brazil, began a process during the year to lobby the FSC on their stance against the use of GMOs as well as various pesticides and herbicides used in plantations in the respective countries. It is our view that the FSC must take a far more reasonable and pragmatic view on both these issues. Indeed, this may well already have started – as evidenced...
by their back-tracking on our Paraquat derogation request which was originally turned down.

- **FSC National Representative in South Africa:** Dr Scotchler resigned in November as the FSA National Representative for South Africa as some thought that there was a conflict of interest vis-à-vis his dual role as the FSA’s Environmental Consultant and at the same time, being the FSC’s National Representative. Chris Burchmore, the Africa Region FSC representative will take over for the time being.

**Other Environmental Matters**

- **Environmental Impact Assessment and Management System:** A Department of Environmental Affairs Policy Steering Committee continued to work during the year on the creation of an environmental impact and assessment management system that comprised both voluntary and regulated instruments and which was envisaged to be implemented within the next 5 years. FSA, which has served on the Steering Committee from inception, continues to provide advice on the Strategy as far as its impacts on FSA members are concerned.

- **Environmental Guidelines:** The Environmental Management Committee appointed an Editorial Committee to revise the guidelines and a first draft is expected in the middle of 2014.

- **Timber Industry Pesticide Working Group (TIPWG):** During the course of 2013 a derogation application was submitted to the FSC regarding the use of Paraquat for the preparation to fire break tracer lines. Despite the fact that this initial application was turned down, FSA persevered and, following a meeting with the FSC Head of Policy and Standards in Pietermaritzburg in early 2014, during which intense lobbying occurred, the FSC subsequently reversed its original decision and approved the derogation for one year and under certain strict conditions. FSA will now pursue a “permanent” derogation application which will entail, amongst other things, the FSC being supplied with research currently being undertaken by the ICFR. This is indeed good news for the Industry as it will save it considerable amounts of money and all concerned must be thanked for their efforts.

- **NEM Biodiversity Act – Alien and Invasive Plant Regulations:** After some nine years of discussions and submissions by FSA, the Department of Environment Affairs finally published a list of alien and invasive plants in July 2013. As previous drafts had included all the Industry’s tree species in the regulations (which would have had serious practical and cost implications for the Industry), to our relief and in the belief that our persistence had paid off, they were exempted from the new regulations. As such they would remain regulated in terms of CARA. FSA was thus extremely concerned when subsequent new regulations were published in February 2014 which seemed to contradict the 2013 regulations. At the time of writing FSA is doing its best to deal with the matter.

- **SANBI Grasslands Programme:** This very successful Programme unfortunately came to an end at the end of 2013 but a sustainability plan has been produced which will be addressed in 2014 by the FSA Environmental Management Committee. Mr Steve Germishuizen, the Programme Manager, must be thanked for his sterling efforts in enhancing the standing of the Industry in terms of its management of grassland areas.

- **Climate Change Issues:** FSA, through BUSA, made extensive input into the Green Paper on both how plantations could mitigate climate change and the proposed carbon tax. FSA also made a submission on a draft climate change sector plan for agriculture, forestry and fisheries which was published for comment during the year.

- **Carbon Tax:** Both BUSA and FSA continued their lobbying in 2013 to oppose the introduction of a “carbon tax” which would be in the form of an emissions tax. While National Treasury was still pursuing the proposed tax, after inputs from FSA, they had, encouragingly, formally acknowledged their recognition of the role that plantations played in South Africa in offsetting emissions, provided these were verifiable. This is good news for the Industry, as grower / processors will be able to use their plantations to “off-set” emission tax liabilities – one of only a handful of Industry’s in such a position. Notwithstanding this, it is still our view that the proposed tax will not change behaviour but will simply add to the cost of doing business, thereby adversely affecting our competitiveness and act as yet another means whereby the fiscus can divert funds away from the productive side of the economy to fund their ever increasing demand for tax revenue. It is thus pleasing to report that the Treasury has, once again, postponed the introduction of the carbon tax.
The role that the Environmental Management Committee played during the year in helping to advance the Industry’s environmental credibility on the one hand and on the other, preventing potentially damaging regulations coming into effect, cannot be underestimated. All members of the Committee must be thanked for their efforts in this regard. Although difficult to single out individuals, our special thanks must go to the Chair of the Committee, Dr Dave Everard and our own FSA Environmental Consultant, Dr John Scotcher.

**Land Reform**

2013 marked one hundred years since the passing of the infamous 1913 Natives Land Act, which started the legislated dispossession of black people to rights in land in South Africa. As a result, the Department of Rural Development and Land Reform (DRDLR) released many new policy proposals and draft Bills in 2013 on which FSA commented and which are discussed below.

The formal basis for the release of most of these policy proposals and Bills was the Green Paper which was released in 2011 after nearly two years of deliberations in which FSA actively participated. The Green Paper, however, is a draft policy document which is supposed to lead to a White Paper which is formal policy upon which new legislation is based but this never materialised.

Unfortunately, several of these new policy frameworks and Bills, were placed in the public domain without first having been discussed in the National Agricultural Reference Group (NAREG), established by the Minister of DRDLR and in which FSA has regularly and actively participated since 2011.
The Restitution of Land Rights Amendment Bill

The main purpose of this Bill is to re-open the claims process for a period of 5 years (i.e. up to 31st December 2018), to afford an opportunity to those citizens who either missed the first process and extension period to claim land or for those who were actively discouraged from claiming land under the existing Act, such as people affected by “betterment planning”.

This Bill presents many practical challenges which would need to be overcome, let alone the fact that most existing claims in respect of rural land have not yet been settled. There seems to be neither funding nor a political appetite, given the potential threat to food security, to settle these existing claims without a guarantee that the land shall remain productive, yet the DRDLR are potentially inviting tens of thousands of new claims. FSA and its sister organisations such as Agri SA have made both joint and individual submissions on this Bill, the most important aspects of which are that:

- The Bill poses risk to people who previously claimed and received land, in that already settled claims may be re-claimed by new claimants. There are already many instances of major conflict between land claimants and tenure reform claimants whose tenure was not addressed prior to the land changing hands and pitting new claimants against old claimants could escalate the potential for more conflict.
- Furthermore, in such cases, the State would have to evict those claimants to whom they incorrectly restored the land and in the process face tens of thousands of new tenure claims from those communities.
- In the case of land claimants who opted for financial compensation instead of restitution, should new claims in respect of those areas be upheld, the courts would have to establish why the claims had been incorrectly settled and the State would then have to attempt to recover the lost monies or pay compensation for a second time to the legitimate new claimants.
- Those claims which are already pending settlement, would have to be suspended until after the 5 year extension period, in case there were counter claims made by new claimants under the extension. This buys DRDLR some time in settling the existing claims but poses a major risk to landowners and further political risk, where claimants may have been on the verge of having land restored to them, only to be told that they must wait at least another five years.
- Those farmers who had successfully defended invalid land claims at great cost to themselves and the economy (due to suspension of farming during
that time) may have to start afresh to defend new claims, which may also be found to be spurious.

- While the Bill proposes that lodgement of fraudulent claims will be a criminal offence and this is to be welcomed, the State and the courts lack the resources to respectively research the new claims, let alone prosecute fraudulent ones. This is demonstrated by the fact that they have been unsuccessful in meeting either of the two previous Presidential deadlines set for settling existing claims or have done poor research in the process which in itself is likely to result in many new counter claims on already settled land.

Draft Expropriation Bill

While not a result of the Green Paper, the new Bill is a vast improvement on the previous one that FSA and others had successfully challenged in 2008. It provides a framework for expropriation but does not grant new powers of expropriation nor limit the powers of the courts, which the previous Bill sought to do.

We still have some concerns around the definition of “public interest”, unregistered rights, delayed payment of compensation and powers relating to investigations to be conducted prior to expropriation. It does, however, now specify that expropriation may only take place after an attempt has been made to reach agreement with the owner.

Agricultural Land Holding Policy Framework

After the NAREG process, in which FSA and other Associations had participated, had agreed to abandon the idea of land ceilings, the Minister signed the “Agricultural Landholding Policy Framework” and handed it out during a national consultative meeting, which took place at NASREC on 2nd August 2013 which FSA attended. This policy once again proposes land ceilings and floors and precarious tenure for foreign landowners.

It is highly likely that the imposition of land ceilings would be unconstitutional and there is no evidence of it having worked anywhere in the world. Moreover, agricultural competitiveness is increasingly scale driven so FSA rejects any such proposals to place limitations on ownership. We have also made practical proposals to the Minister of DRDLR on how to deal with the real concern of foreign investment in land by countries using sovereign wealth funds, which has been seen elsewhere on the continent.

Strengthening the Relative Rights of People Working the Land

Following two years of extensive participation by FSA in the Land Management Commission (LMC) workstream dealing with tenure, the workstream completed its work and had in the period managed to:

- effect the withdrawal by the President of the controversial Tenure Security Bill and instead propose amendments to the Extension of Security of Tenure Act and the Labour Tenants Act;
- obtain Ministerial approval for a new policy on evictions which took account of both the historical but also current and future importance of tenure; and
- have commissioned an ILO study on the causes and effects of evictions which would provide an objective view of tenure security.

In spite of these important successes and following the conclusion of the work of the LMC workstream, the Minister chose to table the policy “Strengthening the Relative Rights of People Working the Land” during the national consultative workshop on 2nd August 2013. This policy seeks to transfer up to 50% shareholding in farms to people who work the land based on the length of time they have worked on the farm yet still obliges the landowner to pay all taxes, rates and debt owed and maintain the farm’s operational capacity.

FSA objected not only to the process used by DRDLR in tabling this document but also to much of its content. We did, however, welcome the principle of empowerment which it sought to achieve as this was a departure from DRDLR’s usual myopic focus on ownership of land at all costs which has characterised the land reform process to date. We were then invited to present alternative proposals to the policy, which we did in a special meeting of the re-constituted LMC on 19th October 2013. The key argument we have made is that since the new policy is more about empowerment and less about land ownership targets, the DRDLR should seek to use the BBBEE Forest Sector Charter instead of the Minister’s model for the following reasons:

- The Charter, as a mechanism of empowerment, already exists and the Industry is one of the most compliant sectors with the provisions of the BBBEE Act in South Africa.
- The Charter provides for different levels of compliance according to the scale (and therefore capacity to empower) of different sized forestry operations.
The Charter deals with empowerment in more meaningful ways than simply ownership, as provided for in the Minister’s models. These include 7 different empowerment elements, of which ownership is but one such element. This broader focus on empowerment is far more likely to result in sustained partnerships with empowered communities than ones which simply stipulate co-ownership arrangements.

Land Audit

While the DRDLR concluded its audit of State owned land using information obtained from the Deeds Office, they are still not able to add the race classification in terms of ownership. The objective was to determine the extent of State owned land, what the various land uses were and by whom it was being used. In the process, a desktop audit in respect of privately owned land was also conducted. The process excluded un-surveyed land.

The DRDLR committed itself to working with Agri SA and FSA through the sub-committee of the DAFF CEO’s Steering Committee which has been dealing with land audits. The Director General of DAFF has now undertaken to intervene with the DRDLR’s Director General to ensure that the project leader for the sub-committee of the CEO’s Steering Committee obtains the meeting with the Surveyor General which we have sought for years. This meeting and resulting process would undoubtedly improve the accuracy and detail of the information contained in the Land Audit.

Labour Issues

Although FSA’s Human Resources Committee only met once during 2013, FSA, through its Operations Director, made a number of submissions to the Department of Labour on a host of Bills and regulations, all of which, in FSA’s opinion, would work directly against the Government’s stated objective of creating 6 million jobs over the next ten years. Details of FSA’s interaction with the Department of Labour are listed below.

Forestry Sectoral Determination

Although this issue was reported on in last year’s Annual Report, the following is worth recapping.

Following the politically inspired farm sector riots in the Western Cape in December 2012, the Minister of Labour, although not acceding to the “workers” demand for a minimum wage of R150 per day, nevertheless increased the agricultural wage (applicable from 1st March 2013) to R105 per day – a 51.3% increase.

As, in terms of the Forestry Sectoral Determination, the minimum wage applicable to forestry workers is linked to the agricultural wage (98% w.e.f. 1st April 2013), an urgent meeting was held between Industry and representatives of DoL and the Employment Conditions Commission (ECC) on 1st February 2013 to discuss the implications of such a steep rise in wages.

The DoL and ECC representatives undertook to commission a study into forestry wages by the Bureau for Food and Agricultural Policy (BFAP) – similar to the one done for the Agricultural Industry prior to the announcement of that sector’s minimum wage. This was not done, the upshot being that the Forestry Sectoral Determination was not amended. Hence, as of 1st April 2013, the minimum forestry wage soared by 56%.

It had been expected that such an increase would have led to considerable job losses. However, this has fortunately not been the case as most employers have ameliorated the impact of increased minimum wages by reducing the hours worked by employees.

Although not technically covered by the ambit of this Annual Report, members should note that as of 1st April 2014, the forestry minimum wage will be the same as that paid to agricultural workers.

It should also be pointed out that FSA’s Operations Director picked up a mistake in DoL’s original Minimum Wage Gazette and took this up with the Department. The subsequent correction resulted in savings to the Forestry Industry of an estimated R10m and to the Agricultural Industry, R90m in the 2014/15 year alone.

Progress with Draft Labour Amendment Bills

Four daft labour amendment bills were originally published in December 2010 – all of which were contentious. Although FSA has made various submissions on these Bills and made oral submissions to the Labour Portfolio Committee on them during the past couple of years, progress has been very slow. However, given that 2014 is an election year, progress suddenly speeded up during 2013. FSA concurs with the views of other business aligned bodies that the current labour legislation regime in South Africa is already far too restrictive and is concerned that the new proposed amended legislation will actively
prevent the creation of a more flexible labour regime, thus leading to further job losses in the economy in general and the sector in particular. A brief progress report on developments appears below.

**Draft Labour Relations and Basic Conditions of Employment Amendment Bills**

At the time of writing, both Bills have been passed by both Houses of Parliament, although neither has been signed into law by the President. FSA submitted written comments on both Bills as well as making oral presentations thereon to the Labour Portfolio Committee in July 2012. Although the original Bills were subsequently amended to make them less contentious, the Bills in their final form still contain highly controversial and “business-unfriendly” provisions. These are as follows:

- Non-compliance will be a criminal offence.
- Temporary employment will be limited to 3 months (originally 6 months).
- The Minister will have the power to set wage increases generally, not just minimum wages.
- The Minister will be able to set union recognition thresholds.

**Draft Employment Equity Amendment and Employment Services Bills**

Although the Employment Services Bill is still in the Nedlac process, the Employment Equity Amendment Bill has now been passed by both Houses of Parliament, although has still not been signed into law by the President. Employers in the broader sense, including FSA, are deeply concerned about certain provisions of the Bill, the most important ones being that:

- national demographics will henceforth be used as a determinate for compliance (previously regional demographics used).
- the pool of “suitably” qualified people to fill posts will no longer be a determinant of compliance and, even more concerning:
- fines for non-compliance will range from between 2% and 10% of an employer’s turnover.

It is our view that this heavy handed approach will have a detrimental effect on Industry’s ability
to remain competitive, not only by adding to the already high cost of doing business but by the fact that employers may, in effect, be forced into hiring staff who may not necessarily have the necessary skills to perform the jobs that they were hired to undertake.

**COSATU Proposals Regarding Labour Matters**

In mid-2012 COSATU released a number of proposals concerning labour issues which they wanted the ANC to adopt. These were:

- the banning of labour brokers;
- the setting of a national minimum wage of between R4 800 and R6 000 per month for all workers;
- the establishment of a national centralised collective bargaining system covering all sectors of the economy; and
- increasing the welfare safety net.

Given that 2014 is an election year, in their attempt to keep COSATU “on-board”, the ANC has included in its election manifesto a promise to investigate, over the next 5 years, the feasibility of introducing a national minimum wage. FSA regards such a move a being economically and socially counter-productive.

**Foreign Worker Work Permits**

This has been an ongoing problem for a number of years, particularly in Mpumalanga where officials were not issuing “corporate” work permits to employers and that as a result, the Department of Home Affairs was not able to issue work permits to the affected individuals. Despite negotiations at Nedlac, where all parties agreed that the Department of Home Affairs should draft more accommodating regulations, the new regulations published in February 2014 will actually make it more, not less, difficult for employers to hire foreign workers, especially those with no or little skills. FSA, in conjunction with Agri SA are dealing with the issue.

**Workmens’ Compensation**

During the course of the year, FSA was alerted to the fact that serious problems existed with the functioning of the Workmens’ Compensation Commission and that the situation had been gradually getting worse over a number of years. Not only were injured workers not being paid out for their claims but medical practitioners were no longer willing to deal with such cases because of non-payment to themselves. FSA subsequently took the matter up with Agri SA and through them, BUSA. Although not yet resolved, BUSA is handling the matter on behalf of all employers as the problems being experienced cover all employers in all sectors of the economy. The current situation is a gross indictment on the Commission and indicates a high level of dysfunctionality within the organisation. It is sincerely hoped that BUSA can resolve the crisis as soon as possible.

**Business Development Unit**

It is pleasing to report that the work of FSA’s Business Development Unit was re-invigorated following the appointment of Mr Norman Dlamini in June 2013, following the resignation of the previous incumbent, Steven Ngubane in August 2012. FSA must record its thanks to both Mr Winston Smit, who was contracted in a temporary capacity to undertake this work in the absence of an incumbent and Mr Nathi Ndlela, FSA’s Project Officer, both of whom “held the fort” admirably well. During the year, the following can be reported on.

**Business Development Committee**

The Business Development Committee was established in 2012, the overall objective being to promote greater business and development opportunities between FSA’s larger and smaller scale growers, especially in the areas of enterprise support, development and transformation. Two main initiatives were undertaken during the year, these being the following:

- **Forestry Indaba:** This well attended event, hosted jointly by the ICFR and the Committee was held in November 2013. The objective of the Indaba was to explore ways in which the development of the small-scale grower sector could be enhanced. A number of important actions were highlighted at the Indaba to achieve small-scale grower growth and these will be acted upon by FSA’s Business Development Unit during the course of 2014.
• **Collaboration with FESA:** The Business Development Unit initiated collaboration with the Industry’s Forest Engineering Working Group during the year under review to undertake research aimed at producing innovative and economical solutions to the harvesting and short-haul transport challenges currently facing small-scale growers.

**Funding for Small-Scale Grower Development**

It is disappointing to report that despite its Charter commitments to establish a Forestry Grant Scheme and following several years of lobbying by FSA for DAFF to abide by this commitment, no funding for the Grant has yet been made available. What is even more concerning is the fact that DAFF has actually yet to even request the National Treasury for a budget to fund the provision of such a grant. This issue had been raised at the CEOs’ meeting as it is of significant concern to the whole Industry and to small-scale growers in particular.

However, on a more positive note, a Task Team was established towards the end of 2013 to design, establish and operationalise a Forest Enterprise Development Fund to meet the BBBEE Charter commitments of Government and Industry. We shall, however, wait and see if anything should come of this.

**Skills Development: Emerging Grower Technical Toolkit**

- It is encouraging to report that the FP&M SETA continues to provide millions of Rands per year to fund skills development within the Industry. Following an application by FSA in 2013, led by FSA’s Business Development Director, with support from our Operations Director, who serves on the FP&M SETA Board, R300 000 was allocated by the SETA to train 60 small-scale growers on the basic techniques involved in the growing of eucalyptus crops, using the Emerging Grower Technical Toolkit (as developed by the ICFR and funded by the FAO). Although the amount requested was less than that originally applied for, FSA will make a further application in April 2014 for funding to train more growers.
- The ICFR is currently developing another technical toolkit for the growing of wattle species which is to be welcomed. Should further funding be approved, FSA will look at including harvesting training material in the Toolkit training material as well.
- Following a technical hiccup, Certificates of Competence for those who successfully completed the Emerging Grower Technical Toolkit training sessions held in 2009 and 2011 were finally awarded in 2013.

**Grower Development Programme**

Other than the lack of effective extension services available to small-scale growers, the other main hurdle that small-scale growers face is the lack of funding. As a result, FSA has initiated a Grower Development Programme, the aim of which being to assist in the provision of both technical advice and funding. In terms of this:

- the Provincial Small-Scale Enterprise Development Agency (SEDA) offices in KZN and Limpopo both agreed in principle to assist small-scale growers in capacity development using their Development Programme packages (i.e. “Let’s talk business”, “Business start” and “Business Grow”); and
• SEDA officials have begun assisting small-scale growers to register their forestry enterprises as “official” business entities as this will make them eligible for applying for small business support incentives offered by various Government agencies.

IIED FGLG-SA Programme
The Forest Governance Learning Group – South Africa (FGLG-SA) Programme came to an end in November 2013. The Programme, which had run for seven years and which was funded by the UK based International Institute for Environment and Development (IIED), contributed substantially to resolving pro-poor governance issues over its lifetime. FSA would like to thank the IIED for their considerable support and funding provided over the life of the Programme.

Transport Issues
Although the FSA Transport Committee only met once during the year under review, the Committee continued its work unabated in the background. Although a lot of the focus of this work related to the process of revitalising the Thuth’ Ihlathi Project, other developments also require reporting on. In summary, these are the following:

Railage Matters
Excellent progress on railage matters during 2013 can be reported and this was, in no small measure, as a result of the willingness of Transnet Freight Rail to actively assist the Industry in getting more timber back on rail. This is an important and welcome development and for this FSA must offer TFR and...
its officials involved in initiating this, its sincere appreciation and thanks. Likewise, the hard work of the members of the FSA Transport Committee must also be recognised as their input has also contributed greatly to the successes achieved.

Revival of Thut’ Ihlathi Project
The original seeds for the revival of the Thut’ Ihlathi Project goes back to a meeting held between the FSA Transport Committee and a high ranking delegation from Transnet Freight Rail (TFR) held on 7th September 2012 to discuss the possibilities of reviving the Project on the Pietermaritzburg Cluster of Branch Lines. The Project Plan, presented by the TFR executives at that meeting was fully supported by the Transport Committee and entailed a three phased approach; namely (Phase 1) resources and rates; (Phase 2) sustainability; and (Phase 3) service levels. During the course of 2013, the Project Plan was implemented and in terms of progress made, the following can be reported:

- Rail tariffs were reduced by 58% from 1st December 2012 and increased by only 5.3% from 1st April 2013 and by 5.9% from 1st April 2014. They are thus currently well below the rates offered by road hauliers.
- As a result of the competitive rates now being offered by TFR, the tonnage of timber being transported on these branch lines has increased substantially and continues to do so.
- A Timber “Round Table” has been established, on which cargo owners and TFR officials sit, the role thereof being to deal with strategic, operational and performance issues in order to enhance the efficiency of the system.

Although not without its teething problems, this Project demonstrates the benefits that can be derived from collaborative projects such as this and, in FSA’s opinion, a great success. It’s a win-win situation for all parties – the Industry reduces its transport costs, TFR attracts greater volumes of traffic and the road network is subjected to less potential damage and is safer for road users.

According to a survey undertaken by FSA in 2011, the tonnage of timber that could be potentially railed annually on these lines could be 10 fold higher than it was then (i.e. a potential of 1 347 000 tons). Should this potential be realised, it is estimated that the Industry could save upwards of R50 million per year on its timber transport bill.

Other Railage Matters
- **General Timber Tariff Increase:** One of the problems the Industry has experienced in the past was the fact that TFR railage rate increases were (a) imposed on a unilateral and “take it or leave it” basis and (b) that they were consistently considerably higher than inflation. It is thus pleasing to report that as of 1st April 2013, a general increase in timber tariffs of between 7% and 10% was imposed on all lines (excluding, as mentioned above, the 5.3% increase on the PMB Cluster of branch lines).
- **New Timber Wagon Design:** The Industry and TFR embarked on a collaborative project during the year regarding the design of new timber wagons for use on coal lines.

Road Matters

**Amendments to National Road Traffic Regulations**
These Amendments were initially Gazetted in June 2012 for public comment and were so potentially damaging to the Industry that FSA convened an urgent meeting to formulate an official Industry submission thereon. Given the seriousness of the amendments’ implications, FSA was disappointed to find that although one or two of our concerns had been taken cognisance of, most had not been addressed.

As mentioned in last year’s Annual Report, at the request of FSA, the offices of the KwaZulu-Natal DoT kindly facilitated direct interaction with the National Department. As a result, FSA was given an opportunity to make a second submission – this time on the amended regulations. The contents thereof were discussed in depth at a meeting held in January 2013 between a joint FSA and SA Cane Growers delegation and Provincial and National DoT officials. It is pleasing to report that the DoT officials took our concerns seriously and to date, the new regulations have neither been re-amended nor, more importantly, Gazetted. This is indeed good news as the regulations, even in their amended form, would have had extremely serious financial consequences for the Industry.

**N2 Toll Road**
It had been the original intention of SANRAL to build toll gates on the N2 in Southern KwaZulu-Natal to help fund the building of the road in the Transkei. FSA
objection to this as it did not comply with the “user pays” principle. It is thus pleasing to report that the authorities have agreed that this will no longer be the case. Given the volume of timber travelling on that section of the road servicing Saiccor, this will save the Industry many millions of Rands per year.

Other Road Transport Issues

- **Administrative Adjudication of Road Traffic Offences (AARTO):** It is pleasing to report that the introduction of this new system has been put on hold once again, thereby saving Industry millions of Rands in compliance costs.

- **Diesel Rebate:** SARS issued new regulations during the year regarding the keeping of log books to try and combat the abuse of the system. As a result, from 31st March 2013, no rebates will be granted unless a logbook containing certain minimum information is kept. To assist with compliance, FSA circulated the new regulations and a generic logbook to all members.

Port Matters

Some successes can be reported on regarding port matters, these following submissions made by FSA and other cargo owners. In brief, they are as follows:

- **2013/14 Tariffs:** The National Ports Authority (NPA) applied for a 5.4% increase in tariffs. The Ports Regulator of SA finally approved a zero percentage increase, thereby saving Industry many millions of Rands that year.

- **2014/15 Tariff Application:** The National Ports Authority applied for an initial 14.39% increase in tariffs for the 2014/15 year but which was subsequently moderated to 8.5%. FSA again made a detailed submission on why the NPA should not be granted such an increase. One of our major reasons being that we strongly believe that the “revenue requirement” model that the NPA uses to calculate what tariff increase they need is fundamentally flawed, as it builds in factors such as required ROI, tax, profit and most importantly, capital expenditure. Given that there are plans underway to create a new port on the site of the old Durban Airport which will cost billions of Rands, the inclusion of capital expenditure in the tariff calculations is simply unacceptable. FSA has, on repeated occasions, let the Ports Regulator know its views on this – ports are a national asset and any funding for specific capital projects should be funded through either the fiscus or through raising the required funds on the capital market – cargo owners should not bear the brunt of these costs. It is thus welcome news that the Ports Regulator rejected the NPA’s tariff increase application and announced that they would grant the NPA a more reasonable 5.9% increase.

- **Ports Regulator Investigations:** Following FSA and other cargo owners’ interactions with the Ports Regulator, they instituted two studies during the year. The first, a study into port charges in South Africa, confirmed our belief that they were some of the highest in the world – in the case of container handling charges in Durban for example – a staggering 874% higher than the world average. As a consequence of its findings, the Ports Regulator instituted a second study into the current “revenue requirement” methodology used by the NPA to determine tariff increases – something that FSA has, for a long time, been calling for. It is FSA’s view that until such time as the NPA’s “revenue requirement” model is (hopefully) amended, annual increases be limited to no more than either the CPI or PPI – something that happened this year.

Although difficult to quantify, the actions of FSA (and other cargo owners) has resulted in cost savings to the Industry of millions of Rands per annum.

Transformation and the Forest Sector Charter Council

There were some major developments during 2013 in the field of BBBEE generally and in the Forest Sector Charter Council specifically. The following contains a brief summary thereof:

- **Council Management Matters:** Unfortunately, there were major challenges in the relationship between the newly (February 2013) appointed Charter Council’s Executive Director both with the Council itself and its Chairperson. After protracted discussions and processes had ensued, a settlement was reached in October 2013 in which the Executive Director of the Council stepped down and was paid the maximum compensation of one year’s salary. This being the second failed attempt to get a suitable Executive Director for the Council, Industry and
Government agreed that FSA’s Executive Director and DAFF’s BBBEE Charter Compliance official, would jointly handle the management of the Council in the interim, while new management arrangements were established for the continued functioning of the Charter. New arrangements are to be tabled at the next meeting in February 2014 as it is not ideal that Industry and Government should oversee the running of the Council, as they are the main actors in the Charter.

- **Codes for Forest Grower Partnerships (outgrower schemes):** These Codes, developed with FSA as the Chair of the Council Task Team, were approved in October 2013.

- **Arrangement Regarding Payment of 2014 Charter Council Fees:** The Industry, through FSA, approached the Charter Council for financial relief in terms of its Charter contributions (R545 028 for 2014) on the basis that (a) FSA’s reserves were almost depleted and that (b), the Council had built up nearly three years of operating reserves. The Council agreed to the request presented by FSA’s Executive Director on condition that all outstanding contributions from other Associations party to the Council, were paid up. FSA subsequently approached those Associations concerned and they had agreed to make good on their contributions.

- **Possible Re-Alignment of Sector Codes:** Most importantly, following the first National BBBEE Summit convened by the President, on which FSA sent a full report to members, in October 2013 the Minister of the Department of Trade and Industry (Dti) published new generic codes for BBBEE compliance, the BBBEE Act being amended accordingly. FSA also attended a meeting earlier in the year between the Dti and all Charter Councils to discuss how the new sector codes and BBBEE Amendment Act would need to be incorporated into the various Charters.
A process for this had been put in place by the Forest Sector Charter Council and many of the new proposed changes may in fact be beneficial for smaller enterprises. These included the higher compliance thresholds for Emerging Micro-Enterprises (EMEs) and Qualifying Small Enterprises (QSEs) and the consolidation of the 7 elements on the scorecard into 5 elements. It is envisaged that FSA and other Associations will need to establish a process to negotiate an Industry position for participation in this re-alignment process, just as was done during the negotiation of the Charter in the mid-2000s.

Regarding the above, FSA questioned whether there was a need to still have a separate Charter Council and the associated costs of running its own Charter Council if the Dti were able to unilaterally prescribe new codes. It was felt, however, that there is still significant scope in the alignment process to ensure that a Sector Specific Code, which is more appropriate for the Forestry Industry, may have more benefits than adopting the generic Codes, especially in terms of the focus it brings to the growth and development of the Sector. No final decision has, however, yet been taken.

- **Other Matters:** There are a number of other transformation matters which need to be reported on – these are summarised below:
  - It is very pleasing to note that the Dti regards the Forest Sector as a model for transformation both in terms of the progress made by Industry and also in terms of the functioning of the Forest Sector Charter Council, notwithstanding the challenges of finding suitable executives to manage the Council.
  - The Council is busy with a mid-term review which is several years overdue and this has been modified to include the alignment process described above.
  - The Council has also commissioned the next BBBEE Status Report and members are encouraged to participate in that process as it provides an indication of the levels of transformation within the Sector.
  - FSA successfully intervened in the controversial consultant’s Report on working conditions in the Industry and it has consequently not been discussed further in the Charter Council. FSA has, nonetheless, produced its response to the Report which will be used should the need arise, to indicate how deeply flawed the Report is.

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**Education and Training**

As in previous year’s, FSA continues to support education and training through the provision of financial support to both the University of Stellenbosch and the Nelson Mandela Metropolitan University (Saasveld), through its participation in their respective Advisory Boards and through its membership of the Board and various committees of the Fibre Processing and Manufacturing SETA (FP&M SETA). FSA is also a member of the Forest Industries Training Providers Association. A brief summary of these activities appears below.

**Tertiary Educational Institutions: Stellenbosch and NMMU (Saasveld) Universities**

**Support Rendered**

FSA continues to directly support both Institutions through the provision of funding for bursaries, travel funds (to assist funding interaction with Industry) and funds to assist students to attend the International Forestry Students Symposium, held in different countries each year. FSA, through its Operations Director, is also the Chair of the Saasveld Advisory Committee and a member of the Stellenbosch Advisory Committee. In terms of the provision of funding in 2013, funding to Stellenbosch amounted to R130 000 – R120 000 for bursaries and R10 000 for the IFSS, whereas Saasveld was granted R35 000 – R25 000 for travel funds and R10 000 for the IFSS. In addition to the above, Saasveld was granted an additional R5 000 to help fund a symposium held by the Southern African branch of the IFSS which was hosted at Saasveld. In addition to these amounts, through funding from the Medium Growers Group, five bursaries of R10 000 each were awarded to four students attending Saasveld and one Stellenbosch.

Both Institutions also benefitted greatly through the provision of bursaries by the FP&M SETA in 2013. Twenty one students were supported at Saasveld and sixteen at Stellenbosch. An additional four students were supported at the University of Venda. In total the value of bursaries given to these 41 students amounted to R 345 000. This is almost three times the R 125 000 that the SETA provided in 2012. This is a considerable amount of funding and FSA would like all those involved at the SETA for making this possible.
Experiential (Practical) Learning

Both Stellenbosch and Saasveld have requested Industry support in helping them to place students.

- **Stellenbosch**: As of January 2013, the Department of Forest and Wood Science introduced a compulsory 3 week practical field work module to the BSc. Forestry degree. This entails the placement in Industry of between 12 and 20 students per year. FSA assisted in facilitating this through advising the Industry of the development and encouraging employers to participate.

- **Saasveld**: Unlike Stellenbosch, Saasveld has been placing students in Industry for a long time. Unfortunately, 2013 was the first year that they had difficulty in doing so, mainly because of difficult economic conditions and the fact that some students did not have driving licences. It is thus encouraging to note that both these problems will hopefully be resolved through funding received from the FP&M SETA. On the first issue, Saasveld managed to get funding from the SETA to provide for a R3 000 per month stipend for each student, thereby saving employers cost and on the second issue, FSA facilitated the provision of funding to pay for driving lessons for the students who were unable to afford them otherwise. The FP&M SETA and in particular, its COO, Mr PK Naiker, must be sincerely thanked for assisting in the provision of this funding.

Curriculum Development

In order to remain relevant, courses and content have to be continually modified to suit the needs of Industry. In terms of this, during the year under review, Stellenbosch developed a new Post Graduate Diploma in Forestry and Wood Science which will be available to those with a BSc. or B.Tech qualifications. It was introduced in January 2014. Saasveld is currently modifying various curricula and to this end a “Curricula Development Workshop”, to which Industry was invited, was held during the course of the year which coincided with their annual Advisory Committee meeting.

FSA would like to congratulate Professor Quinton Johnson on his new appointment as the campus Director at NMMU (Saasveld) and offer our special thanks to Professor Thomas Seifert, Chairman of the Department of Forest and Wood Science at Stellenbosch University and Dr Jos Louw, Director of the School of Natural Resource Management at Saasveld, for their sterling efforts.

Other Matters

- **Fort Cox College of Agriculture and Forestry**: In November 2012 a new 3 year Diploma in Forestry qualification, the curriculum having been developed with the assistance of Stellenbosch University and Saasveld, was accredited by the Council on Higher Education and has subsequently been registered with the South African Qualification Authority. This qualification will fill a niche market and is welcomed by FSA which has subsequently been asked to sit on their Advisory Committee.

- **SADC Forestry Education and Training Study**: FSA participated in this UN / FAO funded study, the object of which being to assess forestry education and training facilities in Malawi, Zambia, Zimbabwe and South Africa to determine the suitability of forestry curricula, institutional
capacity and infrastructure and to see how cooperation on a regional scale could be achieved. The final Report is awaited.

- **Timbermech**: In 2012 Timbermech, which was busy winding its affairs up, indicated to FSA that it was planning to donate the balance of its funds remaining (+/- R100 000) to FSA to administer in order to help fund further education in the field of Forest Engineering through the awarding of bursaries. A meeting was held during the latter part of 2013 between the Timbermech Executive Committee and FSA to agree on terms (one being that the Forest Industry Training Providers Association (FITPA) be donated R10 000) and in early 2014, the funding was received. FSA would like to thank the Timbermech Executive Committee for their kind donation which FSA will put to good use.

Fibre Processing and Manufacturing Sector Education and Training Authority (FP&M SETA)

As reported in last year’s Annual Report, the Industry continues to play an important role in the affairs of the FP&M SETA – this through FSA, SAFCA and FITPA. Not only do these organisations’ staff and members sit on various committees but are actively involved in a range of the SETAs initiatives and activities. FSA is directly represented on the Board, Audit and Governance and Strategy Committee whilst SAFCA has direct representation on the Quality Assurance Committee. A brief summary of major developments appears below:

**Internal Issues**

- **Appointment of New CEO**: Following the refusal of the Minister to ratify the appointment of the CEO that the Board had chosen as their preferred candidate, Ms Felleng Yende, the erstwhile head of transformation at BHP Billiton, was chosen by the Minister and commenced her duties on 1st May 2013. She has settled into her new job well and FSA is of the opinion that she has the right management experience and attributes to enhance the performance of the SETA.

- **Management Information System (MIS)**: Legal wranglings with the incumbent supplier were resolved during the year and Deloitte won a tender to provide a far better service than previously. The system will be fully operational by the end of the 1st Quarter 2014. This will greatly assist in the more efficient distribution of grants to employers, amongst other things. A series of workshops were held country-wide to explain to employers how to use the new system in order for employers to submit the necessary documentation for the obtaining of grants.

- **SETA Performance for the 2012/13 Year**: This was reported on at the well-attended SETA AGM held in October 2013. Despite the fact that the SETA received an unqualified audit opinion from the Auditor General, performance could have been better regarding its performance measured against the National Skills Development Strategy III targets set for it, although our view is that the targets were over-optimistic.

- **Stakeholder Information Sessions / Workshops**: The SETA held a number of workshops on various topics and information sessions throughout the year. These meetings provided stakeholders with a chance to acquaint themselves with the information needed to improve their training efforts and to hear about SETA developments.
and air any of their own issues. They continue to be a successful initiative.

### Operational Issues

- **New Grant Regulations:** These new regulations were Gazetted unilaterally by the Minister and came into effect on 1st April 2013. Although they have major implications for the operational procedures required of SETAs, of greater concern to the Industry is the fact that mandatory grants due back to complying employers have been reduced from 50% of what they paid in skills development levies to a mere 20% and, secondly, that SETAs now have to allocate 80% of discretionary grants to fund vocational training programmes (i.e. apprenticeships, learnerships and internships), FET Colleges being the preferred service providers. Contrary to our fear that the former measure would lead to a drop in compliance levels, this, according to the SETA’s statistics, has surprisingly not occurred. BUSA is so concerned about the Minister’s actions that they have instituted court proceedings against him.

Concerning the new emphasis on the funding of vocational training programmes, this also does not seem to have negatively affected the flow of training funds to the Forestry Industry through special projects and discretionary funds, most of which are to fund non-vocational training interventions. Nevertheless, the publication of these new regulations, without consultation with affected parties (including SETAs themselves) is a worrying trend.

- **Re-direction of SETA Funds:** Another concerning practice relates to the DHET increasingly “requesting” and in some cases, coercing SETAs to provide funding for projects, which in our view, should be funded out of the Department’s budget or alternatively, the National Skills Fund. An example of this is the re-directing of discretionary funding to fund the refurbishment of FET Colleges. The FP&M was "requested" to contribute R29 million to this specific project. The bottom line is that these increasing demands are negatively impacting on the amount of discretionary funds that the SETA has available to fund direct training initiatives in the Sector.

- **Conversion of Qualifications onto the QCTO System:** In yet another unilateral decision, the DHET decreed that all current qualifications would have to be “converted” from the current unit standard based system into a new Quality Council for Trades and Occupations (QCTO) format. At a cost, on average, of R1.2m to convert a qualification, FSA regards this as a futile and costly exercise, especially since the current system is well understood and working well. Despite this, during the course of 2013, FSA staff and members together with those of SAFCA and FITPA devoted a considerable amount of time and effort to assist the SETA develop “Organising Framework Occupational” (OFO) Codes applicable to the Forestry Industry which the QCTO system is based on. Due to limited SETA resources, the Industry had to prioritise qualifications for conversion and work is currently being undertaken on the development of both a Forestry Operations Foreman and Forestry Operations Supervisor qualification. It is encouraging to report that at a workshop convened by FITPA in February 2014, a further 4 qualifications were prioritised for conversion.

- **Sector Skills Plans:** During 2013, staff and members of FSA, SAFCA and FITPA gave significant input during the year into the stakeholder interaction processes facilitated by the SETA to develop and refine the SETA’s Sector Skills Plans for both 2012/13 and 2013/14 as it related to the Forestry Industry.

The FP&M SETA has come a long way in its less than three year’s of existence although it still faces major challenges concerning operational efficiencies and meeting its strategic targets. However, under the new leadership of Ms Felleng Yende, we are positive that the situation will improve. Thanks must be extended to herself, the Chairman of the Board, Mr Sipho Ngidi and the FP&M SETA staff for the work they are doing and for the considerable amount of funding that they provide for skills development on the Industry.

### Industry Promotion

#### The Wood Foundation

Although FSA and the other members of the Foundation are fully committed to its objectives, namely promoting the growing of trees and the use of wood as a preferred material, it is run on a shoe-
string budget and by volunteers who have full-time jobs working for their respective Associations or Companies. FSA for example is represented on its Executive Committee by its Operations Director. This lack of any meaningful funding in particular meant that the Foundation’s activities were very low-key during the year. Although one solution to the funding problem would be to get funding from DAFF in terms of their Charter commitments, attempts to secure this in 2013 again came to naught. However, on a more positive note, Sawmilling South Africa and the Institute for Timber Construction developed an innovative potential funding mechanism for not just the Wood Foundation but for all the Associations in the entire value-chain. Although the proposal at this stage has only been tabled to the members of the abovementioned Associations, no firm commitments nor agreement on how to proceed (if at all) have been made. Other developments worthy of reporting on are the following:

- **Annual General Meeting:** At its AGM held in August 2013, Mr Roy Southey, the Executive Director of Sawmilling South Africa, was re-elected as the Wood Foundation’s Chairperson for a third one year term. Given that the normal term of office is 2 years, FSA would like to sincerely thank Mr Southey for agreeing to perform his duties as Chairperson for an additional year, especially given the difficult circumstances the Foundation finds itself in.

- **Woodex for Africa Exhibition 2013:** FSA, along with other Foundation members, participated in the second Woodex Exhibition held in March 2013 under the auspices of the Wood Foundation. The exhibition stand, given free of charge and on which FSA was represented, generated a lot of interest from fellow exhibitors and the general public alike. Following feedback from exhibitors, the 2014 Woodex event will be moved to early June so as not to coincide with a major European forestry and wood products trade fair and so as not to fall on a South African public holiday. It is hoped that this will boost attendance.

- **Resignation of a Wood Foundation Stalwart:** As the key driver behind the establishment of the Wood Foundation and dedicated member of the Executive Committee since inception, Gerard Busse resigned from the Wood Foundation at the end of December 2013 following a change in jobs. Gerard was passionate about the objectives of the Foundation and worked way beyond the call of duty for the benefit of us all. His input and enthusiasm will be greatly missed. A great debt of gratitude is owed to Gerard as well as to his ex-employer, Lonza, who gave generously to the funding of the Wood Foundation.

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**Other Promotional Activities**

- **Primary School Forestry Curriculum Project:** This Project, which is being driven by the “Paper Recycling Association of SA” (PRASA) and to which FSA made an initial R40 000 financial contribution, is progressing well. During the course of 2013, the scope of the Project was broadened to include “the paper story”.

- **Promoting the Use of Wood in the Built Environment:** During the year under review, the Institute for Timber Construction, initiated a Project to promote the use of timber as a material in the construction of residential and commercial buildings. FSA, which has been asked to support the Project, has given it its wholehearted support.

- **Media Interaction:** As the official spokesperson of the Association, the Executive Director had, during the course of the year and as in previous years, numerous interactions with the media. These interactions resulted in a number of radio broadcast interviews being conducted as well as inputs into printed media articles, the most visible of which being a 2 page spread in the *Business Day* in June 2013 in which the Executive Director let know his feelings about DAFF’s lack of support to the Industry through their continued non-committal to supporting their obligations in terms of the Forest Sector Charter.

It also needs to be reported that FSA has cultivated an excellent working relationship with various media organisations, particularly **SA Forestry**, **Wood SA** and the **Farmers Weekly**, who are ever willing to give the Industry positive and pertinent news coverage. The work they do in disseminating forestry related news and opinion is
invaluable and for this our sincerest thanks must be extended to them.

- **Annual Abstract of Forestry Facts:** This pamphlet, produced by FSA and funded by DAFF has, over the years, proved to be an exceptionally cost effective way of publicising the positive benefits that the local Forestry Industry has on the local South African economy, to both local and international audiences and investors. Although not all the statistics contained in this specific pamphlet are sourced from DAFF’s official annual census statistics (a lot of data being researched by FSA itself), FSA was unable to produce this pamphlet in either 2012 or 2013 nor carry out any meaningful economic analysis on the Industry in 2012 or 2013 as it did not have access to DAFF’s statistics for either 2011/2012 or 2012/13.

The root cause of this problem can be directly attributed to DAFF’s gross mismanagement of the contract with the specific service provider, who, for the past number of years has done this work. DAFF’s actions (or more specifically, lack thereof) have not only caused great embarrassment to the Industry but have also resulted in FSA not being able to provide up-to-date and reliable economic analysis on the Industry to local and international players who require such information. Finally, and on a more positive note, it is hoped that the 2011/12 and 2012/13 figures will be available mid-year.
Appreciation

Michael Peter

This was possibly the most challenging year in FSA’s existence, as members continued to experience terrible trading conditions. As is understandable in such an environment we received some enquiries about the value that members get from their membership of FSA and what efforts we had made to reduce costs and augment our income. We have done our best to demonstrate this through the actions of FSA and the reports like this one, which we send to our members.

The very small staff complement of FSA, when compared to most other commodity associations, also means that we have to further rely on our members for in-kind support, the most valuable of which is the investment of their time to serve on the many FSA committees and processes which FSA leads.

Members are thanked most sincerely for the generous contribution of their funding and time to ensuring that the Industry remains well represented in these challenging times.

We would also like to express our sincere thanks once again to those partners in Government, who, through their support, contribute to the vision of a vibrant, transformed Forestry Industry. To our key partners in research, environmental management, tertiary institutions, the FP&M SETA and other Sector Associations, we would also like to express our sincere gratitude for your continued support.

Lastly we would like to express our sincere thanks to our Chair, Ms Viv McMenamin and Vice-Chair, Mr Murray Mason and to their respective companies for their outstanding support and leadership during this particularly challenging year.

Michael Peter
Executive Director
Forestry South Africa
FSA Finances

FSA Timber Sales Tonnage in 2013

Since the onset of the global economic crisis in 2008, FSA members’ tonnage sales, upon which FSA relies to a large degree on its income, have been adversely affected. From a peak of 16.7 million tons in 2008, tonnages by 2013 had dropped to 14.5 million tons. Every effort is thus made to ensure that estimated tonnage sales for the proceeding year’s budget are as accurate as possible, as this figure will determine the levy per ton agreed upon to fund the FSA’s own operational expenses and those of Industry funded activities. In terms of tonnage sales for 2013, the following can be reported:

• Despite sales tonnages for the year being 361 000 tons (-2.4%) lower than those recorded in 2012, they were, nevertheless, some 74 000 tons (+0.5%) more than the 14.4 million tons budgeted for. Another encouraging sign was that timber sales in the second half of the year were some 305 000 tons more than those recorded in the first six months of the year – this indicates a positive trend which it is hoped will continue during 2014.

• As mentioned above, although total timber sales were marginally more than budgeted for, not all sectors fared the same. It is thus important to note the following sales comparisons per product between 2013 and 2012 which appear in the Table below:

FSA Timber Sales Analysis – 2013 compared to 2012

<table>
<thead>
<tr>
<th>Product</th>
<th>Sales 2012</th>
<th>Sales 2013</th>
<th>Change (tons)</th>
<th>Change (percent)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sawlogs</td>
<td>3 916 110</td>
<td>4 100 920</td>
<td>184 810</td>
<td>+4.7%</td>
</tr>
<tr>
<td>Pulpwood</td>
<td>10 242 536</td>
<td>9 601 825</td>
<td>-640 711</td>
<td>-6.3%</td>
</tr>
<tr>
<td>Poles</td>
<td>307 417</td>
<td>470 510</td>
<td>163 093</td>
<td>53.1%</td>
</tr>
<tr>
<td>Mining Timber</td>
<td>209 194</td>
<td>258 853</td>
<td>49 659</td>
<td>9.3%</td>
</tr>
<tr>
<td>Other</td>
<td>159 470</td>
<td>42 015</td>
<td>-117 455</td>
<td>-73.7%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>14 834 728</strong></td>
<td><strong>14 474 122</strong></td>
<td><strong>-360 606</strong></td>
<td><strong>-2.4%</strong></td>
</tr>
</tbody>
</table>

• Income generated from these sales of R23.5 million was up R631 000 (+2.8%) on the budgeted amount of R22 896 000. This was a direct result of increased tonnage during the second half of the year and an increase in the levy from July onwards. Sales in 2013 consequently generated an income of almost R1.9 million more than in 2012.

• Regarding the levy increase mid-year, it is interesting to note that should this not have occurred, the levy income would have been R1 222 000 less, resulting in a deficit on budget of R590 000 by year end. Following on from previous deficits and the consequent erosion of FSA’s reserves, this would have resulted in FSA being technically bankrupt.

As mentioned above, from the figures recorded, it looks like the Industry has “turned the corner” regarding tonnage sales. Although too early to predict, it is hoped that the increased sales in the second half of 2013 will continue into 2014 and beyond. This would obviously not only be good for the Industry but, indirectly, for FSA itself and those who rely on its funding.

FSA Finances 2013

The Audited Financial Statements for the year ended 31st December 2013 have not been printed within the body of this Report but are available on the Association’s website www.forestry.co.za and in hard copy form on request.
FSA Budgets and Funding for 2014

Given the continuing subdued trading conditions experienced during 2013, the Executive Committee gave FSA management a guideline to cut budgets, wherever possible, by 10% and established a small Task Team, comprising the Chair, Vice-Chair, Executive Director and Operations Director to look carefully into this. In terms of this, two budgets were drafted and presented to the General Committee and Executive Committee for consideration, namely:

- a “Business as usual” budget involving no change to operational circumstances; and
- a budget based on cutting costs where possible and selling the FSA Office in Woodmead in 2014

At its meeting held on 25th November 2013 and following recommendations received from the Task Team and General Committee, the Executive Committee approved the 2014 budget, a summary of which appears below.

- **FSA’s Operational Budget**: Was decreased by 3.0% to R5 737 881.
- **Industry Activity Budget**: Was increased by 1.8% to R24 163 146.

A summary of these budgets is shown in the Table below.

### FSA Operational and Industry Budgets: 2014

<table>
<thead>
<tr>
<th>Allocation</th>
<th>Approved 2013</th>
<th>Approved 2014</th>
<th>R Change</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1): FSA Operations</td>
<td>5 914 598</td>
<td>5 737 881</td>
<td>-176 717</td>
<td>-3.0%</td>
</tr>
<tr>
<td>(2): Industry support</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Forestry Research</td>
<td>12 753 096</td>
<td>13 423 455</td>
<td>670 359</td>
<td>5.3%</td>
</tr>
<tr>
<td>Forest Protection</td>
<td>7 687 119</td>
<td>8 556 238</td>
<td>869 119</td>
<td>11.3%</td>
</tr>
<tr>
<td>Environment &amp; Water</td>
<td>895 000</td>
<td>1 133 425</td>
<td>238 425</td>
<td>26.6%</td>
</tr>
<tr>
<td>Charter Council</td>
<td>545 028</td>
<td>545 028</td>
<td>0</td>
<td>0.0%</td>
</tr>
<tr>
<td>Education</td>
<td>215 000</td>
<td>220 000</td>
<td>5 000</td>
<td>2.3%</td>
</tr>
<tr>
<td>Promotion</td>
<td>50 000</td>
<td>45 000</td>
<td>-5 000</td>
<td>-10.0%</td>
</tr>
<tr>
<td>Grasslands Programme</td>
<td>1 269 000</td>
<td>0</td>
<td>-1 269 000</td>
<td>n/a</td>
</tr>
<tr>
<td>IIED Project</td>
<td>316 500</td>
<td>240 000</td>
<td>-76 500</td>
<td>-24.2%</td>
</tr>
<tr>
<td>Industry total</td>
<td>23 730 743</td>
<td>24 163 146</td>
<td>432 403</td>
<td>1.8%</td>
</tr>
</tbody>
</table>

| TOTAL                     | 29 645 341    | 29 901 027    | 255 686    | 0.9%     |

To be noted from above:

1. Includes two new projects – sawlog growing regime & SAWS climate data projects.
2. Includes new BICEP forest protection project.
3. Includes new project aimed at certification of small-scale growers.
4. An agreement is being negotiated whereby FSA may not need to pay this for 2014.
5. This project came to an end at the end of December 2013.
6. This project also came to an end in 2013, although FSA will still fund some aspects of it in 2014.