

FORESTRY

1994 - 1995

## Meet local timber needs first — Asmal

JOHANNESBURG. — SA's timber industry needed to focus on local beneficiation of products rather than continue to increase exports of raw timber, Water Affairs and Forestry Minister Kader Asmal said.

### ③ FORESTRY

Addressing the SA Lumber Millers' Association's annual meeting, Asmal said adding value to timber would create more jobs and could earn as much, if not more foreign currency. CT 24/8/94

"Through beneficiation many opportunities exist for local production to provide for local needs, which will add value to the basic resource," he said.

Asmal said SA would need more timber for its domestic needs in terms of expected economic growth and the demand for houses in the government's Reconstruction and Development Programme.

"Your industry must gear itself to play an increasingly big role in the RDP," he said.

He called on sawmills to consider providing timber waste for fuel for poor communities.

# 20 strikers wounded in police fire

POLICE fired on 3,000 striking forest workers in the Eastern Transvaal yesterday injuring 20 of them, a police spokesman said.

The incident took place at Isewepe near Piet Retief when the forest workers blocked the national road between Ermelo and Piet Retief.

Police spokesman Captain Daandee van Vuuren said birdshot and rubber bullets had been used. Later he admitted that at least one policeman had used live ammunition after shots were fired at them from within the crowd.

Warrant Officer Timothy Radebe alleged that farmers were among those shooting at the strikers.

Captain Van Vuuren said the crowd repeatedly removed razor wire put there by police to cord off the area. When police used teargas and birdshot to disperse the crowd they were shot at.

Those wounded in the skirmish were taken to Piet Retief Hospital. No one was seriously injured.

It was not clear why the workers were on strike as police had been unable to identify leaders with whom to negotiate, he said.

A Sappi spokesman, Mr. Johan van Wyk, said the company was not sure about the reasons for the strike either.

Mondi paper manufacturing company

Company spokeswoman Ms Zeida Jonker said employees had been evacuated because of the volatile situation.

Two demonstrators, one of whom was carrying a petrol-bomb, were arrested.

Cap Van Vuuren said allegations of intimidation were being investigated following claims by truck drivers that they had been forced to transport workers

from nearby plantations to Isewepe.

He said although the strikers were still gathered at Isewepe last night, calm had returned to the area and police were securing saw mills and other premises in the vicinity.

Isewepe is a tiny village situated next to the main road between Piet Retief and Ermelo and its main source of income is derived from forestry and paper manufacturing. — Own Correspondent, Sapa

CT 21/1/72

FOREST STRIKE

# Plan to develop a new forestry policy for SA

■ SCIENCE WRITER

(3) FORESTRY

A national conference to develop a new forestry policy for South Africa has been announced by the Minister of Water Affairs and Forestry, Kader Asmal.

The conference at the World Trade Centre, Kempton Park, on March 2 and 3 will be the first public debate on the principles and issues surrounding the industry. *Nov 5/1/95*

The conclusions of the conference will serve as a contribution to a White Paper, and will aim at drafting proposals and policy for an integrated approach to forestry, Asmal said in a statement.

This will entail optimising economically and environmentally

sustainable and socially equitable development," Asmal said.

Included on the agenda are all aspects of management and conservation of forests; the relationship between forestry, society, the economy and the environment; industries based on forestry; and a special emphasis on the biomass initiative as social forestry.

Asmal called for the broadest possible range of interested, concerned and affected parties to attend the conference.

Inquiries to Tisha Greyling or Jeanette Beyleveld at the National Forestry Policy Conference Secretariat (012) 346-1517, fax (012) 46-7909.



## Threat to revoke unused forestry permits

CAPE TOWN — Water Affairs and Forestry Minister Kader Asmal yesterday threatened to revoke afforestation permits where no planting had occurred.

The permits under review affected about 300 000ha or one-third of the land for which permits had been granted.

Asmal said the process of applying for forestry permits had been "defective" and would be revised. **BD 25/1/95**

Although the constitution prevented him from reviewing afforestation permits which were being used, he was entitled to

**TIM COHEN**

review permits where no planting had taken place. Between 1972 and 1993, 3 873 applications for afforestation permits had been granted for about 936 000ha.

The review was necessary because forestry plantations consumed much water which was a scarce resource. He suggested the system might have been abused, as a permit increased land value.

It had become clear that the afforestation

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## Permits

tion permit system could no longer address environmental demands or the need for transparency, Asmal said. Applications were not available for public scrutiny, and this needed to be changed. He would welcome comment on a new permit system.

All new applications would be open to scrutiny and all adjoining land controllers would be informed by letter, while the public would be informed in local newspapers. Should the validity of any objections be confirmed by government, the applicant would be expected to undertake an

☐ From Page 1

environmental impact assessment. The assessments would also be mandatory for all extensive afforestation applications, and would have to be paid for by the applicant.

Asmal said afforestation permits were required because forestry plantations were usually situated in prime positions to draw off water which would otherwise feed into river systems.

The new application system applied in former TBVC states, where no permits were previously required.

# Asmal to take chop at forest permit secrecy

(3) FOREST 24  
APR 13/2/95

**CLIVE SAWYER**  
Political Correspondent

FORESTS could soon be playing their part in the government's reconstruction and development programme.

Water Affairs and Forestry Minister Kader Asmal is to take an axe to the secrecy with which afforestation permits are granted.

Announcing a major policy review of the afforestation permit system, he said the system did not meet environmental needs and was not sufficiently transparent.

South Africa's commercial forests are in the hands of five large companies.

Professor Asmal has called a national forestry policy conference, after which a new white paper on afforestation will be drafted.

The conference will be held within two months.

In the meantime, new procedures have been introduced for applications for afforestation permits.

All adjoining land controllers will be informed by letter, and notices of applications will be published in local newspapers.

Applicants will be expected to do environmental impact assessments, at their own expense.

Professor Asmal also said he had a vision to improve the appearance of South Africa's commercial forests, many of which included alien trees — by lining the fringes of these forest with indigenous species, grasses and shrubs.

# Portable mills the answer for environmentally friendly logging

4 NOV 28/2/95

(3) FORESTRY

■ BY ANITA ALLEN  
SCIENCE WRITER

Simpler is better when it comes to the timber industry, and that means portable sawmills, says timber expert Dan Comyn.

"It is the answer to problems of inaccessibility and lack of capital — and it offers opportunities for entrepreneurs," he says.

Comyn lives in Ngodwana, centre of the Eastern Transvaal timber industry, and is a former owner of a sawmill.

His latest venture is to manage the South African franchise of a top range of mobile sawmills made in New Zealand. The smallest machine, designed especially for remote, carry-it-in-by-hand places, is a mere 68 kg.

"One man can wheel it or two men can carry it where wheeling is impossible," says Comyn.

All the portable mills can be loaded on a light van or trailer, or for the smallest unit, a roof rack. They can be set up over a

single log and moved to the next log; or logs can be placed on skids and rolled to the mill. Set-up time is about 10 minutes.

Comyn claims that the recovery rate of wood from the original log can be as high as 70 to 80 percent, compared to about 50 percent in industrial mills. This means a more efficient use of trees and much less sawdust.

Portable mills are also environmentally friendly. Moving timber from the forests to industrial sawmills requires huge capital investment and infrastructure.

With portable machines, the timberman goes in to the forest in a light van, assembles the mill in the forest and does all his cutting there. The bark which is stripped off and the sawdust all remain in the forest.

For entrepreneurs, running costs are minimal and the cut wood could be sold cheaper than from industrial plants, Comyn says. Tree fellers could also

benefit from portable mills.

"At the moment they cut up trees into pieces to get them off properties. A lot of very beautiful wood is wasted in this way — oak, blackwood, jacaranda. With a portable sawmill trees can be cut on site into planks and costs recovered by selling these."

One operator on the smallest portable saw can cut half a cubic metre of wood an hour. On the largest unit, two experienced operators could saw 10 cu m of timber a day. This can be sold for anything from R350 to R4 000 a cubic metre.

The CSIR has also entered the portable sawmill business in a joint venture with Imati Mobile Sawmills (Pty) Ltd.

Under this small business development scheme, entrepreneurs enter into contracts and undergo training in business as well as operating skills.

■ Inquiries to Dan Comyn at (01318) 54593, and the CSIR — Marius Ludik at (012) 841-4148.



**Kader Asmal, Minister of Water Affairs and Forestry, sets the scene for tomorrow's National Forestry Policy Conference at Kempton Park.**

# Forestry comes out of the woods

Mar 1/3/95

③FORESTRY

**F**orestry in South Africa is to be brought, literally, out of the woods after languishing for years in obscurity.

This week it will come under the closest scrutiny, from every possible angle, at a conference my department has organised.

The National Forestry Policy Conference at the World Trade Centre tomorrow and Friday promises to be a watershed event for South African forestry policy formulation.

Superficially, the event may not seem of particular importance. There have been forestry conferences before, but there is a major difference which clearly reflects a new style in line with the democratic tide that has swept South Africa.

It is not without significance that a special pre-conference meeting is to be held so that communities and labour interests can be specially briefed on issues and procedures.

Conferences in the past have revolved around what was seen as the two major elements — commercial afforestation and processing. Little heed was paid to other interests, which were viewed as peripheral.

A major objective is to democratise the whole forestry industry, and to ensure that it runs in accordance with the new demands of South Africa and the Reconstruction and Development Programme.

The enrolment for the conference of nearly 400 at the time of writing has been a surprise to the organising committee, and can only be described as over-

whelming.

We extended an open invitation to attend, and the response shows keen interest over a wide spectrum.

Delegates will include leaders of the major forestry and processing companies and representatives of many Government departments and a number of states of the Southern African Development Community.

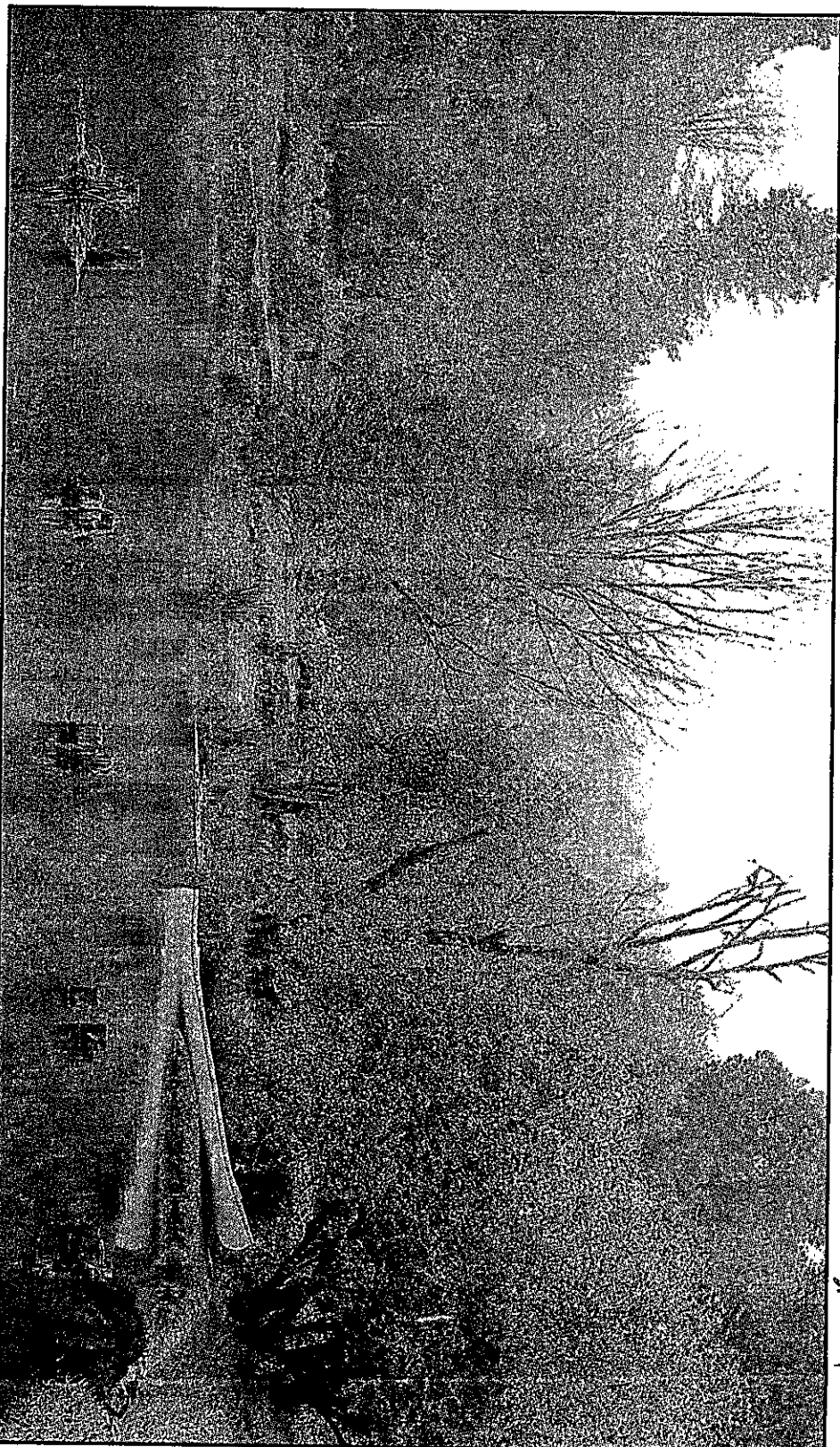
Also there will be small tree-growers, black and white, trade union representatives of forestry workers (who have traditionally been much neglected), foreign diplomats, environmentalists, eco-tourism practitioners, wildlife conservationists, and people from interested rural communities as far afield as the Western Cape and Lebowa.

All these people have in common an interest in the forestry industry — in its activities and prospects, its impact on rural communities, its effects on water sources, on the environment, on fragile eco-systems, its relationship with its workers, its importance to South Africa's economy, and the wider economy of the southern African region.

Once this principle of wide interest is accepted, the scope is almost open-ended.

The conference will hear expert opinion on four major policy themes — the forest and forest products industry, labour involvement, forestry and the environment, and the requirements and opportunities for a national social forestry programme.

A number of principles arising will be discussed: rural development and the quality of commu-



Area of concern... the wanton destruction of the world's forests is part of a global misuse of nature's generous bounty.  
PICTURE: KAREN SANDISON

nity life, the contribution of the industry to the economy, sustainable environmental conservation, integration of forestry with other sectors to ensure efficiency in execution of policy, human development and improved quality of life, and the importance of research and tech-

nology.

The subjects are not new, but the innovation is to forge policy proposals on the anvil of democracy and open-mindedness, with all interests participating.

Matters of vital concern to the public will be debated. There is no question, for example, that trees do use water and that

plantation forestry does affect stream flow. It is, however, a matter for debate as to what degree afforestation might be restricted or what other crops might be restricted.

It should be borne in mind that about a million people are dependent for their livelihoods on forestry.

Apart from food and housing, fuel is the most important element for rural human existence, and wood fuel is the only rural source other than animal dung.

From the viewpoints of human need and the protection of our remaining woodland and savanna, it is a matter of major national importance that future wood fuel needs be addressed.

The conference will thus look at methods of encouraging arid-zone planting and woodlots and the better use of forest water.

The conference will also study

agro-forestry and multiple land use. Anything that can add to the income and hopes of a rural subsistence peasant farmer is basic to our RDP.

The legitimate concerns of environmentalists and conservationists is another arena for viable and lively debate.

The RDP clearly stands for the improvement of the human lot. The question is, how? For instance, can forestry create additional job opportunities by adding value to its products — and not simply contemplate with equanimity the wholesale export of raw timber and chips?

Should we foster the creation of a rural middle-class by encouraging entrepreneurial subcontractors? Who will control the sub-contractors? What should be the role of trade unions?

Should the State be properly involved in commercial forestry? not only as a holding operator, to safeguard jobs in the over-staffed forests of the defunct homelands, but in the long-term interests of having a coherent national forestry policy?

The conference will not itself produce future policy. But inevitably, markers will emerge, invaluable in the current departmental process of drawing up a draft White Paper on forestry which will be published soon.

But the White Paper will not be the end of the matter. It will be the beginning of an ongoing series of consultation and interchanges to ensure that the voices of all interested parties — and that supreme arbiter, the public at large — are heard.

③ FORESTRY 30/3/95

## Plant more forests, conference urged

SA was heading for a timber supply crisis and needed to accelerate forest planting, Forest Owners' Association chairman Ian Heron said.

With economic growth, a boom in paper, board and solid wood products consumption could be anticipated, Heron told the forestry policy conference at Kempton Park yesterday.

In the past 20 years, the per capita growth of paper and board in SA had grown from 45kg to 49kg, whereas in South Korea it had grown from 13kg per person to 100kg in the same period. This indicated the tremendous impact of economic growth on timber products, he said. Raw material shortages were a world-wide trend and would place further pressures on local sawmilling, pulp and paper operations.

Heron said forestry was one of the few "winning" industries in SA today and had had a major impact in terms of job creation and rural development. For every direct job in the industry there were six spin-off jobs created.

The pulp and paper sector had become internationally competitive as a result of tariff protection barriers being significantly lower than those in other industries. Local tariffs were also lower than those of most overseas competitors and far lower than those in other developing countries.

Heron said more had to be done by forestry firms on the environmental front, but questioned whether timber growing was as much of a threat to water supplies as was often implied.

Also at the conference, SA Agricultural Plantation and Allied Workers' Union general secretary Dickson Motha said forestry workers lived and worked under terrible conditions.

As forestry contributed to a number of well-established and profitable industries, starvation wages were not acceptable.

Employers had the advantage of high levels of unemployment in rural areas and difficulties experienced in organising forest workers, Motha said. Subcontractors were the main culprits in low wages and they should be subject to a code of conduct. Motha also called for a national bargaining forum for forest workers.

The export of wood chips and the subsequent import of paper products made no economic sense, and ways should be found of facilitating processing in the country.

# Water Affairs takes over forestry permits

③ FORESTRY

Reports by  
MICHAEL MOON

THE forestry permit system would be handled in future by the Water Affairs Department as the main emphasis in the process was on water management, Water Affairs and Forestry Minister Kader Asmal announced yesterday.

The function would be taken away from the forestry section of his department to avoid potential conflicts of interest, Asmal told delegates to a national forestry policy conference in Kempton Park.

The time had arrived for a complete review of the permit system, he said.

Revision of the system would be done by a special committee representing all interest groups, and discussions at the two-day conference would be part of its deliberations.

Asmal also announced that the present forestry council would be scrapped and a new forestry forum established to hear the views of all parties interested in the industry.

This would be an advisory body, but unanimous decisions reached by the forum would be binding on government.

Commercial forestry and its dependent industries had largely neglected their social responsibilities. While government wanted these industries to flourish, they would have to act with full regard for such responsibilities.

Private timber companies should introduce formal social forestry projects. Woodlots for

fuel, arid zone planting, agro-forestry and rural wood-based industries were needed, and it was high time the private sector played a full role in this area.

Many forestry enterprises were involved in greening efforts and in encouraging small farmers, but many others were "a disgrace" and Asmal pleaded with them to help improve levels of social conscience. "We have little desire to invoke laws and regulations in this regard."

The RDP was as much concerned with the economic health and strength of the forestry industry as it was with social forestry and rural development. As the industry was concerned with rural people and the environment it was an ideal industry for the reconstruction and development plan to nurture.

Plantations provided 10 times as many job opportunities as cattle farms would on the same area.

The industry, if rightly orientated, could help swing the emphasis of development from urban areas to country areas.

Forestry policy should also be part of the southern African development initiative. The region should become a sustainable forestry "store for world markets, our own housing and other needs", Asmal said.

10/3/95

# Lebowa ordered to supply logs

③ FORESTRY ST (BT) 12/3/75

By CIARAN RYAN

THE Transvaal Supreme Court this week rejected an attempt by the former Lebowa government to set aside a long-term contract between it and JSE-listed timber group Yorkor.

The judgment opens the way for Yorkor to sue the former Lebowa government for damages caused through saw-log supply disruptions.

In the Supreme Court last week, the Lebowa government sought to have the contract for the supply of saw logs to Yorkor's Lebowa saw mill set aside on the grounds of vagueness. It claimed that the contract did not stipulate how price increases should be made.

The Department of Environment Affairs' saw log prices in the Eastern Transvaal were taken as reference

prices, but no allowance was made for more than one price increase a year, and the department's forests had been transferred to Safcol, the State-owned forestry group.

The government also claimed the contract was invalid because the classes of logs described in the Yorkor contract had been reduced in number from six to four.

Had the former Lebowa government been successful, Yorkor says 250 jobs at the Lebowa mill and two-fifths of its output would have been at risk.

Mr Justice Botha rejected all the Lebowa government's claims with costs. He found that the reduction in

log classes had no effect on the validity of the agreement's pricing clause.

Responding to the judgment, Yorkor chairman Solly Tucker said: "This litigation has been one of the manifestations of a countrywide scramble for resources in the timber industry.

"Most sawmillers are under pressure to secure logs to ensure the survival of their businesses.

"We did not imagine that the authorities in the former homelands would go to such lengths to evade their long-standing commitments to supply logs to our Lebowa mill, where we are one of the most important providers of jobs in the region."

All sawmillers are negotiating new or revised contracts with Safcol for the supply of logs.

## Forestry deal helps growers

Louise Cook

(3)

FOREST

A recent deal between the CSIR's Forest Science and Technology division (Forestek) and NCT Forestry Cooperative in Pietermaritzburg, will give small forestry growers access to the world's best performing gum trees. 29/5/95

This would enable growers to increase profit margins by 20% over eight years, NCT manager Ian Brown said at the weekend.

In terms of the deal, NCT would commercially use genetic material produced from Forestek's latest hi-tech tree-breeding programme on gum trees.

Brown said 1 400 growers would benefit immediately and new growers would be attracted to the industry because the programme provided customised trees for various purposes such as drought tolerance, bigger volumes of timber and disease resistance.

Forestek director Fred Kruger said the programme to produce the genetic material was among the most advanced in the world. There were similar programmes in Brazil, Australia and New Zealand.

"It will make forestry operations of small growers about 30% more productive in the long term because the growing period of the tree is shortened by two years," he said.

Small growers now had access to the material, with NCT to be a retail agent.

Kruger said 16 000 000m<sup>3</sup> of wood a year was being produced in SA at present.



## The MINISTER OF HOME AFFAIRS:

- (1) 454 498.
- (2) Yes. Applicants who have not yet provided the Department with a complete set of fingerprints are required by regulation 3 of the Regulations published under the South African Passports and Travel Documents Act, 1994 (Act No 4 of 1994), to supply such fingerprints together with their applications. Should an applicant's fingerprints already be on record, only his or her thumbprint is required.
- (3) (a) Yes, 323 cases.

(b) The aforementioned figure represents 304 cases where the fingerprints of the applicants differ from the fingerprints on record, and 19 cases where the applicants were identified as aliens and therefore not entitled to South African passports. The local officer where these applications were lodged were informed accordingly. Efforts to trace the applicants at the addresses furnished on the application forms were however unsuccessful ostensibly because either false addresses were furnished or the applicants are no longer residing there. The fingerprints/thumbprint control measure initially introduced during May 1994, proves to be successful not only for the tracing of fraudulent applications but also for discouraging the submission of such applications.

217. Mr M F CASSIM asked the Minister of Water Affairs and Forestry:

- (1) Whether the price of pine lumber in the Republic has risen in the last three years; if so, (a) by what percentage and (b) what was the reason for this increase;

(2) whether he will make a statement on the matter?

MA54E

Rise in price of pine lumber

217. Mr M F CASSIM asked the Minister of Water Affairs and Forestry:

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MA54E

## The MINISTER OF WATER AFFAIRS AND FORESTRY:

- (1) Yes.
- (a) Depending on the timber size and grades, between 16% to 49%.
- (b) The reason for this increase will be addressed in my statement on the matter.
- (2) Yes. The reason for the increase in the price of lumber was to cover higher log prices, higher cost of production, to reflect a shortage in certain size classes and to reflect world prices in those cases where clear timber was exported. World demand for sawtimber rose moderately during 1994.

The South African lumber industry has come to realise that in the world market, South African-produced lumber is actually of the highest quality due to the pruning process in the lifetime of the tree stand to produce long pruned logs containing clear timber. In the past this high quality timber was used to make low value products like roof trusses and only during the past four years the industry is adapting itself by further processing and therefore value adding to deliver high value products which in turn can command high prices. Such a development provides extra processing and work opportunities in South Africa and will thus be of much benefit to our country.

## State funds available for sport in 1995

231. Mr M J ELLIS asked the Minister of Sport and Recreation:

Whether State funds have been or are to be made available for any sport in 1995; if not, why not; if so, what amount in respect of each specified sport?

NA83E

The MINISTER OF SPORT AND RECREATION:

Yes, the State will be making funds available to sport in 1995.

A funding formula for the distribution of the available funds was developed by the Department of Sport and Recreation in conjunction with the National Sport Forum. In this way

R14,664 million will be made available to one hundred and fifty one national sports federations and two macro sports bodies in the 1995/96 financial year.

## Transcriptions of court proceedings in Eastern Cape: companies holding contracts

235. Mr A J LEON asked the Minister of Justice:

- (1) What are the names of the persons or companies currently holding the contracts to undertake transcriptions of court proceedings in the Province of the Eastern Cape;
- (2) whether he is in a position to furnish the names of the directors of the said companies; if not, why not; if so, what are their names;
- (3) whether these contracts were put out to tender; if not, why not; if so, when did each contract commence;
- (4) whether each successful contract was awarded to the lowest tenderer in each case; if not, (a) why was the lowest tender not accepted and (b) what was the price difference involved in each case;
- (5) whether any contracts were extended or renegotiated without being put out to tender; if so, (a) which contracts, (b) when and (c) why, in each case?

NA87E

## The MINISTER OF JUSTICE:

- (1) The firms presently holding the contracts for the transcription of court proceedings in the Province of the Eastern Cape are as follows:

- (i) *Former RSA: Sneller Recordings (Pty) Ltd.*
- (ii) *Transkei: Sneller Recordings (Pty) Ltd, Durban, and*
- (iii) *Ciskei: Ciskei Transcription and Management Services (previously known as Ciskei Transcribing Services).*
- (2) (i) *Former RSA: Sneller Recordings (Cape) (Pty) Ltd; Messrs H W Hunter, I Hunter, C J van Tonder and L G van Tonder.*

(ii) *Transkei: Sneller Recordings (Pty) Ltd, Durban; Messrs L G van Tonder and C J van Tonder.*

(iii) *Ciskei: Ciskei Transcription and Management Services; Mrs Z Gernitzky.*

(3) (i) *Former RSA: Yes—in respect of the Eastern Cape Division of the Supreme Court of South Africa and South Eastern Cape Local Division of the Supreme Court of South Africa and the magistrate's offices under its jurisdiction (excluding the Supreme and Lower Courts in the Transkei and Ciskei), tenders were called for in State Tender Bulletin No 1300 dated 20 January 1989 and the successful tenders were awarded by the State Tender Board. The contracts commenced on 1 September 1989.*

(ii) *Transkei: Not clear from the documentation whether tenders were called for. The Transkeian Tender Board, however, approved a contract with Sneller Recordings (Pty) Ltd, Durban, which commenced on 1 April 1993 and expires on 31 March 1996.*

(iii) *Ciskei: No tenders were invited. A contract was concluded between Ciskei and Lubbe Recordings to render transcription services. On 23 March 1988 Lubbe Recordings gave notice to terminate the said contract with immediate effect. A contract was entered into on 2 August 1988 with the firm Independent Transcribers in Bisho. In due course complaints about the service arose which gave rise to the cancellation of the contract. The termination of the contract threatened to disrupt judicial services to the public. An offer by Ciskei Transcribing Services (now known as Ciskei Transcription and Management Services), was apparently verbally accepted. The existence of a written agreement with the latter firm cannot be verified at this stage.*

(i) *Former RSA: Contracts in respect of the area the Eastern*

# 80 mill strikers shot by security guards

Renee Grawitzky

(152) (3) FORESTRY BD 14/6/95  
MORE than 80 striking workers were treated for birdshot wounds after clashing with a private security company at Tritimco timber mill near Nelspruit in the Eastern Transvaal yesterday.

Company spokesman Melg Welmans said warning shots were fired when 300 striking workers attempted to cut through the fence surrounding the sawmill in an attempt to "injure and intimidate" temporary workers employed during the strike. Sapa reports 62 strikers were admitted

to a Nelspruit hospital after the incident. A hospital spokesman said one worker had about 200 birdshot pellets in his body and another might be permanently blinded. About two thirds of those admitted had been shot in the back or side.

Police said a charge of attempted murder had been laid in connection with the shooting of the protesters.

More than 500 members of the Nactu-aligned Building Construction and Allied Workers' Union embarked on a legal wage strike on June 8 with the union demanding a minimum wage of between R25 to R30 a

day. A union spokesman said the minimum wage was between R12 and R13 a day.

Welmans said 50 fires had been started in the plantation area since the start of the strike. Striking workers had threatened casual labour and managerial staff.

He said he could not disclose the minimum wage as wages were "a sensitive issue". However, the minimum exceeded R17 a day, and the company also provided free food and accommodation. The company's final offer was 19,8% on average, with some workers in the lowest category receiving as much as a 70% increase.

# Balancing the needs of the forests and the fields

STAFF WRITER

The South African Timber Growers Association (Satga) says foresters feel unfairly discriminated against as users of land and bulk water.

Though foresters can hold their own in the economic stakes with other branches of agriculture, they believe the scales are tipped against them on the question of where they can plant and what water they can use.

"Unlike maize, wheat or sugar farmers, we have to have special

permission to grow on our land and use the rainwater that falls on it," says a farmer.

More teeth have been given to the conservation lobby and costly delays result from the wider consultation process in the granting of forestation permits by the department of water affairs and forestry.

In addition, growers have to bear the cost of canvassing all parties who might be affected by new plantations. Environmental impact studies add several thousand rand to the costs of potential growers.

CT (MR) 4/7/95 (3) FORESTRY  
"Farmers talk of waiting up to 18 months for permits although six to eight months seems to be about the norm," says Bruce Ferguson, Satga's executive director.

Ferguson says hampering forestation could cost the country, as its need for wood-based products, particularly paper, grows.

"The potential is huge. Ten years ago, per capita paper consumption was on a par with that of South Korea; today, Korean usage is three times that of South Africa."

Carl Seele, the association's

chairman, points to a "lack of economic justification" for giving preference to the water needs of irrigated sugar cane growers.

"Irrigated sugar cane is a major competitor for us and in many areas forestry development has had to be seriously curtailed to provide water for it," he said at the Satga congress in Pietermaritzburg.

Kader Asmal, water affairs and forestry minister, promised Satga he would come up with an acceptable plan within six weeks.

# Govt policy on forestry now open to discussion

(3) FORESTRY

■ BY ANITA ALLEN  
SCIENCE WRITER

The process towards a single forestry policy took a giant leap yesterday with the release of a discussion document for public comment by Minister of Water Affairs and Forestry Kader Asmal.

"Political and institutional fragmentation has meant that there has been no single policy or even sectoral policy on forestry. This has had a disastrous effect on the environment," Asmal said.

For the first time, all role-players have the opportunity of being involved in formulating the policy. He expressed hope that the 40-page document, *Towards a Policy for Sustainable Forest Management*, would become a best-seller, like his department's document on water.

The document "is deliberately provocative" said Asmal, who said that with the paper's

publication the ball was now squarely back in the public's court.

"We urgently need the comments of all interested and affected people so we can go to the next phase and draw up a White Paper on Forestry."

Asmal said he had no preconceived ideas on the policy, except that it should enshrine the principles of the Reconstruction and Development Programme as they pertained to forestry. These were:

- Equity and fairness.
- Economic viability which leads to sustainable development.
- The sustainability of the environment.
- Real representation.
- Rural development.

Asmal has set a target for legislation to be ready for enactment early in 1996. Comments in the forestry discussion documents must be submitted before August 1995.

SAW 5/7/95

## PIC's assets grow 27 percent

The assets under management of the Public Investment Commissioners grew almost 27 percent in the year ended in March last year to R83,2 billion.

This makes the commissioners the fourth biggest fund manager in the country after Old Mutual, Sanlam and Liberty Life.

Funds under its management can be expected to grow substantially over the next few years as the

government moves to make up significant actuarial shortfalls in the state pension funds.

In a report tabled in parliament, the commissioners announced that almost R80 billion of the total amount under management was made up of various government pension funds. Part of the assets will soon be loosened up and invested in equity and other markets. — Bruce Cameron

## Sale of state-owned land on the cards

BY BRUCE CAMERON

POLITICAL EDITOR

The sale of as much as 780 000ha of state-owned land, worth millions of rands, is on the cards — and most of the land will go to deprived communities.

The land was bought in the apartheid years for the consolidation of the homelands, but was never transferred. It had been held by the now-defunct South African Development Trust.

Frans van der Merwe, the director general of the department of agriculture, which now controls the land, has told the parliamentary committee on public accounts that the land will be available as soon as possible for deprived communities.

At the moment, most of the land is being leased on short-term, one-year agreements.

In an interview with Business Report, Van der Merwe said a three-pronged approach was being taken to dispense with the land:

□ The land could be leased out with an option given to the lessee to purchase the land;

□ It could be sold outright to

buyers selected in co-operation with local communities. The price would be set on the agricultural value of the land and not the market value; and

□ Transfer of the land to communities who would use it for fairly high density rural settlement and small scale farming.

The land could be valued at anywhere between R20 and R5 000 a hectare, depending on its agricultural potential.

Van der Merwe said a small proportion of the land may still be subject to claims in the Land Claims Court.

Earlier, Van der Merwe told the parliamentary committee that his department had taken over the assets of the trust without knowing what it was getting.

With moveable assets on the land, his department had been forced to adopt a redline approach starting from a zero base in drawing up a list of the assets.

He said there was no point in attempting to reconcile the new list with any previous record as the trust either did not have or had lost its records.

## Three Safcol sawmills to be upgraded

(3) FORESTRY

BY ROY COKAYNE

PRETORIA BUSINESS EDITOR

CT(BR) 17/8/95  
The South African Forestry Company (Safcol), the parastatal to which the state's commercial forestry undertakings have been transferred, has embarked on a R50 million first-phase capital expenditure programme to upgrade its sawmills.

The programme forms part of Safcol's strategy to boost the export of value-added timber products.

Tienie van Vuuren, the chief executive of Safcol, said its exports were worth between R20 million and R30 million.

Safcol's refurbishment programme was being financed from extra funds it was obtaining from the export of 'top grade logs' — many to Pacific Rim markets.

"But only a very limited volume of logs — not more than 6 percent — is being exported because Safcol is tied to long-term log supply contracts."

Van Vuuren said Safcol was refurbishing three of its sawmills — Weza in southern KwaZulu Natal, George in the Western Cape and Blyde at Graskop — at a cost of R50 million this year as the first phase of a refurbishment programme.

Refurbishment of all its sawmills would probably cost double this.

Van Vuuren said the export of top-grade logs was only one leg of Safcol's export programme; the other was the export of finished value-added products.

Apart from refurbishing its own sawmills, Safcol was also promoting the refurbishment of sawmills among its clients.

# Safcol establishes alliance with world timber leader

By Roy Cokane

PELOIA BUSINESS EDITOR

and pulp wood producers in the US.

Forestry company Safcol, the parastatal to which the state's commercial forestry undertakings have been transferred, has established a strategic co-operative alliance with the United States-based Weyerhaeuser Group, a world leader in the timber industry.

The Weyerhaeuser Group is one of the biggest sawmilling companies in the world and one of the biggest timber growers

The alliance has already helped boost Safcol's exports, which are currently worth between R20 million to R30 million a year.

## Alliance

Andries Swart, Safcol's general manager marketing, said the alliance involved aspects such as technology, market research, market development, silviculture (cultivation of forest

trees), marketing programmes and personnel exchange programmes.

"After the sanctions era, Safcol needed credible exposure in international markets and the Weyerhaeuser Group has given us the opportunity to slot quickly into international markets and the latest technology.

"The alliance has enhanced our credibility and enabled us to develop markets in a year, which would otherwise have taken between five to 10 years to develop.

The Weyerhaeuser Group believes our plantation management and silviculture practices are among the best in the world.

South Africa also has largest pruned log resources in the world," he said.

## Access

Swart said the Weyerhaeuser Group had given Safcol access to vast amounts of technology and had guided it in its sawmill upgrading programme. Safcol recently launched the

first phase of a R50 million capital expenditure programme to upgrade its sawmills.

Swart said the alliance also created a marketing opportunity for Safcol's own customers.

"The Weyerhaeuser Group has distribution centres, which we just slot into," he said.

Swart said the personnel exchange programme focused on many different aspects of the timber industry, including the optimisation of log transport, fire fighting techniques and financial systems.

## Cape appeal to Asmal on former state forests

Environment Reporter

(3) FORESTRY APR 4/98

DON'T hand over the former state forests of Cecilia and Tokai to SA Forestry Company Ltd (Safcol) until a final decision has been taken on a new management authority for the Cape Peninsula's protected natural area.

That's the request to Water Affairs and Forestry Minister Kader Asmal from the Cape Peninsula Conservation Managers' Forum, an association of all conservation managers, law enforcement officers and environmental education officers employed by public bodies in the peninsula.

Safcol is the state-owned company formed to take over all the commercial plantations of the department of forestry.

The issue of a new management authority for the Peninsula is being investigated by a committee under National Botanical Institute chairman Brian Huntley at the request of Environmental Affairs Minister Dawie de Villiers.

But Dr Asmal has responded by saying the Tokai-Cecilia issue is not his department's responsibility, although he welcomes public debate.

In an open letter to Dr Asmal, the co-ordinators of the managers' forum said their 36 members had expressed concern that the property rights of the former state forests of Tokai and Cecilia were being handed to Safcol.

The managers said the two areas had been used extensively by the public for many years and it was "disconcerting" that the process of handing them over to Safcol had not included any public participation.

"The rationalisation of the Peninsula mountain chain under a single authority is currently being investigated ...

"It would be most unfortunate if Tokai and Cecilia were to be handed to another authority in a separate process.

"It's imperative that these forests be considered as part of the Cape Peninsula and their future management under the single authority should be vigorously debated in public before making a final decision."

In response to their letter, a spokesman for Dr Asmal said the issue was the responsibility of the departments of public works and public enterprise.

# Conservationists snubbed over state forest plans

STC(M) 10/9/95  
By CHARL DE VILLIERS

IN A blunt snub to conservationists and the Ministry of Water Affairs and Forestry, the Office for Public Enterprises has dismissed pleas for a public debate over the future of state-owned forests in the Peninsula.

At stake are two former state forests in a protected zone which are being transferred to Safcol, a private company with a 100 percent state shareholding.

The Cape Peninsula Conservation Managers Forum wants the privatisation process delayed until a final decision is made about a new statutory conservation authority for the Peninsula.

But, according to Public Enterprises chief Professor Sipho Shabalala, there is no need to suspend or debate the

process.

This is in spite of Water Affairs and Forestry Minister Kader Asmal's reference to government transparency when endorsing an "exhaustive public debate" on the property dispute between the SA Forestry Company Ltd and Cape Nature Conservation.

Prof Shabalala's reaction also counters an appeal by the official Table Mountain and Peninsula Advisory Committee, which wants a temporary freeze on all new developments and land deals in the Cape Peninsula Protected Natural Environment (CPNE).

In his response to the committee, Environment Minister David de Villiers this week said its appeal had to be directed to the "relevant ministries or authorities".

At least 100 private landowners and one provincial and four state departments are responsible for managing the 29 000ha CPNE which stretches from Signal Hill to Cape Point.

Dr de Villiers said the issues and concerns highlighted by the committee were ancillary to its brief to advise him on a legal framework for a single statutory authority to run the CPNE.

The TMPAC has cited a range of developments and negotiations which it fears may impact adversely on the authority of a new unified and representative conservation body.

It has urged a temporary ban on these processes, including a pending survey of the state-owned Cecilia and Tokai plantations which will clear the way for private property rights to be registered in Safcol's name.

TMPAC chairman and National Botanical Institute Director Brian Huntley says state land in the CPNE

should be ceded to its successor.

CNC deputy chief director Niel van Wyk and NPB operations director Dick Parris this week individually endorsed the TMPAC's plea for a rethink on major deals such as that involving Safcol.

But, according to Prof Shabalala, even though the two plantations were inside the CPNE, they did not fall under provincial authority.

He said public opinion could hold Safcol to sound conservation and commercial practices — which it was committed to.

"Under the circumstances there seems to be no case for a public debate," he said.

In motivation, he said Safcol was prepared to give its full co-operation to any authority having legal jurisdiction "with regard to conservation purposes over Cecilia (and) Tokai".



# Plantations in form of TBVC states/self-governing territories: transfer

\*5. Mr P W SAAIMAN asked the Minister of Water Affairs and Forestry:†

- (1) Whether all plantations in the former (a) TBVC states and (b) self-governing territories have been transferred to his Department; if so, when, in each case; if not, which of these plantations have not yet been so transferred;
- (2) whether the Government has taken or will take any steps to effect the transfer of plantations that have not yet been so transferred; if not, why not; if so, what steps?

N1211E

The MINISTER OF JUSTICE (for the Minister of Water Affairs and Forestry):

- (1) (a) No.
- (b) No. Plantations in the Northern Province were transferred to the Department of Water Affairs and Forestry during August 1995, whilst the plantations in the Provinces of Mpumalanga, Eastern Cape and KwaZulu-Natal have not been transferred yet.
- (2) Yes. Administrative teams of the Department are presently working in the Provinces to determine the extent and to expedite the transfer of personnel, finances and other resources. In some Provinces the transfer of personnel to the Department is expected to take place soon and will then be followed by the transfer of the plantations.

## Members of MK incorporated into SAPS

\*6. Mr H A SMIT asked the Minister for Safety and Security:†

- (1) Whether any members of MK have been formally incorporated into the South African Police Service; if so,
- (2) whether such members have indicated that they are satisfied with the ranks and salaries allotted to them; if so, what are the relevant details; if not,
- (3) whether he or the SAPS envisages any steps in this regard; if not, why not; if so, what steps?

N1212E

# The MINISTER FOR SAFETY AND SECURITY:

- (1) Yes. Some former members of MK, who were previously attached to DIS or NIA, have been incorporated into the South African Police Service.
- (2) Some of these members accepted their proposal ranks and are already enlisted in their new positions. There are, however, others who refuse to be enlisted permanently in the proposed ranks because of their dissatisfaction with the ranks.
- (3) Yes. An Appeal Committee was established by the National Commissioner of the South African Police Service. Members who are not satisfied with their ranks can make representations to this Committee, for re-evaluation of their ranks.

## Conference on corruption/crime: President's speech

\*7. Mr H A SMIT asked the Minister for Safety and Security:†

- (1) whether, with reference to certain information furnished to the South African Police Service for the purpose of his reply, he will furnish the names of the persons to whom the President of the Republic referred to in his opening address during the conference on corruption and crime at the World Trade Centre at Kempton Park on or about 15 August 1995; if not, why not; if so, who are the persons concerned;
- (2) whether such persons are still in the employ of the SAPS; if not, what is the position in this regard; if so, what is their (a) position and (b) rank, in each case;
- (3) whether any action is envisaged against these persons; if not, why not; if so, what action?

N1213E

The MINISTER FOR SAFETY AND SECURITY:

- (1), (2) and (3) During the course of his address the President made some off-the-cuff remarks which did not form part of his prepared speech. I do not have a verbatim transcript of the remarks which he made.

I do, however, recall that the President referred, amongst other matters, to the appointment process of Provincial Commissioners. He mentioned that some of the applicants had a record of criminal offences.

I do not know who the President had in mind when he made these remarks and am therefore unable to give the names of any individuals. I do, however, know that 13 of the 212 officers who have by now been formally appointed to the South African Police Service, including Provincial Commissioners, do have a record of criminal offences. However, these were all offences of a trivial nature such as road traffic offences.

Dr P J STEENKAMP: Mr Speaker, arising from the hon the Minister's reply, would he agree with us that we should implore the State President to stick to his script in future, because every time he deviates from it, there is trouble?

The MINISTER FOR SAFETY AND SECURITY: Mr Speaker, I do not think the hon member expects me to take that question seriously.

*Business interrupted in accordance with Rule 199(3) of the Standing Rules for the National Assembly.*

## Pretoria/Durban: posts of chief magistrate/regional court president

\*8. Mr D M BAKKER asked the Minister of Justice:

- (1) Whether the post of (a) chief magistrate in (i) Pretoria and/or (ii) Durban and/or (b) regional court president in Johannesburg has become vacant or will become vacant in 1995; if not, what is the position in this regard; if so, when in each case;
- (2) whether any steps will be taken to fill these posts soon; if not, why not; if so, what steps?

N1214E

The MINISTER OF JUSTICE:

- (1) (a) Yes, on 1 January 1996.  
(ii) Yes, On 1 October 1995.
- (b) Yes. On 1 September 1995.
- (2) Yes. However, I have been presented with conflicting views regarding the filling of

the posts. One view is that the Magistrates' Commission, as presently constituted, should be asked to submit recommendations after considering the names submitted in respect of posts already advertised.

On the other hand, representations were made to me by the Black Lawyers Association, the National Association of Democratic Lawyers and sections of the united Justice Department that the posts should not be filled on a permanent basis until the Magistrates' Commission has been restructured to make it representative. Their proposal is at, pending such restructuring, acting appointments should be made in the relevant posts.

I am considering the conflicting viewpoints and will make a decision in due course.

I may say that the Magistrates' Commission has been very co-operative and support the restructuring of the Commission. It awaits our direction.

## Selling of SA Forestry Company (Safcol) FORESTRY

\*9. Mr P W SAAIMAN asked the Minister of Water Affairs and Forestry:†

- (1) Whether the Government is considering selling the SA Forestry Company (Safcol); if not, what future is envisaged for Safcol; if so, what procedure will be followed in this regard;
- (2) whether the Government is considering any steps to prevent a monopoly on saw-logs from developing should Safcol be sold; if not, why not; if so, what steps?

N1215E

The MINISTER OF WATER AFFAIRS AND FORESTRY:

- (1) Safcol like all State Enterprises is going to be a subject of study by a Task Team dealing with the implementation process of the restructuring of State Enterprises. The options to be put forward by such a task team will decide for us the future of Safcol.
- (2) Anyone is at liberty to approach the Competition Board when a monopolistic situation occurs.

Hansard 13/9/95

# Forestry crackdown pledged

③ FORESTRY

Michael Moon

BD 22/9/95

GOVERNMENT was planning to crack down hard on forest owners who violated conditions of their permits, Water Affairs and Forestry Minister Kader Asmal said yesterday.

His department would take action "to the full extent of the law" on any forestry business breaking the law, as this was a breach of trust and "the partnership which should exist".

Forest owners would have to submit formal declarations, before the end of the year, stating that terms of their permits were being met. Those who did not comply would be investigated and random checks would be carried out.

Asmal was the keynote speaker at the launch of the Forest Owners' Association publication on environmental guidelines for the industry in Johannesburg yesterday.

"I am deeply perturbed by the continuing reports that I get of infringements of forestry permits," said Asmal. Permit conditions cover planting limits and the utilisation of water resources.

Asmal said permit infringements presented government with a policing problem — an expensive and unproductive use of taxpayers' money.

"I would like to expand the forestry industry in SA substantially. However, when such a move is mooted the immediate response is that this would have a disastrous effect on the environment. We have a permit system to protect the environment."

He said his department lacked the manpower to properly police the forestry industry.

"We have better things to do in the common interest than to police you."

Asmal said the publication of guidelines for environmental conservation management in commercial forests in SA was timeous and came as all aspects of forestry were under review.

He said an overriding objective was to create an equitable and sustainable industry in SA to ensure fairness to all players, particularly forestry workers.

"It is an outrage and totally unacceptable that this group is one of the lowest paid sectors in the country," said Asmal.

His department was designing a social forestry programme involving all players, to ensure a balance between development and its effect on the environment.

An integrated land use policy was also needed urgently, he said.

# Forestry products market looking at consolidation

A wave of mergers and acquisitions in the forestry products industry could be instrumental in the appearance of the global paper company.

LONDON — Pulp and paper industry executives met this month in Paris to be told by Eugene Van As to expect "the dawn of the global paper company".

"There have been far too many decision makers in this industry," the executive chairman of Sappi said. "A greater concentration would help it stabilise and avoid massive, simultaneous over-expansion," he noted.

With exquisite timing, Van As left the room to learn of the latest example of the sort of concentration he was talking about: Repola and Kymmene — both Finnish companies — announced that they would merge to form Europe's largest forestry products business, with annual forestry sales of \$10.2bn.

The deal is the latest amid a wave of mergers and acquisitions among pulp and paper companies. During the past year alone, Kimberly-Clark has bid \$7.3bn for Scott Paper — its US rival — although the deal has raised competition concerns in the US and Europe.

SCA of Sweden has spent more than \$1bn on acquiring 75% of Germany's PWA.

And Sappi acquired SD Warren in the US for \$1.6bn.

Analysts expect more deals. "We are in the early stages of a fairly extensive consolidation," Mark Diverio at UBS Securities in New York says.

There are two main factors driving this merger spate. First, the large profits that many pulp and paper companies are earning means they have money to spend.

With pulp prices having more than doubled in the past two years, profits in the sector have risen sharply, helping to compensate for the lean period in the early 1990s.

Stora, the Swedish group, reported a near three-fold increase in profit to \$571m in the first half of this year.

And Abitibi-Price, North America's biggest newsprint producer, rebounded to record earnings of \$51m in the second quarter, compared with a \$22m loss a year earlier.

Peter Mansson, a pulp and paper analyst at ABB Aros Fondkommission in Stockholm, says: "The balance sheets of international pulp and paper groups are recovering, which means that

they can contemplate acquisitions in a way that was not possible two years ago."

The second factor underpinning the recent dealmaking is the relatively fragmented nature of the sector compared with other capital intensive industries.

According to Van As, while the top 10 automotive companies control 80% of their international markets, and computer companies 50% of their international markets, the top 10 paper businesses control only 16%.

According to analysts, many prospective predators see mergers and acquisitions in particular as a way of building market share quickly in their existing product areas.

The company formed by this week's Repola-Kymmene deal will be the European market leader in lightweight coated paper — used principally for glossy magazines — controlling an estimated 30% of European sales.

"Given the choice between 60% of one market and 20% in three markets, I would take the 60% because at least then I would have real control of capacity in that sector," one analyst says.

Buying rival producers is also regarded widely as a way of increasing capacity as well as acquiring new customers relatively inexpensively.

A common refrain in the industry at present, according to Alastair Irvine, an analyst with Smith New Court in London, is: "It is cheaper to buy it than build it."

To be viable, a new paper machine must have an annual capacity of 500 000 tons, by standard estimates. Such a machine would cost \$500m and take more than two years to commission, build and licence.

Such considerations did not deter producers from embarking on a spending spree on new machines at the pinnacle of the last business cycle.

In 1991 nine new paper machines started up in north America and western Europe, expanding capacity 25% for a market which was growing at a compound rate of 7%.

This had a disastrous impact on prices.

By 1993 pulp prices had fallen 60% from their 1989 highs, with paper prices dropping 40% over the same period.

At its trough the industry calculated that the price for pulp was 20% lower in real terms than at the height of the Depression in 1933.

"The biggest challenge for the

③ FORESTRY

paper industry has been to translate good growth in demand into steady profitability," Confederation of European Paper Industries MD David Clark says.

Paper companies have also used acquisitions in the past to increase their geographic reach and to buy production sites near their core customers.

In the late 1980s Nordic groups went on an acquisition binge in Germany, France and the UK to get closer to their key European market.

The largest companies are now beginning to look further afield. Stora signed a technology co-operation agreement with Balfarpur Industries — India's biggest paper manufacturer — earlier this year and has signalled a growing interest in further Asian expansion.

In January Enso-Gutzeit, the Finnish group, announced a substantial investment in an Indonesian timber plantation project.

US-based International Paper, meanwhile, has also bought control of Carter Holt Harvey, New Zealand's biggest timber producing company.

## Who's next?

With plenty of cash still available to finance further deals, investors are now wondering which companies will be next to join forces.

In North America, several big companies appear vulnerable to takeovers. Abitibi-Price and Vancouver-based MacMillan Bloedel are both widely held with no controlling shareholder.

Prospective suitors are also said to be circling Riverwood International, a big US paper packaging maker.

More transatlantic deals are also widely expected.

For much of the year, International Paper has been rumoured to be considering a move on David S Smith, the British packaging group.

This follows the failure of its bid for Holvis, the Swiss paper company. MoDo of Sweden has also been the subject of repeated bid rumours, including that it could be bought by a US company.

Van As is back in Johannesburg overseeing not only Sappi's SA operations but also its new business in the US.

With the present wave of mergers and acquisitions looking set to continue, more and more paper industry executives will be grappling with the integration of a foreign business. — Financial Times.



It's been a good year for the forestry industry in South Africa. There's been an upturn in the marketplace, both domestically and internationally. Despite the downside – the continuation of drought, a record number of fires and escalating timber theft – the prediction is for a bright future.

Going in to bat for forestry is Minister of Water Affairs and Forestry Kader Asmal. At last week's launch of the booklet, *Guidelines for Environmental Management in Commercial Forests in South Africa*, Asmal repeated that he favoured expanding the forestry industry substantially.

At one level, pure growth economics, this is understandable. The forestry industry supplies 275 000 jobs and earns R5-billion in foreign exchange. Demand for its products in South Africa alone is expected to outstrip supply by the year 2020. To meet the demand at present levels of consumption a further 300 000ha would need to be planted.

At another level, the environmental impact of a vastly expanded forestry industry, needs to be openly and extensively debated. Commercial forests cover 1,2% of the land area of South Africa, at the same time according to the forestry industry's own calculations, they draw 8% of available water – a disproportionately high figure, especially since they are confined to a few rivers in three or four areas.

Commercial afforestation is also a threat to biodiversity. They have displaced the montane grasslands, which have been reduced to small parcels of land, and according to some estimates as little as 4 000ha remain. This is the habitat of the blue swallow, South Africa's most threatened bird species, with less than 100 pairs left.

Despite all forestry industry protestations of green awareness, it has not been able to reverse the decline in the number of blue swallows.

The forestry industry argues that of the about 1,8-million ha of land under its control, 400 000ha is unplanted and managed for conservation purposes. Currently there are 32 registered heritage sites in forests covering 16 800ha. In addition, there are many more sites of conservation significance in which flora, fauna, cultural and historic features are preserved.

The forestry industry claims that thanks to its conservation efforts, indigenous forests on its land have been saved. This ignores the question of how much indigenous forest was displaced by exotic plantations in the first place, given that the extent of indigenous forests in South Africa is only just over 0,1% of the

total land area.

At the launch of the guidelines booklet, one forestry company official conceded to The Star that in a trade-off between accounting and environment, accounting would win. Another company's official said that in his company the environment would win. At which stage one wit remarked that a look at the economic "health" of the two companies, showed which philosophy was paying off.

On the plus side, the forestry industry has resolved that in the upcoming year it will focus on spreading the word, that far from being a green cancer, it is a green heritage for South Africa.

There is no denying that the forestry industry has made advances in its environmental performance. With the publication of its guidelines, it is now one of too few industries with specific standards for environmental conservation management. This will further be supplemented in the near future, with *Guidelines to Harvesting Procedures*.

Environmental audits are in the process of becoming standard, multiple land-use planning is encouraged to serve the development of eco-tourism and to enhance the economic wellbeing of neighbouring communities.

It is also looking at the possible certification of forests that are managed in an ecologically responsible manner, the introduction of an industry-wide standardised environmental audit procedure and the application of the highest level of standards such as ISO 14000.

Asmal took the opportunity of the guidelines booklet launch to announce a National Forestry Environmental Competition open to all commercial plantation managers.

Asmal's own environmental commitment was underscored in his recent amendment of the forestry permit system to incorporate a requirement that all new afforestation projects will be subject to an environmental impact assessment prior to a permit being issued. In future, it has been mooted that this will also apply to areas which are re-afforested.

The permit system pegs the amount of water that can be drawn, and prescribes some general management requirements, including the control of invasive weeds, distance of forests from streams and buffer zones around wetlands and indigenous forests.

In theory, the permit system for afforestation offers a degree of environmental protection. In practice it is not abided by, not enforced and therefore dependent on self-regulation.

Speaking in the guidelines launch, Asmal proposed that

each forest owner in respect of each forest, send him a formal declaration that the terms of the Act or permit, as the case may be, are being met.

Declarations must be in by the end of the year. Outstanding declarations will be investigated and a random check of declarations will be carried out. Anyone not able to make a declaration must arrange for talks with his department.

The question of the balance between environment and forestry goes to the heart of the present policy making process, in which all aspects of forestry are under review, Asmal told guests last week.

Policy initiatives he has undertaken include:

■ The national forestry policy workshop earlier this year, which has resulted in a Forestry Policy Green Paper. Comments are now being received, which will be pulled into a White Paper.

■ "The Greening of South Africa" conference on October 19 and 20, at the World Trade Centre, Kempton Park, as part of the White Paper policy formulation process, will focus on empowering women to participate in social forestry.

■ The dissolution of the statutory Forestry Council, and the establishment of a more representative advisory Forestry Forum, which was approved by Parliament last week. Asmal says he will be bound by consensus decisions of this panel.

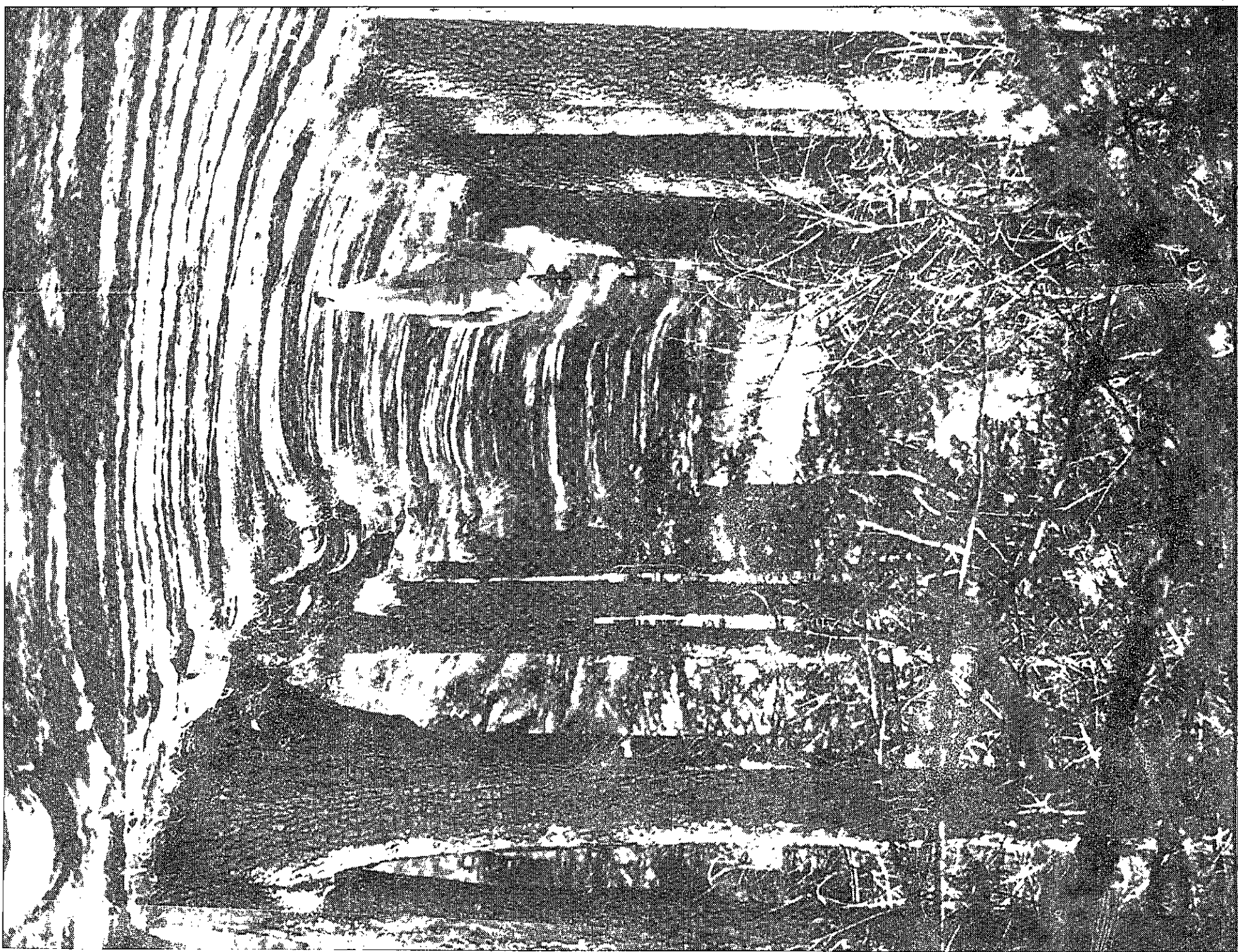
■ A conference to examine current forestry research activities in the country, with a view to determining if it meets the country's needs. This will take place in February next year.

In addition, forestry will be on the agenda of the Water Conservator's Policy Conference on October 2 and 3, at the World Trade Centre in Kempton Park. According to Asmal, this will focus on trade-offs on the route to establishing equitable and sustainable water supply and use. He has given the assurance that the environment *per se* will be recognised as a legitimate user of water in new water legislation.

Asmal, it must be noted, is beginning to sound more like the Minister of Environment than the real thing.

"There needs to be a balance between the opportunities for development and the impact these developments will have on the environment, especially in the absence of an integrated land use policy," he told foresters. "The drawing up of such a land use policy is an urgent need so that all land users can be treated equally."

"I am only the Minister of Water Affairs, but I might have an impact if I repeat this over and over and over again."



(3) FORESTRY Star 29/9/95

Green cancer or green heritage? ... the forestry industry is out to prove that it is a custodian of the environment, with benefits outweighing costs.

## BRIEFING

Something positive is at last being done regarding the forestry industry in South Africa and substantial expansion is on the cards. Science Writer **Anita Allen** reports.

# Down in forests someth

ing stirs

ET (PR) 7/11/95

## Safcol expects big profit rise

(3) FORESTRY

By DEREK TOMMEY

Johannesburg — The South African Forestry Company (Safcol), the commercialised successor to the state's forests division, expects to substantially increase its profit this year from last year's R17,7 million, says chief executive Tienie van Vuuren.

Safcol, which has 270 000ha of plantations, five sawmills and two pole plants, was making losses when it was established in 1993.

The company was benefiting in its R50 million sawmill upgrading programme from a recently renewed co-operative alliance with the American Weyerhaeuser Company. Executives of Weyerhaeuser have described Safcol's plantation management and practices as among the best in the world, says van Vuuren.

holdings was established with 45 million shares, but will not participate in the capitalisation issue.

ET(PR) 7/11/95  
**Safcol expects big profit rise**

**(3) FORESTRY**  
BY DEREK TOMMEY

Johannesburg — The South African Forestry Company (Safcol), the commercialised successor to the state's forests division, expects to substantially increase its profit this year from last year's R17,7 million, says chief executive Tienie van Vuuren.

Safcol, which has 270 000ha of plantations, five sawmills and two pole plants, was making losses when it was established in 1993.

The company was benefiting in its R50 million sawmill upgrading programme from a recently renewed co-operative alliance with the American Weyerhaeuser Company. Executives of Weyerhaeuser have described Safcol's plantation management and practices as among the best in the world, says van Vuuren.

## Timber farmers to get aid

(3) FORESTRY

Nov 8/11/95

Water Affairs and Forestry Minister Kader Asmal yesterday announced his department had allocated R2,5-million in drought assistance to timber farmers.

He said the aid was part of the disaster allocation for 1995-1996, which was formerly administered by the Department of Agriculture, but now fell under the forestry section of the Department of Water Affairs and Forestry.

Documents were distrib-

uted to the SA Timber Growers' Association and known financiers: Natal Co-operative Timber, Transvaal Wattle Growers' Co-operative, Laeveld Co-operative and Northern Transvaal Co-operative.

Asmal said drought losses had to have occurred between September 1 last year and August 31. All timber plantings qualified, and a maximum area of 200ha per application had been set. - Sapa.



## OUTSPAN

# Navel engagement

**Confidential plans** by Outspan, sole statutory export agent for SA's R1,4bn citrus crop, to list on the JSE have stirred fierce opposition from fruit growers.

A secret memorandum sent to shareholders by CE John Stanbury says Outspan International is considering creating a nominee company to warehouse 60% of its shares.

Beneficial ownership will rest with current shareholders — mostly large fruit packers and co-operatives. The shares in this "voting pool" will be nontransferable and beneficial ownership will be reallocated at proposed fixed intervals (or by mutual agreement), based on contributions to exports. The memo also proposes that 20% of the voting rights, in the form of ordinary shares, will go to current shareholders and 10% of the issued share capital will be reserved for employees in terms of a share incentive scheme. The remaining 10% of the issued share capital will be sold in a "capital raising exercise."

But Independent Fruit Growers' Export Association chairman Valdy Jensen says there is suspicion that the listing is yet another ploy to retain the statutory monopoly, possibly in a different guise. The structure prevents citrus farmers from freely participating in value-added export operations. "We do not mind a voluntary export association but statutory restrictions limit our constitutional rights."

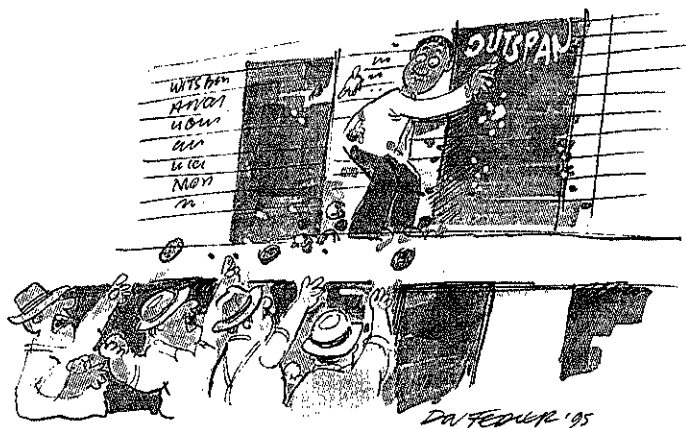
Jensen adds that with the nominee company remaining in effective control, 10% of the shares "given away" to employees and 10% sold to raise capital for undisclosed reasons, "it seems that the interests of producers, who form the backbone of Outspan, are not being looked after."

Stanbury counters that there is nothing insidious in the proposed listing. "The vast majority of Outspan shareholders have supported the proposal to investigate a listing."

He won't disclose the percentage shareholding held by co-operatives, apart from conceding that they hold most of the shares. He admits no referendum was held among the 1 200 citrus growers but says public meetings with growers showed "over-

whelming support" for the proposal. And he dismisses the association as "an insignificant minority."

Outspan's statutory export monopoly has been under fire for some time, with the small, 160-member association leading the attack. Jensen says Outspan will decide at its next board meeting scheduled for November 14 whether to disclose its producer membership list to the association so that the association can canvass freely for support for its stance against Outspan's statutory powers.



"Many citrus — and deciduous — producers, intimidated by the vast, delegated statutory powers exercised by Outspan and Unifruco, the Cape deciduous fruit exporter, have so far not come out openly against issues such as the statutory export monopoly," he says. The two fruit export companies are linked in the Capespan organisation and it's suspected that the capital raising exercise tied to the proposed listing will allow the fruit giants to expand operations globally.

In his memorandum, Stanbury says Outspan directors are "of the firm view" that the proposed listing and share issue will benefit shareholders — by unlocking value, maximising wealth, raising capital and helping to bring about acquisitions — while retaining producer control.

But Jensen says an increasing number of citrus growers believe their interests are not being catered for by Outspan.

Association spokesman Theo Moolman says: "We estimate that Outspan's usage of agents overseas and other restrictions on our individual operations siphons off about R400m from potential export revenues."

Apart from export agents handling bulk

citrus shipments — which are, therefore, sold at lower prices than smaller, more exclusive shipments — they are also able to "manipulate" sales overseas, pushing up prices to their own benefit. Though agents earn 5%-8% direct commissions, they can raise their earnings 30%-40% by withholding stock until prices rise, he says.

Moolman adds that growers are not allowed to package for chain stores in the UK and Europe and so lose a potential doubling of revenues. "Another statutory restriction is that we cannot export to niche markets."

The listing proposal will be discussed at Outspan's next annual general meeting — but the sparks are bound to fly long before that. Says Moolman: "Bear in mind that the means of production do not belong to Outspan and that the R1,4bn annual income is not Outspan's but the combined foreign earnings of all the farmers who are its members. Outspan is a relatively small agency with a right to commission earnings of about R90m a year."

## SALES DRIVE

With new vehicle sales remaining exceptionally strong in October, the industry's projections for the year as a whole have been too conservative, says the National Association of Automobile Manufacturers of SA.

October's new car sales at 21 542 units were 20% up on October 1994 while the year to date sales were 25% ahead of the corresponding period last year. Light commercial sales at 11 893 units were 11,7% up while year to date figures at 110 108 units were running 31% ahead of last year. The medium and heavy truck sectors recorded further sharp gains — medium commercials rising by 29% to 394 units and heavies by 42% to 791 units respectively.

Toyota regained the top of the log position in new car sales with 8 176 units sold, followed by Volkswagen with 6 677 units. The association said new car sales for the year were now expected to outdo the 230 000 unit mark while light commercial unit sales were expected to come in at 130 000 units. Medium and heavies were expected to reach 12 000 units giving a total industry aggregate of 372 000 units — up 23% on 1994's 303 166 units.



# Minister fells privatisation of Safcol 'in present form'

ST(BT)12/11/95 (3) FORESTRY

KADER Asmal, the Minister of Water Affairs and Forestry, has warned that the SA Forestry Company will not be transferred in present form from the public to the private sector.

"I shall not be party to Safcol's privatisation if it places the country's forest resources in fewer hands or doesn't accord with our rural development programme," he said.

A task group under the Department of Forestry's chairmanship is examining the restructuring and possible privatisation of Safcol as part of the government's programme to restructure all public sector corporations.

Safcol is the major supplier of softwood sawlogs to some of the country's independent sawmillers, who have launched an unprecedented campaign to prevent Safcol's privatisation and break its stranglehold on log supplies.

But Tienie van Vuuren, Safcol's chief executive, wants the group maintained at a "viable" size. "The government will lose out if Safcol is split as the group will not be commercially viable and lose its export potential."

Safcol, which was commercialised in 1992, has a 35% share of the SA softwood sawlog market. But some independent millers charge that because Safcol has a regional monopoly in many areas of the country, it is pushing up prices indiscriminately and tightening contracts with independent millers who have no alternative suppliers.

Many issues concerning Safcol's future status are inherent in the Competition Board's investigation of the sale of Hunt Leuchars & Hepburn's R400-million timber interests to the other two forestry giants, Sappi and Mondi.

Mr Asmal has urged the Board to reject the sale, saying it is likely to lead to a concentration of forestry resources in the hands of three major players.

Figures provided by his department show that if the sale is approved, Sappi, Mondi and Safcol will control 58% of the hardwood and 72% of the softwood timber markets.

While Sappi and Mondi rely mainly on their own forests and Safcol to provide the raw material for their sawmills and pulp and paper plants, many independent millers are dependent on Safcol alone.

Safcol is abusing its dominant position, the independents charge.

"When Safcol was under state control it was a benign supplier targeted at establishing industries in rural areas," says Solly Tucker, chairman of JSE-listed Yorkcor. "Now we are dealing with a supplier who is also a competitor and wants to bring up his bottom line so the family silver will shine at the sale."

At the heart of the dispute are Safcol's "evergreen" contracts, long-term supply contracts that guarantee supplies from specific plantations to the sawmillers.

John Mortimer, executive director of the SA Lumber Millers Association, says there are 22 long-term contracts between Safcol and millers.

In the latest round of contract renewals, Safcol has insisted on a three-year termination clause and wants more frequent reviews of sawlog prices.

Three independent millers — Yorkcor and Eastern Cape groups Rance Timber and Lentz Forest Products — are refusing

By SVEN LUNSCHÉ

to sign the contracts, arguing that they need and are entitled to security of tenure which is the basis of investments in plant and machinery.

John Rance, director of Rance Timber, says Safcol is a monopoly supplier to his company. "When we refused to accept certain contract terms and argued over increased log prices, they reduced the volumes supplied," he says.

These charges are rejected by Mr van Vuuren. He is particularly angry about allegations that Safcol has withheld log supplies. "We always honour our contractual obligations," he says.

On the sharp price increases, he says that SA sawlog prices are about one-third of international prices and that Safcol has indicated it will take more than five years to bring prices into line.

"On average we have lifted prices by 35% over the past two years with larger increases for higher quality logs," he admits, but adds that sawmillers waste up to 10% of timber resources. "Sawmillers should invest in technology so they can improve recovery of material from the present 45% to the international norm of 55%," Mr van Vuuren says, pointing out that Safcol had just invested R50-million in upgrading its five sawmills.

About 10% of Safcol's timber is earmarked for its own mills, while 3.5% is exported at world prices.

Mr Rance counters that Safcol, as opposed to independents, has total security and knowledge of supply which makes the R50-million a viable investment.

"Prices have risen well above inflation and we cannot cope with that overnight especially since we have been isolated from international technology," he says, arguing for a 10-year adjustment period.

Various suggestions are being put forward on Safcol's future structure.

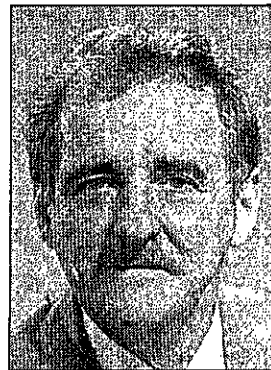
Safcol will be represented on the task team by chairman David Gevisser and will give constant input at all stages of the investigation. Yet it appears unlikely to maintain its present form, judging from comments by Mr Asmal.

He is keen to involve foreign investors in the restructuring, having urged a similar line in his Competition Board submission on HLH.

"Foreign investment is one way of opening up the economy, especially since foreign investors have developed a much closer working relationship with local communities and subcontractors," Mr Asmal says. His main priority though is to use forests as a central part of rural development. "Forests are the major employer in the rural areas, and these jobs need to be protected even if we sell off only 49% of Safcol."

Mr Rance, with support from other independents, proposes that Safcol's saw mills be combined with its plantations and sold individually, while other plantations should be sold to the mills they supply.

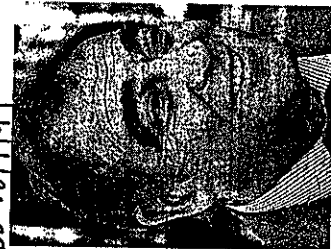
Salma's Mr Mortimer says it is essential to split Safcol's forestry and saw milling interests. The saw mills should be sold individually and Safcol's forests should be held in trust on behalf of the state and managed by the sawmills that derive logs from them.



TIENTIE VAN VUUREN

# Govt decides to delay action on forestry at request of bidders

25/7/99



Robyn Chalmers

GOVERNMENT'S decision to delay the submission of bids for its commercial forestry assets was made at the request of potential bidders, says Water Affairs and Forestry Minister Ronnie Kasrils.

This follows market speculation that government may not receive the level or quality of final bids it is expecting for its commercial forestry assets. Some analysts speculated that the state had expedited the deadline to give big international companies more time to enter the bidding fray.

Backing up last week's statement by Public Enterprises Minister Jeff Radebe, Kasrils said the four-week extension on the deadline for the bidding process was granted at the bidders' requests.

"They require additional time because the transaction is quite complex. This is after all the largest offer of state owned forests that has ever been undertaken in any country. So the bidders have a massive task," said Kasrils.

Government has indicated that much progress has been made on the transaction, with the due diligence exercises completed along with most of the documentation

Bidders need time, says Kasrils

that is necessary.

The sale initially attracted the interest of 16 parties, with strong representation from black-owned companies. But industry analysts have expressed disappointment that none of the big US or international forestry groups appear willing to come on board.

Government's sale involves 332 000ha of commercial forestry assets, valued at between R1bn and R1.5bn. The assets include the

SA Forestry Company's (Safcol's) forestry holdings and those of the former homelands.

Interested parties have a choice of bidding for the asset as a whole, for any one of seven packages that have been identified, or for any combination of packages. The smallest package is 14 000ha, and the largest is 120 000ha.

The underlying land will not be sold. Instead the assets will be offered on a long-term lease which is unlikely to be less than a period of 70 years.

The big local players in the forestry industry, Sapri and Mon-dini, along with trade union consortium Union Alliance Holdings, have indicated interest in bidding.

Stand-alone international firms on the list are the Swedish defence and car group Saab, Indonesia's Barito Pacific Timber and Saudi Arabia's Farik Al-Zaid Group.

Other interested parties are the African Forestry Corporation, Alister Stewart, the Amathole Timber Consortium, the Eastern Cape Forestry Consortium, Idhwezi Investment Holdings, Imbokodvo Lemababala, Thesen & Co with the Industrial Development Corporation as well as Ubanzo Timber Industries.

# Bidders in Safcol privatisation get another month

ROY COCKING

Pretoria - The deadline for the submission of binding bids for the privatisation of the South African Forestry Company Limited (Safcol), the forestry parastatal, had been extended by four weeks, said Zaid Nordin, a spokesman for the public enterprises ministry, said at the weekend.

Nordin said the Inter-Ministerial Cabinet Committee had earlier this month approved the extension of the deadline to August 28.

It was decided to extend the date after the public enterprises ministry received requests from a number of bidders.

"This means the whole timetable will shift by about a month, including the selection of the preferred bidder or bidders," Nordin said.

The selection of the preferred bidder or bidders was initially scheduled for mid-August this year. Negotiations were then to take place with the preferred bidder or bidders before the privatisation of Safcol was finalised.

Nordin said Jeff Radebe, the public enterprises minister, was committed to executing the Cabinet's mandate of accelerating the restructuring of state assets. In terms of this process, the restructuring of Safcol was on course. However, he was unable to provide a target date for the implementation of Safcol's privatisation.

Nordin said it was difficult to determine the negotiating process for any transaction, and even more so for a complex transaction such as the restructuring of the assets of Safcol and the water affairs and forestry department.

"We might be negotiating with a number of preferred bid-

ders on different combinations of packages. The transaction has a number of complex variables like leases, licences, land claims and so on."

But Nordin was guarded in comments on whether Safcol's privatisation would go ahead regardless of the price offered by bidders and what would happen if the government was not satisfied with the value of the bids received.

He would also not be drawn on whether dissatisfaction with the value of bids could delay the process or the possibility of this leading to the postponement of the entire procedure.

"Government has a number of objectives that it wants to achieve out of the privatisation of its forestry assets. The price is one of them," Nordin said.

"In considering the bids, government will determine the extent to which the bids will satisfy those objectives overall."

"The negotiation process will entail negotiation with the preferred bidders until all the parties are satisfied with the terms and conditions of the agreements," Nordin said.

"It is difficult at this stage to speculate what the outcome of the bids and the subsequent negotiations will be. However, the Inter-Ministerial Cabinet Committee closely monitors the bidding process of any transaction and takes appropriate decisions on an ongoing basis. The Safcol-water affairs and forestry department privatisation process will also follow this procedure."

A total of 332 000ha of commercial forest is on offer on long-term leases as well as five saw mills and associated assets. These form the bulk of the assets of Safcol and half of the commercial plantations of the water affairs and forestry department.

**This means the whole timetable will shift by about a month, to August 29**

**CT (PR) 26/7/99**

## GOVERNMENT

## ECONOMICS

# Safcol's results set pace for parastatals

(3) FORESTRY CT(BR) 15/11/95

By ROY COKAYNE

Midrand — SA Forestry Company (Safcol), the parastatal to which the state's commercial forestry undertakings have been transferred, raised its dividend to the state by more than 86 percent from R5,93 million last year to R11,04 million in the 15 months to end-June this year.

It achieved this by increasing its net profit before tax from R17,746 million to R56,353 million in the 15 months to end-June this year. Pro-rated for 12 months, this amounted to R45,082 million — an increase of 154 percent.

Safcol's improved results were achieved on the back of an increase in turnover in the reporting period from R256,8 million in 1994 to R449,97 million — a 12-month pro-rated growth of 40,2 percent to R359,98 million.

Operating income rose from R10,8 million last year to R45,5 million at end-June — a 236 percent increase to R36,4 million pro-rated for 12 months.

Net income rose from R16,263 million

last year to R40,937 million at end-June, a 12 month pro-rated increase to R32,749 million. Earnings a share rose from 5,2 last year to 9,1 — 40,4 percent up at 7,3 for 12 months pro-rated.

At a function for the release of Safcol's results, Kader Asmal, minister of water affairs and forestry, called Safcol a great success story and its results "stunning".

Minister of Public Enterprises Stella Sigcau said she could not say if Safcol would be privatised. She said this depended on what options were the most attractive for the company.

Capital expenditure totalled R52,3 million for the 15-month period compared to R19,976 million last year. This equalled an increase of more than 109 percent to R41,8 million for the 12 months pro-rated.

But the return on equity improved from 3,9 percent in 1994 to 9,2 percent for 12 months pro-rated.

Safcol's chief executive, Tienie van Vuuren, ascribed the significant improvement to better trading conditions in the industry, resulting in higher selling prices

of Safcol products and continued improvement in internal efficiency.

Van Vuuren said the business plan for 1995/96 indicated that results should improve for this period. Chairman David Gevisser said that as a commercialised parastatal, Safcol sought to make an acceptable return on equity while attracting all the pressures and risks of the private sector as well as the close attention of government departments. He said Safcol also had a sole shareholder with very definite and very public views, adding that Safcol did its best to satisfy all these pressures.

But he said its task was not made easier by some members of the private sector who still regarded state forests as fair game and whose response to any problem was to seek a political pressure point.

"Our plea to everyone concerned in both the private sector and government is that the proper status of the parastatal be recognised and that we should thus not be subject to unusual pressures unless we are in blatant breach of acceptable parastatal behaviour," he said.

# Safcol's growing profits raise privatisation stake

ST (44/87) 19/11/95 (3) FORESTRY

By SVEN LUNSCHE

THE SA Forestry Company, the state-owned timber and saw-milling group, is in strong financial shape ahead of its possible privatisation.

Results released this week show that in the 15 months to end June Safcol lifted turnover to R450-million from R257-million in the preceding 12 months while earnings a share rose to 9,1c from 5,2c.

The state, as sole shareholder, received dividends totalling R11-million, R5-million more than in the previous year when the group declared its maiden dividend.

The Department of Water Affairs and Forestry is deciding whether to privatise Safcol or restructure it in line with the government's programme to reorganise public sector corporations.

Safcol was commercialised in 1992 and has since turned profitable through a combination of increased efficiencies and, crucially, higher sawlog prices.

The group is one of the largest suppliers of sawlogs to South Africa's independent sawmilling industry, which has been struggling under Saf-

col's strategy of bringing log prices in line with international norms.

Some independents have refused to sign new contracts with Safcol, arguing that the group has too strong a hold over supplies.

At a media conference chairman David Gevisser said Safcol would close the price gap gradually over five years "to give users time to adjust to technologies in line with the international competitive environment".

He said the group had successfully renegotiated market-related supply contracts with 95% of the sawmilling industry.

He stressed that a specific object of Safcol's commercialisation "was to stop the continued subsidisation of the private sawmilling sector by the state".

Forestry Minister Kader Asmal has indicated that foreign investors could be invited to take a stake, while other industry players have suggested that Safcol's forestry and

sawmilling interests be split.

The group's strong results are likely to raise any price tag on Safcol, should the government decide to take that route.

Tienie van Vuuren, the group's chief executive, said return on equity had improved from 3,9% to 9,2% during the financial year.

He said that apart from higher log prices a major contribution to profits came from the export of logs at international prices. These were substantially above local prices.

Safcol's exports are marketed internationally by Weyerhaeuser Company of the US under a co-operative alliance agreement signed last year.

Mr van Vuuren also outlined expansion plans for its processing (sawmilling) division "as these capabilities are necessary for Safcol's long-term growth sustenance".

The group has embarked on a R50-million capital programme at its Weza and George sawmills to bring them in line with international technology standards, he said.

□ See Letters page.



DAVID GEVISSER: Renegotiating sawlog prices

ST (PT) 19/11/95  
**HL&H's  
timber  
sale axed**

**FORESTRY**  
THE Competition Board has blocked the sale of Hunt Leuchars & Hepburn's timber interests to forestry and paper giants Sappi and Mondi, writes SVEN LUNSCHIE

The board sent a letter to HLH chief executive Neil Morris this week informing him of the decision to halt the sale of HLH Timber Holdings, according to sources close to the proposed sale.

Under the HLH proposal its softwood interest would have been sold to Sappi for R230-million while the hardwood (mining) timber and SilvaCel chip divisions would have gone to Anglo American subsidiary Mondi. Mondi holds 50% of HLH Timber and has a pre-emptive right to the other half.

The board received numerous objections to the deal from independent foresters and sawmillers, as well as Forestry Minister Kader Asmal.

Under Competition Board rules HLH will now have to put forward new proposals for the sale.

## FOCUS

Hilary Joffe

THERE can be few diversified groups on the JSE as exposed as Hunt Leuchars & Hepburn is to factors beyond their control. Investors who buy into the limited pool of shares traded on the open market (the Rembrandt Group holds 83%) gamble on the weather, poultry viruses, import duties, and even the gold price, which affects the group's mining and timber business. Added to those now is the Competition Board investigation into the planned sale of HL&H's timber interests.

HL&H's record over the past five years has positioned its share as one for serious gamblers only. Forecasts of imminent recovery have frequently been followed by new disasters.

The group, whose interests include sugar, timber, poultry (41% of Rainbow Chickens), and branded foods (Robertsons), is expected to record a loss for its year to end-March after going R40m into the red at interim stage. The share has been trading at a fairly healthy premium of around 25% to net asset value, but probably only because it is so tightly held.

Earnings a share declined in 1992 and 1993, recovered spectacularly last year and plummeted again in the year to March 1995, by which time eps was down to a quarter of the 1991 level. Gearing rose from 12% in 1992 to 59% at the 1995 year-end and hit 80% at end-September, with financing charges substantially exceeding operating profit in the group's first half.

All of which must make the controversy over the group's attempt to sell its timber interests painful for management. The move was first pointed to in a cautionary notice in July: whatever the outcome of the Competition Board investigation into the sale, the process will have been delayed by months. The group could be earning much higher returns on cash in the bank than it has been on most of its existing businesses lately. And the sale would reduce gearing to manageable levels.

CE Neil Morris would prefer a debt:equity ratio of not more than 25%. The sale of the timber interests would reduce gearing substantially to that level, he

# Competition Board holds up HL&H's timber plans

③ FORESTRY

60 22/11/95

says. The R300m to R400m price tag cited in media reports is "very much on the low side" if it refers to the whole of the timber interests. Morris is hoping for clarity and a speedy resolution of the issue, since the uncertainty means management cannot tackle future development of the timber interests.

HL&H Timber Holdings, a joint venture with Anglo American, is made up of three companies: mining, SilvaCel (hardwood chips) and softwood (sawn timber and furniture). The softwood interests are definitely up for sale: the hardwood interests not necessarily so.

## Highest bidder

Softwood was put out to international tender, eliciting much interest, before being offered to Sappi as the highest bidder. Anglo subsidiary Mondi is interested in the hardwood interests — Anglo has pre-emptive rights over the mining timber operations. However, Morris says the group had already decided, with its partners, to divest from softwood but the rest may be rearranged or divested. The decision will depend on the outcome of the Competition Board investigation.

Ironically timber is the one division which was part of the original pre-Rembrandt HL&H of a decade ago: it acquired sugar and Robertsons when it bought Bonuskor in the late 1980s, when it also purchased the stake in Rainbow.

Running the timber interests as a joint venture has been difficult. Morris notes there have been only limited avenues to develop timber so as not to conflict with Mondi's interests. "There were few long-term opportunities to add value."

The main reason to sell the timber interests is that HL&H is now predominantly a food company, and this is where it sees growth potential, says

Morris. "We would like to see ourselves growing in branded consumer goods and are seeking opportunities to expand." These are likely to be outside SA, as there is not a lot available in the way of acquisitions locally or in Africa, Morris says.

At the same time, the multinational food groups are increasingly entering the SA market (analysts note the entry of groups such as McCormick, the US spice company, may in time make life difficult for Robertsons, which has been HL&H's star performer).

About three quarters of the group's assets are in food. In the six months to September Robertsons, with about 15% of group assets, contributed R23m to the bottom line. The company, which makes spices, condiments and household cleaning agents, "performed extraordinarily well again", says Morris, showing real growth and increasing market share in sectors in which it launched new products.

It has bought 30% of Baker Street snacks and the agency for Indomie, the world's largest noodle manufacturer. Robertsons' exports are below 10% of turnover but growing rapidly into Africa and beyond.

The sugar interests, which account for a third of the group's assets, took R41m off its bottom line in the first half and drove up HL&H's debt level. HL&H commissioned its new Komatiport mill 18 months ago, in the middle of what has turned out to be a major three-year drought (and, one analyst notes, before government had given the go-ahead for the building of the Maguga dam in the area). With its mills running at only 45% of capacity, HL&H is having to fund the new mill, its losses and interest on those losses, Morris says.

The interim losses from sugar are half the full-year picture: results for the current season

are already known as the mills close in a few weeks for a three-month maintenance period. Good rains now will affect only the 1996/97 season. Rainbow's losses totalled R56m in the six months (R23m was brought to account by HL&H), against a loss of R12m in the same period in 1994, when its chickens were hit by Newcastle disease.

This year it had a new set of problems: rivalry between two unions which stopped work at its largest plant for six weeks, and the flood of imports which hit the whole industry. Morris says Newcastle disease created the gap for importers: the customs and excise department was so badly staffed and policing so poor, there was plenty of scope for cheating (for example declaring chicken as turkey, on which there is no duty).

"We got special investigators in to assist and imports have declined dramatically since May," Morris says. The SA industry is back to full production and meeting SA's needs. Rainbow is back in profit, although it will not recover strongly in this financial year.

## Risk factors

With assets of R292m, timber contributed R1,8m in profit for the six months. The mining and timber operations are recovering from the period in which mines were unable to compensate for price increases. Last year was the first time it started to recover costs and is doing so again this year.

The interim results announcement said: "The group anticipates it will earn a profit in the second half of the financial year although at a level which will not result in a profit for the full year". There is such a variety of risk factors it is difficult to discern the outlook for 1997. Morris talks of "enormous recovery potential". By now he knows better than to say more.

# Sparks fly over forestry plan

(3) FORESTRY MTG (OA) 1-7/12/95

A Sappi forest planned for Mozambique's southern coastal zone is causing an uproar, reports

**Eddie Koch**

**P**LANS by giant South African timber company Sappi to plant a 30 000-hectare eucalyptus forest in a sensitive ecological area on Mozambique's southern coastal zone have opened a massive debate about how to combine economic development and environmental protection in that country.

The furore — which has become so heated that President Joaquim Chissano is said to have telephoned President Nelson Mandela to discuss the matter — revolves around a stretch of land situated between the old coastal resort of Ponta do Ouro and the Maputo Elephant Reserve. The area is rich in wetlands and rare plant species that will be damaged by the plantation.

A flamboyant American billionaire called James Blanchard has fuelled the controversy by offering to create a \$200-million wildlife theme park and a complex of five-star tourism lodges in the area. But, he says, this development plan cannot go ahead unless Sappi plants its water-guzzling trees somewhere else.

The squabble, destined to become Mozambique's version of the St Lucia debate that rages in South Africa, has its origins in an agreement Sappi signed with the Frelimo government during the civil war in the 1980s. Sappi then set up a company

called Mosaflorestal in partnership with two Mozambican firms and the Frelimo government to develop the area for commercial forestry.

Frelimo leaders were keen to attract big South African business into the country to help repair its war-shattered economy and to ensure Pretoria stopped providing covert support to right-wing Renamo insurgents busy waging a destructive guerrilla campaign. At the time, the fate of wild animals and rare plants was not a priority.

But environmental issues are being taken seriously by the Mozambican government now that the war is over and tourism has emerged as a powerful alternative to commercial forestry.

Eugene Gouws, a South African landscape architect contracted by Blanchard to revitalise the Maputo Elephant Reserve as part of the tourism scheme, says Sappi's plantation will prevent Mozambique from using the world's fastest growing industry to reconstruct its economy.

"In essence, the tourism product is a destination which will provide pristine Indian Ocean beaches and vegetation within a game park which contains all the big five animals. At an envisaged 200 000 hectares, this area has the potential to be the third-biggest conservation area in southern Africa," says Gouws.

"However, the area which has been earmarked for forestry is part of an area which has more endemic species of vegetation than any other in Mozambique. It also consists mainly of grassland, an important vegetation type for viewing large herds of herbivores like buffalo and wildebeest."

The Mozambican government, assisted by consultants working for the World Bank and the Global Environment Facility, have identified the area as a potential site for an ambitious transfrontier conservation area that will link the Maputo Reserve to the Ndumo and Tembe Elephant Reserves in KwaZulu-Natal.

Gouws is backed by Braam van Wyk, a botany professor at the University of Pretoria, who says the commercial forest will obliterate an area of plant and animal endemism — species that occur only in the Maputaland area and nowhere else in the world — if it goes ahead.

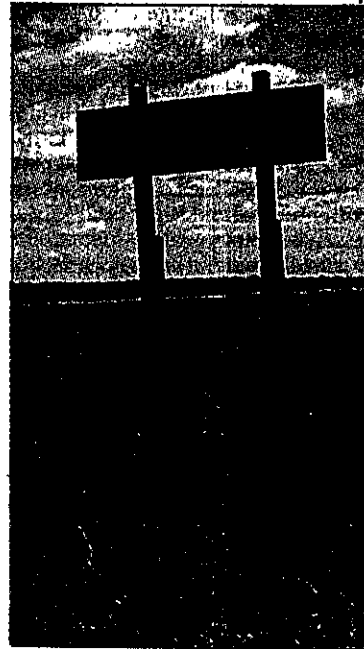
"From a plant diversity point of view, the Maputaland Centre (of endemism) is the most remarkable area in Mozambique," says Van Wyk. But Sappi insists its plan will not have major impacts on the ecology of the area and believes both tourism and commercial forestry can contribute to economic development in the area. It points out that the Maputaland centre of endemism covers a total of 2.4-million hectares and that the plantation will take up a tiny fraction of the area.

The company has appointed the Institute for Natural Resources in KwaZulu-Natal to conduct an independent environmental impact study for its proposed plantation to be completed by the end of the year.

The study has found that some areas of the proposed site will have a negative impact on coastal lakes south of the elephant reserve and that a small community of people who rely on tapping lala palms to make a form of wine for local markets will have their livelihoods destroyed.

John Scotcher, environmental manager for Sappi, says the environmental study is the first to be conducted by a commercial venture in Mozambique and indicates his company's willingness to adopt sound ecological principles to manage these problems.

A participative approach has been adopted in which considerable attention has been given to involve-



Area of grassland proposed for a eucalyptus forest

ment of the local community and other interest groups at local provincial and national levels."

He says Sappi is willing to withdraw from sensitive ecozones, especially around the coastal lakes, and will set up community-based forestry programmes to provide alternative forms of employment to the palm tappers.

Mosaflorestal sits on a working group that is planning development for southern Maputo province along with representatives from various government departments and community organisations. Some officials in Maputo are worried that Blanchard may not be able to raise the millions he has promised for ecotourism and believe the forest plan — which can start immediately — could be a more tangible "engine" for longer-term growth.

Wildlife protection also has a controversial history in the area. Elephants regularly raid the crops of peasant farmers living in villages near the reserve and there is a groundswell of hostility because the old warden used heavy-handed methods to deal with poachers.

"We have seen Blanchard's tourism plan and it shows there has been no consultation with local people about the impact that the introduction of the big five will have on their village. There is also no mention of an environmental impact assessment," says Scotcher.

But the tourism company is now planning an environmental study and social impact of its own and has appointed prominent Mozambican academics to explain its plan and the benefits it will bring to the people living in the Maputaland region of Mozambique.

Meanwhile the Institute for Natural Resources will present the final draft of its environmental report at two community workshops in rural settlements around the forest site later this month. This caps a 15-month programme of interviews and meetings designed to take the views of ordinary men and women into account when it drafts a final version of the report.

The Mozambique cabinet then has the unenviable job of making a decision about a complex environmental and development debate early in the New Year.

# Permit system 'strangling' forestry

Michael Moon

80 7/12/95 (3) FORESTRY

THE forestry industry was being "strangled to death" by the permit system being employed by government, Forest Owners Association executive director Mike Edwards said yesterday.

Edwards said that forestry companies had been unable to acquire any permits for several months as regional committees appointed to assess applications had not been provided with clear guidelines for approval.

Edwards said a policy committee appointed by Water Affairs Minister Kader Asmal had agreed on procedures for permits and regional review panels had been installed. But criteria for granting

permits had not been finalised and these committees had been "doing their own thing", ignoring existing criteria. The result was that no permits were forthcoming, halting growth in the industry.

Water Affairs spokesman Bill Rowlston said the department was aware the industry had suffered delays. He said the department was doing everything it could to alleviate the situation.

The question of review panels not adhering to existing guidelines had only recently come to the department's notice and had been taken up as a matter of urgency, said Rowlston.

New criteria for permits would be finalised very early in the new year, he said.



# Tough new rules for forestry permit seekers

By ANITA ALLEN

Science Writer

Nov 8/12/95  
Stringent procedures for forestry permit applications were announced by the Department of Water Affairs and Forestry yesterday.

They include a requirement that applicants publicise their intentions, the obligatory involvement and consultation with interested and affected parties, and environmental impact assessments.

And the extent of assessments will be determined by a review panel comprising a broad range of interests. "The new procedures embody the department's commitment to openness, transparency and accountability in all its activities," the department said.

In an internal move that emphasises the overarching imperative of water issues, the responsibility for the administration of the forest permit system has been transferred from the department's directorate of forestry to the water resources branch.

However, the applications will still be channelled through regional forestry offices, where they will be considered in detail by the regional director, who will make his recommendations to the national water resources manager.

After applying in writing, a date for a site inspection will be set by the regional forestry officer.

He will then be responsible for conveying details in writing for comment from the regional water affairs office; environment and conservation authorities; the provincial departments of agriculture, local government and housing

(or the equivalent); relevant authorities involved with historical, cultural and heritage sites; and any other affected authority and community.

Comments or requests for extensions have to be provided within 30 days, and all parties have the opportunity to be present at the site inspection, or to arrange their own inspection with the applicant.

The applicant is obliged to advertise in the local press, and in one other newspaper that will reach

## Review panel to comprise range of interests

affected parties, as well as to inform all the immediate neighbours.

Assessments will be done by a review panel chaired by the regional director or his delegated official. It can recommend that the permit be granted or refused and whether an environmental impact assessment is required. In this event, the panel will set out the detail of the EIA and whether public participation is required.

The final decision of the water resources manager will be given in writing, and thereafter, the applicant or any of the parties involved may appeal against the decision to the director-general of the Water Affairs Department.

These procedures will not apply to applications for planting areas on less than 10ha, which will be dealt with by the regional director.

## Sappi 'will heed ecological report'

~~1995~~ 3 FORESTRY

Eddie Koch

**S**OUTH AFRICAN forestry giant Sappi says it will cut back the size of a controversial eucalyptus plantation planned for southern Mozambique in line with suggestions from an independent environmental study. *MTG 8-14/12/95*

Natal University's Institute of Natural Resources, commissioned to conduct an Environmental Impact Assessment (EIA) on the proposed forestry, presented its findings to the Mozambican government this week.

The study found the project would bring major social and economic impacts to the depressed region, injecting some R80-million into the local economy, but that rare wetlands and wild game would suffer in parts of the plantation zone.

The major recommendation of the report is to reduce the proposed planted area. This will create a buffer of at least one kilometre between the forest and the Futi River in the west and will withdraw the plantations from coastal lakes in the east.

It also provides for the creation of natural corridors to allow for animal movement and migrations that will be obstructed by the forest.

"We are quite comfortable with the idea of modifying and adapting the original proposal to ameliorate environmental sensitivities," says a Sappi spokesman.

But environmentalists have slammed the entire project, saying it poses a serious threat to a variety of plant and animal species that occur nowhere else in the world.

The forest also clashes with an ambitious tourism scheme to build a large game reserve and network of lodges along Mozambique's southern coastal zone.

# R250m export of woodchips under fire

~~129~~ (3) FORESTRY

BY STUART RUTHERFORD

CT(BR) 11/12/95  
Durban — About R250 million in raw woodchips will be exported through Richards Bay by the end of the year, despite criticism from Reconstruction and Development Programme (RDP) officials.

Carl Seele, the chairman of the South African Timber Growers' Association, said the 1 million tons of woodchips exported this year represented about 8 percent of the total wood cut in the country. He said the export of chips would continue until local prices matched the international market. Local prices are about 10 percent less.

The forestry industry has been criticised for the export of unprocessed wood. An RDP discussion document states: "The current usage of timber resources is wasteful, and we are opposed to the massive and growing export of raw woodchips."

Seele attacked this view. He said the limited number of local buyers had artificially deflated the domestic price. Only three local buyers of pulpwood existed and for other categories of wood, buyers were also limited and dominated by a few players.

As a result of this oligopolistic situation, he said, the industry had started exporting wood 25 years ago.

He stressed the validity of the conclusions reached by a recent document put out by the Wood Marketers' Forum of Southern Africa, which argues: "Any interference in the marketing function of this industry by way of export restrictions would be completely counter-productive and damaging to this industry and therefore to the health of the South African economy."

AGRICULTURE — FORESTRY

1996 — 1997

# Sappi has no plans to extend forestry project

Michael Moon

BB 12/11/96

SAPPi had no plans to extend its operations in southern Mozambique beyond its planned 30 000 hectare afforestation project in Maputaland, the company said yesterday.

However, it was investigating other possible ventures in the southern Africa region, including projects in northern Mozambique and Angola, Sappi Southern Africa MD Ian Heron said.

Heron said that the controversial Mosa Florestal forestry project would be "viable as it stands" and expansion into areas such as pulp milling was not needed.

Wood would be exported to SA via an existing railway line.

The project has come under fire from environmentalists who charge that eucalyptus cultivation would suck the Maputaland area dry, would diminish the area's eco-

tourism potential, would damage an internationally important area of biodiversity and would interfere with plans for a trans-frontier wildlife sanctuary linking the Maputaland Elephant Reserve and the Ndumu Game Reserve in SA.

Sappi environmental manager John Scotcher said he believed the forests would diminish the area's water resources by only between 5% and 8%, and that the effect could be further reduced by staggering planting.

There was "no way" the surrounding grasslands would be sucked dry.

Research had shown that no species that was rare or endangered, or that did not occur elsewhere in Maputaland, was contained in the forestry area.

Scotcher said the company had "no problem" with a planned ecotourism venture covering most of the remaining part of Maputaland, but it appeared that the tourism

developer, US entrepreneur James Blanchard, had objected to the afforestation.

Scotcher said forestry currently accounted for 5% of land use in Maputaland and the Mosa Florestal project would increase this to only 6%.

Sappi has a 40% interest in the proposed project, with the Mozambique government holding a 10% stake and Mozambican companies 50%.

Capital expenditure will be R178m over 16 years, much of it in the form of wages, and Mozambique will collect revenue of R80m a year. About 1 200 direct jobs would be created.

An environmental impact assessment, commissioned by Sappi and conducted by the Institute of Natural Resources at Natal University, will be presented to the Mozambican government on January 25, after which it will decide whether to go ahead with the project.

CT(BR)10/2/96

## Competition board targets Safcol

BY ROY COKAYNE

Pretoria — The competition board has launched a formal investigation into alleged restrictive practices by the South African Forestry Company (Safcol), the parastatal to which the state's commercial forestry undertakings have been transferred.

This follows complaints submitted to the board by the York Timber Organisation (Yorkcor) and CJ Rance in the Eastern Cape.

The Yorkcor chairman, Solly Tucker, welcomed the investigation. He said it was important that a "competitive situation be restored to the timber industry".

The Safcol chairman, Tienie van Vuuren, also welcomed the investigation. He said it would "once and for all clear the air after months of attacks ... suggesting that Safcol was involved in uncompetitive practices".

Van Vuuren said the attacks on Safcol stemmed mainly from negotiations to revise supply arrangements between the company and its long-term customers. He said there were 17 sawmilling companies with which

Safcol had long-term contracts, which provided for the revision of terms from time to time. He said Safcol successfully concluded revised market-related contracts with 14 of its customers last year. Negotiations with three customers, which represent 5 percent of Safcol's supply volumes, were unsuccessful.

He said while it was necessary for the investigation to take place, it would have some influence on optimising Safcol's value as a state asset in the short term, and therefore hoped it would be concluded as soon as possible.

The board's chairman, Pierre Brooks, said the alleged practices were tied up with Safcol's past and the system of transferral of the state's commercial forestry interests, its commercialisation, the content of Safcol contracts and contracts that were in dispute.

He said if there was any doubt about the validity of the complaints in any particular case, the board gave the benefit of the doubt to the complainants.

He said formal notice of the investigation would probably only be published in the government gazette in about two weeks' time.

(3) FORESTRY

# Sawmilling industry sharpens its axe for attack on Safcol

(3) FORESTRY  
ST(BT) 11/2/96

By SVEN LUNSCHÉ

THE independent sawmilling industry has renewed its attack on Safcol, the state-controlled forestry company which is the sawmilling industry's major log supplier.

The SA Lumber Millers' Association has called on the Competition Board to investigate Safcol for a range of "uncompetitive practices". Salma's decision to proceed with the appeal to the board was supported by a majority of members last month despite strong opposition from Safcol, also a Salma member.

Safcol, which supplies about 70% of softwood used in the sawmilling industry, has defended its supply policies in its response to the board.

The board's chairman, Pierre Brooks, says he will announce this week whether a formal investigation into Safcol will be launched.

The submission by Salma centres on two issues.

Firstly, the security of log supplies after Safcol's statement that it would phase out long-term contracts to sawmillers and introduce three year's notice of termination.

"This has caused many contractors to be hesitant to invest the large

sums necessary to bring technology in line with the rest of the world," says Salma's letter to the board.

Salma also warns that this policy could squeeze out independent sawmillers and that "in 10 years the only sawmillers left will be those with their own plantations".

Chief executive of Safcol, Tienie van Vuuren, rejects the charges. "We do not believe that our contracts are unfair. The majority of sawmillers have accepted our new contracts and only a minority — 5% in volume terms — are holding out."

Salma's second concern is Safcol's attempt to buy the Boskor sawmill. Instead, the association says, the restructuring of Safcol, in line with the state's restructuring of assets programme, should see the company divest itself of its existing five sawmills.

Mr van Vuuren says Safcol is still interested in buying Boskor as its current market share in the sawmilling industry is only 10%.

Salma's concerns are echoed by

the chairman of Yorkcor, Solly Tucker, in his group's 1995 annual report. Yorkcor has not renewed its contract with Safcol and has asked the courts to ensure its log supplies.

Mr Tucker says: "Safcol's contract offends the fundamentals in our long-standing entitlements; security of tenure and log-volume quotas.

"Because there is nowhere else to go for sawlogs, Safcol is effectively in a monopoly position vis-à-vis the independent operators, to whom Safcol's sales and pricing policies are crucial make-or-break determinants."

The 236% rise in Safcol's operating margins during the past financial year was clearly the result of higher selling prices, he says.

In the 1995 financial year Yorkcor's turnover improved marginally to R46,8-million from R45,2-million in 1994, but operating income was up from R2,9-million to R6,1-million and earnings per share surged to 47,1c from 21c previously. The dividend was raised by 50% to 15c.

Yorkcor has also announced the sale of its Veldman & Tom sawmill to a consortium of black investors.

## Workers on the march

ESTELLE RANDALL Labour Reporter

(3) FORESTRY  
(152) (177)  
STRIKING Cedar Meule saw mill workers in Clan-  
william will today march to the town's municipal  
offices to demand the resignation of Willie Strass-  
berger, the saw mill owner and deputy mayor, and  
to protest against police action against workers  
last week.

ARG 16/2/96  
About 80 workers, who are members of the unaf-  
filiated Farm, Food and Rural Workers' Support  
Association (FFRWSA), went on strike earlier this  
month after they deadlocked with Mr Strassberger  
over wage increases.

Last week police fired rubber bullets at the strik-  
ing workers after the workers allegedly threw stones  
at them. The workers were at a meeting to hear a  
report on the wage negotiations.



# Gripes about Safcol to get Competition Board hearing

(3) FORESTRY

ST 18/2/96 (PT)

By SVEN LUNSCHÉ

THE Competition Board this week launched an investigation into state-owned forestry company Safcol after protests by independent sawmillers.

The inquiry could have a major impact on the restructuring of Safcol, one of the parastatals under review by the government's privatisation and restructuring task group.

Responding to the investigation, Safcol chief executive Tienie van Vuuren says he welcomes the opportunity to show the real picture "after months of attacks on Safcol by parties, suggesting that we were involved in uncompetitive practices".

Independent sawmillers, including CJ Rance from the Eastern Cape and SE-listed Yorkcor, have questioned Safcol's new supply contracts. They argue that Safcol is misusing its control of the softwood timber market by setting unreasonable prices and restricting long-term supply of logs, essential to their business, by demanding three-year termination clauses.

Mr van Vuuren counters that Saf-

col has only 35% of the softwood market. He says it has concluded "revised and market-related contracts with 14 of its 17 customers". The remaining three parties, including CJ Rance and Yorkcor, represent only 5% of its supply volumes. "The old contracts contained barriers of entry and other restrictive trade practices, which excluded non-contract holders from accessing Safcol's sawlogs," he says.

"They also made it impossible for entrepreneurs from disadvantaged communities to enter the industry because no volumes were available to them."

Safcol says local log prices were a mere third of the international value and that it had to revise the contracts "to earn an acceptable rate of return for our shareholder, the state".

Safcol's response also says that the SA Lumber Millers' Association had not requested a Competition

Board inquiry. Salma, of which Safcol, Yorkcor and CJ Rance are members, is the industry's umbrella body. However, an earlier letter to the board by Salma contained allegations against Safcol similar to the concerns of CJ Rance and Yorkcor.

The Competition Board is also investigating a new proposal for the sale of HL&H Timber to the two private sector giants in the industry, Sappi and Mondi. It rejected an earlier deal in which Sappi bought HL&H's softwood interests via public tender and Mondi exercised its pre-emptive rights by acquiring the hardwood (mining) timber and SilvaCel chip export operation.

Board chairman Pierre Brooks says he has studied the new proposal and will inform the parties of his decision in the next few days.

Several international players have expressed interest in HL&H Timber, including US corporations and Imperial Express Company, a Dubai-based concern with significant Malaysian shareholding.

## VISIT

THE FIRST SOLO EXHIBITION OF THE  
ISLAMIC REPUBLIC OF

# INDONESIA

(3) FORESTRY  
**Timber  
sale gets  
the nod**

THE Competition Board has approved the second application by Hunt, Leuchars & Hepburn to sell its timber interest to Sappi and Mondi, writes SVEN LUNSCHKE.

However, the board has attached a number of conditions to the sales of HL&H Timber's softwood business to Sappi and the hardwood interests to Mondi.

The sale of HLH Timber to the two forestry giants was previously blocked by the Board after a number of independent lumber millers expressed concern about the concentration of log supplies in the hands of Sappi, Mondi and state-controlled Safcol.

The Board's conditions require Sappi to enter into contracts with independent lumber millers to purchase its softwood waste and Mondi to sell 20 000 hectares of hardwood timber plantations to timber co-operatives.

Board chairman Pierre Brooks says the major concerns of independent lumber millers centred on their supply contracts with Safcol, a matter that would be the subject of a separate inquiry. He also suggests that Sappi seek a buyer other than Safcol for its Boskor sawmill in the southern Cape.

ST(BT) 3/3/96

# Stunted supplies alarm world forest industry

BD 7/3/96

(3) FORESTRY

Bernard Simon and  
Christopher Brown-Hu

IS THE world's forest industry running out of wood? Pulp, paper and lumber producers are so concerned that several European and North American CEOs met privately during the Canadian Pulp & Paper Association's annual conference in Montreal last month to discuss "fibre supply".

"Only a few eccentrics were interested in wood supply three or four years ago," says Tony Rotherham, the association's director of woodlands. "But it has become a mainstream industry concern."

The spectre of wood shortages was widely cited as one factor behind galloping pulp and paper prices between early 1994 and last summer. Northern bleached softwood kraft pulp, the industry's benchmark product, soared from \$390 to a peak \$1 000 a ton. US and Scandinavian mills were so desperate for wood, they imported pulp logs from Chile and Alaska.

Several North American paper producers have moved in recent years to secure raw material supplies by buying sawmills and the cutting rights to surrounding forests. US-based International Paper gained a valuable source of timber last year by buying control of Carter Holt Harvey, New Zealand's biggest forest owner.

Avenor, a Canadian producer, bought two Quebec sawmills to ensure long-term wood supplies for a nearby newsprint mill.

The pulp and paper industry's concern is whether mills will continue to have access to the right trees in the right places.

Robert Hagler, a Virginia-based consultant, told a Pulp and Paper Week conference last summer that "a sharp divergence between the volume of timber that is physically available for industrial purposes, and the volume that will actually be available has emerged". Pressure from environmental groups has led governments to tighten forestry practices and set aside tracts of forest as parks and wildlife reserves. For example, British Columbia is doubling the area of protected forest to 12% of its land area.

A 1994 study for British Columbia's Council of Forest Industries forecast that supplies of coniferous species in Canada would shrink by 23% or 40-million cubic metres between the peak in 1987 and 2010. Hagler says: "Despite physical surpluses, the availability of timber for industrial purposes is extremely limited."

The alternatives for the forestry industry are few. High transport costs

are likely to put Siberia's vast forests out of commercial reach for years to come. The steady expansion of peasant farmland has shrunk tropical hardwood forests in developing countries such as Indonesia, Haiti and Mozambique. Pessimists also point to rising demand for wood and paper products in fast-growing economies such as China and India, which could further increase the pressure on supplies.

However, the forestry industry has been remarkably resourceful. Plantations have, to a significant extent, replaced old-growth forests as a raw material source.

The Swedish Forest Products Association estimates that plantations now make up 29% of world raw material supplies for pulp and paper mills. Original forests account for only 17%, and the rest comes from secondary forests where new trees have grown to replace original ones.

One of the best examples is New Zealand, whose coniferous wood output — mostly plantation-grown radiata pine — has climbed from 7.9-million cubic metres in 1970 to about 15-million, and is expected to reach 34.5-million by 2020.

Swedish Forest Industries' Association chief Jan Remrod notes that Sweden's current harvesting rate of 70-million cubic metres a year is well below natural growth of 100-million cubic metres. "We could easily increase our output by 10-million to 15-million cubic metres a year if the market was there," he says.

The forestry industry has succeeded in substituting plentiful wood species for those in diminishing supply. MacMillan Bloedel, the Vancouver-based group, has traditionally relied heavily on British Columbia's majestic spruce, fir and pine forests. But it now gets about 10% of its wood production from fast-growing poplar plantations, mostly in the southern US.

Paper mills and building material suppliers have also found new raw materials. Oriented strand-board, used for timber housing and made from low-grade species such as aspen and poplar, has become increasingly popular. The proportion of waste paper recovered for recycling has risen in the past decade from 31% of global consumption to 42%.

However, the industry's ingenuity in finding untapped resources may not be enough to eliminate fibre shortages entirely. Judging by the meeting in Montreal, forest product companies are acting on the assumption that careful forward planning is essential if they are to gain access to all the wood they need. — Financial Times.

# Timber growers get land incentive

BO 12/3/96

Wyndham Hartley

CAPE TOWN — Timber growers who establish factories to "add value" to wood products in SA could be granted access to land in return, Water Affairs and Forestry Minister Kader Asmal said yesterday.

Asmal, launching SA's first forestry white paper, also said that the incorporation of the forests of the former homelands, which were in an appalling state, had been completed. This had raised his staff complement in the national department from 7 000 to 28 000. These homeland forests were being audited to establish their status after bad management in the past.

"The department does not intend to manage these forests in the long term and as soon as they have been brought up to speed, the department will initiate talks, in line with agreed policy on disposal of state assets, to determine the best way to dispose of them."

He foresaw an expansion in areas under forest in the country but these might not necessarily be in the traditional timber growing regions. The white paper would lead to a new Forestry Act which he hoped would be on the table before the end of the year.

In response to a question, he

(3) FORESTRY (199)  
said he knew of no plans to privatise the state forests company Safcol, but indicated that he and Public Enterprises Minister Stella Sigcau would be reporting to the cabinet committee on dealing with the future of state assets.

Quoting Asmal, Sapa said the white paper recommended that Safcol's future ownership be reviewed "in such a way as to ensure future viability and maximum national benefit".

"The decision will be made with the full knowledge of all parties."

Asmal also announced a new branch in forestry policy, the community forest strategy, which recognised the vital role played by forests and woodlands in household economies. Community forestry would have as a principal element the community-driven conservation and management of these resources on land owned by the communities.

Adding value to forest products before export was one of the most important issues dealt with. "Value-adding could substantially increase the amount of foreign exchange coming into the country and could result in considerable job creation, especially in economically depressed rural areas."

Commercial forestry earned more than R2bn for SA through exports in 1994/95.

Star 12/3/96  
**Plans in pipeline  
to sell off forests**

**(3) FORESTRY**

Cape Town - Former homeland forests now being integrated into the Department of Forestry could be privatised, Minister Kader Asmal said yesterday.

The forests, which constitute 12% of South Africa's woodlands, were being audited to determine the status of individual plantations and stands, Asmal said in Cape Town at the launch of the White Paper on Forestry.

The future of the state-owned forest industry, Safcol, would be determined in line with the Government's restructuring of state assets, the minister said.

The white paper recommends that Safcol's future ownership be reviewed "in such a way as to ensure future viability and maximum national benefit".

Commercial forestry earned more than R2-billion through exports in 1994/95 and employed up to 260 000 people.

Adding value to forest products before export was one of the most important issues dealt with.

"Such value-adding could substantially increase the amount of foreign exchange," Asmal said. - Sapa.

## Forests could go private

(3) FORESTRY 12/3/96  
EX-HOMELANDS' forests now being integrated into the Department of Forestry could be privatised, Forestry Minister Kader Asmal said yesterday.

The forests, which constitute 12% of South African woodlands, were being audited to determine the status of individual plantations and stands, Asmal said at the launch of the White Paper on Forestry in Cape Town.

"The department does not intend to manage these forests in the long term," he said.

Commercial forestry earned more than R2 billion through exports in 1994/95 and employed up to 260 000 people, he added. — Sapa

## Company restructures to prepare for housing surge

Lukanyo Mnyanda

THE New Housing Company is to open a separate East Gauteng division to place itself in a better position to take advantage of the expected surge in low-cost housing and other RDP related projects.

MD Rod McGillivray said the company, which was forced to close its KwaZulu-Natal operations last year, decided to create a separate region in Gauteng as it identified opportunities for growth in the area.

He said management had to get close to the projects to devote the right level of attention to them. The organisation was looking for a CEO to guide the division.

BD 14/3/96  
Substantial growth in the existing Gauteng division had created the necessity for splitting it into two; each with its own CEO and management structure.

Overall, housing delivery was picking up. Gauteng, Mpumalanga and the Eastern Cape showed the most impressive performances.

Progress in the Free State was disappointing and the Western Cape was slow although the projects were expected to pick up pace this year.

"Criticism of government on the basis of lack of delivery before now was either a reflection of misunderstanding, regarding the time frames involved or a case of political opportunism."

## New R28m timber project

(3) FORESTRY

THE SA Forestry Company yesterday announced the launch of a R28m project to reclaim low-grade timber from its southern Cape plantations.

The project provided for the creation of an R18m small timber project subsidiary, which would reclaim large volumes of stagnant and low-grade timber, and a R10m upgrade of its George mills to process some of the smaller logs.

BD 14/3/96  
CEO Tienie van Vuuren said the project would run for nine years and included a replant of 75% of Safcol's plantation area. The replanted plantations would produce high-quality timber in 20 years' time while the remaining 25% would be converted into conservation areas.

Safcol expected a significant turnover, with about 196 new jobs created. Downstream operations should contribute at least another R90m to the George-Knysna area's income, and also create jobs. — Sapa.

**Business Day Tonight**

**on SABC 3 at 8:30pm**

**— news worth watching**

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BD 12/3/96

## Timber growers could be given access to land

TIMBER growers who established factories to "add value" to wood products in SA could be granted access to land in return, Water Affairs and Forestry Minister Kader Asmal said yesterday.

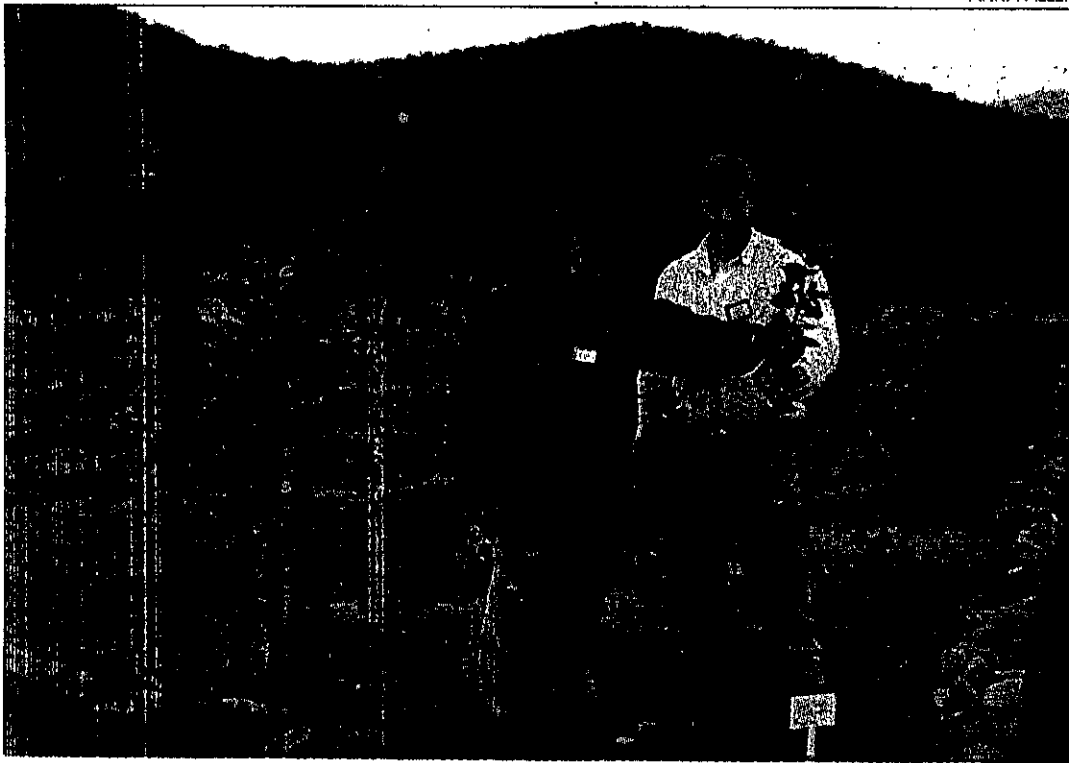
Asmal, launching SA's first forestry white paper, also said that the incorporation of the forests of the former homelands, which were in an appalling state, had been completed.

"The department does not intend to manage these forests in the long term and as soon as they have been brought up to speed the department will initiate discussions, in line with agreed policy on disposal of state assets, to determine the best way to dispose of them," Asmal said. **Page 3**

Continued on Page 3



ANITA ALLEN



One season's growth ... taxonomist Rui de Sousa Correia and plant physiologist Dr Leon van Rensburg with a one-year-old wild pear (*Dombeya rotundifolia*) fuel wood species grown from seed at Potch University's Bewaarkloof Woodlot in Northern Province.

# Fuel wood trees breakthrough

(3) KOLESTPY

Planting to reaping in just five or six years is possible following success of a major project: the process will be a boon to thousands of people in rural areas

By ANITA ALLEN  
Science Writer

The large-scale cultivation of indigenous trees for harvesting as fuel wood moved a step closer to reality with the release of research data on a major project funded by the Department of Mineral and Energy Affairs (DMEA).

The project has achieved major technological breakthroughs in propagation which show it would be possible to start reaping fuel wood within five to six years after planting. At the same time, the economic viability of such projects would be greatly improved if the cultivation of indigenous trees for their medicinal, fruits and fodder value were included.

Details of the project funded by the DMEA as part of its "Plant for Life" Biomass Initiative, were revealed at a three-day workshop in Potgietersrus. It included a field trip to the project site at Bewaarkloof, adjoining the Wolkeberg Wilderness, a declared na-

ture reserve.

According to results announced by the University of Potchefstroom's Research Institute for Reclamation Ecology (RIRE), all the major tree species in the climatic zone of the region can be grown from seed, cuttings or a revolutionary truncheon method.

The latter involves planting sticks reaped from trees growing in the veld horizontally, under a thin layer of soil. Under controlled conditions, sprouting occurs along the entire length of the stick, greatly enhancing the growing time and size and therefore the biomass of certain indigenous species.

The release of data from what is ongoing research has enormous potential for solving the fuel wood crisis in the severely degraded region of former Lebowa,



Deputy Minister Susan Shabangu.

and for reclamation and rehabilitation.

"I hope this project can be used as a model for starting up similar projects in this region," Mineral and Energy Affairs Deputy Minister Susan Shabangu said at the workshop.

"The Bewaarkloof project is demonstrating the unique potential of growing indigenous trees. Past research has indicated that rural people have a distinct preference for local species for fuel wood, such as Acacia and Combretum, on account of their characteristic long-burning quality. But these people often believe such trees are difficult to grow or best left to nature.

"This project is conclusively demonstrating to people that they can grow these trees with a little

effort and that the associated activities in the community can bring employment in the region," Shabangu said.

RIRE has been active in Bewaarkloof with the rehabilitation of asbestos mine dumps dating back to last century. As a result of the many lessons learnt, it received funding from the DMEA to investigate specifically the propagation of fuelwood tree species favoured by local communities.

RIRE's project was one of 25 projects costing R5,5-million funded under the Biomass Initiative, approved by Cabinet in 1992, which is now at an end. The initiative culminated in a national workshop and a synthesis report which outlined the way forward.

The Plant for Life Initiative will now be transformed into a National Community Forestry Programme.

"This is currently the subject of a new Cabinet memorandum from the DMEA," Shabangu said.

RIRE's Bewaarkloof research project will continue to be funded by the DMEA.

Star 23/5/96

# R5-m British grant for SA forest projects

*Large part of the funds will be used to train managers*  
*3 FORESTRY*  
*ARCT 4 16/96*

JOHN YELD  
Environment Reporter

BRITAIN is making available a grant worth more than R5 million, over two years, to help South Africa's rural communities - particularly those in the Eastern Cape and Northern Province - manage their forest resources effectively.

A memorandum to this effect was signed last week by Water Affairs and Forestry Minister Kader Asmal and Britain's Overseas Development Minister

Lynda Chalker.

Most of the funds will be used to train forest managers at the local level. Speaking to the media in his office before the signing, Professor Asmal said diplomats and officials had been working on the joint initiative "for the past year or so", and that it was based on implementing his department's White Paper on forestry which set out a three-part strategic action plan to develop and manage commercial, indigenous and community forests.

He pointed out that about 30 percent of South Africa's rural population was still dependent on firewood for heating, and that community forestry was a "new area of departure" for his department.

"The targeted area is consistent with Britain's aid programme of making the greatest possible impact," he said.

Baroness Chalker said her department was "totally committed" to the kind of work being done to manage community and social forestry pro-

jects in South Africa.

As part of the joint initiative South Africans had been invited to Britain for social forestry training through the Oxford Institute and to visit projects in Asia - particularly India - and in other parts of Africa where British expertise was being applied.

Forestry was an integral part of rural development which had to be managed holistically.

"For example, if you don't get the forestry right, you don't get the water right."

(3) RALERTY  
SA could face  
severe wood  
fibre shortage

By Stuart Rutherford

(BR) 27/6/96  
Durban — South Africa should expect a wood fibre shortage by the end of the century, Michael Edwards, the executive director of the Forest Owners' Association of South Africa, said this week.

Speaking at the International Woodchip Conference in Durban, he said the industry's growth was being restricted by the slow afforestation permit system, severe droughts, fires and diseases, and the fact that the most suitable land was already planted.

He said 300 000ha of new forest would have to be planted over the next 25 years if the industry was to keep pace with domestic demand for wood.

He said this was unlikely.

South Africa has 1 446 438ha of forested land, the third-biggest plantation area in the southern hemisphere.

It has an annual afforestation rate of 10 000ha.

Edwards said South Africa had to look at using the resources of other southern African countries more closely, improving forest recovery, using other resources, and importing raw materials and finished products.

He praised the country for its recycling efforts: "South Africa already recycles 40 percent of its production of paper and paper board."

He said the allocation of afforestation permits needed to be speeded up to facilitate growth in the industry, which employs about 200 000 people.

# Forestry players at loggerheads

(3) FORESTRY (ST(BT)) 7/7/96

A MAJOR confrontation is looming over the restructuring and possible privatisation of the SA Forestry Company.

The brawl pitches Safcol, with the apparent support of the Ministries of Public Enterprises and Water Affairs and Forestry, against sections of the independent sawmilling industry, backed on broad principles by the Competition Board.

At the heart of the dispute is the perceived lack of competition in the forestry industry, with three players — Safcol, Sappi and Mondi — controlling almost 75% of the softwood timber market.

In many regions Safcol is the sole supplier of logs to 40 independent sawmills, although it also operates five sawmills itself. The Competition Board is currently investigating whether or not Safcol has abused its dominant position to favour its own mills at the expense of its other customers.

The findings of the board, not expected for some months, could have a bearing on the government's approach to the restructuring of Safcol.

In line with the government's policy on state enterprises, a sectoral committee, chaired by the Department of Water Affairs and Forestry, is currently examining Safcol's future status.

Safcol chief executive Tienie van Vuuren stresses that his

By SIEN LUNSCHÉ

company will abide by any decision from the government. But the company's preferences are clear: "It is in the best interest of the shareholder to privatise Safcol in its present form as soon as possible."

"A privatised Safcol will operate efficiently and produce maximum returns for the state," Van Vuuren says. From all accounts it appears that Safcol has the ear and support of the relevant Ministries.

This privatisation proposal is strongly resisted by large sections of the sawmilling industry who fear that Safcol will use its dominance in the timber market to run down the competition.

In its representation to the Competition Board, one of the independent sawmills — JSE-listed Yorkcor — asked a leading British competition authority to provide alternatives.

Dan Goyder, deputy chairman of the Monopolies and Mergers Commission, argues strongly in favour of the establishment of a regulator "with independent authority to control the prices and conditions upon which Safcol does business".

He says: "It is widely accepted that there is little benefit to an economy in converting a public monopoly into one with commercial objectives without the safe-

guards for competitors and consumers that such a regulator can provide."

The establishment of a regulator assumes that Safcol sells off its sawmills. The forests would then be privatised or held in trust for the state.

Van Vuuren and the Department of Water Affairs and Forestry reject the notion that Safcol should split. "The growing of timber on its own is not really profitable. You need to expand downstream activities," says Hennie Coetzee, the department's manager of forests.

The relationship between Safcol and the sawmills is at the heart of the Competition Board investigation. While Safcol has yet to make representations, Board chairman Pierre Brooks is investigating whether Safcol has abused its dominant position both in respect to the contract terms and by favouring its own mills at the expense of its competitors.

"Companies in dominant positions can easily abuse their position. The responsibility for a public company to avoid this trap is even greater," Brooks comments.

Goyder charges that Safcol has already abused its dominance. "Since given responsibility for managing forests on a commercial basis Safcol has chosen to do so in a manner abusive of its dominant position ...

by adopting a range of practices, including that of changing, dramatically, its approach to pricing and other essential terms.

"These practices represent the typical approach of a dominant enterprise seeking to weaken a customer whom it may regard as a potential competitor," Goyder says.

Brooks has a number of options available if uncompetitive behaviour is established. These include direct remedial action and the appointment of a regulator.

In broader principles he strongly advocates that competition policy principles are considered in the government's restructuring process.

"We need strong competitive factors in the market. Otherwise there will be only short-term advantages for Safcol and no long-term benefits for the industry," Brooks says.

Safcol look over the running of the commercial forests in 1993 with a mandate to improve their financial returns to the state, a mandate it has pursued with gusto.

Previously the Department of Forestry had been a rather benevolent administrator and supplied the sawmilling industry with subsidised log prices in order to stimulate employment in rural areas.

That changed rapidly after Safcol's formation and

sawmills soon faced sharply increasing log prices as well as stricter contract conditions, most notably, shorter contract periods.

Most of the sawmilling groups — 19 out of 22 — have accepted Safcol's revised contracts although there are allegations that the groups were browbeaten into doing so.

The three that have not concluded deals with Safcol — Yorkcor and Eastern Cape groups Rance Timber and Lenz Forest Products — have stated that contract terms were tightened and log supplies threatened after they refused to accept Safcol's terms.

Van Vuuren rejects these allegations, stressing that only 5% of its log supplies are under dispute. A recurring theme in his argument is the need to bring local log prices in line with world prices and improve sawmilling technologies to make better use of log supplies.

In the 1995/96 financial year Safcol has invested about R50-million to upgrade its sawmills.

The industry counters that Safcol can guarantee its own log supplies. Without security of tenure other sawmills are loath to make the large-scale investments necessary to improve production.

Safcol says security of tenure is also assured in the new contracts.



SHAKE-UP LOOMING: A worker from Sappi, one of the companies at the centre of the timber row

# Land valued at R128m to be handed over to forestry parastatal Safcol

(3) FORESTRY CT(DR) 17/7/96  
By Roy Cokayne

Pretoria — The 428 500 hectares of state land used for forestry and timber processing activities that are to be transferred to the parastatal South African Forestry Company (Safcol) have been valued at R128 million, the department of public works says.

In its latest annual report, Safcol said that the transfer of this state land had reached the stage where the properties had been identified and mapped.

However, Tienie van Vuuren, the chief executive of Safcol, said the transfer of the state's commercial forestry undertakings had taken place in April 1993 and the "technical details of registering the transfer" were now taking place.

In terms of this agreement, management and control of all state forests used for commercial purposes were entrusted to Safcol.

Van Vuuren said that compensation to the state had been made through the issue of shares to the state because it was "technically not possible for the owner to pay himself. The shares were issued a long time ago and the state is in possession of them".

But he said that if Safcol was privatised, the cash would then flow to the state. Safcol has been identified for privatisation by Stella Sigcau, the public enterprises minister.

Van Vuuren said the value of Safcol could not be determined merely by looking at the company's balance sheet.

The department of public works said it was necessary for Safcol to acquire ownership of the state's commercial forest land to safeguard its capital base.

The department said the transfer to Safcol of state land that the company was already using, or could use, for commercial purposes had been approved by the cabinet.

The department also said that it had been agreed that where proclaimed nature reserves and wilderness areas formed part of this forest land, these portions of land would be surveyed and excluded from the areas to be transferred to Safcol.

"Where primary conservation areas form part of this forest land and cannot be excluded from the land which is transferred to Safcol due to the high cost of surveys or obstacles in the execution of effective management and control, such areas will be mapped and their boundaries properly

**'It is necessary  
for Safcol to  
own the state's  
commercial  
land to  
safeguard its  
capital base'**

defined," the report said.

"In the interim, these areas will be managed and controlled by Safcol in accordance with strict directions for conservation laid down by the department of water affairs and forestry.

"The agreement which determines the basis on which these areas will be managed or, alternatively, transferred to the nature conservation authority of the province in which they are situated is now being drafted," it said.

## COMPANIES

## Hefty hikes in sawlog price loom

Ronny Tshabalala

(3) FORESTRY

60267/96

THE timber industry could face large sawlog price increases of more than 50% in the next five years, SA Forestry Company (Safcol) executive director Tienie van Vuuren said yesterday.

Current prices were almost half of world prices and prices would need to increase to make the industry competitive, Van Vuuren said.

"Technology in our sawmilling industry is on average 15 years behind that of Europe. Sawlog prices will be increased gradually so as not to cause structural damage to the sawmilling industry," he said.

Average world prices for round logs were currently R220/m<sup>3</sup> against the R110/m<sup>3</sup> charged by Safcol. Historically, government "subsidised" the industry by up to 70% via the former state forests by not charging comparable in-

ternational prices, said Van Vuuren.

Safcol owns 20% of SA commercial forests, and supplies about one-third of national sawlog requirements — its major involvement — although it has a 10% share of the sawmill industry.

The rest of the local sawmilling industry are supplied by their own commercial forests.

Safcol turnover was R449,9m in the 15 months to June last year and pre-tax profit increased to R45,1m (pro-rated for 12 months) from R17,7m.

Privatisation would create greater profitability and more employment in the industry, said a Safcol spokesman.

Solly Tucker, chairman of listed sawmilling group Yorkor, said that the price increase move was no surprise.

He said long-term benefits of privatising Safcol were open to challenge. Increased log prices would "hurt or kill" industries, and result in losses of jobs.

ST(BT)18/8/96



# Timber row goes to court

③ FORESTRY

By SVEN LUNSCHÉ

THE battle between independent sawmillers and state-controlled forestry company Safcol is set to shift to the courtroom.

JSE-listed Yorkcor discloses in its interim financial report that it is suing Safcol and the Department of Water Affairs and Forestry "for under-delivery on the suppliers' sawlog obligations and other breaches of contract".

Yorkcor chairman Solly Tucker says in the report, released on Friday, that a successful damages claim could boost earnings by up to 44c a share and reverse a 36,5c loss in the six months to end-June.

Tucker also reveals that three companies made offers to buy Yorkcor during the interim period at prices of up to 50% above Yorkcor's JSE price. The bids were rejected.

The court action brings to a head a long-running dispute between Safcol, the sole supplier to the independent sawmilling industry, and several smaller timber companies over Safcol's alleged abuse of its dominant supply position. Charges of excessive concentration and anti-competitive behaviour against Safcol are also currently the subject of a Competition Board investigation.

Safcol is sole supplier of sawlogs to smaller sawmillers, and runs sawmills in competition with them.

"This, and the way it (Safcol) has gone about exploiting its dominant position is, we say, unfair competition," says Tucker, who claims that the quality and volume of its log sup-

plies from Safcol "appallingly deteriorated over the half-year".

Tucker says: "From its dominant position, our log supplier was pressurising us to relinquish our favourable terms of tenure and security of log supply. There was no option but to institute action."

Tucker says Safcol's behaviour was a major contributor to the group's poor interim results, but worse-than-expected economic conditions played the major role.

Turnover in the six months declined to R19,7-million (R23,2-million) with a 36,5c loss in earnings a share (1995: 22,9c interim profit). Tucker hopes a more favourable market will return earnings to the black, at 3c a share, for financial 1996 (that is, without any additional boost from successful court actions).

## Asmal hints at forestry privatisation

CAPE TOWN — Forestry Minister Kader Asmal said yesterday about 146 000ha of commercial forests under state control were the cause of "huge" financial losses, and hinted that they might be privatised.

"In its present form it is anything but commercial."

"I inherited these forests from the previous homeland administrations ... and the biggest problem is that they are 100% over-staffed," he said.

20 21/8/96 (3) FORESTRY  
"I had an audit done and the picture that emerged is bleak; the current excess expenditure over income is huge, which means a heavy drain on the fiscus."

The minister did not give any figures.

He said "some proposals" had been made on how to deal with the problem which he would discuss in the Cabinet committee on privatisation. "I cannot divulge any of the proposals at this stage," he said. — Reuter.



# Row over Safcol's log supply goes to court

(3) FORESTRY ET (BR) 22/8/96

By Roy Cokayne

Pretoria — The South African Forestry Company (Safcol), the parastatal to which the state's forestry undertakings have been transferred, is remaining silent about allegations of under-delivery on its sawlog obligations and poor log supply.

The allegations were made by the York Timber Organisation (Yorkcor), the listed forestry products company, in its latest interim report.

Tienie van Vuuren, the chief executive of Safcol, said certain issues pertaining to the allegations about its sawlog obligations and

poor log supply "presently form the subject of an application for a court order brought by Yorkcor against Safcol".

Van Vuuren said a trial date had already been set for September this year. "In view of the pending trial, you will thus appreciate that Safcol is at this stage not inclined to comment on the contents of the two items in question," he said.

Solly Tucker, the chairman of Yorkcor, said it was suing Safcol for specific performance and a declaratory order of its rights. It was also suing the water affairs and forestry department for damages "for under-delivery on the suppliers' sawlog obligations and other

breaches of contract".

With regard to poor log supply, Tucker said it seemed to Yorkcor that it was "not a coincidence" that the quality and volume of the company's log supply from "our powerful supplier had appallingly deteriorated over the half-year under review".

Tucker said this had seriously menaced Yorkcor's operations and the company had already sustained a loss, a major portion of which "is demonstrably the result of the supplier's bullying ways of operating our long-term log supply contract".

"From its dominant position, our log supplier was pressurising us to relinquish our favourable

terms of tenure and security of log supply, paid for after outbidding competitors in open tender.

"It sought to impose, without adequate compensation, tenuous supply arrangements and terms strikingly less favourable."

Yorkcor posted an attributable loss of R3,7 million, equivalent to 36,5c a share, in the half-year to June 30 compared with earnings of R2,5 million in the first half of last year.

But Tucker said Yorkcor's directors were confident of success in the litigation and a successful damages claim could "boost earnings by up to 44c a share and reverse a 36,5c loss in the six months to end-June".

## Taipei, SA sign forestry deal

### (3) FORESTRY

SOUTH AFRICA and Taiwan are to sign a R31,5-million forestry agreement in Cape Town this morning. **CT 29/8/96**

The agreement, mainly aimed at rehabilitating state forests in the former homelands, will be signed by Taiwan's visiting Vice-Premier Hsu Li-teh and Water Affairs and Forestry Minister Kader Asmal.

Last week Asmal described some forests inherited from former homelands as anything but commercial. — Political Writer

# Agreement cuts the cost of transporting timber

CT(MR) 30/8/96 (3) FORESTRY

By Stuart Rutherford

Durban — Forestry companies in KwaZulu Natal are saving themselves as much as R4 million a year in transport costs because of an agreement with Spoornet called Operation Boomslang.

The agreement between Hunt Leuchars & Hepburn, SilvaCel, NCT Forestry Co-operative, Mondi and Spoornet is the first of its kind. It was first signed in 1992 and renewed in April this year.

The three-year agreement links the annual price increase for rail freight to the production price index. Stations in designated areas are grouped together in a single price.

Ian Brown, the commercial manager of NCT, said the agreement made outlying farms more profitable and prevented large increases in rail prices.

"Spoornet used to increase prices up to 30 percent a year if there was a shortfall in its books. It was the typical old-school authoritarian way of doing business," Brown said.

When the four companies first approached Spoornet, the cost of moving freight by rail was 40 percent higher than moving it by road. Most of the 2 million tons of timber moved each year went by road.

"We got together and asked Spoornet if its rates would be negotiable if we threw big tonnage at them. And they said: 'OK, what can you offer us?'," Brown said.

Since the agreement the group's freight prices are between 20c and 30c a ton a kilometre, the lowest obtainable by any industry.

The amount of timber transported by rail has grown from 300 000 tons in 1992 to 700 000 tons this year.

The companies have started a programme to speed up the loading and off-loading of trains to make the transportation process more efficient.

The three-year agreement was renewed in April under the same conditions, but Spoornet managed to increase the base price slightly.

Brown said he believed that other industries could also come together and make better use of Spoornet, particularly on the Durban-Johannesburg corridor, where transporting freight by rail was up to three hours faster than transporting it by road.

"Even though Spoornet can become quite innovative, they won't come up with the idea first, people need to get the ball rolling," Brown said.

**The price increase for rail freight is linked to the producer price index**

# Moths decimating Mpumalanga pine plantations

Louise Cook

(3) FORKSTADT  
808/11/96

SA's forestry industry is facing production losses totalling millions of rand years from now because of a plague of brown tail moths, which is decimating pine plantations in Mpumalanga.

Plant Protection Research Institute entomologist Frikkie Kirsten said the moth caused the pines to lose their needles during the winter, followed by di-

minished wood increment of up to 65% in some trees.

Although wood growth starts up again a year later, the problem can recur several times during the life of the tree, reducing timber production by up to 25% when the tree is felled after 28 years.

Kirsten said the current year had been the worst brown tail moth infestation in a decade, with Safcol and Mondi's Jesseyvale and Ngodwana plantations at Carolina and Nelspruit suffering most.

Safcol manager Vic Luyt said the problem had been exacerbated by drought stress in the trees. "We suspect the trees are merely surviving and showing no strong growth." Other sources said the previous wet summer could have caused a proliferation of moth populations — an area of at least 100 000ha on the highveld was affected.

Forest Owners' Association executive director Mike Edwards said that damage assessment was difficult.

The industry had only recently started research to calculate its losses.

# Constitution threat for forestry law

Deborah Fine

ARGUMENT was heard in the Constitutional Court recently about the validity of a Forestry Act provision which presumes the negligence — until proved to the contrary — of any person, outside a fire control area, on whose property an uncontrolled wildfire arises.

The case arose from a Supreme Court civil action earlier this year in which Lydenburg farmer Gerhardus van der Linde sued another farmer, Willem Prinsloo, for R579 125 as a result of a grassfire which started on Prinsloo's farm and swept across to Van der Linde's farm, causing extensive damage.

Van der Linde invoked Section 84 of the Forestry Act no 122 of 1984 which stipulates that "when in any action by virtue of the provisions of this act or the common law the question of negligence in respect of a field, forest or mountain fire which occurred on land

situated outside a fire control area arises, negligence is presumed until the contrary is proved".

The Supreme Court referred the matter to the higher court to determine the constitutionality of the presumption that Prinsloo had been negligent, and that he should bear the "reverse onus" of proving he had not contributed to the spread of the fire. In an ordinary civil damages action, Van der Linde would bear the onus of proving that it was Prinsloo's negligence that had caused the fire to burn out of control. Prinsloo's counsel, Adv Daan Mills, submitted that Section 84 violated his client's fundamental rights to equality before the law and his right to be presumed innocent until proved guilty.

He said that placing the onus on Prinsloo meant his client was unable to litigate on equal terms, and that if the same article were used in a criminal matter, Prinsloo would have to be presumed innocent

until Van der Linde proved the contrary.

The court questioned Prinsloo's submission that rights which applied in criminal proceedings were also automatically applicable in civil matters, which were of an entirely different nature and did not involve criminal sanctions.

Adv Jaapie Vorster, appearing for the Water Affairs and Forestry Ministry — Van der Linde did not oppose Prinsloo's application — argued the presumption came into effect only if there was evidence to indicate a connection between Prinsloo and the fire.

Prinsloo and Van der Linde could litigate on equal terms because Prinsloo, despite bearing the evidential burden, would have more knowledge of how the fire had started on his farm than Van der Linde, who would struggle to prove his case because of his limited knowledge as to the fire's cause.

Vorster said that even if the presumption was a violation of Prinsloo's basic rights, the violation was justified in terms of Section 33 of the Constitution which allowed for the limitation of rights provided the limitation was reasonable and justifiable.

The court reserved its judgment.

③ FORESTRY Bd 11/11/96

**FORESTRY** *South Africa's need for wood products will exceed world average*

# Timber policy is a knotty problem for the future

SHIRLEY JONES

KWAZULU NATAL EDITOR

Durban — South Africa urgently needs more timber, according to Dr John Scotcher, the divisional environmental manager for Sappi Forests.

At a function preceding the recent presentation of the World Wildlife Fund's Otter Trophy to the Mooiplaas tree farm near Melmoth, Scotcher said world demand for wood was expected to increase by 34 percent by the year 2010. In contrast, demand for timber products in South Africa was expected to escalate by 73 percent during the same period.

Scotcher said an improving standard of living would drive the demand for timber products. "If we are to be a developing country, we need more plantations. If not, we will have to import," he said.

He said that because there were no plans to create additional large plantations in South Africa at present, the increasing demand was being met from increased output from small growers and through greater efficiencies at larger commercial forests. In essence, he said, the size of these was shrinking as large timber companies such as Sappi removed trees from sen-



**TREES FOR AFRICA** Forestry worker Topa Mhlanga in one of Sappi's tree nurseries, which supplies saplings both to Sappi's own plantations and to small growers

sitive ecological areas and embarked on rehabilitation projects.

Scotcher put the wood shortage in South Africa down to demand for certain types and sizes of wood which could not be supplied by the country's indigenous and existing forests on a sustainable basis. Fuel wood was of particular concern, with 68 percent of South Africa's uptake of timber prod-

ucts falling into this category as opposed to 54 percent of wood consumption worldwide, he said.

He said the only means of supplying the world's need for timber would be by increasing the number of plantations in the tropics. This suggested significant opportunities for local farmers, particularly small growers, whom Sappi was trying to bring on board.

Sappi is the largest timber grower in South Africa, owning and managing about 30 percent of the country's timber land. Half of the timber requirements of its local processing plants is met from its own plantations, the balance is made up by supply partners and small growers.

According to Sappi, the local industry has no major plans to establish large-scale plantations.

Nevertheless, Scotcher said, South African tree farmers had a singular advantage as the growth rate of trees was far higher than in other countries. In addition, timber was a renewable resource unlike mining.

Scotcher said Zululand was the finest place in the world to grow eucalyptus.

A recent Industrial Development Corporation report, which identified development opportunities in KwaZulu Natal with a view to creating a KwaZulu Natal-Maputo corridor, also identified forestry as a potential growth area. It emphasised that 52 percent of the country's timber output during the 1993-94 season came from KwaZulu Natal which has five large pulp and paper plants, two board mills and three wood-chip export plants.

# Timber combine plans listing

Josey Ballenger

BD 10/12/96

EIGHT unlisted timber products companies would merge to form Megacor Holdings, with plans to list on the Johannesburg Stock Exchange (JSE) in February, it was announced yesterday.

The merger of Sembel-It, House of York, Moxwood, Space Frame, New Era Products, Megacor, Prime Pine and Pine Wood, was expected to be completed by mid-February and the listing would take place later that month, pending JSE approval.

Neither the value of the deal nor the anticipated market capitalisation of the new group was revealed. However, a spokesman said Megacor would be the second-largest entry in the furniture, household and allied sector.

The biggest company in the sector is currently JD Group, with a market capitalisation of R2,3bn, followed by

Ellerine Holdings at R1,7bn.

The companies that will make up Megacor Holdings are currently in the business of fitted kitchen units, kitchenware, doors, construction systems, furniture and shelving. The spokesman said most had "experienced unprecedented internal growth as a result of the weakening rand".

"Exploitation of the considerable synergies flowing from the merger are being explored and implemented to maximise profits and efficiencies. The strong SA brands — House of York and Sembel-It — can capitalise on the export opportunities. Similarly, the export-orientated businesses can benefit from the established local client base."

Parties also have exposure to diverse export markets, he said.

Megacor Holdings would be based in Durban and employ about 1 600, with further job creation anticipated.

(3) FORESTRY

# Talks on sale of Safcol to continue

③ FORESTRY

Robyn Chalmers  
and Louise Cook

BD 12/12/96

WATER Affairs and Forestry Minister Kader Asmal has allowed talks on the possible sale of state-owned SA Forestry Company (Safcol) to continue, and restructuring options are again being investigated with a decision likely next year.

Public enterprises office head Sipho Shabalala said yesterday that Asmal had agreed to lift the suspension and allow the transformation and restructuring committee considering options for Safcol to continue with its work.

"No specific decision has yet been made on the restructuring of Safcol but now that the team can resume its work, we are likely to see some movement in the next few months," he said.

Asmal had called a halt to state moves to restructure Safcol, saying it was important to first establish how the former homeland forests would be dealt with. Safcol currently manages 270 000 hectares or 20% of SA's

forests, excluding homeland forests.

Government sources said a number of options were being considered to deal with the homeland forests, which were in a "terrible state". These included setting up a second Safcol-type company to manage them, dividing the forests into smaller units, each with a management team; incorporating the forests under Safcol's banner; and getting provincial governments to take responsibility for forests in their regions.

Safcol CE Tienie van Vuuren said yesterday that the temporary halt in talks had not had a serious effect on proposals for Safcol's privatisation, saying the plan was still "on schedule".

Safcol was likely to secure "substantial" overseas investments should it be privatised. These included fund injections from US forestry giants Weyerhaeuser, Rayonier and Georgia Pacific, as well as forestry companies in Japan, Malaysia and Korea.

Shabalala stressed that whatever

Continued on Page 2

Safcol BD 12/12/96

③ FORESTRY

Continued from Page 1

form of restructuring government decided on it would accommodate views and interests of labour, management, local communities and government as shareholder. "Government's restructuring goals will play a major role in evaluating restructuring options submitted to the cabinet," he said.

Van Vuuren said Safcol faced "inhibitors" that did not apply to competitors Mondi and Sappi. "With the state

being the sole shareholder, there is often a dualistic role which is difficult to follow and sometimes blurred."

Examples included Safcol having to pay higher wages than competitors, having to run expansion plans past the Competition Board and having to service soft, long-term contracts of about R400m a year agreed on in the 1960s.

"These contracts cannot summarily be cancelled, merely down-negotiated. At the time of entering into them, government pursued a distinct industries-settlement support policy contrary to current expectations of Safcol having to maximise profits," Van Vuuren said.



# Safcol to discuss privatisation option

BD 24/1/97  
Robyn Chalmers

A RECENT decision to place the management of the former homeland forests with the water affairs and forestry department had allowed government to pursue privatisation options for the SA Forestry Company (Safcol) after a year's break.

Safcol CE Tienie van Vuuren said yesterday the public enterprises ministry had given the parastatal the go-ahead to restart its restructuring meetings.

A public enterprises ministry spokesman confirmed that Safcol's restructuring and transformation committee would meet again soon, with full participation by labour representatives.

The investigation into the possible privatisation of Safcol — which manages 20% of the state's forestry operations — was suspended last year.

This was after Water Affairs and Forestry Minister Kader Asmal expressed concern over the

management of the "homeland" forests — which are neglected and incur heavy annual losses.

Van Vuuren said significant internal restructuring had taken place since the formation of Safcol in 1993. This included revision of Safcol's financial and personnel systems while the Black Management Forum's formula for affirmative action policies and programmes was being implemented.

He said: "Safcol is now ready to pursue restructuring/privatisation options in accordance with the national framework agreement procedures. There were discussions on the possibility of splitting Safcol up, but this would lead to Safcol losing its comparative international advantage."

He said a number of companies had expressed interest in buying a stake in Safcol — including groups from the US, Japan, Malaysia and Korea as well as a number of local organisations.

Van Vuuren declined to give further details.

Sources close to the process said US forestry giants Weyerhaeuser, Rayonier and Georgia Pacific were possible candidates. Local forestry companies Sappi and Mondi could also be contenders.

Safcol is one of the state's more profitable assets, having made strong gains in turnover and operating income over the past few years, although it did not meet its targets in the year to June 30 last year.

Turnover rose 30% to R466,8m, but operating income dipped to R34,5m (1995: R36,4m) while share earnings fell to 4,3c from 7,3c previously.

Van Vuuren warned that a serious fall in profit during the current financial year was likely for a number of reasons.

These included the depressed market for sawn timber which decreased about 8% on a volume basis last year, and international markets were soft at the moment which meant reduced demand for Safcol's products.

③ FOREST

# Decision on forests 'only in December'

Robyn Chalmers

BD 14/4/97  
THE way forward for a major overhaul and the possible sale of government's commercial forestry operations, totalling 150 000ha, was likely to become clear only in December, government officials said.

Plans on the restructuring of commercial forestry operations have been temporarily put on hold pending further investigations. Water affairs and forestry department commercial forestry director Winston Smit said yesterday that while a tentative plan was in the pipeline, a consultant had yet to be appointed to advise government. "A significant amount of work and an audit must still be undertaken to separate the profitable from the nonprofitable areas, after which further decisions must be taken."

In terms of stated government policy, those forestry holdings identified as profitable were likely to be disposed of to the private sector, or they could be transferred to a new parastatal organisation.

Smit stressed that consultation with labour would take place. Labour has expressed reservations about selling the former homeland forests, or transferring them to a parastatal, because of anticipated large-scale redundancies.

Water Affairs and Forestry Minister Kader Asmal ruled out incorporation into the SA Forestry Company last year after an investigation was carried out into the state of the forests, and it was decided the forests would be brought under the wing of his department. Smit said the poor state of commercial forestry in the department was not conducive to an immediate transfer to either a new parastatal or the private sector.

The forestry white paper said six forestry departments of the former homelands, which oversaw the homeland forests — a large percentage of which had been neglected — had been added to the department.

An audit carried out last year on these departments found them overstaffed. "The audit (revealed) vast deficiencies in planning, marketing, management, silviculture and infrastructure (in the former homeland forests)," the department said.

# Safcol's buyers face high operating costs

Reneé Grawitzky  
and Robyn Chalmers

THE potential buyers of state-owned forestry group Safcol will have to contend with high operating costs, partly due to wage rates which are at least 40% higher than the private sector, and an overstaffed workforce.

This has emerged as the privatisation process appears to be getting under way after lengthy delays, with strong signals that Safcol will be restructured by the end of this year. An industry source said at the weekend that government would have to resolve the issue of pay rates and downscaling.

Safcol's wage rates, understood to be at least 40% higher than those of the private sector, was a concern for potential buyers especially when facing competition from Zimbabwean imports, the source said. Union sources said attention would also have to be paid to the high executive packages.

Safcol executives declined to supply wage details, saying they had agreed with trade unions not to release this

without the unions' prior agreement. Other concerns related to staffing and whether existing contracts would still be honoured if Safcol was sold off.

Despite such concerns, another industry source said Safcol was a good asset with well-managed operations, as opposed to the forests in the former homeland states. A cost-cutting exercise would ensure a return to higher profit, a source said. Safcol posted lower net income before extraordinary items of R19,2m (1995: R32,7m) and reduced share earnings of 4,3c (7,3c) in the year ended June 1996.

A water affairs and forestry department official said labour was believed to be close to deciding on a consultant to advise on Safcol's restructuring. Government's official privatisation adviser, HSBC, was considering options for Safcol which ranged from a 100% sale to the private sector, to keeping the parastatal within government.

Government sources said that Mondi and Sappi had expressed an interest

Continued on Page 2

## Safcol

③ FORESTRY

Continued from Page 1

in buying into Safcol. However, industry sources said government would have liked a third player in the industry, if this was feasible. Safcol was already a big supplier of Mondi and Sappi with both indicating an interest in buying forests closest to their mills.

Mondi executive chairman Tony Trahar said Mondi was a big customer of Safcol's and was interested in seeing the direction of the privatisation pro-

cess. If government was supportive Mondi would be interested in participating alongside a black interest.

An SA Agriculture, Plantations and Allied Workers' Union official said the process had been slow partly because there were areas of disagreement between labour and Safcol over the privatisation process, and also because the unions had failed to adopt a united position. A Paper Printing Wood and Allied Workers' Union official said although the union had yet to formalise its position it opposed government's position and wanted aspects of Safcol to remain in state hands.

BD 14/4/97

## Bill to protect children a first

Farouk Chothia  
BD 16/5/97

MARITZBURG — African Christian Democratic Party member Jo-Ann Downs yesterday became the first KwaZulu-Natal legislature MP to introduce a private members' bill, proposing the creation of an office of the commissioner of children in the province.

The bill was expected to win the backing of all parties as they had previously indicated support for the idea.

Downs said the office would effectively operate as a ministry of children with the aim of protecting the interests of children under 18.

She said a similar bill was to be introduced in the National Assembly and the Gauteng legislature.

The bill required "predatory sex offenders" to "register" with the office, which would then publicise their names.

The office could inform community leaders, school principals and local police of the offenders in their neighbourhood.

Downs said that out of every 500 cases of child abuse reported, only 38 were investigated, resulting in one conviction.

The bill, if passed, will also give the office investigating powers, like search and summons of suspected sex offenders.

The suspect would be compelled to answer all questions.

Downs said the office would require a "modest" budget.

## Timber growers object to new water policy

③ FORESTRY

Robyn Chalmers

BD 16/5/97  
THE Forest Industries Association's objection to the recently released national water policy hinges on allegations of a lack of consultation and insufficient analysis of the policy's effect on the forest industry.

The association, representing the majority of commercial timber growers, said yesterday it could have far-reaching implications for the industry.

Water and Forestry Affairs Minister Kader Asmal this week launched the paper which, he said, would ensure equity in water allocation and sustainable water use with a greater emphasis on water conservation and water demand management.

The association said that contrary to an undertaking given by Asmal, no consultation took place between the time the cabinet adopted the principles and objectives of a new law and its acceptance last week of the paper.

The association said the water affairs and forestry department had invited comment and contributions before the completion of the national water bill by the beginning of July.

"The industry is seriously concerned that the time available is too short to make adequate comment, given the enormous impact the new leg-

islation could have. The association has formally requested the minister to extend the consultation period by at least three months," it said.

Aspects of the water policy document which concerned association members included that users would be subject to water use licences. In the case of forestry, although water is not delivered, there would be a charge for water used which meant that permission would have to be obtained to use and pay for rainfall, it said.

The limited duration of water use licences was also of concern, particularly as there was no guarantee they would be renewed. The association said this was a critical element, bearing in mind the long-term nature of investment in forestry and timber processing.

It appeared there would be no compensation for the loss of existing water rights.

The association said in view of the forest industry's major contribution to economic development, particularly rural development, the effect of the new water policy could have serious implications for investment.

Forest industry exports totalled R4,6bn a year and the association said 95% of this was value-added products with little raw material exported.

## Taxi bodies welcome 'overdue' bill

Bonile Ngqiyaza

BD 16/5/97  
TAXI industry players yesterday welcomed the approval by the cabinet on Wednesday of the National Land Transport Bill, with spokesmen for national taxi bodies saying the measure was "long overdue".

Transport Minister Mac Maharaj said on Wednesday the bill would consolidate the nation's laws on land transport, including the provision of passenger transport services and specify legislation to control the industry.

SA Taxi Drivers' Union general secretary Maurice Bokaba said that the legislation was a first step toward the normalisation of labour relations in the industry.

"A regulated industry will contribute towards the achievement of our aspirations adopted at our congress in April last year. An unregulated industry has been nothing but a hindrance to our aims."

He said the union was involved in brainstorming sessions with the National Taxi Task Team for the establishment of a labour forum which would work out relations between employers and employees.

SA Long Distance Taxi Association spokesman Bhotile Tswele said: "Everyone in the industry understands that this (legislation) is for the betterment of the industry, but government will have to publicise this more — particularly in the indigenous languages."

# Forestry restructuring talks to be held

**Robyn Chalmers  
and René Grawitzky**

STAKEHOLDERS involved in the SA Forestry Company's (Safcol) restructuring and possible sale will hold an unscheduled meeting today to iron out differences on the role of labour's adviser and employees in the restructuring process.

Public enterprises ministry spokesman Wandile Zote said on Thursday that clarity was needed on the role of labour's adviser in the restructuring of Safcol.

SA Agricultural Plantation and Allied Workers' Union (Saa-pawu) general secretary Dickson Motha said government wanted

the adviser to be involved only in assisting labour to evaluate the various options available for restructuring or full privatisation.

However, the workers wanted the adviser to be involved throughout the process.

Motha indicated that there had been undue delays from government's side in confirming the appointment of labour's proposed adviser, the Labour Research Service Financial Services.

However, industry sources said that the delays were not only a result of finalising the adviser's role but were also related to the costs involved.

Zote said government would be reluctant to have a situation

where labour's adviser on restructuring also became the transaction adviser. Labour's adviser could not play both roles as government had set aside funds only for the adviser to assist labour at a sectoral level in deciding on issues around restructuring. It was government's prerogative to appoint an adviser on the transaction side, Zote said.

Government had called on its official financial adviser, HSBC, and advisers to the public enterprises ministry to help resolve the situation at a special meeting today. There would still be the normal restructuring and transformation committee meeting tomorrow or Wednesday.

BD 19/5/97

# Government policies felling timber industry

(3) FORESTRY

Industry association claims state initiatives are unlikely to contribute to creation of employment

By NORMAN CHANDLER  
Pretoria Bureau

Various Government initiatives affecting the forestry industry could result in rising unemployment in rural areas, say industry members.

The South African Timber Growers' Association (Satga) also believes submissions

made to official workshops and conferences on policy planning are not being taken further.

Satga says in its annual report, published on Wednesday, that there was concern that "various policy initiatives being pursued by Government are unlikely to contribute to the creation of more employment opportunities".

It complained that its views had been ignored at a national forestry policy conference.

"Examples are developments regarding labour legislation and new land tenure legislation which favour employees at the expense of potential employers," Satga said. "The result will, in many cases, mean a reduction in the

number of people employed and increasing reluctance (on the part of the employers) to provide employees or their families with accommodation and other amenities."

Referring to the forestry White Paper published last year, Satga said it was concerned that references to issues such as rural development, land affairs, land claims

and labour matters, occupational health and safety, water and environmental conservation and gender rights were being retained in the policy document despite Satga's arguments that they "had no place in a policy on forestry".

It had also argued against Government determining timber prices, saying it should be left to free enterprise.

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# Timetable for Safcol's restructuring is drawn up

Robyn Chalmers

DD 21/2/97

THE restructuring of the SA Forestry Company (Safcol) has to kick off by November in terms of a broad timetable outlined yesterday by the public enterprises ministry.

Ministry spokesman Wandile Zote said Safcol management would meet in March to formulate proposals for restructuring. The proposals would be discussed at a two-day meeting to be held with labour representatives, management and government in April.

An investigation into the possible privatisation of Safcol was suspended last year after Water Affairs and Forestry Minister Kader Asmal expressed concern over the management of the former homeland forests. These forests are generally neglected and incur heavy annual losses.

However, a decision by Asmal late last year to place the management of the former homeland forests with the water affairs and forestry department allowed government to pursue restructuring options for the parastatal.

Zote said a final report on proposals for Safcol's restructuring had to be placed before the interministerial cabinet committee by May 17 and the implementation of the accepted proposals would take place by November.

Safcol CE Tienie van Vuuren said

(3) FORESTY recently that Safcol was ready to pursue restructuring/privatisation options in accordance with national framework agreement procedures.

He also said a number of companies had expressed interest in buying a stake in Safcol, including groups from the US, Japan, Malaysia and Korea, and local organisations.

A water affairs and forestry department report said Safcol had no problems in respect of its pension fund or medical aid benefit scheme, unlike other parastatals, and it had paid a R5m dividend to the state last year.

However, the report said that many other key areas still needed to be evaluated, such as corporate governance — including matters relating to the board of directors and the value of assets.

Safcol's dividend and cash management policies needed to come under the spotlight, as did progress with affirmative action, worker participation and industrial relations and human resources development programmes.

Corporate social investment projects and the application of a code of ethics needed to be examined as well.

Safcol is one of the state's more profitable assets, although operating income dipped to R34,5m (1995: R36,4m) and share earnings to 4,3c (7,3c) in the year to June 30 on a 30% rise in turnover to R466,8m.

# Forestry players lick their wounds

(3) FORESTRY ST(BT) 23/2/97

WOODEN RESULTS  
By SVEN LUNSCHE

THE forestry market experienced considerable turmoil last year, which has left its mark on most of the smaller timber groups operating in the country.

JSE-listed Yorkcor on Friday reported a sharp R7.2-million loss for financial 1996, equivalent to 68c a share — a R13-million (115c) turnaround from the 1995 profit of R4.9-million (47.1c).

Turnover declined from R46.8-million to R44-million while the 1995 operating profit of R6.1-million turned into a R4.7-million loss.

Yorkcor chairman Solly Tucker says the domestic lumber market sunk to a nadir in 1996.

"The total volume of timber sold last year fell to its lowest level in over a decade with the industry operating at less than 70% capacity.

"Timber prices fell by 10% in real terms amid predatory pricing by the major operators in the industry and a sharp rise in imports from Zimbabwe," says Tucker.

He says that the "fierce bloodletting" in the industry saw six long-established sawmills go out of business. The failure of sawn timber prices to come up to expectations cost Yorkcor 54c a share on budgeted earnings.

Tucker devotes the bulk of his chairman's statement to his now-customary attack on the log-supply industry, which is dominated by Sappi, Mondi and state-owned Safcol. Log costs account for about 40% of total production costs.

"The inexorable thrust towards over-concentration in the industry continues with more than three quarters of timberlands and softwood markets already in the grip of the three giants," he says.

Tucker alleges that Safcol, the main supplier of its logs, used its entrenched dominance to table log price increases of up to 28% retrospectively over nearly a year and a half.

Safcol has been raising local log prices

steadily over the past few years in order to bring them in line with international prices and exploit new export opportunities. However, Tucker says Yorkcor has secured "long term of tenure over sawlog resources" after successful legal actions against both Safcol and the department of forestry.

Complaints from Yorkcor and other industry players led to a Competition Board investigation into Safcol on whether it was a monopoly abusing its position in the sawlog supply industry.

Tucker argues Safcol is "squeezing even efficient independent players out of business". The Competition Board has yet to rule on the complaints, but Tucker is confident that the investigation "may serve to open up the timber market and curb anti-competitive behaviour".

He also comes out strongly against the proposed privatisation of Safcol. "To hand a state-owned monopoly over to a private-sector entity, without effective regulatory checks, would be a recipe for economic distortion," he says.

Instead, he recommends "the judicious unbundling or fragmentation of Safcol's undertakings" as "the best model for raising money, spreading opportunity and boosting competition".

Despite the industry's turmoil, Tucker is confident of a return to profitability in the current financial year. "We are determined to be back in the black before the jacarandas are out this year," he says, adding that the group has enhanced its product mix and is looking for new export markets.

He expects the "internecine price cutting to abate" as the major players are "battle weary". Yorkcor predicts improvements in turnover to about R55-million and operating profits of about R5-million this year.



# Cheaper timber sends Yorkcor into the red

ROY COKAYNE

Pretoria — Yorkcor, the forestry products group, has posted a loss of R7,2 million, or 68c a share, in the year to December 31 compared with earnings of R4,9 million, or 47,1c a share, in the previous year.

Group turnover at R44 million was 5,9 percent lower than R47 million the previous year.

However, Solly Tucker, the chairman, said turnover was in fact 4,6 percent higher than the year before "when allowance is

made for business units disposed of in the previous year".

Tucker said the failure of sawn timber prices to come up to expectations had a big effect on the group's bottom line, accounting for 54c a share on the group's budgeted income.

The dividend has been passed. A dividend of 15c a share was declared the previous financial year.

Borrowings, largely long term, rose R9,5 million to R20,4 million, which Tucker said was mainly to fund strategic improvements in production capacity.

ET(BR) 24/2/97

Yorkcor ended the year with ordinary shareholders still providing half the total share capital employed by the group at 49,3 percent compared with 75,5 percent in 1995, while the group's liquidity ratio stood at 1,59 from 2,25 of the year before.

Tucker said the forest products industry in South Africa was in the grip of massive change and 1996 would be remembered as a momentous year of risk and opportunity. "However, the cost of staying in the race last year, in the face of fierce

~~(3)~~ (3) FORESTLY challenges and competition, was dear. The knocks hurt but we expect will be more than made good soon," he said.

Cash absorbed by operating activities, before financing costs, taxation and dividends paid, was held to about the same level as the previous year at R1,7 million. Tucker said that apart from this, spending was focused on strategic projects from which they expected a positive cash flow to commence this year.

The group was aiming for earnings of 25c a share in 1997.

# Improving grading system could help the timber industry

Ingrid Salgado

BA 25/2/97  
(3) FORESTRY

SA's foresters and sawmillers could improve their competitiveness if they converted to a system of lumber grading that recognised the needs of the downstream timber industry, Industrial Development Corporation (IDC) project development manager Dean Webster said last week.

Lumber prices were generally subdued, in part because sawmillers tended to avoid grading lumber for value, said Webster, who also co-ordinated the IDC's cluster initiative on forestry. "We have a fixation with volume throughput. Effectively there is very little grading and price differentiation compared to competitive nations."

An oversupplied local lumber market and unsustainably cheap imports from neighbouring countries were other factors pushing down prices.

Webster said an improved grading system could be achieved by training the inadequately educated labour force, gearing the industry towards greater export potential and adding value to raw material.

A recent study conducted by international timber consultant Jaakko Pöyry on behalf of the cluster found that low input price advantages enjoyed by sawmillers were lost to pine furniture manufacturers due to wastage arising from grading problems.

Foresters were failing to achieve maximum value because of the inability to grade properly.

Webster said the needs of the entire industry — from foresters and sawmillers through to the downstream wood processing sector — had to be taken into account to improve solid timber's competitiveness.

An improved log grading system at plantations and stronger relationships between customers and suppliers would enhance development of differentiated products in the downstream manufacturing sector. However, plantations were often geographically isolated, making it difficult for all sectors to pool their skills to develop competitiveness.

The cluster was planning up to five projects that would bring together various elements in the production chain, including the plantation level, Webster said. He would not provide details, but said areas in Transkei could provide opportunities for exporting timber products at all levels of the production chain.

Webster said Pöyry's study found that personnel costs per cubic metre of lumber output in the sawmilling industry were marginally higher than in New Zealand — where plantations were of a size comparable to SA's — and Finland, where the industry was regarded as the world's best.

Although SA used about 10 times the size of Finland's work force per unit of output and five times that of New Zealand's, the total labour cost a unit was roughly equal to those countries' production. Providing workers with a knowledge of the needs of the downstream industry and changing attitudes would add value to timber.

Increased productivity at sawmills was bound to lead to job losses. However, new employment opportunities would be created in the downstream sector, such as pine furniture manufacturing, which was labour-intensive by nature.

Forestry's other downstream sector, pulp and paper, faced different constraints, including a stagnant domestic market, the high cost of capital and restricted growth of fibre resources.

The sector was unlikely to expand significantly as a result, Webster said.

# Govt forestry operations to run on trading

bb 2b/2/97

③ FORESTRY

Robyn Chalmers

THE commercial forestry operations of the water affairs and forestry department will operate on a trading account from April in the run-up to a possible sale of its 150 000ha forestry holdings to the private sector.

Water Affairs and Forestry Minister Kadar Asmal is scheduled to announce details of the "restructuring" initiative in the next few weeks, including government's plans to turn the dilapidated forestry holdings around.

Plans could include ways to market products better, improve corporate management and reduce staff numbers through natural attrition, severance packages and redeployment.

Water affairs and forestry commercial forestry director Winston Smit said yesterday a consultant would be appointed to advise government on options for the best way forward, including the possible disposal of holdings.

"It is the intention, in terms of government policy, to transfer its commercial forestry operations to either a new parastatal organisation or to the private sector as soon as this is possible," Smit said. Labour would be consulted before decisions were taken.

He said setting up a new parastatal could cause problems in the mainly rural-based communities where the forests were situated, and the proposed consultant would be called upon to advise on this issue.

Asmal ruled out incorporating the commercial forests into the SA Forestry Company last year after an investigation into the state of the forests, and they were brought under the wing of his department.

Smit said the poor state of commercial forestry in the department was not conducive to an immediate transfer to either the parastatal or the private sector.

About 50% of the forests were in the Eastern Cape, including former Transkei and Ciskei, with the rest in Lebowa, Venda and KwaZulu-Natal.

The department's annual report for last year and plans for this year said an audit last year showed the various entities formerly overseeing commercial

forests were severely overstaffed. This and poor timber prices meant a deficit of more than R200m was expected. It said: "The audit (revealed) vast deficiencies in planning, marketing, management, silviculture and infrastructure."

Another problem in transferring the forests to a new parastatal or the private sector was wariness on the part of the labour force, because of "anticipated large-scale redundancies".

account

# 'Alien' trees to be turned into charcoal

BD 6/6/97

(3) FORESTRY

Simon Barber

WASHINGTON — "Alien and invasive" wattle trees in Eastern Cape are to be turned into high-quality charcoal for export to Europe and the Far East if a local company, Green Charcoal, can put together necessary finance and obtain permission.

The World Bank's International Finance Corporation saw the project as both worthy and potentially attractive to private investors, and was considering taking a stake through its Africa Enterprise Fund, IFC African division manager Udayan Wagle said.

According to an IFC environmental assessment, the SA water affairs and forestry ministry is seeking to erad-

icate wattle from water catchment areas in Eastern Cape because the "alien and invasive" species (acacia) uses large amounts of water at the expense of indigenous vegetation.

Green Charcoal, in conjunction with SA furnace manufacturer Thermopower Furnaces, is planning to build a plant near Humansdorp to turn the trees into charcoal that meets the European Union standard of 80% minimum carbon content.

A five-year supply of raw material — 75 000 tons of black wattle trees — has already been harvested under the water ministry's Working for Water programme. When that has been exhausted, Green Charcoal will turn to the 17 000ha of wattle, an estimated

20-year supply, within a 30km radius of the proposed plant.

The harvesting is said to have the blessing of the World Wildlife Fund and the Endangered Wildlife Trust.

The factory will employ 150 people and create more than 500 jobs in the harvesting, loading and delivery of trees, says the IFC assessment.

Thermopower has designed and patented a new computer-controlled furnace, or retort, for the project, which is said to have been certified internationally as superior to "the best technology currently available".

The IFC is completing its appraisal and has yet to release a summary detailing the costs of the project and the size of investment it is considering.

## TIMBER

# Cutting out the dead wood

CT (BR) 11/6/97

③ FORESTRY

MATT GETZ

**T**he theoretical side of the privatisation debate has largely been answered, but practical issues are still to be resolved. For the first few years, every new privatisation will be looked at as a test case.

One of the most interesting of these promises to be the South African Forestry Company (Safcol), whose continued existence as a parastatal has led to a number of court battles with York Timber (Yorkcor).

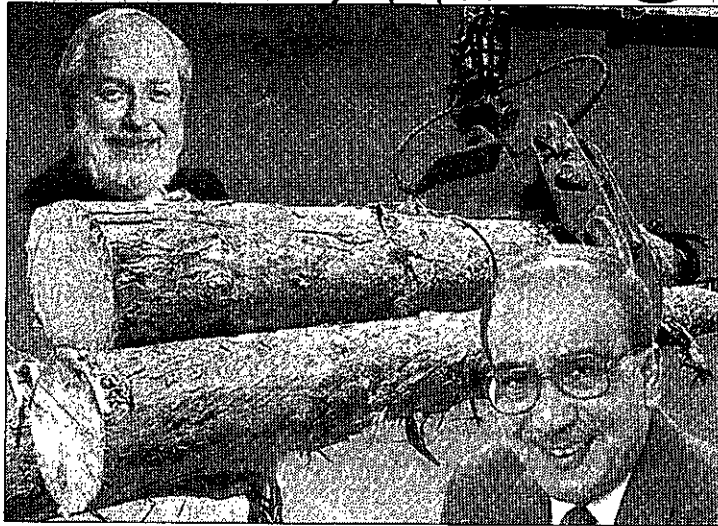
Solly Tucker, the chairman of Yorkcor, says South African forestry management has improved immensely in the past few years. He says Kader Asmal, the forestry minister, is perhaps the hardest-working and cleverest minister. Nevertheless, relations between the company and the minister have not always been cordial.

Last year, Yorkcor sued the department over its attempts to have Yorkcor's long-term contract for sawlogs in Bushbuckridge and Acornhoek set aside, because the 25-year-old contract was too vague. "They wanted to get a difficult customer out of the way," Tucker says. "We had certain rights which we competed for; we built an industry."

But Asmal's predecessors had made a hash of it. Tucker says they did not go about planting trees or pruning in an intelligent, sustainable manner, and in the end were incapable of supplying the guaranteed volume.

Yorkcor successfully sued for R4,7 million and then sought damages. The department offered a settlement. Tucker says the figure was derisory, so the two are back in court. The trial is due to start in October.

Yorkcor also took Safcol to court last year. The first trial involved Safcol's unilateral right to change the provisions of



**GROWING PAINS** Solly Tucker, the chairman of Yorkcor and Kader Asmal, the forestry minister

contracts, often with the consequence of reduced supply. Safcol has the right to force contractors to phase sawmills out of business over a relatively short period of time. Most of Safcol's contractors revised their agreement, but Yorkcor took the case to court and secured an evergreen contract with fixed long-term log volume and quality provisions.

The first part of the second case, which was settled out of court, concerned under-delivery. The second part concerned the involvement of the minister in negotiations. The judge was asked to determine when negotiations, which Yorkcor said had been stillborn, had begun. Safcol won the case, but Yorkcor has filed for leave to appeal.

Tucker says claims that he is litigious are not true. "Yorkcor's decisive successes in these cases provide a bulwark against the forces which have already run independent sawmills out of business," he said in last year's annual report. "Litigation, nevertheless, is a last re-

sort for us. We remain open to even-handed negotiations for a fair-and-square deal."

Tucker is impressed with the way Safcol works, but rails against the anti-competitive nature of the business. He notes that since the parastatal started operating in 1993, the rise in log prices has rapidly outstripped the rise in sawn timber prices.

Last year, Safcol tried to increase log prices retrospectively, putting more pressure on sawmillers' margins. "We did not doubt that to look for log price increases with a retrospective impact over nearly a year and a half was patently unjustified and unjustifiable."

The Competition Board is also looking at Safcol to see whether it has abused its dominant position.

So the news earlier this year that Safcol would be privatised by the end of the year was greeted with much joy in the Yorkcor ranks, but also with some trepidation. Indications are the parastatal will be sold in one fell swoop and possibly let free to

run its own affairs, a prospect Tucker dislikes. "Nowhere else in the world is a parastatal that controls commodities let loose to make bottom-line profit."

Tucker suggests a five-way split in the organisation. There is also a fear that Safcol's dominant/monopolistic position might be protected, as was done with Telkom. Foreign advisers and prospective investors have been pouring into the country to look at Safcol. Not surprisingly, many have also turned their eye on Yorkcor, which stands to gain immensely if Safcol is privatised in a satisfactory manner.

Tucker says the company has received offers, one for twice the company's net asset value, but his family, who control 83 percent of Yorkcor, have refused all offers, because "we like our business".

Last year, Yorkcor lost R7 million after earning R5 million the previous year. The chief cause was the problems with log supply. Since then, the tide has turned for the company and the industry. Tucker says this year's first quarter was the company's best ever, and he anticipates a strong first half. The litigation burden is lighter and new capital-intensive technology is starting to make its presence felt.

On the government side, Safcol and the department may still be involved in legal battles, but many have already been resolved. Safcol's privatisation, according to President Nelson Mandela, is probably a mere six or seven months away. When it happens, in whatever form, we have a feeling the local timber industry will finally be able to see the wood for the trees.

# Management and labour agree that Safcol stays intact

Robyn Chalmers

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SA FORESTRY Company (Safcol) management and labour have reached agreements on the parastatal's restructuring, including that it should not be split up, but they are deadlocked on a number of other issues, a document shows. BD 14/7/97

The document, outlining areas of agreement and disagreement, will be presented soon to an interministerial cabinet committee meeting which is expected to recommend deadlock-breaking mechanisms.

Safcol management and labour have previously been at loggerheads over the role of labour's adviser in the restructuring and possible sale of Safcol. A number of new agreements have been forged within the restructuring and transformation committee.

An official document showed the parties had agreed Safcol should not be split up in any way, but should rather be restructured in its current form.

A series of external investors should be introduced into Safcol's ownership structure, including an international forestry products company. Other investors should include one or more black empowerment investment groups, empowerment institutional investors such as union provident funds, rural communities, employees and the proposed national empowerment fund.

The document said that, during the restructuring process, strong emphasis should be placed on empowerment and human resources development. The shareholding of employees should be in excess of the minimum level laid down by government, which stands at R10 000 an employee.

However, the document showed there were also areas of dissent. Safcol management believed the unnamed international forestry products company should, along with an empowerment investment group, have a controlling — or 51% — shareholding in Safcol.

Labour argued that the international company should be introduced only into the ownership of the sawmilling

Continued on Page 2

## Safcol

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Continued from Page 1

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operations, and that control of Safcol should be in the hands of empowerment vehicles.

Management also believed government should divest 100% of Safcol this year, while labour said government should retain ownership of Safcol until after initial restructuring proposals had been implemented.

SA Lumber Millers' Association executive director John Mortimer said it was not in the public interest to transfer Safcol and its assets as one entity to a buyer unlikely to provide more jobs or promote more economic activity.

Mortimer said the restructuring, and possible privatisation of Safcol would have a huge effect on the sawmilling industry, and close consideration should be given to unbundling the parastatal.

There was concern about overconcentration in the sawmilling industry and new entrants, especially small and viable enterprises and those from previously disadvantaged communities, should be allowed to buy in.

"Close consideration should be given to segmenting and separating various entities within Safcol in the restructuring process.

"Each of the five sawmills, for instance, could form separate businesses or the five sawmills could be sold as a unit," he said.



# Small growers branch out into industrial wood

CT (PA) 28/7/97 (3) FORESTRY

JONATHAN ROSENTHAL

Johannesburg — Industrial wood demand in South Africa was expected to double by 2025, providing huge opportunities for rural employment and empowerment through the forestry industry's "small-grower" schemes, the Forest Owners' Association said last week.

Mike Edwards, the executive director of the association, said much of the demand could only be met through small-grower schemes. Almost 10 000 growers, with 14 000 ha under forest, were involved in small-grower development schemes organised by forest companies Sappi, Mondi and the Wattle Growers' Union.

"More than R30 million has been invested in developing these schemes which, at current market prices and based on the pre-

sent hectareage, should generate revenues of some R60 million for growers when clear felling takes place," he said.

"Sappi, Mondi and Wattle Growers' Union anticipate the overall small-grower scheme will expand this year by 2 500 to 3 000 growers, who will bring an additional 4 000 ha into the afforestation programme."

He said the participation in small-grower schemes was likely to double, at a conservative estimate, by the year 2000. If wood demand grew at 2,5 percent a year and export growth by 3 percent, then by the year 2025 annual demand for industrial wood could double to 38 million m<sup>3</sup>.

"The scheme has outstripped expectations and is well set to become one of the most important resource bases for the future of the forestry industry," said Edwards.



## Crime rate kills forester confidence

Robyn Chalmers

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THE rising crime rate in SA's rural areas cost the forestry industry almost R60m or 3,2% of its total turnover last year, causing a major loss of confidence by forest owners, a Forest Owners' Association survey showed.

The survey covered 54% of the afforested land in SA and established that direct losses from theft, damage to property and the cost of crime prevention amounted to R35m, with the total loss to the industry about R60m.

Association director Mike Edwards said yesterday the crime problem required urgent attention. "We have reached the stage where more than half of the forest owners interviewed in the survey have shelved their expansion plans, which would have involved more than 5 200 new jobs.

"They have also indicated that if the crime situation deteriorates further, they will consider ceasing operations altogether," said Edwards.

The survey involved 254 growers and more than 37 000 employees.

Of particular concern to the industry was the R16,5m damage caused by more than 1 000 cases of arson — representing 74% of all forest fires in the survey areas — and the high incidence of timber theft.

"Timber is being stolen at the rate of more than 100 tons a day," Edwards said. The total of 30 000 tons stolen cost the industry about R4,5m. There were suggestions that organised syndicates were involved, he said.

Edwards said the survey showed a general belief that crime was out of control and little was being done to stop it, particularly in KwaZulu-Natal. Forest owners had hired security companies, built security fences and set up farm-watch schemes.

# Mondi rejects criticism

By Russel Molefe

*FORESTAY*  
MONDI Forests, the largest private tree plantation operation in South Africa, has rejected findings about the negative effect of commercial forestry on water resources.

Mondi's manager of conservation and environment Mr Ricky Pott said tree-farming was just another form of land-use and as such should be compared to other land-uses on the

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basis of "how much water is used, how dirty the water is made and what return in rands is generated per litre of water used".

The Department of Environmental Affairs and Tourism, however, has found that many tree plantations have direct negative impact on wetlands.

Some plantations did not meet the environmental requirement that they should be at least 30 metres

*some ran 15/8/97*  
away from water resources such as rivers.

Each tree can use up to 200 litres a day, leaving the plantations competing with humans for water – a resource dwindling at an alarming rate. The blue swallow was also said to be one of the bird species that has been impacted on by forestry.

But Pott said: "Much of the criticism of forestry is based on emotional bias rather than on hard evidence."

# Safcol awaits Competition Board investigation report

ROY COKAYNE

Pretoria — The Competition Board has completed its investigation into alleged restrictive practices by the SA Forestry Company (Safcol), the parastatal to which the state's commercial forestry interests have been transferred.

However, Pierre Brooks, the chairman of the Competition Board, said yesterday other matters had prevented the report being discussed at the board meeting last week and it had been deferred to next month.

The investigation has delayed Safcol's proposed privatisation.

Brooks said the report first had to be given to board members to allow for elaboration before it was sent to Alec Erwin, the trade and industry minister.

The investigation followed complaints submitted to the Competition Board by the York Timber Organisation and CJ Rance in the Eastern Cape.

Brooks said earlier that the investigation would focus on complaints that certain practices by Safcol could be regarded as restrictive practices. These were tied up with Safcol's past and the system in terms of which state commercial forestry interests had been transferred to Safcol.

# Safcol combines plantations with leisure industry

Robyn Chalmers

**SABIE** — The SA Forestry Company (Safcol), a state-owned asset in line for possible privatisation, has diversified into avocado farming and the leisure industry.

Safcol forestry head Pieter Odendaal said at the weekend that the Frankfort avocado project had recently kicked off near Sabie, while the Lakenvlei Lodge had opened for business on a Safcol plantation close to Belfast.

"While these are experimental

projects, we will look into initiating similar schemes at plantations around SA should they be successful," he said. This was in terms of growth and diversification plan.

A total of 46 000 avocado trees had been planted on the 120ha estate, with the first crop likely to be forthcoming in August. Safcol planned to export 75%-80% of the crop and also expected to double the size of the estate over time.

Safcol estate manager André Möller said a major dam with a

proposed capital investment of R2m was planned on the estate, but negotiations with the Kruger National Park were still under way on this issue.

Möller said Safcol had invested R5,5m in capital on the Frankfort estate to date and, with an operating budget of R1,5m, its total investment was R7m.

Odendaal said Lakenvlei Lodge represented Safcol's first venture into the ecotourism industry and while it was "very experimental", it would expand fur-

ther into this sector should Lakenvlei prove to be a success. Six upmarket chalets had been built at the 5 000ha pine plantation, where there was trout fishing, horse riding and hiking, among other activities.

He declined to comment on Safcol's proposed privatisation, but the public enterprises ministry has said issues surrounding a deadlock in talks on the sale were being discussed at ministerial level.

Safcol's forests are divided into five regions — the Western Cape,

Eastern Cape, Mpumalanga, North, KwaZulu-Natal and Mpumalanga South. The total planted is more than 260 000ha.

Safcol's main business is sawn timber. Sawn pine logs account for 52% of its product mix, pulp 25%, small wood 6%, poles 6% and other products 12%.

Odendaal said a recent survey showed most of Safcol's costs were lower than those in New Zealand, Chile and the local timber industry. An exception was administration costs.

In the year to end-June last year, Safcol produced a slightly lower net income of R32,1m (1995: R32,7m) on turnover of R468,8m (R359,9m). Weak market conditions for Safcol's products locally and internationally, and uncertainty on its restructuring, were cited in the annual report as mitigating factors.

Safcol has warned that profits for the year ended June this year "could be very seriously affected" by borrowing to finance capital projects and expansions.

FORESTRY 05/18 97

**FORESTRY** *Respect for the environment can turn a profit*

## Safcol moves in eco-friendly ways

MAIT GETZ

Johannesburg — Forest growers had to be keenly aware of their environment and take steps to preserve it, Piet Odendaal, the general manager for forestry at the state-owned South African Forestry Company (Safcol), said last week.

"In our business, you have to take the environment seriously," he said. "We're not growing an annual crop where you can mess things up and move on. If we mess up our water and soil we won't get a good crop." He said foresters had to take a long-term view because most of the pine trees they planted would not be harvested for at least 30 years.

The focus on the environment squares nicely with lifting the bottom line, in more ways than one. Take the company's new ecotourism initiative. Odendaal said only 65 percent of Safcol's land had trees planted on it, so the company had looked for a way to gain a return on the rest. One possible solution has been setting up ecotourism ventures.

The first one, Lakenvlei, opened in June on Safcol's Belfast plantation. Right now, Lakenvlei can house 36 people in wood cabins inside a pine forest next to a vlei, though that will expand to about 50.

Odendaal said the camp was carefully managed to make sure visitors did not degrade the environment. So far, the resort, which is based on 5 000ha of forests, had been very popular.

He said Lakenvlei was a trial that might be expanded later.

Only two of Safcol's five regions had an ecotourism manager, a situation Odendaal wanted to remedy. "We have battled with ecotourism. For it to make sense, it must be part of the regions."

Though Safcol employees are ambivalent about what they call the "Greenies", the company has taken cognisance of their influence and the commercial importance of being eco-friendly. Thus the company sought and gained certification from the Forestry Stewardship Council for the KwaZulu Natal region last year and the Mpumalanga south region earlier this month.

The council is an international organisation founded by Greenpeace and the World Wildlife Fund. It monitors forest companies' environmental and social responsibility, which includes the way they treat their workers.

Odendaal said only about 14 forests in the world had received the certification. He was not happy that the other three regions — Mpumalanga north, Eastern Cape and Western Cape — had not received the certification, but said Safcol wanted them to be certified by next February.

Economically, the benefits are starting to be seen. A British organisation, Group 95+, has started a boycott of products from uncertified forests, putting Safcol in a good position, though it only exports

6 to 7 percent of its production.

Safcol also has environmental managers who run regular programmes as part of their integrated environmental management scheme, based on the principle of "for every action there is a reaction" and dedicated to forecasting the reaction before action is taken. Its water-quality management system is unique to South Africa because it measures biological rather than chemical composition.

A scientist takes a random batch of water from a stream on or near Safcol lands, counts how many families there are in the water and how tolerant they are. The less tolerant a family, the higher it scores. All those scores are added up.

Felicity Weir, who runs the programme, said international norms required a score of above 80 to consider an area non-degraded, but she had found scores around the 130s in most areas. "This doesn't cost anything and it's much more accurate than chemical sampling," she said last week.

Safcol seems to be taking its responsibilities seriously and sometimes doing more than is called for. But no one can say if this will continue because the company is being privatised and nobody knows when or in what form this will happen.

For now, the present management has to prove that environmentalism is economic; otherwise the new owners, whoever they may be, could well roll back all the good work that has already been done.

*Analysts say the move relates to cash conservation ahead of offshore manoeuvres*

# Rembrandt raises dividend

MARC HASENFUSS

CAPE EDITOR

Cape Town—Rembrandt, the tobacco and industrial conglomerate, yesterday hiked its interim dividend payout 16.4 percent to 33.81c — a move analysts believe relates to cash conservation ahead of offshore manoeuvres.

Rembrandt's stablemates, Rembrandt Controlling Investments (25.03c), Technical and Industrial Investments (23.28c) and Technical Investment Corporation (21.96c), all increased their half-year payouts by 15 percent. It is traditional for Rembrandt companies to declare dividends

in advance of the publication of the financial results. The interim period ends on September 30.

The dividend increases appear modest compared with last year when the interim payout was hiked 20 percent and the final dividend by 25 percent.

Carel Oosthuizen, the head of research at SMK Securities, said yesterday the dividend increases were substantially lower than the more than 30 percent increase in bottom line profits for the financial year to March 31 this year.

But he stressed the move might not necessarily mean a more difficult financial year for Rembrandt.

He suggested the company could be conserving cash for future transactions.

"There could be something major in the offing, especially with exchange control set to go. Rembrandt has a lot of international experience and is tremendously aware of opportunities abroad."

Oosthuizen also speculated that the more conservative dividend declarations could relate to Rembrandt feeling constrained because Rothmans International, the company's tobacco and cigarette associate, had some gearing.

At Rembrandt's annual meeting yesterday, Johann Rupert, the

chairman, placated shareholders' concerns over problem investments like Rainbow Chicken and Gold Fields.

He said returns from the company's investment in Vodacom, the cellular service provider, would more than compensate for a poor performance from Rainbow Chicken or Gold Fields in the year ahead.

In his annual report, he predicted a long and profitable future for the tobacco industry.

Rembrandt shed 45c to R47.50 on the JSE yesterday and 132 900 shares changed hands.

□ Business Watch

## Forestry company bounces back into the black

MATT GETZ

Johannesburg — Yorkcor, the forestry products company, bounced back from two losing halves to record a R5.4 million turnaround in the six months to end June, the company said yesterday.

The company earned

R1.48 million after tax (-R3.71 million). Turnover rose 41 percent to R27.8 million. Earnings a share were 14c, after a loss of 36.5c.

At the end of the period, Yorkcor had long-term debts of R15.86 million and short-term debt of R3.2 million, giving it a gearing ratio of 74 percent, well up on the 63 percent recorded previously.

Solly Tucker, the chairman of Yorkcor, said the results were achieved "in the teeth of continuing tough conditions in the sawmilling industry".

Since before the beginning of the period, his company has been involved in legal battles with the state-owned South African Forestry Company and the water

affairs and forestry department.

Tucker said he believed Yorkcor would meet or beat most targets. The company forecast full-year earnings of 25c, a figure he said should be more than matched.

He said earnings and gearing would determine the company's decision on dividends.

CT(BR) 28/8/97

Forestry CT(BR) 28/8/97

## The MINISTER OF HEALTH:

No, there is no need to enact a new law as the existing one allows the Minister of Health to make a disease notifiable. Section 45 of the current Health Act (Act No. 63 of 1977) enables the Minister of Health to make a health condition that poses a public health concern, notifiable.

To make the disease notifiable, the Minister will publish a notice in the government gazette requiring that AIDS disease and AIDS death be notifiable. Guidelines for reporting AIDS disease and death will have to be prepared to ensure uniformity in reporting. Staff will have to be trained in health care facilities on the procedure for reporting AIDS disease and death. The notice will be published by end of this year.

It is important to state that HIV status will not be made notifiable, but AIDS disease and death will be. We encourage partner notification of the HIV status.

The purpose of making AIDS notifiable is to collect information on how many people have AIDS disease or died from AIDS, how does AIDS manifest itself, how is it distributed in the population and what are the risk factors to AIDS. The information collected will be used for surveillance of the disease, identification of risk factors, planning of prevention, treatment, supply of medicines as well as monitoring the epidemic.

Patient's confidentiality will not be breached as the name or address of the patient or deceased will not be reported. However, factors such as age, gender, presenting conditions, and complications, geographic location, health institution are among the important variables which need to be collected as these are critical to the effective management of HIV/AIDS.

South Africa will not be unique in making AIDS notifiable. For example, in Angola, Egypt, Kenya, Malaysia, Mexico and certain states in Australia AIDS is already notifiable.

34. Dr R RABINOWITZ - Health. [Withdrawn]

**Fund for deployment of SA troops in peace-keeping operations**

35. Col N G RAMAREMISA asked the Minister of Defence:

(1) Whether the Government is planning to

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establish a special fund for the deployment

of South African troops in peace-keeping operations, endorsed by the United Nations; if so, (a) what are the costs involved and (b) what are the further relevant details;

(2) whether he will make a statement on the matter? N2076E

## The MINISTER OF DEFENCE:

(1) The Departments of Defence and of Foreign Affairs are currently deliberating the question as to whether Government should be approached regarding the establishment of a special fund for South Africa's participation in United Nations endorsed peacekeeping operations. Neither department budgets directly for such involvement at present.

Although the United Nations does reimburse participating countries, such countries have to bear the initial costs of deployment in the interim.

(a) and (b) Such operations are by their very nature, expensive however, expected costs are difficult to predict until the scale of effort required, location and duration of such operations are known.

(2) The Department of Defence has been working closely with the Department of Foreign Affairs in the formulation and development of an inter-departmental policy on Peace Support Operations. This inter-departmental policy will, in time, be fleshed out into a national policy which will seek to guide government on South Africa's participation in such operations.

**Nedlac role in solving differences between labour/business sectors**

\*36. Mr A WATSON asked the Minister of Labour:

(1) Whether Nedlac is still playing any role, in solving differences between the labour and business sectors; if so, what role; if not, why not;

(2) whether any steps are to be taken with the view to improving the situation, if not; why not; if so, what steps;

(3) whether he will make a statement on the matter? N2077E

## The MINISTER OF LABOUR:

(1) Nedlac is fulfilling its responsibilities in terms of the Act.

The Nedlac Act, 35 of 1994 requires the Council to:

- Seek to reach consensus and conclude agreements on matters pertaining to social and economic policy.
- Consider all proposed labour legislation relating to Labour Market Policy before it is introduced in Parliament.
- Consider all significant changes to social and economic policy before it is implemented in Parliament.

In terms of the Founding document of Nedlac, adopted at the first Nedlac Summit on 18 February 1995, the Council shall be a representative and a consensus seeking body where the parties to the Council will seek to reach agreement through negotiation and discussion based on proper mandates. If agreement cannot be reached, each party shall retain its freedom of action within its own sphere of responsibilities.

Nedlac still has to develop codes of conduct to regulate the conduct of members and representatives in addition to developing conventions, rules and protocols in respect of relationships in regard to a number of matters.

This matter has been raised by government representatives to Nedlac for urgent consideration. Work is being done to address these shortcomings.

**Former homelands: value of forestry industries to possession of State**

\*37. Mr Z D MNGUNI asked the Minister of Water Affairs and Forestry:

(a) What was the calculated value of forestry industries in possession of the State in the former homelands, as at the latest specified date for which information is available and (b) what is the area of land on which such activities took place? N2078E

**The MINISTER OF WATER AFFAIRS AND FORESTRY:**

(a) The Department of Water Affairs and Forestry is managing the commercial forestry

assets of the State, which were previously under the control of the former homelands. These assets have an estimated value of R6 000 million. These assets include trees, buildings and vehicles, but exclude the value of the land on which they are situated.

(b) 140 000 hectares

\*38. Mr J A RABIE - Housing. [Question standing over.]

**Investigation into alleged corruption at Belt Bridge**

\*39. Dr T G ALANT asked the Minister of Finance:

(1) What were the findings of the investigating team of the Department of Customs and Excise with regard to alleged corruption at Belt Bridge and (b) what amount is involved in such alleged corruption;

(2) whether any steps and/or measures have been taken in this regard; if not, why not; if so, what steps and/or measures;

(3) whether any steps have been taken against any individuals; if not, why not; if so, what steps? N2081E

## The MINISTER OF FINANCE:

(1) (a) Investigations have revealed *prima facie* evidence of corruption and criminal proceedings have been instituted against 9 officers. The case is scheduled for hearing in the magistrate's court at Pietersburg on 6 until 10 October 1997. The Officers were suspended.

(b) The amount involved is R99 642 070.46.

(2) Schedules were drawn up for the outstanding duties and served on the firms/agencies involved. Liens were placed on goods in terms of section 114 of the Customs and Excise Act No 91 of 1964 of the firms/agencies involved. Additional acquittal control measures regarding removal in transit have been introduced and have proved to be effective.

(3) Apart from the steps referred to above, a claim

*Handwritten signature*

# National forestry action programme launched

BD2/9/99 ⑤ FORESTRY

Robyn Chalmers

WATER Affairs and Forestry Minister Kader Asmal launched the national forestry action programme report yesterday to give direction to the forestry white paper which will ultimately result in a new Forest Act.

The paper looks at the development of forests in SA and particularly at how this can lead to an improvement in people's lives. It deals with sustainable forest management and the development of strategies for participative management of the forest sector.

Asmal said the national forestry action programme was the project that would ensure government put a new policy for the forest sector in place. Asmal also outlined a number of initiatives he would undertake in his remaining period of office to May 1999.

These included a new Forest Act and a sound plan for restructuring the forests of the former homelands.

Asmal also planned to complete strategic environmental assessments for forest sector development in all appropriate provinces.

The transformation of the chief directorate of forestry in the water affairs and forestry department into a

tight, effective unit would lead and support policy development. Policy development would also follow a course of corrective action, said Asmal, so the needs of previously disadvantaged groups were properly addressed.

Asmal said the national forestry action programme had been developed in a year, and it was just more than three years since the start of the new forest policy debate in early 1994.

There was great potential for afforestation in some impoverished rural areas and the programme would look at ways to streamline the afforestation permit system.

The programme would allow government to address the constraints and opportunities influencing development of the industrial forest sector.

It would also promote investment and open access to new businesses based on forest resources and enable government to implement a comprehensive approach to sustainable forest management.

"Great opportunities will arise from new investment as we move down the track of restructuring the (SA Forestry Company) and the forest assets of the former homelands administrations," Asmal said.



# Privatisation uncertainty is holding Safcol back

DD 8/9/97

③ FORESTRY

Robyn Chalmers

THE SA Forestry Company (Safcol) has the potential to be a dynamic world class player, but uncertainty around the state-owned company's proposed privatisation appears to be holding it back.

While all of the entities' troubles cannot be blamed on the slow pace of privatisation, this seems to be playing a greater role in Safcol's diminishing profitability and the recent resignation of skilled staff. Apart from having to grapple with the privatisation issue, Safcol, with the rest of the forestry industry, has had a tough few years. World prices for pulp have been falling, there has been a weak market for sawmill products and the forestry industry is in the throes of significant change.

The extent of this change will only become clear when the Competition Board announces the findings of its wide-ranging enquiry into Safcol, partly due to complaints from three of its long-term contractor partners. They alleged that it was abusing its monopoly by posting significant product price increases over a number of years.

In December, the water affairs and forestry ministry is expected to announce the way forward for a major overhaul and the possible sale of government's commercial forestry operations, which will also have a significant impact on the forestry sector.

Many would argue that the acid test for any company's management is how it deals with challenges and the extent to which it can find ways to rise above them. But in Safcol's 1996 annual report, chairman David Gevisser argued it was not reasonable to expect a parastatal to perform competitively in the private sector when it was subject to a host of inhibitors that did not apply to its competitors. Gevisser pointed to

the board enquiry, lack of clarity on Safcol's restructuring and possible privatisation policy along with the other market challenges faced by all players in the sector.

More than a year later, the same challenges exist and the question must be asked why at least one of these has not been removed — that of restructuring and privatisation. Part of the reason is that talks within Safcol's restructuring and transformation committee were halted for the better part of a year. This was while the water affairs and forestry ministry investigated how to deal with management of former homelands' neglected forests, which were incurring heavy annual losses. It was agreed at the end of last year that they would be placed under the management of the water affairs and forestry department.

Shortly after it was announced that talks on restructuring would resume at the beginning of this year, Safcol CE Tienie van Vuuren said significant restructuring had already taken place. "Safcol is now ready to pursue restructuring/privatisation options in accordance with the national framework agreement procedures," he said.

This was the last time Van Vuuren — or the management of any of the parastatals — was allowed to make public comments on Safcol's proposed privatisation. Gov-

ernment has decided that a unified front is needed and has effectively muzzled parastatal officials from speaking openly on privatisation. Public Enterprises Minister Stella Sigcau says work is in progress on a restructuring strategy for Safcol. "It is expected that some form of restructuring will be achieved by the end of 1997 or early 1998 bearing in mind the issue of land claims."

There are a few land claims on Safcol-owned land, but they are close to being resolved.

While management and labour broadly agree on the need for some form of privatisation at Safcol, there is disagreement over the extent and form of any sale being looked into at ministerial level.

Management has warned that a further decrease in operating and net income is likely for Safcol in the year ended June 30 1997. Last year's results saw Safcol posting higher turnover of R466,8m against a pro-rated R359,7m previously, while operating income dipped to R34,5m (1995: R36,4m) with net income falling to R32,1m (R32,7m).

In the face of falling profitability and diminished dividends, government should take into account management's argument that it is losing opportunities in the private sector while being hamstrung as a parastatal which cannot expand.

## HSBC buys Durban's Syfrets Securities

Lucia Mutikani

HSBC Simpson Mckie had acquired the entire Durban operation of Syfrets Securities, giving it one of the largest private client bases in the city and a strong foundation from which it could grow a meaningful corporate client service in the province, CEO Chris Niehaus said at the weekend.

The deal described as nonmon-

etary was part of Syfrets' restructuring. Syfrets is moving out of the financial services industry.

Niehaus said the move was prompted by the strong and diverse economy in the area and dynamic growth opportunities.

"The opportunities in Durban, with this being the country's gateway to the East, are enormous, and the growth which this will afford the region is significant."

# Taxes 'could cost forestry sector extra R300m a year'

Robyn Chalmers

30 22/9/97  
③ FORESTRY  
PROPOSED levies and taxes on the forestry industry could cost an additional R300m a year, equivalent to nearly 17% of total industry turnover, the Forest Owners' Association said in its annual report.

Executive director Mike Edwards said apart from their financial implications, they would be imposed on activities already funded by the industry, such as training.

"Looking, for example, at the (proposed) land tax, the industry is already involved in the provision and development of rural infrastructure. With the catchment management charge, (it) is already committed financially to alien tree clearing programmes," he said.

The same applied to proposals for a training levy, a water inception levy including a seed pollution levy, and a biodiversity levy. The industry could afford what it was already doing in these areas, but it could not afford to spend these funds twice.

The proposed taxes and levies would more than halve the profit a hectare of trees planted before interest and tax were deducted.

The industry had remained viable in the face of above-average inflation, high interest rates, the freeing up of international competition and the reduction and dismantling of tariff barriers.

"There is a limit to what it can endure, beyond which it (is) no longer a viable economic activity. Unless we are careful, this situation could be reached sooner than we would like to believe and the forestry industry has to display its concerns in this regard."

Edwards said crime had assumed alarming proportions in the forestry sector. Losses, with costs incurred in instituting more stringent crime-prevention measures, amounted to R60m annually. This equalled R40 a planted hectare and 3,2% of industry turnover.

The report showed the industry had a capital base of R25bn — larger than the motor industry — and exports last year exceeded R4,6bn, resulting in a net trade balance of R1,7bn.

The associations' members include Mondi, Sappi, the SA Forestry Company, Masonite, Timber Ridge Estates, Thesen & Company, Woodline Industries and Yellowstone Timber Holdings.



**WOODSMEN** Mark Lyall Grant, left, the British high commissioner, and Kader Asmal, the minister of forestry, sign two agreements for Eastern Cape development PHOTO: JOHN WOODROOF

## SA in R20m forestry deal

CT (DR) 23/9/97 (3) FORESTRY  
FRANK NXUMALO

Johannesburg — Kader Asmal, the minister for water affairs and forestry, and Mark Lyall Grant, the British deputy high commissioner to South Africa, signed two community afforestation agreements yesterday, valued at approximately R20 million, for the Eastern Cape region.

Asmal said such "niche arrangements" in funding development and training projects enhanced South Africa's capabilities in closing gaps introduced by budgetary constraints.

He said the forestry aid would be appreciated mostly by rural communities.

"We find that people who have an urban bias rarely take into account the need for rural development".

Hennie Coetzee, chief director of forestry in the department, said the Eastern Cape had been chosen as it was the most "neglected region, forestrywise" in the country.

He said community forestry was a lucrative industry and that the two projects would benefit rural communities in terms of building materials and plantation and timber industry jobs.

He said the projects would be implemented over three years, starting in January, at Fort Cox Agricultural College

near King Williamstown and Stellenbosch University.

He said there would also be rewarding "downstream activity", including small saw mills, food contracts from "wild but supervised" mushrooms that sprout in the virgin forests, and firewood for domestic fuel.

"We want to develop a pilot project in the Eastern Cape that would be a pilot for the whole country and would consist of extending existing woodlots and new afforestation," Coetzee said.

Grant said the guiding principle for British support for the forestry sector included conservation, commercial viability and community benefit.

# State must not lose sight of wood for trees

**Selling off SA's state forests will not be a simple deal between buyer and seller, argues Steve Raney**

ED 16/10/97

FORESTRY

**T**HE state-owned SA Forestry Company (Safcol) announced recently that it had embarked on a new ecotourism initiative at Lakenveit near Belfast. In a pine forest next to a vle, Safcol has established a few wood cabins on a trial basis. Thus the company which has been targeted for privatisation continues to diversify and not simply concentrate on the timber industry.

In addition to Safcol's main business, which is timber, it now ventures into the leisure industry and farms avocados and proteas. The statutory object of the company as set out in the 1992 Management of State Forests Act is "the development in the long term of the forestry industry according to accepted commercial management practice".

However, in terms of the act, government may entrust to Safcol the management, control and operation of any state forest or any portion thereof, which can be used for commercial purposes.

All of this raises some interesting questions as to details of the agreement between Safcol and Public Enterprises Minister Stella Sigenu, particularly in regard to diversification into the leisure industry and, of course, Safcol's role as future custodian for vast tracts of state-owned land, some of which will be covered by pristine indigenous forest. Safcol's forests cover about 260 000ha in the Western Cape, Eastern Cape, Mpumalanga and Natal.

Not much is known about the Safcol privatisation plans, at one stage apparently scheduled for the end of this year. It was reported (Business Day, September 8) that government had decided "that a unified front is needed and has effectively muzzled parastatal officials from speaking openly on privatisation".

That may well be so, but the negotiation surrounding the privatisation will involve all stakeholders, the three primary ones being government, the investors and Safcol, including the trade unions.

There are, however, other significant stakeholders, namely the communities who derive their livelihood from the forests and live near to them, as well as all the citizens of SA who derive benefit

from forests.

With the advent of the constitution, we have seen that legal rights continually expand to encompass persons and concepts that previously were regarded as being unable to possess rights. Consequently, in addition to the primary stakeholders, there may be other interested and affected parties who could, using the courts and other means, influence the diversification or privatisation of Safcol.

Very often public opinion is the most effective way to maintain or enforce compliance with environmental standards. The acceptability of Safcol's privatisation will not only involve compliance with deals negotiated by the primary stakeholders, but must also meet the demands of the community.

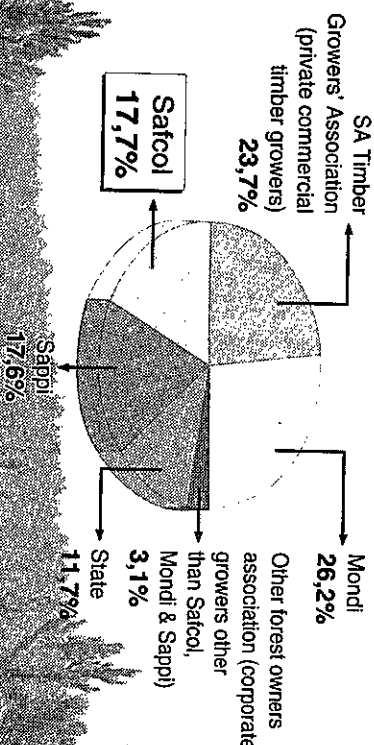
At the very least, opposition would give environmentalists a further opportunity to compel government to adopt more environmentally acceptable terms and conditions for the privatisation.

This may have the effect of forcing government to impose specific obligations on any potential investor in Safcol. These could involve, for instance, the need for the investor to avoid acts which could damage or pollute the environment, the requirement to purchase and use local materials in any development, engage local contractors and local entrepreneurs, provide training and educational facilities to the local communities and other capacity-building requirements.

Possibly conservation agencies such as the National Parks Board or the state itself should have a right of pre-emption to buy any land that Safcol may wish to dispose of if that land has significant environmental value.

One of the dilemmas facing any investor in Safcol is the possibility that Safcol may be required to manage certain state-owned indigenous forests. Normally there would be resistance to accepting

## Plantation Holdings 1997



Graphic: SARAH EVANS Source: FOREST OWNERS ASSOCIATION

the management of statutory nature reserves unless they are a paying proposition for Safcol.

In the case of the Safcol privatisation the foresters appear to have adopted the pragmatic approach that Safcol is not just about timber

investor would want, or does it fulfil a dual role of timber producer and custodian?

Timber production has historically been the dominant, or at least the most obvious, economic use of forests, as a result of which many people equate forestry and the forestry profession with timber production, or even more narrowly with timber harvesting.

The white paper dealing with sustainable forest development does not specifically deal with the question of sustainable management of indigenous forests, but only of industrial forests. In New Zealand, "sustainable forest management" requires forests to be managed in such a way as to maintain the ability of a forest to provide a full range of products and amenities in perpetuity, while retaining its natural values.

Considering that the forests which will be under Safcol's control are both commercial and indigenous and include areas deserving of protection in their own right, the manner in which government manages to balance investment criteria with conservation requirements will be the key to the success of Safcol's privatisation. If government fails to consider adequately the conservation of the natural resources under Safcol's management, there is little doubt the "green revolutionaries" will voice their objections.

One can only assume that consultation will be undertaken before privatisation, in an attempt to ensure that the "social costs" of the privatisation proposals (those borne by society, rather than the privatisation investors) are outweighed by the "social benefits" (benefits to society as a result of the privatisation).

Government must also have regard for the democratic rights of communities to protect indigenous forests, wetlands, areas or sites of outstanding natural beauty, scientific interest, religious or spiritual significance or special so-

cial, cultural or historical interest. Included in the land under Safcol's management will be battle sites and burial sites, wilderness areas and archaeological and palaeontological sites, some or all of which may qualify as heritage sites worthy of conservation and which may be protected as a national heritage if and when a national heritage act is ever passed.

The planned privatisation of state forests under Safcol may also be under threat in many cases as large tracts of forestry land may have been acquired by evicting "squatters" in terms of the Forestry Act.

For government to balance the different interests, there has to be an economic valuation of the environmental goods. Thus if the sustainability of indigenous forests is environmentally important, one would expect this to be shown up in the privatisation process of Safcol in an expressed willingness to pay for its conservation.

The benefit of an economic understanding of conservation is that it explains why conservation areas are constantly being lost; it tells us people consider most decisions about land use and conservation from a necessity point of view which is normally translated into some economic justification.

The establishment of an economic valuation for conservation areas is needed in order to understand the process of loss and make sense of the process of policy correction which is evident throughout government policy on sustainable forest development in SA.

Recent events in southeast Asia may serve as a timely reminder of just how precious our forests are, and any uncontrolled commercialisation could result in an environmental disaster.

It seems Safcol's privatisation will not be a straightforward commercial negotiation between the primary stakeholders, but will need to involve other role players including the communities and the environmentalists who, although not parties to the privatisation in the strict contractual sense, will look after the interests of, among other things, the trees.

□ *Raney is vice-president of the Wildlife and Environment Society of SA.*

ANALYSIS

# Safcol changes must meet certain criteria

Water Affairs and Forestry Minister Kader Asmal sketches government's environmental programme

③ FORESTRY 20 23/10/87

STEVE Raney's interesting article on selling off state forests (State must not lose sight of wood for trees, Business Day, October 16) throws several issues into the same pot, many of which can best be dealt with separately.

The two major concerns that emerge through his argument are the protection and sustainable management of our indigenous forests, and the restructuring of the state-owned SA Forestry Company (Safcol).

The forest policy of government, as outlined in the white paper on sustainable forest development in SA, is based on a set of principles which include that forests and forest resources be treated as a national asset; that forest development should be people-driven; that there should be consultation in formulating and implementing policy.

Forestry means different things to different people. It means different things to the investors in private firms Sappi and Mondl, to the firewood and mushroom collectors in poor rural areas, to the hikers and dog-walkers, and to defenders of biological diversity.

The framework within which forest management is practised in SA (of both the indigenous and plantation forests) must reflect

that diversity of interests. That framework, including the legislative component of it, has been under review since June 1984 and is addressing most of the issues raised by Raney. The framework has, further, been developed through a series of wide-ranging policy consultations which have included environmental and community groups.

During the course of the debate, it has become clear that the best way to deal with the environmental objectives highlighted by Raney is by creating the appropriate legal and institutional framework within which all forestry activities should be carried out. That, rather than the restructuring of a single enterprise like Safcol (which accounts for less than 20% of the nation's forests) must be the focus of our environmental objectives. We can then, as government, concentrate on ensuring that Safcol's restructuring meets our broad development objectives at the level of work place and local community as well as in terms of the national economy.

The objective should be to ensure that all institutions, public and private, involved in commercial forestry are required to protect and manage the natural forests in the areas they control to a set standard. This will ensure

there is a common planning area (if not level playing field) for all in the business of forestry and that the cost of conservation is factored into business calculations.

To protect natural forests often found in the middle of commercial plantation on state land, it may also be desirable to retain such land in public ownership and allow forestry on a leasehold basis, an approach widely adopted in countries such as Canada and New Zealand. This ensures land cannot be disposed of for uses inimical to conservation. It also ensures specific criteria can be attached to the lease agreement ensuring the protection of these areas. Government's white paper on sustainable forestry development sets out this approach as a matter of policy.

What is now necessary is a process to implement that policy. Again the process is one which many who are indirectly involved find extremely tedious. The fact is, however, that there is much information to be gathered and many details to be agreed before the national forestry action programme can achieve its goal. The restructuring of Safcol must be seen in this context.

The most critical areas for the management of indigenous forests are, I regret, more

likely to be found in the area managed directly by my department than in those of Safcol or the large private companies. That in itself should ponder a pointer for the future, and a reason why the environmental focus should be on helping us to make the programme work, rather than simply worrying about Safcol.

There remains a legitimate public interest in the restructuring of Safcol. This we believe should focus on getting the best value (social and economic) for government as shareholder and for society more broadly from what is already an important commercial activity.

From government, our focus is to ensure we achieve not just short-term returns, but that a restructured Safcol contributes to long-term development in the interests of its workers and rural communities who depend on it.

The nature of commercial deal-making inevitably requires that some of it is done behind closed doors. Government, Safcol, management and labour are, however, committed to achieving agreement on the way in which the organisation will be restructured before the end of the year. In accordance with national policy objectives, such restructuring will have to meet certain criteria with regard to environmental sustainability.



The two major issues of environmental conservation are the protection and sustainable management of SA's indigenous forests and woodlands, and the restructuring of Safcol, the state-owned SA Forestry Company.



# Safcol presents plan for restructuring

Robyn Chalmers and  
Reneé Grawitzky

BD 29/10/97 ③ FORESTRY

STATE-owned forestry company Safcol yesterday provided members of the portfolio committee for public enterprises a detailed overview of the restructuring committee's proposals presented to government on a model to restructure the enterprise.

Safcol CEO Tienie van Vuuren told the committee that the restructuring committee, which included representation from 11 trade unions, management and government, had made rapid progress and by May had finalised recommendations on how the enterprise should be restructured.

The recommendations were being considered by the sectoral task team and would soon be discussed by the interministerial cabinet committee.

The media was not privy to the details of the restructuring committee's proposal, but sources close to the issue said yesterday that the proposal was understood to have held that Safcol should not be unbundled.

An investor as opposed to a strategic equity partner should rather be introduced to boost downstream investment opportunities.

It is understood the restructuring committee has recommended an empowerment fund be established along with an employee ownership scheme should any sale be forthcoming.

An earlier document showed the parties had agreed Safcol should not be split up in any way, but should rather be restructured in its current form.

A series of external investors should be introduced into Safcol's ownership structure, including an international forestry products company.

Other investors should include one or more black empowerment investment groups, empowerment institutional investors such as union provident funds, rural communities, employees and the proposed national empowerment fund.

The document said that, during the restructuring process, strong emphasis should be placed on empowerment and human resources development. The shareholding of employees should be in excess of the minimum level laid down by government, which stands at R10 000 an employee.

Safcol said the committee's recommendations were in line with the objectives of the National Framework Agreement and government's white paper on sustainable forestry development in SA.

Safcol attributed the committee's ability to successfully finalise a recommendation in a short space of time to the fact that labour and Safcol management were closer to each other on what should happen to the company which differed markedly to government's approach.

## Anger greets 'rainfall tax'

③ FORESTRY

Robyn Chalmers

SA's forestry industry, represented by the Forestry Industries' Association, has broken off talks with the water affairs and forestry department over the question of water pricing as outlined in the draft water resources bill.

Association spokesman Mike Edwards said the R12bn-a-year forestry industry would not resume talks on water pricing until the department dropped a proposal to introduce a resource conservation charge, or what he termed a "rainfall tax".

Water Affairs and Forestry Minister Kader Asmal said yesterday he had not been informed of the association's move and he was surprised at this kind of attempt to intimidate government.

The pricing of water had nothing to do with a so-called rainfall tax, Asmal said. It focused primarily on large water users, was an attempt to cope with SA's water shortage and was associated with the conservation of water and protection of the environment.

Edwards said the association would continue to take part in talks relating to other aspects of the water resources bill.

Edwards said the industry objected to the introduction of a resource conservation charge because nobody owned the water in SA and as such there was no justification for selling water unless a cost of supply was involved.

All forms of land use consumed and had an effect on water resources, and to single out forestry and sugar cane farming was discriminatory, he said.

## Forestry industry pulls out of 'rainfall tax' talks

JONATHAN ROSENTHAL

INDUSTRIAL EDITOR

CT (PDR) 25/11/97

Johannesburg — The Forestry Industries Association has broken off talks with the department of water affairs and forestry over a dispute around water-pricing proposals in the draft water resources bill, expected to go before parliament next year.

Mike Edwards, the executive director of the Forest Owners Association and spokesman for the R12 billion a year industry, said yesterday industry had pulled out of talks over a proposed "rainfall tax" that would charge forest owners for rainfall used by trees in forests.

Edwards said the industry objected to the introduction of a rainfall levy on the basis that it discriminated against forestry and sugar cane farmers, would hamper the industry's international competitiveness and would be an additional indirect taxation on the industry.

"The imposition of water

charges as proposed would have forest owners paying twice for the water resources on their land, since they have already been paid for in the original purchase price of the forestry land," he said.

Mike Muller, the director general of the department of water affairs, said yesterday it was regrettable that the industry had pulled out of talks.

The department had modified its proposal to "level the playing field" and to treat all land users in a similar fashion, so as not to discriminate against forest or sugar cane farmers, Muller said.

The legislation would allow water users to trade their allocations, both within the forestry industry and with other land users, he said. "These were the two things that they were looking for."

Muller said the department would continue to finalise the last draft of the legislation and it hoped to present it to the Cabinet early next year, with or without the industry's contribution.

enable



## Forestry industry pulls out of 'rainfall tax' talks

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# Restructuring knocks Safcol

MATT GETZ

③ FORESTRY CT (BR) 27/11/97

Johannesburg — Difficulties arising from its status as a restructuring parastatal put a significant dent in the earnings of the South African Forestry Company (Safcol), David Gevisser, the chairman, said in the company's annual report, issued this week.

"There are significant costs, both direct and indirect, from the intensive restructuring and transformation initiatives," he said. The direct costs included fees, and the indirect costs involved the thousands of hours lost in meetings.

Safcol's job-creation and corporate social investment programmes, which Gevisser said would probably not have been undertaken by a private-sector

company, also hurt the bottom line, as did a weak domestic and world market.

Wages had also been a factor. Tienie van Vuuren, the chief executive officer, said Safcol was stuck between the private sector and the government in terms of what it paid staff and management. While operating profit fell R16 million, the wage bill rose R26 million.

But the news was not all bad. Turnover improved significantly as more value-added products were sold and the price of logs rose by 20 percent.

Net income in the year fell 31 percent to R21,9 million, from R32,1 million, though turnover gained 22 percent to R573,8 million from R466,8 million. The balance sheet shows a company without cash, but Gevisser said it was ungeared.

# Safcol to privatise its forests next year

MATT GEITZ

ET (BR) 27/11/97

Johannesburg — The South African Forestry Company's (Safcol's) privatisation process could start in earnest in January, Stella Sigcau, the public enterprises minister, said yesterday.

The government said two weeks ago that it was starting to look for a transaction adviser, which would probably be, or involve, a black-owned bank.

"By inviting private sector investors to assume ownership, the government has decided privatisation will go ahead," said Sigcau.

Safcol has been due for privatisation for more than a year now, but no details were available until yesterday.

Sigcau said the government would sell a majority stake to one or more forestry products groups, empowerment groups, communities and labour. The government would keep a stake, but intended to get rid of it over time.

However, the government would not sell the land Safcol owns. "We want (the new Safcol) to sell what it plants and what it harvests," Sigcau said.

Sigcau hinted strongly the government would want a foreign company to take a stake. "In a number of sectors, Safcol has the best management in the world, but we've been a closed economy for so long it will pay to get a mix."

David Gevisser, Safcol's chairman, would not say how much Safcol was worth. "Forest valuation is a very esoteric art," he said. "We have a figure we hope to achieve, but we can't say what it is." He said Safcol had the largest reserve of pruned pine logs in the world, "a unique asset that will fetch a unique price."

Safcol made R22 million in the year to June 30, but the board said that would rise this financial year. It has net assets of R570 million and, more attractive to investors, a tax loss of R216 million.

## COMPANIES

# Safcol posts sharp fall in income

BD 27/11/97 ③ FORESTRY

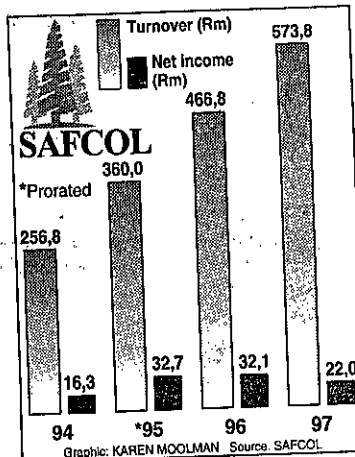
Robyn Chalmers

THE parastatal SA Forestry Company (Safcol) has posted a sharp fall in net income to R21,98m for the year ended June from R32,1m the previous year, while struggling to bed down a major sawmill refurbishment programme.

Public Enterprises Minister Stella Sigcau said yesterday government had decided private sector investors would be invited to take substantial shareholdings, or even a controlling stake, in the state-owned Safcol.

Sigcau said government would retain ownership of Safcol's land and a minority equity interest to ensure that its continuing interests were protected in the medium term.

"New investors will include one or more major forestry products groups, who will be expected to bring in management, technology, access to capital and resources for human resources. Other investors will be empowerment groups, communities and labour," she said.



Sigcau also announced that

another investigation into the run-down former homeland forests had been launched. While a report was still being completed, there were early indications that it could pay to include some of these forests in the restructuring process.

Safcol increased turnover to R573,8m from R466,8m the previous year, but operating income fell to R17,9m (R34,4m). Turnover was boosted by price increases in the forest and processing divisions.

Chairman David Gevisser said there were significant costs, both direct and indirect, arising from the intensive transformation initiatives along with a higher wage bill.

The profit slump was largely the result of continuing weakness on the international market for pulp wood and pulp products, and for sawlogs. The domestic market also remained

weak and was unlikely to recover until the housing programme picked up enough to compensate for the fall-off of middle- and upper-income housing.

The performance of the processing division, where Safcol had not yet been able to reap the benefits of a sawmill refurbishment programme, was a further reason for the drop in profit.

CE Tienie van Vuuren said Safcol was budgeting for a substantial increase in profit for the current financial year, and pushing to bring prices for its sawn products and logs in line with the international market, as local prices were below this.

"There is still much uncertainty at the moment ... but there has been a significant increase in profit in the first three to four months of the current year. We are, however, still concerned about the local sawmill market," he said.

## COMPANY NEWS

**TIMBER** A recent survey shows the industry in KwaZulu Natal has been hardest hit by new factors affecting investment

# Crime joins arson as a threat to forest profitability

By RAMN MAHARAJ

Durban — Crime, violence and arson in KwaZulu Natal were whittling away forests to such an extent that profitability was being hampered, thousands of potential job opportunities were being lost and business confidence had taken a plunge, Polla du Plessis, the KwaZulu Natal regional forestry manager of Safcol, the forestry products company, said last week.

The Forest Owners' Association (FOA) recently released a report from results of a survey during the first nine months of last year on crime and violence in South African forests. It covered an area of about 800 882ha — 53.9 percent of total afforestation within South Africa.

The survey was distributed to

FOA members, the South African Timber Growers' Association and the South African Wattle Growers' Union.

According to the survey, about 53 percent of the respondents felt crime had affected their business operations.

This meant that 5 258 potential new job opportunities were lost and of these 4 813 — or 92 percent — would be lost in KwaZulu Natal.

Du Plessis said that "senseless" violence, arson and crime on forestry industry employees was estimated to have cost the industry about R46.5 million in KwaZulu Natal last year and

### 'Senseless' crime cost the forestry industry about R58 million last year

R57.9 million, or about 3.2 percent of industry turnover, in South Africa.

In KwaZulu Natal crime cost R39.4 million and crime against individuals accounted for 88 percent of the total. Attacks on individuals resulted in 380 deaths and 115 who were seriously injured.

Direct losses through theft and damage, including the cost of crime prevention measures, had amounted to R34.7 million — R43.32 for each planted hectare — or 2 percent of industry turnover.

Crime preventive measures in KwaZulu Natal were R72.05 a hectare — 5.6 times higher than

in Mpumalanga and the Northern Province — and 41 times higher than in the Western and Eastern Cape.

In addition, damage and theft of about R9.6 million was reported. Arson was responsible for 1 038 or 74 percent of all forest fires, and 2 825ha were damaged by arson, costing R16.5 million.

### Plantations were 'easy targets' and people and trucks were being shot at

Du Plessis said the industry was "deeply concerned" about threats which affected one of South Africa's greatest natural assets. He said industry, including Safcol, would incur significant capital costs in buying security, fire fighting, communications and other equipment to ensure survival of these assets.

Industry was organising an action plan to deal with crime and violence in KwaZulu Natal through the FOA.

Industry partners, including Mondi and Sappi, had met the South African Police Service and the South African National Defence Force to find solutions.

Du Plessis said forestry plantations were increasingly becoming "safe havens" for people who lived in violence-torn rural townships, which mostly neighboured the forests.

They were also thoroughfares, which saved people from walking long distances, and Safcol did not want to be seen as "turning people away" from the forests.

### But the plantations were "easy targets" and people were being shot at

But the plantations were "easy targets" and people were being shot on the way to work, timber-carrying trucks were being fired at, and intimidation was becoming a serious problem, he said.

"Timber theft is becoming a huge problem. Unlike the sugar industry, there are no quotas in the timber industry. In timber, there is competition for limited resources. When the market is good, the demand is high.

"Industry will also have to work on curbing timber thefts. For this, we have brought in our own security, which also comes at a considerable cost.

"We have invested heavily in security and fire prevention equipment over the last three years. Helicopters, at great cost, are being used to douse fires when they break out."

The industry, he said, could not afford fires, because once the trees were destroyed, sustainability was affected.

### "Once there is a fire, the investment is gone," Du Plessis said.

BUSINESS DAY, FRI

# Govt and SA Forestry Company at odds over

Robyn Chalmers

THE SA Forestry Company's (Safcol's) restructuring and transformation committee favours selling the company as a single unit, while government has proposed splitting it into four parts as one option.

A committee spokesman said yesterday the committee, which was made up of representatives of trade unions and Safcol management along with a government nominee, had agreed to stick to its original position that Safcol should be sold in

its entirety. Government had presented various options for Safcol's restructuring. It could be split into four parts — the Eastern Cape north; Eastern Cape south; southern Cape and the rest — or it could be split into these parts and also incorporate the water affairs and forestry department's plantations in the Eastern Cape.

Government had proposed that Safcol could be sold as a single entity while incorporating also the department's Eastern Cape plantations.

The spokesman said the committee would be having a series of meetings with government to thrash out the details of Safcol's restructuring, with the first meeting this month.

Public Enterprises Minister Stella Sigcau said recently that government had decided private sector investors would be invited to take substantial shareholdings, or even a controlling stake, in Safcol. Government would retain ownership of Safcol's land and a minority equity interest to ensure its continuing interests were pro-

ected in the medium term. "New investors will include one or more major forestry products groups, who will be expected to bring in management, technology, access to capital and resources for human resources."

"Other investors will be empowerment groups, communities and labour," Sigcau said.

The spokesman said the committee agreed with government that Safcol's restructuring should be implemented in such a way that a number of key objec-

## sale

tives were met.

These included assisting in the creation of an internationally competitive forestry products sector, and furthering government's wider policies on empowerment, community involvement, human resources development and corporate governance.

The restructuring should provide also a framework to boost investment in high value-added processing activities, as well as stimulating exports and developing employment.

AGRICULTURE - (3 FORESTRY)

1998

# Merger of private, govt forests mooted

Stephen Laufer

20 19/1/98  
CAPE TOWN — A proposal to consolidate private and publicly owned forestry assets in the Eastern Cape while expanding the area under trees is being mooted to encourage major investment and reduce a R300m annual state deficit in the sector nationally.

The restructuring could incorporate proposals by the water affairs and forestry department which would give communities stakes in certain aspects of the industry, including equity participation. This could alleviate the need for cuts in the number of government employees in the forestry sector ahead of privatisation.

They could form part of the process of forestry privatisation announced last year, a Cape Town conference heard at the weekend.

Studies show that consolidation and afforestation of a further 120 000

hectares deemed sustainable in the Eastern Cape could enable major investments in a new pulp mill and possibly a sawmill, trade and industry department forestry consultant Lael Bethlehem said.

The investments could create sufficient jobs to allow for the required downsizing in staff levels of the department's forests with union support.

Many of the province's forests, run by the department and by the parastatal SA Forestry Company (Safcol), are close together, often divided by only a fence or a firebreak. Pooling them — possibly with privately owned forests — would make sense, Bethlehem said.

The proposal would dovetail with a broader government strategy to relinquish its role in forestry management in favour of a policy-making and regulatory role.

Unions and government are due to

③ FORESTRY  
meet this week to begin the formal restructuring process within the industry ahead of the appointment of a transaction adviser for the privatisation of the forests.

Among government's key goals are a reduction of the burden on the fiscus resulting from its management role in former homeland forests while ensuring other employment opportunities.

With staffing levels above industry norms and wages at public service levels, the former homelands forests in the Eastern Cape, the Northern Province and KwaZulu-Natal lose R300m a year. Workers earn a minimum of R1 750 a month, well above private sector norms in the industry.

Forests controlled by the department currently employ 10 000 workers nationwide. Studies estimate that 40% could continue work in existing forests, with the rest moving to jobs in the new mills or in newly planted areas.



# Innovative ideas for exploiting forests

**T**WO events late last year had a significance beyond the few column centimetres they were given by newspapers. First, two commercial banks agreed to lend more than R70m for the construction of a new dam to serve farmers and the municipality of Ceres in the Western Cape, despite warnings that new water laws would undermine the rural economy. A few days later, the restructuring committee of the state forest company, Safcol, accepted government's proposal that the company be sold as a going concern — without the land on which its forests grow.

These apparently unrelated events highlight the importance of new approaches to the management and use of our renewable natural resources. Government, as the custodian of those resources, must ensure equality in access to them, but its more immediate challenge is to maximise their contribution to growth and development in our economy, to job creation and poverty alleviation. Just as it is accepted with nonrenewable resources such as minerals that it is in the public interest to promote their beneficiation, similar considerations apply to renewable resources such as water and forests.

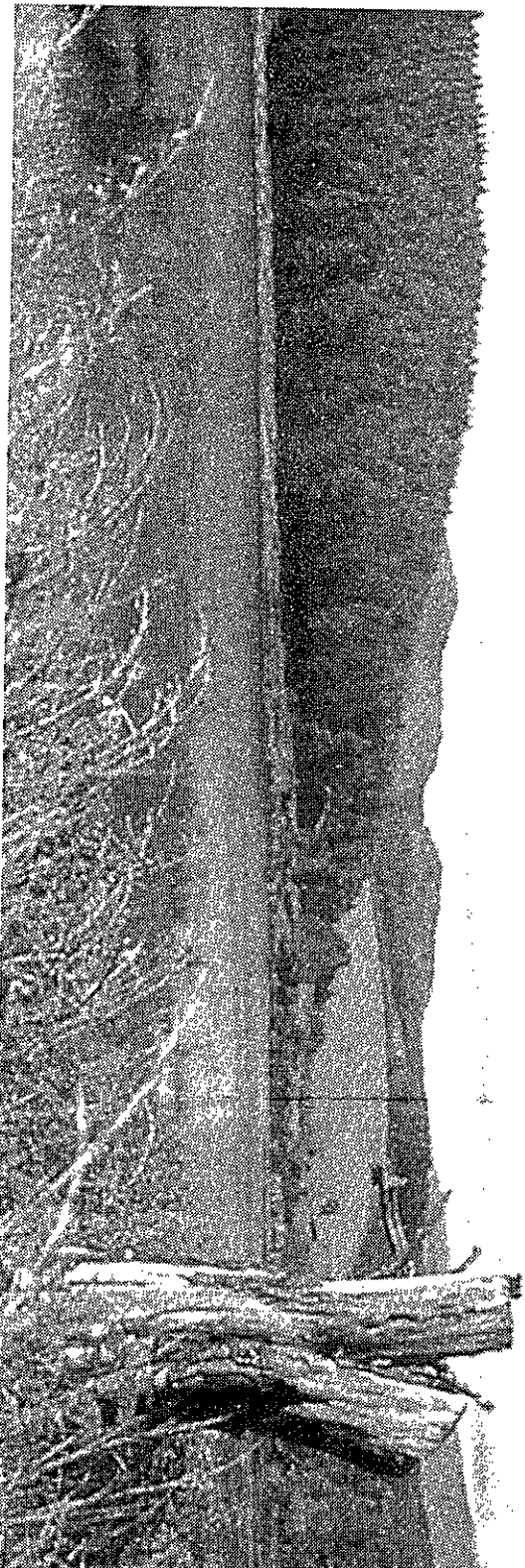
Safcol and Ceres demonstrate that full ownership of renewable natural resources is not necessary for them to contribute to economic development. On the contrary, a focus on use rights rather than full property rights may, in appropriate circumstances, stimulate and facilitate rather than retard economic development.

Last year's National Water Policy effectively places water use on a leasehold basis. Substantial users will be licensed, they will be able to renew their licences and revise their conditions but there will be no permanent ownership of water nor of a right to use it. This approach has been criticised.

"The replacement of existing water rights with temporary licences is but the first step. The other steps, which will follow, are to replace the existing land rights with temporary licences to farm... this is an inherent part of the communist system," warns former judge Alewyn Burger in a recent letter to Landbou Weekblad. "In

The lease of water and forestry rights has more to offer the economy in the long run than outright ownership, writes Mike Muller

**3 FORESTRY**



SAs renewable resources — effective and beneficial management is necessary

**BD 21/1/98**

the western world it is accepted that the only arrangement through which land can be exploited to its maximum is through private ownership." Burger goes on: "If water rights cannot freely be transferred with land, they will not be part of a farmer's estate. They can thus not be used as security for a loan."

The precise legal status of existing water-use rights is contested, although right back at the time of colonial settlement, Jan van Riebeeck's decrees were regulating water use and placing it on a temporary basis. While history has its own interest, it is more important to consider the impact of new policy on water-use rights.

The evidence is encouraging, suggesting that where water is scarce and expensive, rather than constraining economic development it is often used more efficiently and productively.

Leasehold approaches have their own attraction in forestry where the state's interests are be-

ing restructured and workers are naturally concerned about their future. Industry unions accepted that their jobs would be secure in a privatised Safcol even if investors were not allowed to buy the land but only the rights to exploit and develop forests on it, encouraged by the fact that Safcol's international suitors do good business on a similar basis in countries like Canada and New Zealand.

The model of land leasing rather than the sale has the potential to break the forestry development deadlock in the former homeland areas of the Eastern Cape, the last substantial opportunity for expanding commercial forestry in SA. A serious obstacle has been the contested status of land tenure. Government, through the land affairs department, may hold land in trust for local communities, but which communities are these? Who represents them? What is the status of tribal authorities and local governments? Do workers who come

from outside the community have any rights?

Where there is already afforestation, its expansion has been opposed by communities who experienced removals and loss of access to land with little if any compensation. To add insult to injury, forests were developed using imported labour and, when mature, the harvested logs disappeared to unknown destinations from which communities received no benefit.

Current proposals for the restructuring of the state's forest assets recognise communities' rights in land. Agreement would be required over the terms of lease of any new forest developer. In addition, a shareholding in a future timber enterprise would be reserved for local communities in any transaction involving communally held land. This approach will also help resolve land claims.

A further advantage is that the proceeds of a lease could equitably be shared between a wide range of

stakeholders and agreements developed over time. Under the "owner takes all" approach, consensus on land ownership has to be achieved before negotiations on the use of land can even begin.

Lease negotiations will provide also a framework within which to resolve conflicts between community members, their tribal authority and existing forestry workers, for instance. This will ensure that no group is excluded from the benefits of development. Since a rural business such as forestry is vulnerable to arson specifically and crime more generally, any serious opposition could completely stall new development.

Given SA's effective and innovative financial sector, it is surprising that the opportunities offered by such leasehold-type instruments have taken so long to be recognised. It is perhaps understandable, as we discover the nuances of the constitution, that government actions which impinge on

private property should be contested. Yet even Transnet's property company Interste reports that many South African business people are uncomfortable with leasehold.

While an understanding and acceptance of government policy on forestry land seems to be emerging, commercial banks seem to have difficulty still coming to terms with new water policy. Informally, it is recognised that water-use rights, given for a known period under secure and predictable conditions, are a perfectly good basis for financing any business. But those conclusions remain to be put into a formal policy statement, perhaps because farmers, an important client group, expect more than a technical stance from their bankers.

What the forestry example highlights is that, rather than focusing on constitutional arguments about rights in property, attention should be turned to ensuring that the administrative arrangements around forestry development, land and water use can be implemented effectively. In water, critics and proponents of the new policy agree that the main challenge will be to establish the institutions needed to make the policy work; the approach of delegating management responsibilities to water users at catchment level is widely supported as a pragmatic one.

The danger is that the debate will be diverted from the priority of managing our renewable natural resources effectively and beneficially. For this reason, the practical decisions of key interest groups such as Safcol's unions and bankers are important.

It is encouraging that, from apparently opposite sides of the political spectrum and of equity conflicts, they can both take firm business decisions to support innovative policy instruments. As the new water policy is implemented and the restructuring of state forests unfolds, it will be by the practical actions of the players rather than by any loud public pronouncements that true success should be measured.

□ Muller is water affairs and forestry department director-general.

CIRAIN



**Stella Sigcau** . . . rearranging the furniture

**SAFCOL**

## Dead wood hampers privatisation

Government conditions for sale are putting off investors

**A**s any lumberjack knows, it takes a decisive, clean cut to preserve timber in pristine condition. This fact appears to have eluded both Public Enterprises Minister Stella Sigcau and Water Affairs & Forestry Minister Kader Asmal, as they prepare to give the State-owned forestry assets the privatisation chop.

Though government's Inter-Ministerial Cabinet Committee on the restructuring of State assets (IMCC) has been applauded for producing its forestry privatisation blueprint, there is less enthusiasm for the detail and the slow rate of progress.

Talks began on the restructuring of the State-owned SA Forestry Company (Safcol) in late 1996. The word from Sigcau's office is that her department is "deep in preparations" for the restructuring and expects to dispatch invitations to possible investors to examine the potential in about three months. The Minister hopes to complete the deal by the end of the year.

"Having decided on privatisation they should simply get on with it; instead the process is taking an age," says Forest Owners' Association executive director Mike Edwards. His organisation represents the corporate stake (including Safcol) in SA

forestry — about 75% of the 1,4m ha of commercial timber plantations.

Edwards' view is endorsed by Price Waterhouse corporate finance CE Pieter van Huyssteen, who says the delay has left Safcol in limbo, losing value through lost opportunities and for lack of capital.

Few would dispute the logic of the IMCC's primary intentions as stated in its strategic summary. These are to:

- Create an internationally competitive forestry products sector;
- Create a framework for investment in high value-added processing activities;
- Stimulate exports and develop both the levels and quality of employment while also advancing government's wider policies on community empowerment; and
- Achieve an optimum return for the sale of its forestry enterprises, particularly Safcol.

But according to some potential investors, the strings attached to the conditions of sale flaw the process, which involves disposing of Safcol's R570m assets and about 120 000 ha of loss-making timber plantations managed directly by Water Affairs & Forestry. Government, however, intends to retain a minority stake in the restructured enterprises and says it will sell

only the timber and not the land on which it is located.

The IMCC stipulates that investors will have to meet "stringent conditions on matters of wage levels, business strategy, community involvement, empowerment, human resources development and small business development". Edwards complains that this makes it hard to run a profitable, internationally competitive enterprise.

"The entity that gains control must be allowed to make its own decisions based on sound business and economic principles. A company that is so constrained that it cannot improve its performance cannot survive. Such conditions mean plantations would not be commercially viable even if they were given away," says Edwards.

Forestry Industry Association chairman Alan Wilson is more specific: "Those constraints simply do not make business sense when one considers buying operations such as the non-Safcol State forestry assets, which are losing R380m/year — more than R1m/day — and are over-manned and on higher (civil service) pay scales than industry norms."

Carl Seele, president of the SA Timber Growers' Association (Satga) — representing small to medium operators (1 ha-2 000 ha), believes the new owners should be governed by the Labour Relations Act and environmental legislation rather than being placed in a straitjacket of special conditions.

He also worries that small timber operators may be cut out of contention if Safcol's assets are sold as a single entity. "Only the big players and foreign investors will be able to bid and that will merely perpetuate the concentration of ownership in corporate hands."

The IMCC, however, says Safcol will be offered to potential investors as a whole or in carefully selected portions. The businesses to be offered in parts would largely be in the Eastern Cape, where Safcol assets would be combined with those run directly by Water Affairs & Forestry to form the basis of processing and manufacturing operations such as paper and saw mills.

Other concerns abound. Durban-based knock-down furniture manufacturer and exporter Megacor, which has just landed a R60m contract to supply product to the US retail market, is concerned that government could be tempted to "sell the family jewels" by allowing foreign investors in on the privatisation deal.

"Timber is a scarce resource and it seems crazy to even contemplate giving it away to a foreigner," says Megacor MD Tony Dixon.

Herb Payne

# Offshore interest in Safcol high — CEO

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Linda Ensor

BD 25/2/98

CAPE TOWN — Offshore interest in the acquisition of Safcol had been high but could be adversely affected by the financial crisis in Asia, which was an important consumer of SA timber, the state-owned forestry company's CEO Tienie van Vuuren told Parliament's portfolio committee on public enterprises yesterday.

The decline in the Asian market had increased competition in other world markets, he said.

Several tenders for the position of transaction adviser to Safcol's privatisation had been received by the Friday deadline and were being considered by the public enterprises department. One of the functions of the transaction adviser would be to advise on the four options approved by the cabinet committee on the restructuring of state assets.

Van Vuuren said that while Safcol's privatisation was expected to be completed by the end of this year or early next year, there could be further delays as the former homeland forests might not be ready for sale in terms of their valuations. Also, land had not been transferred, while the outstanding Competition Board investigation into whether Safcol was a harmful monopoly — this had already lasted two years — had to be finalised beforehand as potential investors would need to know what restrictions, if any, might be imposed on them.

Safcol chairman Dave Gevisser mooted the possibility of the ownership of Safcol's land being consolidated into one agency. The land was held now by various government agencies, but when Safcol was privatised and the use of the state-owned land leased to the private sector, it might be better for it to be consolidated under one owner.

"We believe the potential investor will want to negotiate with one landowner regarding the land on which trees are growing," Gevisser said.

SA had noted the model adopted in New Zealand where land was leased to new shareholders on a long-term basis. Gevisser said a reasonable lease period would cover a couple of rotations, perhaps 60 to 70 years with an option to renew the contract after that.

Safcol was not faced with onerous land claims. There were only three of these for a total of 6 009ha, as the major claim in the Helshoogte area had been resolved through the intervention of land affairs.

Community land had been made available in three areas, but Safcol had not yet got replacement land which was necessary for it to fulfil its contractual obligation to provide a minimum amount of timber to contractors.

## Industry wants Safcol unbundled

SA FORESTRY  
Robyn Chalmers  
60 2/3/98

THE sawmilling industry would like to see the state-owned SA Forestry Company (Safcol) unbundled to create more competition in the timber arena, says York Timber Organisation (Yorkcor) chairman Solly Tucker.

He said at the release of Yorkcor's results for the year ended December that the industry was still waiting for the release of a competition board report on Safcol's monopoly. This is expected out soon.

Government, which is considering Safcol's privatisation, recently announced its intention to divest commercial forests taken over from the former homelands which Tucker said would create openings for the Yorkcor group.

Tucker said Madiba Mills, where Yorkcor recently funded a substantial increase in share capital, was well positioned to benefit from any unbundling of Safcol.

Yorkcor posted headline earnings of 28,2c a share during the review period from a loss of 47,2c in 1996. A dividend of 15c (1996: nil) was declared.

Group turnover rose 30% to R57,3m and cash generated from operations totalled R8,4m from a negative figure of R2,7m the previous year.

Tucker said the forest products industry was changing. New technology was installed to restore Yorkcor to profitability and remain competitive.

"Our investment in updated production facilities (during) tough times has begun to pay off," he said.

Tucker forecast headline share earnings of 42c this year.

# Madiba Mills readies for sale of Safcol

ROY COKAYNE

Pretoria — Madiba Mills, part of the empowerment programme by listed forestry products group Yorkcor, was well positioned to benefit from any unbundling of the South African Forestry Company (Safcol), the forestry parastatal, said Solly Tucker, the chairman and chief executive of Yorkcor, in the group's latest annual report.

CT(MR) 3/3/98

Tucker said there were two projects in Yorkcor's empowerment programme: Madiba Mills and Madiba Forest Products, essentially a dormant furniture manufacturing facility. Together, they involved an investment by Yorkcor of about R7 million. "Madiba Mills is now ready to fly. To ensure its viability, the group has funded a substantial increase of its share capital. The majority control of its equity is

warehoused by Bot Investment Bank and earmarked for partners to be drawn from the historically disadvantaged. "Talks are taking place now with prospective black partners."

Tucker said Nthato Motlana Jnr and his colleagues had done much better in Madiba Mills' second year and there was less scepticism about a black-owned and managed sawmilling enterprise.

③ FORESTRY

"Without Madiba Mills, the sawmilling industry would still be virtually a closed shop four years after democratisation."

"It needs to be acknowledged, however, that Safcol and Mondi have both given tangible support to this pioneering venture by way of a modest log supply.

"Madiba Mills is looking to build these relationships," Tucker said.

## Report says Safcol must stick to the rules

Robyn Chalmers

BD 10/3/98  
THE Competition Board's long-awaited report on the SA Forestry Company (Safcol) calls for the implementation of a range of regulations to ensure the organisation does not engage in anticompetitive behaviour.

In terms of the recommendations, Safcol cannot cross-subsidise its own sawmilling operations by providing logs to its in-house lumber mills at a cheaper rate than to competing sawmillers.

③ FORESTRY  
It also cannot threaten to withhold supplies to its customers to force them to accept variations to their contracts. It is not allowed to refuse to deal with new entrants into the market which want to buy its products.

The board began its investigation in 1996 after Safcol, which is up for privatisation this year, was accused of abusing its dominant position while negotiating new long-term supply agreements for saw logs. Complaints

Continued on Page 2

## Safcol

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Continued from Page 1

BD 10/3/98  
were received from a range of lumber millers, including the York Timber Organisation, Mondi Timber Products, the SA Lumber Millers' Association and CJ Rance, although other millers were supportive of Safcol's activities.

Competition Board chairman Pierre Brooks said the report had not yet been released publicly, but "the board stands by its recommendations although we will accept comments".

Safcol communications GM Lebogang Hashatse said the organisation was still formulating its position on the report and would submit its comments to the Competition Board soon.

Hashatse said, however, that Safcol denied it sold logs at a cheaper price to

its own sawmilling operations, thereby cross-subsidising its processing division. In the report, Safcol said it had not abused its dominant position through anticompetitive conduct.

The restructuring of Safcol caused consternation among lumber millers. Many were concerned this could lead to their demise if the log supplies were terminated or reduced due to restructuring. The report said government was faced with "difficult and controversial" choices in restructuring Safcol.

While it might be beneficial to sell Safcol in its entirety to a foreign player, there could be problems if the buyer decided to export the bulk of its logs or absorb them internally. On the other hand, the piecemeal sale of Safcol was also problematic.

Public enterprises ministry advisor Eddie Munyai said the ministry would comment on the report later this week.

# Safcol found to be anti-competitive

ET (MR) 10/3/98 (3) FORESTRY

**ROY COKAYNE**

Pretoria — The Competition Board has released details of a proposed agreement which it said it and the SA Forestry Company (Safcol), the forestry parastatal, should enter into to prevent anti-competitive conduct by Safcol.

The board has found many of Safcol's dealings with private lumber millers to be anti-competitive. It said that if an agreement was not forthcoming it would recommend that the dealings by the company be declared unlawful in terms of the Maintenance and Promotion of Competition Act.

The board said such an arrangement "could to some extent alleviate the disquiet that exists among lumber millers concerning the motives and actions of Safcol".

Lumber millers have complained that Safcol is selling lumber at preferential rates to its own sawmills, to the detriment of other

millers. They have also accused it of reneging on or unilaterally changing contracts and using its privileged position to force newcomers out of the market.

The board also called on all parties that were involved in the investigation to "strive for an equitable and effective dispensation which functions to their mutual benefit".

The board said the content of the arrangement between itself and Safcol would be that the company:

☐ Shall not discriminate between its own sawmills and private millers, by applying dissimilar prices and conditions and placing outside purchasers of lumber at a competitive disadvantage;

☐ Shall not withhold nor threaten to withhold supplies of saw logs or change or threaten to change the mix of saw logs in order to coerce or unduly influence purchasers to accept against their will any variations to contracts they hold with Safcol;

☐ Shall not cancel nor threaten to cancel supply contracts for non-material breaches of these contracts, except where such breaches amount to a repudiation of the contract;

☐ Shall not, in the absence of justifiable reasons, refuse to deal with new entrants into the market; and

☐ Shall negotiate with the board with a view to alleviating the board's concerns regarding the cross-subsidising of Safcol's lumber milling activities.

Observers and companies interested in a stake in the parastatal when it is eventually privatised will be anxiously waiting for the outcome of any agreement between Safcol and the board as it could eventually affect the company's corporate structure.

Significantly, the board has not recommended that Safcol ringfence its forestry and its sawmilling operations to avoid cross-subsidisation.



# NEWS

## Nine unions withdraw from Safcol's privatisation

FRANK NXUMALO

LABOUR EDITOR

Johannesburg — The nine forestry trade unions had suspended their participation in the restructuring of the South African Forestry Company (Safcol) because of the appointment of Real Africa Durolink as transaction adviser, the unions said on Friday.

Bengeza Mthombeni, the general secretary of the Paper, Printing, Wood and Allied Workers' Unions, accused the department of public enterprises of having appointed the adviser unilaterally.

Mthombeni said the unions would boycott the restructuring process until they received "clear evidence" of the department's commitment to co-

operating with them.

Mthombeni said the unions had requested the "direct intervention" of the department of water and forestry in the matter.

The unions demand "full and unfettered" participation in the restructuring process, including the appointment of a transaction adviser, clarification of the objectives of the new

restructuring committee and labour's role in it.

Mthombeni said the unions were aggrieved by the government's apparent substitution of the original restructuring and transformation committee constituted in terms of the national framework agreement with the new committee. He alleged that "government wanted to chair" the new committee.

CT (FOR) 16/3/98 (255)

③ FORESTRY

# Labour quits Safcol restructuring body

Renee Grawitzky

LABOUR's announcement on Friday that it had suspended its participation in the SA Forestry Company's (Safcol's) restructuring committee raises the spectre of an impasse with government over labour's overall role in the privatisation process.

In one week labour has announced its withdrawal from the restructuring process of two state enterprises facing partial privatisation. On Monday labour withdrew from Transnet's restructuring committee.

The nine unions involved in Safcol's restructuring said the public enterprises ministry had demonstrated an inability to understand Safcol's potential and labour's positive role in the process. Labour called for direct intervention by the ministry of water affairs and forestry.

One of labour's main grievances related to government's failure to respond to recommendations by Safcol's restructuring committee in June. Labour believed Safcol could become an internationally competitive wood products company adding value to the nation's timber resource, cre-

ating jobs and generating foreign exchange.

In the interim, government was considering four options, including splitting the company into four parts but also incorporating water affairs and forestry department's plantations and government maintaining ownership of forest land as well as a significant stake of the forestry operation.

Public Enterprise minister Stella Sigcau said government was complying with the national framework agreement. Labour had not given government time to consider grievances raised before announcing its suspension. Little points of disagreement created the wrong impression and implied government did not care about negotiating or consulting, she said.

She said the process at Safcol had moved "this far and any delay could affect the price we get at the end of the day".

Grievances raised by labour relate to ensuring its "full and unfettered participation" in the restructuring process, as well as to labour's role in the appointment of the transaction adviser, and its role in a government-established committee operating parallel to Safcol's restructuring committee.

☐ LABOUR

## **Ppwawu ends boycott of Safcol restructure**

The forestry unions that boycotted the restructuring of the South African Forestry Company Limited (Safcol) last month had resumed their participation after reaching an agreement with the government. Bengeza Mthombeni, the union spokesman, said yesterday.

Mthombeni, the secretary-general of the Paper, Printing, Wood and Allied Unions (Ppwawu), said they had agreed to "align and participate in the restructuring process after meeting Stella Sigcau, the public enterprise minister, and Kader Asmal, the water affairs and forestry minister".

The unions had complained that Sigcau's ministry had failed to understand Safcol's potential and labour's positive role in the process. They had not been happy with the process leading to the appointment of Real Africa Durolink as the transaction adviser to the restructuring process. — Ncaba Hlophe, Johannesburg

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CT (PR) 9/4/98

# Asmal calls on communities to take part in forestry restructuring

Patrick Wadula

③ FORESTRY

BD 15/4/98

PORT ST JOHNS — The Magwa Tea Company, a former parastatal which owns land in the Lusikisiki district in the Eastern Cape, was in talks with Sappi Forests to bring the local community into forestry development in the area, Water Affairs and Forestry Minister Kader Asmal said yesterday.

Speaking at the launch of the Wild Coast spatial development initiative in Port St Johns, Asmal said the Magwa Tea initiative would be to the benefit of the community because 70% of the initiative's equity would be in their hands.

"The proposed agreement is groundbreaking because it not only involves payments for the land and the logs, but gives the community a share in the benefits of downstream processing," Asmal said.

He said it was envisaged that an agreement would be concluded between Magwa Tea and the Lusikisiki community within the next few weeks.

Asmal also called on the people of the Eastern Cape to set up structures such as community property associations and to establish joint ventures.

Asmal said that the restructuring of government's forest assets in the Eastern Cape must take account of features including the large number of small and micro sawmills in the region.

These saw mills were run by local entrepreneurs who used whatever wood was

available to make wood products for local use.

"The government is working with the provincial government and the spatial development initiative to find ways of designing the restructuring process so as to put the forests in the hands of the people who use them," Asmal said at the launch.

The minister said every effort would be made to ensure that in the process of restructuring SA's state-owned forestry resources the assets were seen as a single entity.

He envisaged that this would create a basis for sustained investments in the wood processing industry.

Asmal invited communities and companies interested in planting forests on communal land to write to his department.

□ Sapa reports that Asmal also launched the first water board to be established in SA since the 1994 election yesterday.

The new water board, Amatola Water, said it had been established in terms of the new Water Services Act, which allowed for equitable access to water and sanitation services for all South Africans.

Amatola Water would supply potable water to communities throughout the Amatola district near East London.

Asmal said consumers could expect even higher levels of service as a result of the Amatola Water initiative.

The board's chairman is Sam Mkani, with Lesley Steele as deputy chairman. Amatola Water would operate from East London under the leadership of CEO Phillip Fourie.

WS

## Sappi in R100m Eastern Cape forestry venture

NCABA HLOPHE

Johannesburg — Sappi and Magwa Tea, a parastatal that owns land in the Eastern Cape, had agreed to form a joint venture forestry development project estimated to generate turnover close to R100 million over two rotations, Roland Muhl, Sappi KwaZulu Natal and Eastern Cape resource manager, said yesterday.

The Magwa community on Wednesday submitted a letter of intent to Sappi which declared

(194)  
their willingness "in principle" to participate in the afforestation project in the Lambasi farms on the Wild Coast.

The project is expected to cover some 4 000ha of the farms that would be leased by the community to Sappi for 20 years.

However, final agreement has to be reached on the structure of the joint venture company and a complete study of the soil profile on the area.

"The project is based on concepts of empowerment and

③ FORESTRY  
ownership within the community. The afforestation plan will recognise the potential for the project to alleviate poverty and to act as an economic catalyst in the area," Muhl said.

The proposed Magwa Tree Farming Company would be 70 percent-owned by Magwa while Sappi would take the rest.

Sappi would shoulder the financial costs of setting up the operation and invest over R70 million to realise an estimated R44 million net profit. The

CT (MR) 17/4/98  
Magwa communities would provide land and labour.

The Magwa Tea company is expected to form a legal structure that would ensure a 50-50 partnership with the local communities, who are the owners of the land.

However, a provision would also be made for a profit advance to the communities to sustain them in the interim before the trees mature. The deal has been facilitated by the Wild Coast spatial development initiative.

# Labour's double-edged plan for the

STATE-owned forestry company Safcol is the world's largest producer of high-quality pruned softwood and is, we believe, the catalyst for creating a new and vibrant wood products industry in SA.

However, for this to be realised there needs to be an injection of new capital, technology and skills. SA sawmills are generally technologically obsolete and need upgrading and workers will need new skills. Most of the mills were built in the 1950s and are about 20 years behind their international competitors. For the mills to make a profit, Safcol has to supply logs at about half their equivalent international price.

Before the formation of Safcol in 1992 the state, as owner of the forestry plantations, entered into long-term supply contracts with the sawmills, resulting in the effective subsidisation of the mills. A secured raw material supply from the state meant there was little incentive to invest in machinery and skills.

These same sawmills are now lobbying government hard to break up Safcol. They hope to acquire Safcol's timberlands and continue with a secure raw material supply. Most of these mills have little interest in

growing the forestry products industry.

The unions in the forestry sector want to see the sector meet its potential and the restructuring of Safcol could well be the starting point. Our vision is of an internationally competitive company producing value-added wood products in selective markets.

Sappi, the pulp and paper manufacturer, has shown the importance of value-added processing to a forestry products company. With a planted area of 310 000ha, Sappi produces sales of more than R9bn, while Safcol's 270 000 hectares produce sales of just R650m. Safcol only processes 10% of its raw-material output.

Forestry products are also large foreign exchange generators, earning more than R5bn and contributing about 8% of SA's manufacturing output. In addition, the employment opportunities are significant. Processing timber is, on average, three times as labour-intensive as growing it. However, the capital investment required is large.

We do not believe government has the

Transforming forestry in SA should encompass empowerment and modernisation, argue **Dickson Motha**

capital or skills to inject into Safcol to take advantage of the opportunities that exist. Safcol needs a partner which will be able to introduce these.

We also propose a strong empowerment focus to Safcol's restructuring. Apart from job opportunities, the active participation of Safcol's employees and communities living near Safcol plantations should be a strong feature of restructuring. This includes equity participation and opportunities to generate income for rural communities where most of Safcol's operations are based.

The unions have proposed an employee ownership plan be set up to enable all of Safcol's 5 600 employees, of whom 90% are historically disadvantaged, to participate in the company's growth. This plan would be structured similarly to a provident fund, except that it would invest only in Safcol.

We have a vision for Safcol but we are extremely frustrated with the restructuring process, in particular the role and actions of government. In 1995 labour and management took the initiative to establish

a restructuring and transformation committee at Safcol before the signing of the national framework agreement in February 1996. The main aim of the committee was to reach agreement on the future structure and activities of the company.

After some progress was made government announced a moratorium on the work of the committee so it could investigate merging the forestry assets of the department of water affairs & forestry with those of Safcol.

The department manages about 160 000ha of plantation timber in the former TBVC states which lose about R300m a year. Safcol in its present position would be overwhelmed by the size and complexity of the department's forestry problem and no advantage would be gained by the merger.

In January last year government seemed to agree with us on this when the minister of public enterprises met with Safcol's transformation committee and announced the lifting of the moratorium on Safcol's restructuring.

So firm was the minister on this that she announced publicly that Safcol would be privatised by the end of last year.

Safcol's committee finalised recommendations for the company's restructuring in June last year. The committee, supported by labour and management, recommended the introduction of a strategic equity partner who would be committed to local expansion of Safcol's downstream operations and would enhance its technical expertise.

The interministerial cabinet committee, which is ultimately responsible for making all privatisation decisions, announced in November last year it wanted to re-investigate the merger possibility. This was nearly a year after unions were told the restructuring of Safcol and the department would be handled separately.

Government announced last month the appointment of a transaction advisor responsible for investigating the cabinet committee's four options for Safcol's restructuring, which focus on a possible merger. We are back to June 1996, when government

first began its investigation of a Safcol/departments merger.

In the meanwhile Safcol's performance has suffered and its position as the leading world producer of quality softwood is being eroded as forestry companies in New Zealand and South America catch up. Safcol's unique competitive advantage could soon be lost, as could the potential for job creation in rural areas.

Labour has a plan for Safcol which could transform the wood products industry. After nearly two years labour has, in frustration, suspended its participation in Safcol's transformation committee in the hope that this will focus attention. Labour hopes to reach agreement with government on how to best proceed but this can only work if government can show it is serious about its own commitment to the forestry sector.

□ Motha is general secretary of the SA Plantation Agriculture and Allied Workers Union, a Cosatu affiliate, and chairman of Safcol's labour steering committee. Mthombeni is general secretary of the Paper Printing Wood and Allied Workers Union, a Cosatu affiliate.

# timber industry

(2) FORESTRY

DO 22/4/98

and **Bengeza Mthombeni**

*Safcol privatisation inspires roadshow*

# Yorkcor seeks bid partners from overseas

NCABA HLOPHE

FORESTRY

CT(MR) 24/4/98

Johannesburg — Yorkcor, the timber manufacturer, would embark on an international roadshow shortly to solicit potential partners for its bid for the state-owned South African Forestry Company (Safcol), said Solly Tucker, the chairman of Yorkcor.

Tucker said Yorkcor had assembled a consortium with Madiba Mills, the first black-owned sawmill, based in Mpumalanga, to bid for a stake in Safcol.

He said Yorkcor would visit countries in Europe and North America to identify a strategic equity partner to add value to the consortium and fulfil the requirements of state privatisation bids.

"Beside foreign risk capital, the successful bidders for the substantial assets of Safcol would have to bring special inducements to the table," Tucker said. "Essential, too, will be a convincing ability to transfer state-of-the-art technology, fresh timber products and new markets."

He said the recent high court judgment in Yorkcor's favour ended a protracted battle with the government over Yorkcor's contracts with former homeland forests which had been

taken over by the state.

The court ordered the state to make a firm offer with immediate effect, quantified in cubic metres, for the entire volume of softwood sawlogs in three pine plantations, as stipulated in a long-term contract with the government of the former Lebowa homeland.

The Yorkcor group posted a 30 percent increase in turnover to R57,3 million, which boosted bottom-line profit to R4,7 million for the year ended December 31 1997.

Headline earnings were

28,2c a share from a negative 47,2c a share last year.

A dividend of 15c a share was declared.

Tucker said his management was committed to business goals which would

amount to a 50 percent increase in headline earnings to 42c and a 33,3 percent increase on the dividend to 20c a share.

"These targets represent tough challenges," he said.

"The meltdown in the Pacific Rim has impacted significantly on our exports, and we have had to redirect our export thrust to other markets which, though promising, will take time to develop."

**Yorkcor will visit Europe and North America to add value to its consortium**

# Forestry a growth industry in E Cape

COMMERCIAL forestry has been identified as one of the three pillars on which the Wild Coast spatial development initiative (SDI) will be based.

This was the result of the investment conference which was launched last week aimed at identifying the Wild Coast as one of the SDI's in the Eastern Cape.

At the launch of the Wild Coast SDI, Forest Owners Association chief executive Mike Edwards said the area had been identified as having "vast forestry potential" as early as 1985.

Edwards said however that the Eastern Cape, particularly the former Transkei, was also subject to factors which limited the growth of the forestry industry.

These were:

- Problems with land tenure;
- Lack of basic infrastructure;

● The long term nature of the investment required;

● The community's "distrust and suspicion" of the motives of the forestry industry;

● Lack of access to capital, technology and expertise; and

● Difficulties associated with identifying "administrative decision makers" and "legitimate community representatives".

Edwards said it was expected by the industry that over the next 25 to 30 years the demand for "round wood" would increase from current levels of 18 million cubic metres a year to 33 million cubic metres a year.

The Eastern Cape, he said, was particularly suitable for forestry as it had a large volume of available water; a suitable climate; a large area of under-utilised land; and a great need for economic development.

About 120 000 hectares of "communally owned land" had been identified as being suitable for forestry.

Edwards said the facilitation of forestry in the Eastern Cape had to be a "tripartite" exercise, with government playing a facilitating role, the private sector making the required investments and the community "implementing" the forestry projects.

The role of government was to ensure a suitable economic and legislative environment that would encourage investment.

Their duties therefore included dealing with land tenure issues, building community negotiating capacity, setting out forestry implementation guidelines and matching communities with investors.

He said investors must guarantee a market for the end-products at market related prices. - ECN Business.

*Edwards*



Nicola Jenvey

DURBAN — Government could not sell the SA Forestry Company (Safcol) to anyone who would exploit the country by exporting logs and carrying out the value-adding processes elsewhere, Megacor Holdings chairman Phuthuma Nhleko said in the company's annual report.

He said this "green gold" should be managed and controlled in a way that enabled labour and

## Pick Safcol buyer with care, govt told

industry to maximise its long-term potential.

However, he said that the demise of the general export incentive scheme was a significant blow for exporters, who now operated in "a disadvantaged playing field".

This was particularly true in the timber industry, where several international competitors had access to govern-

ment-subsidised timber and labour.

This meant that the role of Safcol was especially vital where companies like Megacor relied on accessing quality pine at competitive prices.

MD Tony Dixon said Megacor — which was formed through the amalgamation of six pine manufacturers and a low-cost housing spe-

cialist — had ratio-

naised its marketing activities to ensure each subsidiary benefited from the enlarged export network.

This advantage was highlighted in the R60m US export order announced last year in which three divisions would manufacture and deliver a customised product over the next

two years.

In the year to December, exports accounted for 62% of the total R186,9m turnover (profit: R167,6m). Export sales grew 17,2%.

Attributable profit of R10,4m — with earnings a share at 14,1c (30,4c) — was lower than expected and a 5c dividend was declared.

Megacor was severely

affected by the earlier than expected closure of the general incentive export scheme, a firmer rand and tough market conditions.

Given the demands of his position as World-wide Africa Investments MD, Nhleko announced his intention to retire as Megacor chairman at the next annual general meeting. He believed it was in the best interests of the group to find a chairman who would do the position justice.

# SA NEWS DIGEST

LABOUR

## ~~(SAR)~~ ③ FORESTRY Official pleads for interests of 'bush' operators in Safcol privatisation

The department of water affairs and forestry was urged yesterday not to ignore the concerns of ordinary forestry workers in its haste to privatise its loss-making commercial forests.

Jeff Pieres, the director of economic affairs in the Eastern Cape, said although the JSE was eagerly anticipating the privatisation of the South African Forestry Company (Safcol), "people on the ground are very fearful" about their future. The small, black-owned "bush" sawmill operators should "not have the forests sold from under them", he said.

Pieres told the portfolio committee on agriculture that the small sawmill operators had played an important role in ensuring the supply of cheap building materials for the local market. To protect their interests, they had formed forestry forums to ensure they were involved in the privatisation process. For example, he said, a proposed R1.5 billion pulp mill at Ugie would create 500 new jobs while the small operators could create 3 000 jobs for a third of the price. — Lynda Loxton, Cape Town

## Govt to restructure, sell homeland forests

Robyn Chalmers

③ FORESTRY

DD 6/5/98

GOVERNMENT is to restructure and dispose of about 150 000ha of former homeland forests within three years.

Laël Bethlehem, chief director designate of forestry in the water affairs and forestry department, said yesterday a decision was made recently for government to relinquish management of the ailing homeland forests.

The forests, which the department inherited from former homeland governments in 1994, are generally poorly

managed, overstuffed and are costing the state about R300m a year.

Water Affairs and Forestry Minister Kader Asmal is expected to launch government's new initiative for homeland forests within weeks. The National Assembly's agriculture committee was briefed on the plan this week and government is holding talks with labour on the new strategy.

Bethlehem said that in line with government's strategy for the SA

Continued on Page 2

## Forests

③ FORESTRY

Continued from Page 1

Forestry Company (Safcol), the state would retain ownership of the land but would sell the forestry assets and the right to manage these assets to the private sector. It was proposed that a "forest land management agency" be established to hold land managed by Safcol and the department at present. The agency would then enter into contracts with private sector entities wishing to use the land.

As the former homeland forests were held by the SA Development Trust for the benefit of communities, income garnered from the private sector would be distributed to mostly ru-

ral communities via community trusts and other vehicles.

Bethlehem said the number of workers in homeland forests were 2,8 times the industry average. There were about 9 000 workers employed in these forests against an industry equivalent of about 3 000. "There will be job losses but we will ensure that as many workers as possible are taken over by the private sector managers."

Another issue was contracts with Safcol and department customers. Current contracts placed onerous conditions on government in terms of supply and made price increases difficult. Bethlehem said new contracts would be forged with customers which were more "commercial", shorter term in nature and more flexible when it came to price increases.

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MD 6/5/98

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## Forests ③ FORESTRY

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# Safcol forges new contracts with independent sawmillers

Robyn Chalmers

③ FORESTRY

BD 22/5/98

THE SA Forestry Company (Safcol) has forged new three-year commercial contracts with most independent sawmillers but those holding out could lead to Safcol being undervalued when it is partially privatised.

Safcol CEO Tienie van Vuuren said yesterday the previous contracts were long term and "evergreen" in nature, which was out of line with normal commercial practice.

Many of these contracts were signed decades ago when government was trying to encourage the growth of the local sawmilling industry.

Van Vuuren said that when Safcol was formed in 1993, it became clear that SA's logs were trading at a quarter to a third of the international price. With SA entering the international trading arena, it was no longer feasible to sell at these prices.

Safcol has about 21 new commercial contracts with 12 independent sawmilling companies, all of which have

agreed to "play ball". However, four companies have refused to sign the new contracts and some court cases are taking place.

Yorkcor, one of the companies embroiled in legislation against the state, previously alleged that Safcol used its entrenched dominance to table log price increases of up to 28% retrospectively over nearly 18 months.

Van Vuuren said he could not comment on the court cases as they were sub judice, but warned that the cases could complicate government attempts to privatise Safcol partially. "If you try to sell a company which is burdened by long-term contracts, it could affect the price," he said.

Safcol has also been the subject of a lengthy Competition Board investigation which considered whether it was a monopoly abusing its position in the sawlog supply industry.

The board called for the implementation of a range of regulations to ensure the organisation did not engage in anticompetitive behaviour.

## Safcol policy under fire

Reneé Grawitzky

③ FORESTRY

THE SA Forestry Company (Safcol), a state-owned forestry group, could face industrial action if it fails to heed a union call for a moratorium on retrenchments.

The Paper, Printing, Wood and Allied Workers' Union said yesterday the company was retrenching workers as part of its restructuring process.

The union said that at the outset of the restructuring process — when the company was earmarked for partial or full privatisation — it was understood retrenchments would not occur. Yet as the process got under way, hundreds of jobs had been shed, the unions said.

Two plants were closed at the end of April, with more plant closures and retrenchments expected.

Safcol said the timber industry was experiencing its worst market conditions in 25 years. As a result many companies were either considering retrenchments or shorter working weeks.

The union accused Safcol's management of not being open enough with labour on the issue of retrenchments: "What is clear ... is that these plans of shedding jobs have been in the pipeline for a while without disclosing them to labour."

The union said the planned retrenchments put the restructuring process at risk, and called on the company to agree to a retrenchment moratorium.

20 10/6/98

# Safcol 'happy' with inquiry

ET(M) 11/6/98

③ FORESTRY

ROY COKAYNE

Pretoria — The South African Forestry Company Limited (Safcol), the forestry parastatal, was happy with the outcome of the Competition Board's investigation of Safcol and did not regard the report as a threat to it, Tienie van Vuuren, the chief executive officer of Safcol, said yesterday.

"The report merely confirmed Safcol's practices over the past couple of years.

It is not an inhibitor to our future and what we've been doing," said van Vuuren.

This is the first official response by Safcol to the board's report, which was completed in March this year.

The report recommended that the board and Safcol enter into an agreement to prevent anti-competitive behaviour by Safcol, but said that if such an agreement were not forthcoming, the board then would recommend that the dealings by Safcol be declared unlawful in terms of the Maintenance and Promotion of Competition Act.

Lumber millers had complained that Safcol was selling lumber at preferential rates to its own sawmills, to the detriment of other millers.

They also accused Safcol of renegeing on or unilaterally changing contracts and of using its privileged position to force newcomers out of the market.

Van Vuuren said that Safcol's understanding of the principles the board had spelt out in its report were:

- ☐ To have level playing fields and treat all customers exactly the same way;
- ☐ It could only cancel log contracts in the case of material breaches and could not threaten to cancel to coerce or influence customers to renegotiate contracts; and
- ☐ Safcol should not refuse to deal with new entrants.

Van Vuuren maintained that Safcol had been treating all its customers equally and that it had

## Company closes plants 'temporarily'

Durban — Safcol, the state-owned forestry company, had closed two pole treating plants in Gauteng and the Eastern Cape, but only as a temporary measure, Tienie van Vuuren, the chief executive officer, said yesterday.

He said 10 workers had taken voluntary retrenchment and another 26 would be retrenched at Elandsfontein as they had chosen not to be deployed elsewhere in the company.

The company would also look at closing down sawmilling operations at Weza, KwaZulu Natal and Timbadola, Northern Province. Van Vuuren said that this could result in retrenchments, but nothing had been finalised yet.

He said the matter would be discussed in conjunction with the Paper, Printing, Wood & Allied Workers' Union, the trade union involved.

Van Vuuren said the company, which is awaiting privatisation, had had to rationalise its operations because of difficult market conditions.

Necessary restructuring had therefore resulted in the closure

of the pole treating plants, the reorganisation of the forests division's management structure and a serious investigation into overheads, with a view to substantially reducing these, Van Vuuren said.

He said the pole treatment plants had been under performing for some time.

But attempts were being made to redeploy employees elsewhere in the company where it was possible.

"I must stress that the closure is temporary, as we strongly believe that the market and trading conditions will improve in the future.

"Once new shareholders have settled in after restructuring, implementation of aggressive business plans will become possible and easier," Van Vuuren said.

He denied claims by the union that it had not been consulted about the retrenchments.

A union spokesman said the union demanded a moratorium on any sort of retrenchments, be they at plant or national level. — Ravin Maharaj

**Safcol had to rationalise operations because of difficult trading conditions**

been falsely accused of subsidising its own mills.

He said Safcol was prepared to make its audited records available to the Competition Board to confirm this.

In addition, Van Vuuren said the company maintained that it had never threaten to cancel log contracts with customers to coerce or influence them to renegotiate contracts.

He said Safcol would like to deal with new entrants but could not do so in the past because Safcol's total log supply was committed in terms of old contracts,

which in most cases it had been successful in renegotiating.

"Safcol has pushed for a free log market, which is in line with world practices and is good for the country.

"This is also in line with one of Safcol's objectives of benchmarking itself to be world class," he said.

Van Vuuren said that Safcol recognised that it was a dominant supplier in the South African market but said that there were not many industries in the country that did not have a dominant supplier.

CT(MR) 25/6/98

# Forestry parastatal creates 500 new jobs through restructuring

ROY COKAYNE

Pretoria — The South African Forestry Company (Safcol), the forestry parastatal, had created a total of 500 new jobs within the company since its establishment through ecotourism, agro forestry product projects and its multiple land use policy. Tienie van Vuuren, the chief executive officer of Safcol, said yesterday.

Van Vuuren said that these new jobs had been created while Safcol was involved in a restructuring programme to bring it in line with the practices of private sector enterprises.

He said Safcol at present stood largely on only one leg, with growing timber accounting for 70 per cent and processing timber for 30 percent of its turnover.

It was Safcol's vision to add two other legs to its operations — ecotourism and agro products — and increase the contribution to its turnover of timber processing.

He said ecotourism and agro forestry products fell within the multiple land use policy of Safcol.

"Given the length of time it takes for timber to grow, Safcol's fundamental point of departure is the optimum use of the land it administers from an economic

point of view," he said. Van Vuuren said that current agro forestry product projects included the cultivation of avocados, ferns, flowers and deciduous fruit.

He admitted questions were initially raised about Safcol's agro forestry product projects because they entailed competing with the private sector.

"People get worried when there is a new entrant to the market. But they have co-operated and now accept us as part of the industry," he said.

Van Vuuren stressed that Safcol was operating in terms of its act of establishment while its articles of association were clear, stating that it would operate in terms of a multiple

**'People get worried when there is a new market entrant, but they now accept us'**

land use policy.

He added that Safcol had developed a number of ecotourism projects, including establishing over the past two years a trout and recreational resort outside Belfast at Lakenvlei, which was the closest trout fishing facility to the central Gauteng area.

Van Vuuren believed Safcol's ecotourism and agro forestry product projects would contribute 30 percent of the company's turnover, but said this would take many years to achieve.



Robyn Chalmers

**FORESTRY**

## Crime, violence estimated to cost forestry R60m a year

CRIME, including violence, is estimated to be costing the forestry industry more than R60m a year, with a recent survey showing that attacks on employees — and the theft of timber and other property — increased last year compared with 1996.

Mike Edwards, executive director of the SA Forest Owners' Association, said the number of injuries and deaths of employees was cause for great concern and "is unacceptable".

"We are concerned as an industry that 53% of the respondents were of the opinion that the effectiveness of the authorities in dealing with crime and

violence had decreased, while only 10% believed it had increased."

The survey — the second conducted by the association — showed that 75% of respondents said the general level of crime in their area had increased.

Only 7% believed that crime had decreased, while 18% felt the situation was unchanged from 1996.

The survey was based on responses from 161 plantations with total landholdings of 814 410ha (about 56% of the to-

tal afforested land in SA) and 29 015 employees.

The survey for 1996 estimated the forestry industry was losing at least R60m a year because of crime and violence.

While a new estimate of losses last year was not available, the situation appeared to have deteriorated.

The survey established that during last year, a total of 352 people were injured, 48 people killed and 132 seriously injured.

Of the respondents 45,3% said employees or their families

had suffered injury or death as a result of acts of crime or violence, compared with 44,1% in 1996.

Edwards said it was disturbing to note that 54% of respondents said timber theft had increased and that 67% had the same opinion on the level of damage to and theft of both fixed and moveable property.

"The inability of the authorities to control crime and violence has meant forest owners have to implement their own security measures, including hiring private security companies, installing fencing and participating in farm-watch schemes.

"This ... costs money and is seen by the industry as an additional form of indirect tax."

DD 25/6/98

## COMMENT &amp; ANALYSIS

# Changes crucial for forestry to succeed

**T**HE letter by Mike Edwards, executive director of the Forest Owners' Association, in Business Day (June 24) highlights the forestry industry's concerns about the future. He reflects a clearly held view in the industry that Water Affairs and Forestry Minister Kader Asmal and his department are not sufficiently supportive of forestry. But is this the case?

John Mortimer of the Lumber Millers' Association says that for decades the industry prayed for an energetic and talented minister. For many of those years, forestry was seen as something of a Siberia for tired political leaders. Be careful what you ask for, jokes Mortimer these days. Forestry got an enormously energetic and determined minister — and has not found the experience entirely comfortable.

The industry's feeling has been that the department does not appreciate the benefits that the sector offers to SA's economy and society. Industry leaders have argued that government has spent too much energy regulating the sector and not enough supporting it. This is untrue. The department is indeed promoting the industry, in part through introducing some critical changes which are necessary if the industry is to succeed in the 21st century. These initiatives are driven by the National Forestry Action Programme — a result of extensive consultation.

From a development point of view, forestry has great potential. Firstly, it is almost entirely rural. Unlike many parts of agriculture, forestry introduces industrial processing into rural areas, bringing with it investment, skills, value addition and infrastructure. Secondly, forestry is based on the cultivation of a renewable resource.

What is more, recent research conducted by the Council for Scientific and Industrial Research shows that compared with many other agricultural activities, forestry is relatively labour intensive and potentially offers a career path that moves from low-skill

A partnership between government and the private sector is vital for development of the country's forestry industry, say **Mike Muller** and **Lael Bethlehem**

DD 6/8/98

FORESTRY

planting to higher-skill harvesting and processing. Forestry also has environmental advantages, and offers opportunities to communities and small farmers to grow a crop with low risk and relatively attractive returns.

SA, like many other countries of the southern hemisphere, has enormous advantages when it comes to growing trees. Although the industry has traditionally been based in the northern hemisphere, southern countries can grow wood much more quickly in areas combining higher temperatures with adequate rainfall. This means that growing wood for pulp and for some kinds of sawmilling is becoming much more attractive in countries like SA, Chile, Brazil and New Zealand than in Scandinavia and North America.

So, forestry represents an important set of opportunities for SA and should be encouraged. Indeed, government hardly needs to be convinced of the importance of forestry — it was the state that started the industry and it still manages a third of the country's industrial plantations.

At the same time, there are certain problems. Plantation forests are planted in high rainfall areas and use a significant amount of SA's rainfall. As a result, forestry needs to be managed in every catchment. This is done through the afforestation permit system, managed by the department's water side. The aim of the permit system is not to discourage forestry but to ensure that it is a sustainable use of scarce water resources.

Forestry is not the only activity that uses water from the ground and is seen by the new water bill as a "streamflow reduction activity". Although it is the only such activity listed in the bill, it will be



**Forestry brings investment, skills and infrastructure to rural areas**

joined by others. The department is involved in a process of redesigning the permit system to be part of a more general system of

will make the permit process faster and more accessible.

A second challenge associated with forestry is the question of environmental sustainability. When forestry is well managed, its environmental impact is highly acceptable. Like any intensive land use it changes the environment and reduces biodiversity. It is particularly important from an environmental point of view because commercial forests are often planted in sensitive areas, including riparian zones, areas high in the catchment and areas adjacent to our remaining indigenous forests. Forestry therefore presents a specific set of environmental challenges.

To address these, the National Forests Bill, introduced in Parliament last month, creates a specific system of environmental controls for forestry. It creates a system of "criteria and indicators of sustainable forest management" not listed in the bill but to be worked out by a special committee of the Forests Advisory Council made up of government, the industry, environmental groups and other stakeholders.

The committee will recommend these to the minister and they will then become binding on the industry, although open to change where necessary. This creates a specific environmental management system for the industry. This is not punitive but rather an opportunity for the industry to help design regulations in keeping with its specific needs. Surely this is more favourable than a general law that must find application in a specialised industry?

In addition, it is not a top-down approach. Rather we seek to ensure environmental sustainability via a process of negotiated regu-

lation. Given the major strides the industry has made in environmental management in recent years, we believe the new system will simply confirm current good practice and ensure that no forestry operator can gain advantage through lesser environmental standards.

Finally a word about the restructuring of state forests. When the state started planting forests and supplying wood to the sawmilling industry, there were good reasons to do so. Specifically, the private sector was reluctant to enter the industry given the long lead times associated with the sector. Wood was also seen as a strategic resource because at the time SA could not meet its own needs.

Today the situation is quite different. It is no longer appropriate for the state to play a direct role in providing wood to sawmillers. We run commercial forests directly as the water affairs and forestry department and via Safcol.

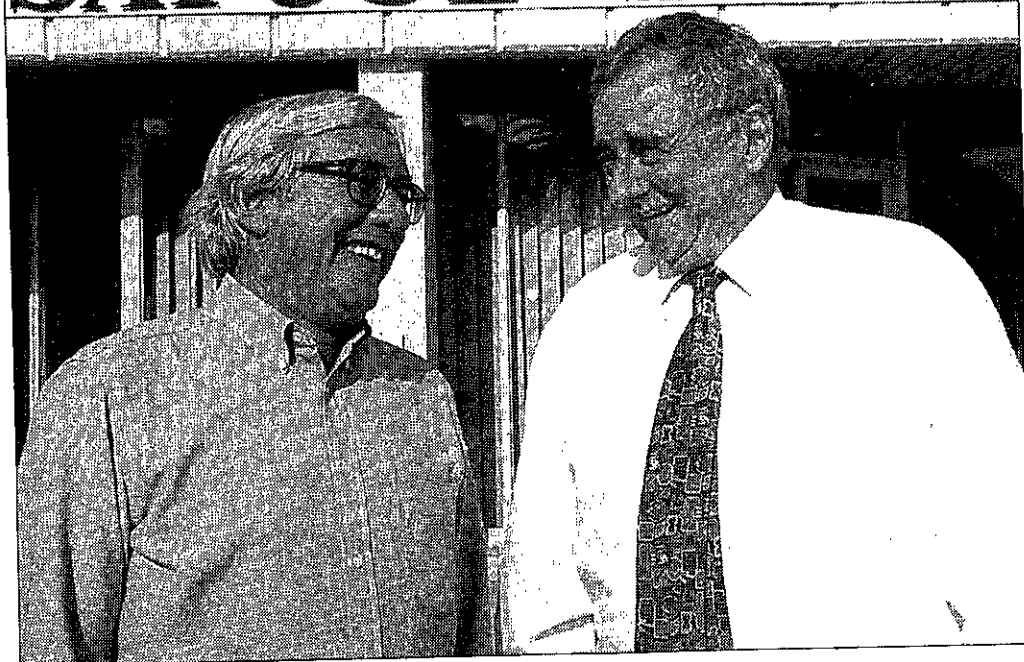
This is not an appropriate use of government's time, energy or resources. We intend moving to a system of leasing the land out to private sector operators. In addition to the restructuring of Safcol, we intend to place the department's commercial forests into private leases within three years. The role of the department will shift away from running plantations towards promoting, regulating and developing the industry. This will leave more time and resources for other activities such as community forestry and the management of indigenous forests.

The department is pursuing an ambitious programme of reform in the forest sector. We believe that this work will contribute to a vibrant, growing, sustainable and socially responsible industry. A creative partnership between government and the industry is a critical part of this endeavour.

□ *Muller is director-general of the water affairs and forestry department and Bethlehem is chief director: forestry.*

# SAFCOL

13 Stamvrug St/Str  
VAL-DE-GRACE



**ON HOLD** Safcol's chairman David Gevisser (left) and Tienie van Vuuren, the chief executive, after receiving orders last week to halt staff retrenchments

PHOTO: SELWYN TRAF

## Talk that forestry chief will quit denied

ROY COKAYNE

Pretoria — Tienie van Vuuren, the chief executive officer of Safcol, would retain his position with the forestry parastatal, David Gevisser, the chairman of Safcol, said last week.

Gevisser said speculation that Van Vuuren was to be replaced was "malicious and harmful" to the company and, he said, it would upset Safcol's staff.

"I would imagine that interested potential investors would like to take over a happy and contented crew and if there were unfounded rumours about the chief executive, or any other executive, it would upset staff morale," Gevisser said.

He said Van Vuuren had the full confidence of Safcol's board, which believed that he was the right person to take the company through to its privatisation.

"The Safcol board is solely responsible for the appointment of its chief executive officer. It has no knowledge of the rumour or of its origins," he said.

Gevisser said he could categorically state that there had not been any discussion whatsoever by Safcol's board about a new chief executive officer for the company.

Safcol's board was appointed by Stella Sigcau, the public enterprises minister, with the approval of the Cabinet, he said, but the board had not been placed under any pressure to replace Van Vuuren with an affirmative action appointment.

Van Vuuren, who has been the chief executive officer of the group since the inception of Safcol in 1993, said he had no intention of resigning.

## Safcol's retrenchments halted

ROY COKAYNE

Pretoria — Safcol, the forestry parastatal, had received a directive from the government not to proceed with a planned reorganisation programme that could have resulted in the retrenchment of between 200 and 300 employees, Tienie van Vuuren, the chief executive officer, said last week.

The directive would have a "significant impact" on Safcol's bottom line.

In June Van Vuuren said Safcol was considering the retrenchments, the first since its establishment in 1993, with the aim of making Safcol efficient and cost effective, and to enhance its ability to perform at maximum potential.

"We are not proceeding with the reorganisation at this stage because of the phase in the restructuring of Safcol we are in and also in terms of the National Framework Agreement,

which the government has with the unions on restructuring," Van Vuuren said. "We have received a directive from the shareholder not to proceed with the rationalisation at this stage."

"The management agenda was that we wanted to do something because of difficulties in the market and the reorganisation was aimed at looking at the profitability of the company."

"But it's quite valid for our shareholder to tell us not to proceed with this. We appreciate and accept that there are other, overriding issues."

Van Vuuren said the directive affected Safcol's planned workforce reduction and cost drive at all its mills, regional offices and head office.

He said previously there was a possibility of retrenchments at its Weza and Timbadola sawmills and its regional offices. At the time, Van Vuuren said Safcol had to reduce the double shift at its Weza mill to a

single shift because new technology allowed it to process in a single shift the same number of logs it had previously taken two shifts to process.

A contributory factor to the need for about 60 retrenchments at its Weza mill was that the domestic and overseas timber markets were depressed.

Van Vuuren also said then that there was a need to reduce staff at its Timbadola mill by about 50 for the same reasons.

Safcol was investigating the consolidation of its regional offices by combining its Sabie and Nelspruit and Humansdorp and Knysna offices, which would have reduced the number from five to three.

Excluding management staff retrenched, this could have led to the retrenchment of about 10 to 20 clerical staff.

An investigation was also taking place into Safcol's overhead structure, which was to involve all aspects of its business.

# Forests bill 'puts R300m and 23 000 jobs at risk'

Wyndham Hartley

③ FORESTRY

BD 18/8/98

CAPE TOWN — Almost R300m in turnover and 23 000 jobs would be at risk if the National Forests Bill was implemented in its present form, Eastern Cape sawmillers told a parliamentary committee yesterday.

In a tough rejection of the changes to conditions of contract contained in the bill, sawmills from across the country said if the contract period was reduced to three years from the present five, confidence in the industry would diminish and further investment in the rural areas would be discouraged.

The sawmills hold contracts to purchase the harvest from state forests and the bill proposes to change the terms of these contracts.

The parliamentary agriculture, water affairs and forestry committee was also told that if state-owned forestry operations were privatised it would be important to prohibit the buyers from exporting the logs as this could be disastrous for the timber industry.

Christopher Rance, representing Rance Timber and four other companies, warned that the depreciation of the rand had made the export price of logs high in rand terms, making it more affordable to export logs than to process them locally.

Rance said if the licence period was reduced to three years the successful bidder for a state forest could cancel all contracts, wait three years and then export all the timber.

Rance said: "The state might get a

higher initial sale price but the economy and the job market will lose much more."

He said there was nothing in the new legislation that prevented this from happening.

Nthato Motlana, executive director of Madiba Mills in Mpumalanga, called for the clause reducing the licence period to three years to be scrapped.

"What we as new entrants to the industry need most is opportunity and the confidence of the providers of capital. Section 28, if it ever became law in this form, will hurt confidence in the industry and in us. Without security of tenure it will become too risky to support sawmillers financially or to rely on them for stable supplies," he said.

Motlana said the intended privatisation of the SA Forests Company and other state forests was a way to give formerly disadvantaged newcomers to the industry a start.

Solly Tucker, from York Timber, said section 28 of the bill empowered the minister to deprive people of their contractual rights without compensation and that this violated the constitution. He said the clause also offended "the spirit if not the letter of the bill of rights".

The legislation seeks to rectify the discriminatory allocation of forest resources of the past either for recreation or for commercial exploitation.

It also seeks to resolve the anomaly that, at the moment, makes the state a participant and regulator of the industry at the same time.

## DP critical of discipline at hospitals

Josey Ballenger

BD 18/8/98

against officials.

THERE was an alarming breakdown in discipline in Gauteng hospitals, with a low incidence of action taken against guilty parties, Democratic Party MPL Jack Bloom said yesterday.

Health MEC Mondli Gungubele told the Gauteng legislature that 214 disciplinary cases were handled last year and 58 formal charges laid

Forty-one of these officials were found guilty on various charges, including 22 cases of fraud and theft.

But Bloom said the figures were "extremely low in view of the widespread theft in hospitals and public complaints of indiscipline". Disciplinary procedures were "so slow" that six employees were still employed despite being convicted in court.

## Forestry to retain five-year contracts

Wyndham Hartley

FORESTRY

CAPE TOWN — The water affairs and forestry department has agreed to retain five-year contracts with commercial sawmills even though it believes it can legally change the contracts down to three years in the National Forests Bill.

On Monday sawmillers had claimed the draft legislation would cut their existing contracts from five years to three and this would place 23 000 jobs and millions of rands in turnover at risk.

Thami Sokutu, the deputy director-general of water affairs and forestry, said the department had agreed it would be unfair to change the contracts and had accepted amendments suggested by the National Council of Provinces.

He said the department would consult Water Affairs and Forestry Minister Kader Asmal on the concerns of the industry and the department would seriously consider their submissions.

The department also tabled its responses to questions from MPs in the National Assembly's agriculture, water affairs and forestry committee yesterday. Asked by the National Party whether the state could simply legislate a change in the terms of legally binding contracts, the department said simply "yes".

BD 19/8/98

# Asmal undertakes to allow controversial clauses to lapse

Wyndham Hartley

CAPE TOWN — Water Affairs and Forestry Minister Kader Asmal has given the undertaking that controversial clauses in the National Forests Bill, which have led to a chorus of protests, will be allowed to lapse after a period if it is legally possible.

Asmal's department has already agreed that a proposed reduction to three years from five in the duration of contracts for the supply of timber to sawmills will be scrapped.

However, the department has insisted on retaining the troublesome clause 28 which will allow the minister to modify contracts with timber companies which buy state logs.

Addressing the National Assembly's agriculture, water affairs and forestry committee yesterday, Asmal said some of the existing contracts would be retained if they were in the public interest. However, Asmal warned that some contracts were a barrier to new entrants to the industry.

He said there was no chance that

contracts would simply be terminated. He said 60% of the sawlogs produced by water affairs and forestry and by the SA forests company were covered by these contracts.

These were negotiated before the 1994 election and some in the former homelands needed closer scrutiny.

He said the ideal was to renegotiate them, but the clause empowering the minister to change the contracts was needed as a fallback position.

National Party MP Maans Nel and Mamie Schoeman urged him to think

again about clause 28, which they said should not stay on the statute book for future ministers who might be less reasonable to its use.

Asmal said the problem was that some people were refusing to renegotiate, but he declared himself prepared to consider amending the bill to provide for the lapsing of the troublesome clause if this was constitutionally and legally possible. Schoeman and Nel applauded the suggestion and Asmal left the meeting with the assurance that it would be investigated.

POKES TRY DO 20/8/98

# Safcol sale by December problematic — analysts

Reneé Grawitzky and  
Robyn Chalmers

BD 20/8/98

③ FORESTRY

GOVERNMENT's decision to sell off Safcol by December could prove problematic in view of poor market conditions in the paper and pulp sector, analysts warned yesterday.

An analyst said government was trying to sell a commodity product during the weakest point in the world's commodity cycle in the past four years. In this market, government should reconsider its position, he said.

Government had to take cognisance of current market conditions as well as the fact that the forestry operations were "badly run and very overstaffed".

Another analyst said, however, that government could wait up to two years for the paper and pulp cycle to improve, and then there were still no guarantees. "When is it ever the right time?" he asked.

Lael Bethlehem, chief director of forestry, said it was not government's intention that the privatisation initiative be driven by world markets. "We have committed to privatising Safcol and further delays would be counter-productive," she said.

Thami Sokutu, deputy director-general of water affairs and forestry, said Safcol's privatisation was on track and potential bidders should be identified

by the end of this year. A number of local and international bidders had indicated interest in bidding for Safcol.

The department is moving to a system of leasing forestry land out to private sector operators. As well as Safcol restructuring, it intends placing the department's commercial forests into private leases within three years.

Government has been keen to include former homeland forests in the privatisation process, possibly by combining forests.

A source close to the process said there was strong political will to sell Safcol despite sharply declining wood prices, largely the result of developments in east Asian economies.

An analyst said there was frustration over the pace of the process but a number of international operations were still interested.

On the draft National Forests Bill being debated in the National Assembly, Sokutu said this would affect Safcol's privatisation, but positively. "We are looking at the restructuring of commercial forests generally and this will be a progressive move," he said.

Safcol CE Tienie van Vuuren said it was too early to judge the bill's effect on Safcol, as it had yet to be finalised.

Sokutu said all state contracts with commercial sawmills would be looked into and judged on their merits.

# Bill for unified management of forests tabled

Linda Ensor

FORESTRY

GOVERNMENT has proposed mechanisms to promote the sustainable management of private and state forests in conjunction with the private sector.

The National Forestry Bill tabled in Parliament yesterday aimed to unify the current fragmented system governing the regulation and promotion of the forestry sector, water affairs and forestry chief director Lael Bethlehem said.

For the first time, too, proposals have been made for the sustainable management of commercial and indigenous forests. Criteria and indicators for achieving this would be formulated by a special committee representing government, industry and other stakeholders.

In terms of the bill the national forests advisory council would be legally constituted.

DD 15/7/98



# Safcol loses US bidder

PRIVATISATION  
By SVEN LUNSCHÉ

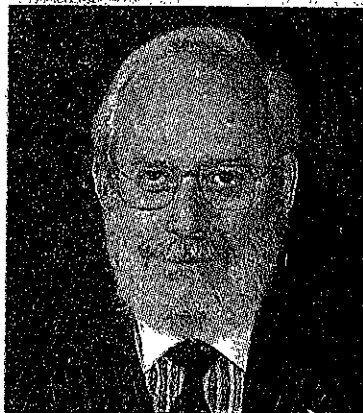
AMERICAN forestry giant Weyerhaeuser, widely considered as the front-runner in the privatisation of the SA Forestry Company (Safcol), has pulled out of the bidding, citing government delays.

Weyerhaeuser on Thursday informed the Departments of Public Enterprises and Water and Forestry Affairs, as well as Safcol management, about the decision in a letter. Its withdrawal is a blow to the government as it seeks to infuse foreign funding and expertise into troubled Safcol.

Only a week ago the country's largest independent timber company, Yorkcor, said it was reviewing its bid for the company amid government proposals to revise key aspects of the proposed National Forestry Bill.

Gary Drobnack, Weyerhaeuser's SA representative, explains that the company put together an investment package four years ago with US pension funds for Safcol's privatisation. "We've been monitoring the project since 1994 but the funding has to be committed before 1999. We've simply run out of time," he says.

The letter sent by Weyerhaeuser reveals a deeper frustration. It cites initial deadlines in 1996 and 1997 for Safcol's privatisation and, most recently, the promise of a Memorandum of Information by May. None of these dates has been met by government.



SOPLY TUCKER

Drobnack says Weyerhaeuser, which has annual sales of about \$12-billion and markets Safcol's products internationally, has committed its money to other projects in the southern hemisphere.

The privatisation of Safcol has been plagued by government indecision, which has already reduced the value of the company to foreign investors, analysts say.

In February this year government published privatisation proposals attaching stringent conditions on wage levels, business strategy, community and empowerment involvement and small business development.

The trade unions have also proposed that homeland forests, currently run by the Department of Forestry, be included in the Safcol

parcel. Lael Bethlehem, chief director in the Ministry of Water Affairs and Forestry, says government is keen to include the forests in the former Transkei and Ciskei, which have enormous investment potential when combined with Safcol forests in the Eastern Cape.

Bethlehem says government will consider including other homeland forests, but only where this makes economic sense and they could be ready for the Safcol deal by the end of the year.

The former homeland forests are currently losing about R290-million a year, are overmanned and on higher salary scales than industry norms.

Bethlehem says interest in Safcol's privatisation has been expressed by local and foreign companies in the US, Europe and Malaysia.

Yorkcor is putting together a consortium of foreign forestry operators as well as black-owned Madiba Mills to buy Safcol, which has assets of R570-million, but whose profits have been declining in recent years.

However, following the proposed new Forestry Act, Yorkcor chairman Solly Tucker said he was reviewing his bid for Safcol.

The industry is uneasy about a late clause that any contract over the use of government forests runs out after three years. This clause will apply to Safcol even after its privatisation, as the state will retain control over Safcol's land.

— netAssets

# Forestry bill 'to facilitate short-listing of bidders'

Amanda Vermeulen

**FORESTRY**

GOVERNMENT hopes to identify preferred bidders for the privatisation of government and parastatal-owned forestry assets by the end of the year.

The process, which is driven by public enterprises and forestry departments, would be facilitated by the National Forestry Bill, tabled in Parliament this week. The bill makes provision for the restructuring of forestry assets and deals

with contractual legacies inherited from the previous administration.

Delays in the privatisation — cited as the reason for potential bidders reportedly pulling out of the running — were due to government's decision only last year to privatise jointly government forestry assets and the parastatal SA Forestry Company (Safcol).

The forestry department said yesterday: "A key issue has been to ensure that government's Eastern Cape forest can be included in the privatisation process."

The department is engaged in intensive negotiations with government and parastatal unions to ensure they are integrated in the restructuring process.

Forestry director-general Mike Muller said yesterday that government's advisers, Real Africa Durolink (RAD), had been asked to prepare a prospectus for potential bidders.

A number of local and international players had expressed interest in the privatisation of Safcol. Reports that US forestry group Weyerhaeuser had pulled out were incorrect. The US group had confirmed it was still interested.

A key issue of the National Forestry Bill was the provision for government to facilitate the use of state-owned land to expand existing forests.

Muller said the bill could expand the local industry, create new jobs and offset possible job losses arising

from privatisation.

Another issue dealt with in the bill was long-term contracts between former homeland governments and timber companies.

These allowed the companies to buy timber at below market prices in perpetuity, he said.

The bill would give government the ability to renegotiate the contracts, creating a more equitable situation, Muller said. It would also enhance the competitiveness of the industry.

# Privatisation of SA forests 'still on track'

LUCIA MUTIKANI

CT (MR) 23/7/98 (3) FORESTRY

Johannesburg — The privatisation of the multimillion-rand state forestry industry was still on track, the government said yesterday.

It also dismissed claims that Weyerhaeuser, a US-based forestry group, had withdrawn its bid for the South African Forestry Company (Safcol).

Mike Muller, the water affairs and forestry director-general, said: "In our contacts with them (Weyerhaeuser), they have confirmed they are still interested in the process and are in fact meeting

us to confirm that."

Local media reported this week that Weyerhaeuser had withdrawn its bid for Safcol. Safcol's value is estimated at between R300 million and R1,5 billion.

The government is working towards the partial privatisation of Safcol, and has appointed Real Africa Durolink, the financial services group, to advise on the transaction. No timetable has been set for the privatisation.

"We expect to have a preferred bidder identified by the end of the year," said Muller.

Stella Sigcau, the public

enterprises minister, is overseeing the partial privatisation and has indicated that Safcol will remain government property.

Muller said the privatisation process had been stalled by the restructuring of former homeland forests.

"The current situation was inherited from the previous era. Certain companies are still benefiting from contracts entered into with homeland governments. These force government to supply in perpetuity at substantial discounts. They also prevent new entrants from getting supplies." — Reuters

# National Forests Bill 'levels the field' for timber

② FORESTRY

LYNDA LOXTON

PARLIAMENTARY CORRESPONDENT

ET(MR) 2/9/98  
Cape Town — The national assembly yesterday approved the National Forests Bill to equalise opportunities in the awarding of timber contracts on state forests and pave the way for their restructuring.

Kader Asmal, the minister of water affairs and forestry, said the contracts would now be subject to five years' notice and would not promise more wood than could be sustainably harvested in a given cycle.

This provision is retrospective. Asmal said it did not mean that the rights of existing contract holders would be disregarded, but that access would be made subject to reasonable conditions, to safeguard the forests and overcome "some unfortunate legacies".

Asmal said: "Until now, the state has been bound by unreasonable contracts that placed the sustainability of forests in grave danger. The old contracts provide effectively an evergreen supply which ensures that the same companies get wood year in and year out without having to compete.

"This not only provides the wood under extremely favourable circumstances, but also effectively bars newcomers."

He said the provision was, as expected, opposed by existing contract holders. "No one gives up privileges easily," he said. "And, equally, no reasonable commentator can fail to see the necessity of this clause ... (It) will level the playing fields of the forestry and saw milling sectors."

The bill also creates a new environmental management system for state forests, paving the way for restructuring both the South African Forestry Company and forests managed by the department.

Asmal said the bill would allow forests to be leased to private operators while ensuring that those resources remained in public hands.

# Yorkcor to talk prices with Safcol

ET(62) 9/9/98

ROY COKAYNE

Pretoria — The judgment this week in the litigation between York Timbers (Yorkcor), the forestry products group, and the SA Forestry Company (Safcol), the forestry parastatal, had not resolved the log price dispute between the parties, Solly Tucker, the chairman of Yorkcor, said yesterday.

"There could be a very long haul ahead before our agreement about log prices is settled unless the parties find each other in a give-and-take agreement," Tucker said.

"There are a number of options. Apart from applying for leave to appeal to the Appeal Court, in recent weeks checks and balances have been put in place by the Competition Board which

offer protection against Safcol and certain instances of anti-competitive behaviour." (3) FORESTRY

Tienie van Vuuren, the chief executive of Safcol, said a judgment by the full bench of the High Court of South Africa on Monday had cleared the way for Safcol to seek increased log prices from Yorkcor.

Van Vuuren said the court had dismissed Yorkcor's appeal against its earlier judgment regarding the interpretation of the price revision clause in its sawlog contract with Safcol. Safcol's cross-appeal on the date on which negotiations commenced for price revision was upheld, he said.

Van Vuuren said Safcol intended to proceed with price arbitration as soon as possible.

# SA forestry exports ~~(R4.6bn)~~ plummet 20% to R4.6bn

Robyn Chalmers

120 10/9/98  
EXPORTS of forestry products fell 20% to R4,6bn last year from a 1995 high of R5,6bn and are set to decline further, largely as a result of poor economic growth and the new regulatory controls coming up.

Forest Owners' Association chairman Mike Edwards said a number of factors were adversely affecting the forestry industry and its ability to export products. These included volatile financial markets, a depressed demand, the Asian and Pacific Rim economic crisis, high interest rates as well as escalating crime and violence.

While the industry had managed to retain a positive trade balance of R1,6bn for last year, Edwards warned that the "full implication" of the Asian crisis and other more recent events such as the currency crisis could still be felt. Also, he said, the National Forests Bill — currently being approved — would lead to further unnecessary "shackles" being placed upon the forestry industry.

The bill was "far too prescriptive" on a number of private enterprise issues. It enabled the water affairs and forestry minister to terminate various legally constituted contracts —

including those dealing with timber supplies — on a five-year notice period.

"It also enables the minister to make regulations relating to the quality of timber produced by giving him the power to prescribe the methods of manufacture and marketing of any timber or timber product," he said.

Edwards said planned legislation could result in investors in the forestry industry having less right of choice in issues concerning their enterprises, less recognition of the risks they face in their investments and greater uncertainty.

Other countries — including Argentina, Australia, New Zealand, Brazil and Chile — were actively encouraging the rapid development of plantation forestry through a number of clearly defined national strategies, he said.

"SA, however, appears to be headed in the opposite direction when it comes to the promotion of forestry development," said Edwards in the association's annual report.

"During 1996/97 net new afforestation in SA amounted to only 7 757ha — the lowest since 1983. By comparison, new afforestation in New Zealand during the same period was 88 000ha."

# 20% chop in forestry products exports

JONATHAN ROSENTHAL

INDUSTRIAL EDITOR

Johannesburg — Exports of forest products have fallen by 20 percent in real terms over the past two years because of volatile financial markets, depressed demand and the Asian crisis, the Forest Owners' Association (FOA) said this week.

Mike Edwards, the executive director, said in the group's annual report exports had fallen to R4,6 billion in the year to March, from a high of R5,6 billion in 1995.

"It is important to note, however, that 86 percent of the total of R4,6 billion exported was in the form of beneficiated and value-added products, a fact not always appreciated by both the government and the public."

While the industry had managed to retain a positive trade balance of R1,6 billion for 1997, Edwards warned that the "full implication" of the Asian crisis, the continuing economic deterioration there and other more recent events, such as the currency crisis, "may still have to be felt".

"It is quite likely that the final statistics for 1997-98 will reveal further declines in intake as a result of the aforementioned factors. This is also supported by the current oversupply of timber on the local market."

Edwards also attacked the National Forests Bill, now before parliament, saying it could hamper investment.

He said other countries, including Argentina, Australia, Brazil, Chile and New Zealand,

were actively promoting and encouraging rapid development of plantation forestry through a number of clearly defined national strategies.

"South Africa, however, appears to be headed in the opposite direction when it comes to promotion of forestry development."

"During 1996-97, net new afforestation in South Africa amounted to only 7 757 hectares, the lowest since 1983. By comparison, new afforestation in New Zealand during the same period was 88 000 hectares," he said.

"However, if political stability can be achieved in the run-up to the general election in 1999 and if some improvement takes place within the Asian economies, then the longer-term prospects for the industry should improve."

ET (MR) 10/9/98 ③ FORESTRY

## Forests bill modified after talks with stakeholders

Robyn Chalmers

MB 11/9/98

⑦ FORESTRY

A NUMBER of controversial clauses in the National Forests Bill have been withdrawn or modified following extensive talks with stakeholders in the forestry industry, says forestry department chief director Lael Bethlehem.

The powers of the water affairs and forestry minister over timber standards have been removed, and the department will have to give a five-year notice period for termination of contracts with commercial sawmills rather than three.

This follows concerns expressed by some forest industry stakeholders about elements of the bill. Forest Owners Association executive director Mike Edwards said the bill would lead to further unnecessary shackles being placed on the industry.

Bethlehem said the department had held lengthy talks with industry members on the bill. In the earlier draft of the bill, the minister had powers over timber standards in a bid to protect consumers from buying sub-standard timber.

Although it was important to have high standards of timber, it was decided that this should not be legislated. "We will rather work with the trade and industry department to deal with timber as part of general building materials standards," she said.

Bethlehem said the National Council of Provinces recently passed amendments to the bill at the department's request.

The period of notice applicable before the termination of current long-term contracts between the state and sawmillers was increased from three years to five years.



OLD CONTRACTS 'ENDANGER SUPPLY'

# Bill aims at equity in forestry

10/23 OCT 21/9/98

**OLD STATE TIMBER** contracts gave the wood to the same lumber companies year after year. This is to change, reports **ANDRE KOOPMAN** of our Parliamentary Bureau.

**T**HE new National Forests Bill ensures that timber contractors do not promise more wood than can be sustainably harvested in a given cycle, Water and Forestry Minister Kader Asmal said yesterday.

He was speaking about the contentious clause 28 of the bill, which also provides for the state or timber contractors to terminate contracts with five years notice if contract holders have been able to recover their investments.

The clause was substantially altered after objections from opposition parties. It applies to existing and future contracts.

The clause did not disregard the rights of present contract holders, nor did the bill do away with their access to timber, Asmal said. "We

are making access subject to reasonable requirements:

"Until now, the state has been bound by unreasonable contracts that placed the sustainability of the forests in grave danger. The old contracts provide effectively evergreen supply, which ensures that the same companies get the wood year in and year out, without having to compete."

Asmal said this system not only provided wood under extremely favourable circumstances but also barred newcomers, including black-owned companies, from access to state wood.

The bill was passed, with an NP objection being noted.

Pieter Grobbelaar of the Freedom Front said the bill was the beginning of the end for forests and

plantations in South Africa.

Maans Nel said the NP would not support the bill because of clause 28, which provides for existing long-term forestry contracts to be terminated.

Although the original version of the clause had been substantially amended.

The NP could not support legislation in which the state legislated to destroy existing contracts.

The credibility of government was affected by ill-considered and dangerous legislation, as it affected investments and foreign investment, he added.

The bill provides for a unified national forestry policy overcoming "the fragmentation imposed by our history". It also creates a framework for community forestry which allows government and local communities to manage forests jointly and makes provision for the collection of medicinal plants and dry wood.



**REASONABLE:** Kader Asmal

# Waiting hits Safcol profits

ST(BT) 13/12/98 (3) KORESTBY

PRIVATISATION

By SVEN LUNSCHÉ

THE ongoing saga of privatising the SA Forestry Company has taken on fresh urgency after another slide in group profits.

The government says it will in the week ahead release conditions for the sale to private sector operators, which could include splitting it into regional entities. Safcol this week blamed the 43% drop in 1997/98 on slow progress of privatisation and the state moratorium on staff retrenchment.

While chairman David Gevisser cited similar reasons for the fall in 1996/97 earnings, his call has taken on renewed urgency as potential foreign bidders in the SA market are rapidly losing interest. US forestry giant Weyerhaeuser, widely considered frontrunner, pulled out of bidding earlier this year, citing government delays. The global forestry products

slump, induced by Far East crisis, shows no sign of letting up.

The Department of Public Enterprises' Lydia Bici said on Friday government would this week announce details of the proposed sale. Bici said the preferred option would be for Safcol to be sold as one entity, but she said the government would split the group into regional entities if no single buyer could be found.

Indecision has plagued Safcol privatisation since the government first promised to sell its entire stake four years ago. But government and labour agreed in October on the way forward. This will see the private sector manage but not own forests. Safcol would still be sold, but the state would

retain control of Safcol lands.

Government will lease the land to private operators for decades. Bici said bidders would be asked to provide lease period preferences.

The sticking point more recently was whether Safcol is to be sold as a single entity or split into regional components, including run-down forests in the former Transkei and Ciskei, now run by the Department of Water Affairs and Forestry.

In the annual report, Gevisser said during Safcol's restructuring, it could not make any strategic, structural or management changes without government approval. Government, in turn, had to first reach consensus with labour and other stakeholders.

"Reorganisation and rationalisation plans, normal exercises in the private sector, have been suspended," he says. — *NetAssets*.

# Safcol bears brunt of slow privatisation

Robyn Chalmers

SLOW progress on privatisation, a cyclical downswing in the forestry sector and the global financial crises all took their toll on the SA Forestry Company in the year ended June and resulted in lower profitability.

Chairman David Gevisser said that during Safcol's restructuring, it could not make any strategic, structural or management changes without the approval of government. Government, in turn, had to first reach consensus with labour and other stakeholders.

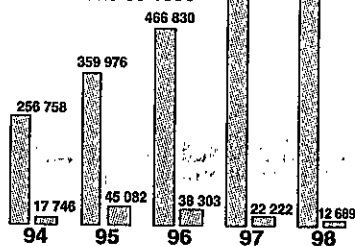
"As a result, we are carrying a substantial number of staff in excess of optimum level.

"Reorganisation and rationalisation plans, which would be normal exercises in the private sector, have been suspended."

Safcol reported a profit before tax of R12,7m against R22,2m the previous year on turnover of R568,8m (1997: R558,5m).

## Safcol

Turnover (R'000), for June 30 1998  
Income before taxation (R'000) for June 30 1998



KUBEN DAVID Source: SAFCOL

There have been lengthy delays to Safcol's privatisation, notably because government wished to incorporate the run down, overstaffed former homeland forests into the restructuring exercise.

Government and labour reached an agreement in October on the way

forward which will see the private sector managing, but not owning, forests. Representatives from government and labour are now engaging international and local investors on their requirements to bid for leases on state-owned forests.

In terms of the agreement, the whole of Safcol as well as some of the former homeland plantations falling under the water affairs and forestry department will be offered up for management by the private sector.

Gevisser said Safcol's performance was also hurt by the weak world and local markets for all classes of logs and for sawn products. The rapid deterioration of markets, particularly in the second half of the year, made it difficult to achieve budgets and led to the temporary closure of two pole-treating plants.

Safcol CEO Tienie van Vuuren said the company had implemented a combination of cost-saving, technology and productivity measures to counter the cyclical downswing.

# SA and UK in R25-m deal to save jobs

ARGUS CORRESPONDENT

ART 3/12/98  
The Department of Water Affairs and Forestry, which faces thousands of staff retrenchments, has signed a multi-million-rand deal with the British government to minimise job losses.

Professor Kader Asmal, Minister of Water Affairs and Forestry, and British MP George Foulkes,

signed the R25-million deal that will focus on restructuring programmes on forests acquired from former homelands.

Themba Khumalo, the department's spokesman, yesterday said the funds would help privatise the forests which the Government took over from the homelands when it came into power in 1994.

Mr Khumalo said: "We have to privatise the forests because we

are running at a R200-million loss a year since incorporating the former homelands employees into the department."

The number of employees had quadrupled from 6 000 to 26 000. The department could not cope with the increase, saying the only alternative would be for employees to join the public service which was offering volunteer retrenchment and retirement packages.

# Forestry boss Bethlehem chops out the deadwood

ST/07/18/10/98 (3/FORESTRY)

**F**AR away from the newspaper headlines, the forestry industry — one of the largest employers in impoverished rural SA — is undergoing its most dramatic changes in decades.

The process is being driven by the Ministry of Water Affairs and Forestry, long viewed as something of a Siberia for tired politicians, but which has since received an injection of energy from minister Kader Asmal.

Enter the new chief, Lael Bethlehem, who joined the department in June and, in spite of her youth, took on the "old" and powerful men in the timber and sawmilling industry to push through the landmark Forestry Bill last month. The Bill has fundamentally changed the way communities and commerce can utilise state-owned forests.

But Bethlehem faces an even bigger challenge as she tries to find buyers for the SA Forestry Company (Safcol), a task which eluded her predecessor, as well as Stella Sigcau, the Minister for Public Enterprises.

Despite her brief tenure at the post, Bethlehem is no stranger to the industry — her academic and professional careers have been spent studying forestry and its downstream industries.

She completed her masters degree in the industrial policy of the pulp and paper industry, worked for the Industrial Strategy Project on the industry in 1993, and was responsible for examining the promotion of forestry as part of the Wild Coast Industrial corridor project. She also chaired the National Forestry Advisory Council.

Before joining the ministry,

## LAEL BETHLEHEM

▲ **TITLE:** Chief director, forestry, in the Department of Water Affairs and Forestry

▲ **AGE:** 30

▲ **EDUCATION:** King David Victory Park, MA in industrial sociology, Wits University

▲ **QUALITY TIME:** Yoga, hiking, SA art and SA history

Bethlehem spent two years each at Nedac and Cosatu's Naledi Research Centre.

In formulating a new approach to forestry, she worked on the premise that it is one of the few industries that has development potential in rural SA. "Unlike many parts of agriculture, forestry introduces industrial processing into rural areas, bringing with it investment, jobs, skills, value-addition and infrastructure," she says.

However, many industry players argue that the government has made a dramatic U-turn from supporting the industry to regulating it. They have warned of job losses as a result of the Bill.

Bethlehem counters this, saying: "When the state started planting forests and supplying wood to the sawmilling industry, there were good reasons to do so, namely that the private sector was reluctant to enter the industry given the long lead times associated with the sector. Today the situation is quite different. It is no longer appropriate for the state to play

a direct role in providing wood to sawmillers — market forces have entered the sector as a result of SA's return to the international economic fold."

The most dramatic impact of this approach is that sawmillers will no longer be provided with so-called "evergreen" contracts for the provision of logs to the mills. Instead, contracts will be limited to five years, thus hopefully spurring the industry into upgrading its outdated technologies.

The key feature of the Bill is that the state will now lease the land out to private sector operators on a long-term basis.

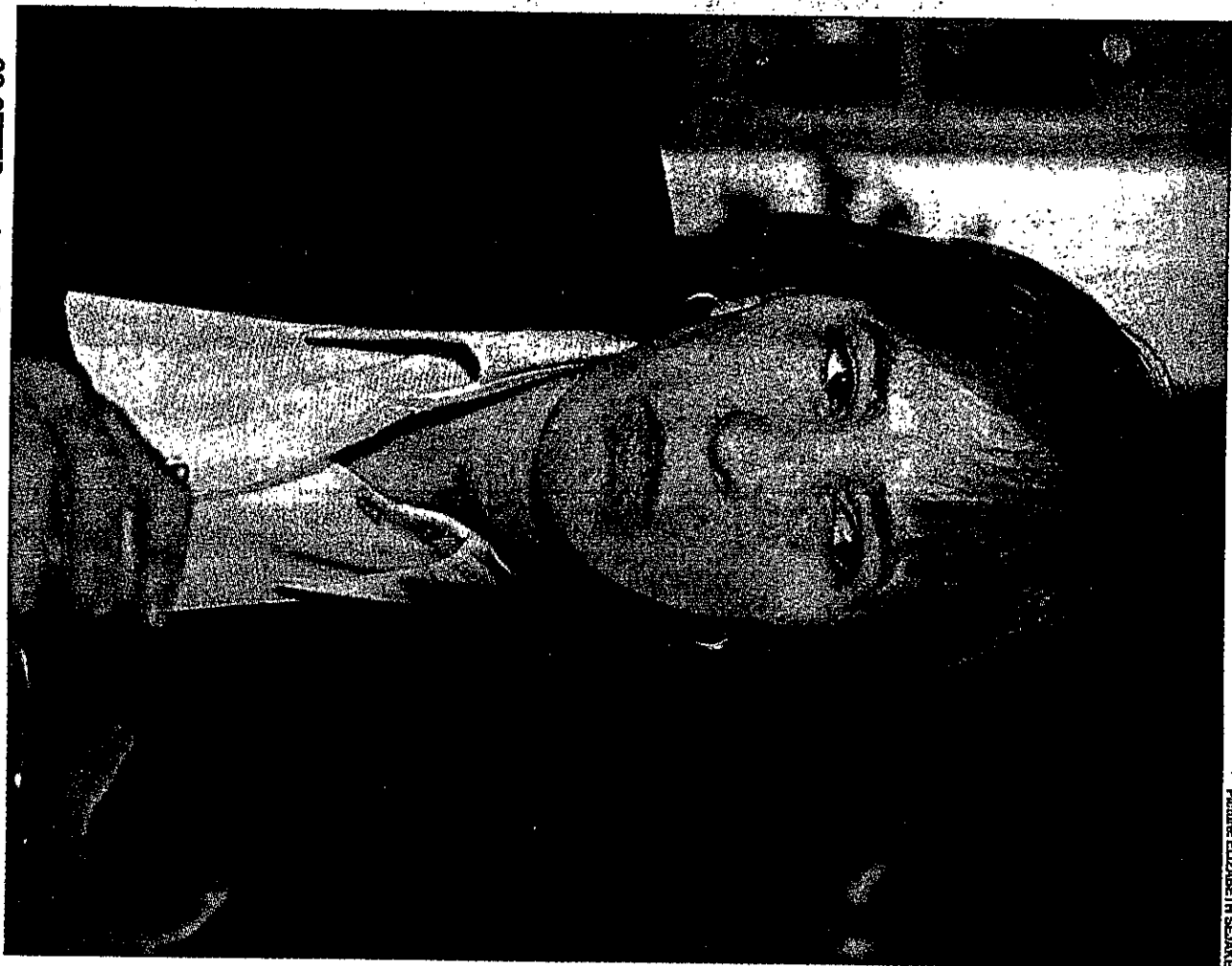
The Bill tries to regulate not only commercial forests, but also indigenous ones, which are fully protected, as well as community forests.

Bethlehem joined the department when the privatisation of Safcol appeared as far away as when it was first promised by Sigcau four years ago. The process has been plagued by indecisiveness on the part of the government, which analysts believe has already reduced the value of the company to foreign investors.

Bethlehem says government is examining whether Safcol will be sold as a single entity or split into regional component parts that could include the forests in the former Transkei and Ciskei.

She adds that interest in Safcol's privatisation has been expressed by local and foreign companies, and expects significant announcements on the restructuring of Safcol and the department's forests before the end of the year.

Sven Lunsche



Picture: ELIZABETH SEANE

GO-GETTER... dynamic Lael Bethlehem's biggest challenge is finding a buyer for Safcol

# Forestry boss Bethlehem chops out the deadwood

ST(NT) 18/10/98

(3) FORESTRY

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Sven Lunsche

GO-GETTER... dy

# Private sector to manage, not own, state forests

Robyn Chalmers  
and Renee Grawitzky

GOVERNMENT and labour have forged a landmark agreement on the long-awaited restructuring of the state's forestry assets which will see the private sector managing, but not owning, forests.

Calls for the private sector to start bidding for forestry leases will take place before the end of this year, with government and

labour visiting prospective investors locally and internationally next month.

The agreement has been welcomed by labour; the private sector and the forestry industry.

Delays in reaching an agreement have adversely affected the state-owned SA Forestry Company (Safcol) which has been forced to postpone some of its investment decisions.

Public Enterprises Minister

Stella Sigcau and Water Affairs Minister Kader Asmal said jointly yesterday that the complexity of the transaction had led to a lengthy negotiation process.

In terms of the agreement, the whole of Safcol as well as some of the former homeland plantations falling under the water affairs and forestry department would be offered up for management by the private sector.

The land would not be sold, but

government would, through a management agency, enter into leases with private companies to operate forestry enterprises on the land.

Communities which had rights to the land would be entitled to a flow of benefits from the leases.

Commercial forestry workers in the water affairs and forestry department would be offered voluntary severance packages and some would be transferred to the

private sector companies.

The transaction will be structured in a manner that includes empowerment investors, the National Empowerment Fund and the employee share ownership scheme, the ministers said.

Labour observers said the agreement was positive and dealt with the objectives and the process to be followed in the restructuring of Safcol and plantations falling under the water affairs and

forestry department.

The merger of the forests would require significant restructuring and could lead to retrenchments.

In the event that retrenchments had a negative effect on the surrounding communities, a social plan would be put in place.

In addition, the parties would have to enter into negotiations on standardising wages and conditions of employment between the two operations, they said.

9 FEBRUARY 20/10/98

FORESTRY

1999.



S. Times 28/2/99

# Privatisation axe splits a forest community

NICKI PADAYACHEE

FORESTRY

TUCKED away in the Kogelberg mountains in the Cape, a small community is being forced to give up the only home many villagers have known for almost 50 years — to make way for pine trees.

The village of Hoogland has fallen victim to government plans to privatise the South African Forestry Company Limited (Safcol) and sell off state-owned forests.

Kader Asmal, Water Affairs and Forestry Minister, wants to raise R1-billion from the privatisation, but his plans ignore the needs of the Hooglanders.

"Our community is being torn apart," said Magletha de Bruin.

"We marry here, live here and have our children here. This is our place."

Most of the villagers work for local farmers or are retired and retired employees of Safcol, which owns the land on which Hoogland stands.

The 160 residents have launched a seemingly hopeless battle for survival. They want the village, set in the Highlands, to be declared a municipal area which they would administer themselves.

There were 32 houses, but Safcol has moved its workers to the nearby town of Grabouw, and it began demolishing homes in December.

Safcol claims the village is a fire and environmental hazard which costs too much to maintain. But residents claim there has never been a fire in the surrounding forests.

"Of course it is a fire hazard," said Renter Gellman, Safcol spokesman. "What if they protest and burn barricades in the road? The sewerage system and their refuse are an environmental hazard, too."

He said Safcol was in the business of planting trees, not running villages.

He said the remaining two- and three-bedroomed prefabricated wooden houses would be sold and moved to nearby municipal areas, where, he said, it made sense to have a house.

All the houses were put out to tender, and Safcol employees were given first option to buy. Next option went to the occupants, followed by nearby farmers who might want to house employees.

But villagers said they could not afford the R5 000 Safcol wanted for their homes, as well as additional costs for new land and moving each house.

"We are poor people," said De Bruin, 35, who has lived in Hoogland for 13 years. "We cannot afford to move. We want to stay here where it's peaceful. Highlands has been a safe place all these years."

Their children grow up with a sense of freedom. They can walk to school and, although they are poor, the community feels they have something many South Africans do not: they live in an area free of violent crime.

The destruction of the village also sounds the death knell for the local school, which has been serving the children of the village and the surrounding farms for 30 years.

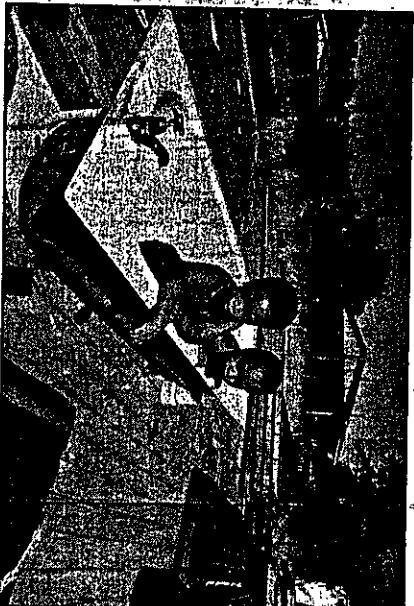
The small Hoogland Primary School will be shut down if the 27 village children go.

"The Department of Education will keep a school open only if it has 25 pupils, and there will only be 24 left," said headmistress Maggie du Toit, who, with fellow teacher Eugene Brown, teaches all seven grades.

Kelly Theunis, of the Department of Land Affairs, is arbitrating with Safcol over the fate of Hoogland.

She probably summed up the futility of their fight when she said that lack of local job opportunities meant the community would be better off moving.

"The village will not be able to grow. It will cost too much to provide services, and the district office cannot afford to maintain the access road," she said.



WE GOT THE BLUES: Two of the children in Hoogland who will lose their home when the government sells off Safcol. Picture: AMBROSE PEIERS

## 5 000 workers' future shaky

By Mzwakhe Hlangan  
Labour Reporter

THE Government's plan to privatise its commercialised South African Forestry Company Limited and sell off state-owned forests has triggered uncertainty among 5 000 employees and hundreds of forest villagers living on land owned by the company.

But Chemical, Energy, Paper Printing, Wood and Allied Workers Union deputy general secretary Bhengeza Mthombeni maintained yesterday that agreements reached between the Department of Water Affairs and Forestry officials and the union for a moratorium on retrenchment until the restructuring process had

been finalised still stood.

"What has necessitated the restructuring of the company is the maladministration, the mismanagement of the saw mills and other resources and not workers," he said.

Mthombeni also indicated that the union's position in the company restructuring talks was that the privatisation and rationalisation of Safcol should not result in job losses.

Safcol employees and communities who have lived on the forest lands will be consulted after these talks had been finalised. Mthombeni said he was surprised to learn that the 50-year-old village of Kogelberg near Grabouw, in the Eastern Cape was the first victim of the Government's privatisation plans.

# Govt, Safcol pension fund trustees at odds

over 'arrears'

**SA FORESTRY**  
Linda Ensor

CAPE TOWN — A dispute has broken out between government and the pension fund trustees of state-owned SA Forestry Company (Safcol), with the trustees claiming the state owes the fund R160m.

Safcol has been earmarked for privatisation.

The trustees claim that as of April last year, government owed the pension fund R95m in capital and R65m in interest. However, the department said most of the payments had been made.

Public enterprises chief director Lydia Bici told Parliament's public enterprises committee yesterday that a series of meetings had been held involving department of finance officials, Safcol senior management and the trustees in an attempt to resolve the dispute.

The debt arose when the pensions of 3 700 state employees were transferred to the Safcol pension funds at the time of the company's incorporation. At the time of the transfer, the deficit between the actuarial evaluation of the fund and the amount transferred amounted to R95m.

Bici said over the years the R80m provided for by Safcol as a long-term liability to the pension fund to reduce the deficit had been reduced by R36m, leaving the debt at R44m.

Also, Safcol had increased employer contributions to the fund. Government's liability, she stressed, had to be assessed on the basis of these contributions and possible dividends the state had thus forfeited.

The department awaited an actuarial valuation of the fund as of June 30 last year, and once agreement was reached with the trustees on the sum, a recommendation would be made to the interministerial cabinet committee.

For Safcol, government will set the closing date for nonbinding offers as mid-April. Binding bids must be in by end-July, and talks will start in mid-August.

③ FORESTRY CT/MA/4/3/99

# State forests up for grabs

ROY COKAYNE

Pretoria — Bidding had started for the rump of the assets of Safcol, the forestry parastatal, the government said yesterday.

Also on offer are half of the commercial plantations of the water affairs and forestry department.

The transaction was "the largest offering of its kind in the world", said Stella Sigcau, the public enterprises minister, and Kader Asmal, the water affairs and forestry minister.

A total of 332 000 hectares of commercial forest were on offer on long-term leases, and five sawmills and associated assets.

Given the size of the offering, bidders would have a choice of bidding for the assets as a whole, for any one of seven packages

identified or for any combination of packages, they said. The smallest package was 14 000 hectares, the largest 120 000 hectares.

Sigcau and Asmal said the initial information memorandum, describing the assets and conditions under which they were offered, would be available to potential bidders and interested parties today. It would be released by Real Africa Durolink Investment Bank, the lead adviser on the transaction.

Potential investors would be invited to submit detailed expressions of interest by the middle of April.

"From these, a shortlist would be drawn up and those shortlisted would proceed to the next round of bidding, which would include access to the detailed information memorandum as well

as access to the assets," the ministers said.

"The underlying land will not be sold but offered on long-term lease. The lease conditions are described in the memorandum and include obligations in respect of environmental management as well as local communities' needs.

"Bidders must make an upfront payment as well as an annual rental payment reflecting the value of the land," they said.

A total of 75 percent shareholding was being offered to the private sector, of which 10 percent was reserved as a minimum for black empowerment entities. A further 10 percent would be allocated to the National Empowerment Fund. The remaining 15 percent would be divided between the government and the employee share ownership schemes.

# Safcol details privatisation

③ FORESTRY

BDS/3/99

**Robyn Chalmers**

SA ANNOUNCES the world's largest forestry privatisation today when 332 000ha of commercial forests and other assets valued at between R1bn and R1,5bn are put up for sale.

The initial information memorandum, which describes the assets and conditions under which forestry assets will be offered, are to be released today by lead transaction adviser Real Africa Durolink Investment Bank.

Water Affairs and Forestry Minister Kader Asmal said in an interview yesterday that companies in North America, Europe and Asia, as well as local organisations, have already expressed interest in the assets.

"(Government) has specific objectives. These include getting a good price, but the focus is also on job creation, human resources development, promoting greater diversity of ownership and developing downstream activities," he said.

Asmal said good progress had been made on restructuring the run-down commercial plantations of the water affairs and forestry department, and the restructuring project was completed in two years, whereas a similar project in New Zealand took about 10 years to complete.

The transaction will be overseen by Asmal and Public Enterprises Minister Stella Sigcau. Given the size of the offering, bidders will be given a choice of bidding for the asset as a whole, for any one of seven packages that have been identified, or for any combination of packages. The smallest package is 14 000ha and the largest is 120 000ha.

The underlying land will not be sold and the assets instead will be offered on a long-term lease. They include all the SA Forestry Company's (Safcol's) assets and half the commercial forests falling under the department.

Asmal says the remaining half of these plantations will remain under the department for about three years, after which a

decision will be taken on selling them.

Asmal and Sigcau say bidders will be asked to make an up-front payment as well as an annual rental payment reflecting the value of the land. Lease conditions include obligations regarding environmental management and the needs of local communities.

Some forestry workers are to be transferred to the new owners' businesses, with the number reflecting the industry average a hectare. The wage rate will be the same as that paid by Safcol.

The private sector will be offered a 75% shareholding, of which 10% has been reserved for black economic empowerment entities. A further 10% will be allocated to the National Empowerment Fund and the remaining 15% divided between government and the employee share ownership schemes.

Potential investors have until mid-April to submit detailed expressions of interest, when a short list will be drawn up for the next round of bidding.

PRIVATISATION *Chairman confident of coming up with winning bid for state forests*

# Yorkcor sets its sights on Safcol

AKR 13/3/99

③ FORESTRY

ROY COKAYNE

Pretoria - The York Timber Organisation (Yorkcor), the listed forestry products enterprise, was busy assembling a consortium, including foreign partners, to bid for state forestry company, Safcol's forestry assets, Solly Tucker, the chairman of Yorkcor, said yesterday.

However, Tucker was not prepared to name the possible members of the consortium, nor how many partners were involved. Tucker also indicated that Yorkcor was likely to bid for "more than one" of the seven packages of the state forestry group's assets being offered for sale and expressed confidence in submitting a winning bid.

"Several telling factors will stand us in good stead: Yorkcor's special position regarding its evergreen contracts, our diligent preparatory work over recent years, our closeness to the action and our links with would-be joint venturers, South African and international. We have, therefore, reasons to believe our prospects of success are good," he said.

Tucker also announced a

42,6 percent drop in headline earnings a share to 16,7c in the year to December 31 last year compared with 28,2c previously.

Attributable earnings slumped by 75 percent from a record R4,66 million in 1997 to R1,17 million last year. Yorkcor passed on declaring a dividend for the year with Tucker saying the group needed to keep its "powder dry for the opportunities that will come up in the year ahead."

Tucker said R2,12 million in retained income, compared with R3,83 million in the previous year, had been carried forward to distributable reserves, which now stood at R11,95 million.

He added that Yorkcor had ended the year under review with sound balance sheet ratios and gearing at 28,7 percent was about the same level as the previous year while the current assets ratio had improved to 1,54 at the end of last year from 1,44 at the beginning of the year.

Tucker said the timber industry would not languish for much longer and Yorkcor was therefore targeting headline earnings of 32c a share for 1999, which would allow for dividends of about 16c a share.

He stressed Yorkcor had not based its financial forecast for next year on the basis that it would be successful in a bid for Safcol assets.

Tucker said 1998 would go down as the industry's "toughest year in living memory" but this was the time the vendors had decided to sell the most important forestry assets of the state. He attributed the tough year to a drop in demand, a rise in costs of nearly double the production price index and the increase in log prices, which meant timber was outpriced and the margin of sawmillers was demolished.

Tucker said the privatisation of Safcol could be the single most important event in the history of the industry.

In a projection of sawn timber market share in 2009, Tucker expected Yorkcor would have 20 percent and Mondi 40 percent of the market while Sappi's share would drop to 10 percent from its 19 percent now.

Tucker believed Sappi would be moving out of the sawmill industry because it was focusing on its external opportunities and assets and would not be as committed locally.



**SUREFOOTED** Solly Tucker, Yorkcor's chairman, says forecasts for 2000 do not hinge on the Safcol bid PHOTO: JOHN WOODROOF

# Safcol gets the blame for turmoil at the sawmills

③ FORESTRY  
ST(BT) 14/3/99

TIMBER INDUSTRY  
By DON ROBERTSON

SAWMILLING group York Timber (Yorkcor) puts the blame squarely on the shoulders of state-owned forestry group Safcol for dragging the industry into the toughest year in memory.

In the year to December, Yorkcor posted headline earnings of 16.7c a share, against 28.2c previously. It has been forced to pass the dividend to provide for future opportunities.

These opportunities are Yorkcor's planned bid for the forestry assets of Safcol and the Department of Water Affairs and Forestry when they are privatised. The company is assembling a consortium, including strategic international partners, for the bid.

This week, potential bidders received documents on the privatisation. Non-binding bids should be registered in the middle of next month and negotiations completed by September.

Yorkcor turnover was maintained at R57-million, but after higher sales costs and selling expenses, operating income fell to R3.7-million from R7.1-million.

Higher finance costs offset a lower tax bill, leaving attributable profits at R1.17-million against R4.65-million. The dividend in 1997 was 15c.

Proclaiming that timber people



SOPLY TUCKER

are "tough", chairman Solly Tucker is confident the group will recover in the current financial year. He forecasts an increase in sales to R65-million, headline earnings of 32c and a resumption of dividend payments at 16c.

Tucker blames difficult trading conditions on the sharp increase in sawlog prices and a substantial decline in demand for sawn timber. "Sawmillers have counted mere survival as success enough. One out of every three sawmillers in the formal sector operated at a loss and still is."

A frustrated Tucker blames Safcol and the Department of Water Affairs and Forestry which, with a combined 410 000ha of forests, is the largest supplier of sawlogs to the industry.

Tucker claims that the price of sawlogs has increased by about 14% annually for the past few years in a market that is "submerged in a deluge of logs". It is estimated that the supply of sawlogs exceeds demand by 30%. In contrast, sawmiller sales have fallen by about a fifth in the past three years.

Tucker questions whether all this "attrition" is the result of market forces alone, and feels it is largely the result of policies and conduct aimed at preparing state-owned assets for sale and optimising their price.

Apart from higher sawlog prices, sawmillers were "induced" to accept a reduction in the duration of their long-term supply contracts with Safcol. In addition, volumes and favourable credit terms were affected.

"The compound of higher log prices and diminished sawmiller rights would boost the disposable value of the forests to be sold off," adds Tucker. "This process (privatisation) has dragged on for too long for the good of the industry and its stability. At long last, however, developments are heading for a watershed," he says.

MHG 17-25/3/99

# New law sorts the wood from the trees

(499) 3 FORESTRY

*Archaic and costly contracts governing the supply of timber to the South African market are being overhauled, writes Lael Bethlehem*

Over the past 100 years, the state has played a classic developmental role in industrial forestry by stepping in to avert market failure. It has done its job.

Today there is a thriving private sector in forest plantation management. Now the state can step back from the management of industrial forestry.

New legislation will come into effect at the beginning of next month. While there have been several areas of heated debate, one issue stands out: the changes to the system of timber supply to sawmills.

The Cape colonial authorities realised 129 years ago that the fledgling South African economy was short of a strategic resource — timber. The country is naturally short of forests, and the growing economy was placing the existing forests under strain. The Cape authorities started a dual process of developing timber plantations on the one hand, and protecting indigenous forests on the other. So began a long process of state involvement in the supply of timber to industry.

It made sense for the state rather than the private sector to grow commercial forests because they are such a long-term business. The private sector was unwilling to accept the long lead times and was poorly equipped to manage the risks. As the plantations grew, the state was able to move timber to the market. But it encountered problems getting investors to buy the timber and turn it into products for the building industry and consumers.

Investors were not keen to invest in sawmills, usually in rural areas where little infrastructure existed. They played hard to get and the state needed to offer them strong incentives.

So it came up with a package deal for investors: a long-term contract for the supply of timber; a piece of land on which to erect a sawmill; and a set of contract provisions that had the effect of keeping prices predictable and low. The state also undertook to provide the sawmills with a minimum quantity of timber.

This was the genesis of the state timber contract. It usually took the form of an "ever-green" contract: sawmills were given the



Trucker on out: The old arrangement tied the state into supplying sawmills with huge amounts of timber. PHOTO: MADINE HUTTON

right to state timber on an indefinite basis.

In many instances, the sawmills were guaranteed that they would be supplied with timber in virtual perpetuity — and if the state ever decided to terminate the contract, it would have to offer compensation.

It was an absurd arrangement, seen in the light of a modern market economy. And yet there was a logic to the system, considering the sawmills were small- to medium-sized companies relying on a single supplier.

The contracts reflected the conditions of the developing economy of the time. They were designed to suit the conditions of the 1950s, 1960s and early 1970s. But they put in place a system that is still with us today.

The contract system now has a number of drawbacks. The long-term contracts have effectively closed the market, which in turn means there are few incentives for outside investment. Some of the contracts promise huge volumes of timber, which cannot be supplied on a sustainable basis. In some areas trees have been planted in an environmentally unacceptable manner in an attempt to fulfil the contract obligations.

A third problem is that the "evergreen" contracts are not subject to competitive pricing. Some millers are currently paying 1989 prices for their timber, while others have had several increases since then — leading to intervention by the Competition Board.

The new law changes all this by laying down ground rules for state contracts. All contracts for the supply of timber from state forests — existing as well as new — will have to abide by certain basic conditions.

All contracts will have a five-year termination period, and longer or shorter notice periods will have to be approved by the minister of water affairs and forestry.

The state will not be obliged to supply a quantity of timber that cannot be provided in a sustainable manner, unless the shortfall is due to negligence.

These provisions introduce market principles into the supply of timber from state forests. Some of the old "evergreen" contracts have already been renegotiated and many sawmills have come to realise that the old closed system cannot be supported. Sadly, the forestry company owned by the Department

of Public Enterprises, has been able to sign new contracts with all but a few customers.

The Department of Water Affairs and Forestry has been able to renegotiate the terms on which more than 50% of its timber is sold, and more new contracts are expected once the law is passed in April. Those sawmills who have resisted new contracts will now have to consider the effect of the new law in their dealings with the state forests.

Whereas in the past the state has planted, tended and sold trees, it will increasingly turn its attention to promoting and regulating forestry. It will concentrate more on other pressing problems such as the management of indigenous forests and the use of trees in community development projects.

The restructuring of the state's commercial forestry assets will draw the private sector in to grow and sell trees. The land will not be sold, but will be leased with strict provisions for environmental controls, community rights and public access.

Lael Bethlehem is chief director (forestry) in the Department of Water Affairs and Forestry



# Govt decides to delay action on forestry at request of bidders

SA Forestry Company's (Safcol's) forestry holdings and those of the former homelands.

Interested parties have a choice of bidding for the asset as a whole, for any one of seven packages that have been identified, or for any combination of packages. The smallest package is 14 000ha, and the largest is 120 000ha.

The underlying land will not be sold. Instead the assets will be offered on a long-term lease which is unlikely to be less than a period of 70 years.

The big local players in the forestry industry, Sappi and Mondi, along with trade union consortium Union Alliance Holdings, have indicated interest in bidding.

Stand-alone international firms on the list are the Swedish defence and car group Saab, Indonesia's Barito Pacific Timber and Saudi Arabia's Farik Al-Zaid Group.

Other interested parties are the African Forestry Corporation, Alister Stewart, the Amathole Timber Consortium, the Eastern Cape Forestry Consortium, Idwezi Investment Holdings, Imbokodvo Lemababala, Thesen & Co with the Industrial Development Corporation as well as Ubanzo Timber Industries.



Bidders need time, says Kasrils

that is necessary.

The sale initially attracted the interest of 16 parties, with strong representation from black-owned companies. But industry analysts have expressed disappointment that none of the big US or international forestry groups appear willing to come on board.

Government's sale involves 332 000ha of commercial forestry assets, valued at between R1bn and R1.5bn. The assets include the

## Robyn Chalmers

GOVERNMENT'S decision to delay the submission of bids for its commercial forestry assets was made at the request of potential bidders, says Water Affairs and Forestry Minister Ronnie Kasrils.

This follows market speculation that government may not receive the level or quality of final bids it is expecting for its commercial forestry assets. Some analysts speculated that the state had expedited the deadline to give big international companies more time to enter the bidding fray.

Backing up last week's statement by Public Enterprises Minister Jeff Radebe, Kasrils said the four-week extension on the deadline for the bidding process was granted at the bidders' requests.

"They require additional time because the transaction is quite complex. This is after all the largest offer of state-owned forests that has ever been undertaken in any country. So the bidders have a massive task," said Kasrils.

Government has indicated that much progress has been made on the transaction, with the due diligence exercises completed along with most of the documentation

# Bidders in Safcol privatisation get another month

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**This means the whole timetable will shift by about a month, to August 29**

"In considering the bids, government will determine the extent to which the bids will satisfy those objectives overall. The negotiation process will entail negotiation with the preferred bidders until all the parties are satisfied with the terms and conditions of the agreements."

Nordien said. "It is difficult at this stage to speculate what the outcome of the bids and the subsequent negotiations will be. However, the Ministerial Cabinet Committee closely monitors the bidding process of any transaction and takes appropriate decisions on an ongoing basis. The Safcol-water affairs and forestry department privatisation process will also follow this procedure."

A total of 332 000ha of commercial forest is on offer on long-term leases as well as five saw mills and associated assets. These form the bulk of the assets of Safcol and half of the commercial plantations of the water affairs and forestry department.

But Norden was guarded in comments on whether Safcol's privatisation would go ahead regardless of the price offered by bidders and what would happen if the government was not satisfied with the value of the bids received.

He would also not be drawn on whether dissatisfaction with the value of bids could delay the process or the possibility of this leading to the postponement of the entire procedure.

"Government has a number of objectives that it wants to achieve out of the privatisation of its forestry assets. The price is one of them," Norden said.

"In considering the bids, government will determine the extent to which the bids will satisfy those objectives overall. The negotiation process will entail negotiation with the preferred bidders until all the parties are satisfied with the terms and conditions of the agreements."

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## Tribal chiefs join bidding for Safcol

Patrick Wadula

③ FORESTRY

IMBOKODVO Lemabalabala, a consortium that includes tribal authorities, is among the bidders for the Mpumalanga and Northern Province's SA Forestry Company (Safcol) and the water affairs department's forestry and commercial interests.

Consortium chairman Moses Molefi said yesterday the tribal authorities — through their investment vehicle Tribal Authority Investments — felt it was time for their people to get involved in empowerment as these forests were in the rural communities under their jurisdiction.

He said privatisation of the forests would enable the empowerment of rural communities and jobs would be created.

Molefi said the consortium would not only focus on the forestry but also in areas such as agroindustries, microfinance and leisure interests.

Prince Dlamini from the Embuhleni Tribal Authority said there were nine traditional authorities involved in the consortium. There are discussions to bring in a further two tribal authorities.

"We have almost 2-million people who will be represented by the consortium and these are the people who will benefit from privatisation of Safcol," he said.

Dlamini said the tribal authority investment company which was formed two years ago was aimed at targeting government's privatisation process and tenders in different sectors of the economy.

The tribal authority was also among the bidders in the privatisation of resort company Aventura before it was announced that Kopano Ke Matla was the preferred bidder.

Legae Securities director Irvin Pascal said the consortium would soon be seeking an equity partner. These would be both from the financial institutions and established companies which were keen to team up with the consortium. Legae Securities are advisers to the group.

Molefi said the consortium was in the process of approaching some of the Safcol bidders for a possible joint venture bid. Sixteen bidders have been short-listed and have until August 27 to submit their bids.

## Advisor calls for urgency in sale of forestry assets

Robyn Chalmers ③ FORESTRY

GOVERNMENT cannot afford further delays in privatising its commercial forestry assets if it wishes to retain international and local interest in the process, says international forestry advisor Dennis Neilson.

This follows the latest extension to the closing date for bids for the forestry assets, to August 31 from July 31 this year.

In March, government put 332 000ha of commercial forests and other assets up for sale after years of negotiation. Delays were mainly due to land claims and a decision to combine some former homeland forests with those of the SA Forestry Company.

Neilson, a director of New Zealand-based advisory and investment firm Dana, said government should be applauded for its determination to complete the sale process this year despite several delays.

"Delays and uncertainty have impacted on the existing industry, which has been loath to continue development and major capital expenditure while the process unfolds. Local and international investors have also been uncertain about the process," he said.

The sale of SA's plantation assets follows a similar pattern which has occurred in other southern hemisphere countries. Chile was the first government to sell plantations in the 1970s, followed by New Zealand, which sold 500 000ha of plantations in various lots between 1990 and 1996.

In New Zealand, Neilson said, a key positive element was the introduction of a number of new owners to complement the existing duopoly. "(New owners) have brought a welcome injection of capital, new technology and new supply chain access into markets difficult to penetrate from the outside," he said.

Neilson said the SA government would play an important role in deciding the most appropriate bid size. Experience suggests that forests should be sold in lots of reasonable size, such as a minimum of 50 000ha and a maximum of 150 000ha.

In SA, potential investors can bid for the commercial forestry asset as a whole, for any one of seven packages that have been identified, or for any combination of packages. The smallest package is 14 000ha, and the largest is 120 000ha.

Neilson said that whoever owned SA forests in the future would face serious challenges in terms of the global forestry market. New Zealand and Chile are set to double their available log supplies in the next 10 years. The added production from these countries alone will be 10 times the total sawlog harvest in SA.

# Our plantations are precious assets

By 11/8/99

Careful restructuring has a number of aims, writes  
Water Affairs and Forestry Minister Ronnie Kasrils

ALL over the world forests are part of the collective imagination. In times of crisis they provide sites of resistance and refuge, physical and spiritual, as the place of the Anatolia and Meandria forests in SA's colonial past shows. Their incredible diversity makes them places of wonder and legend. Correctly used they can be a continuing source of livelihood for many communities.

The contribution of forests to the life of our country has not always been sufficiently appreciated. SA's indigenous forests are one of the country's most precious resources. Similarly, at a time when the need for sustainable rural development has been placed high on the political agenda, the economic and social opportunity offered by our plantation forests in the most remote rural areas of the country cannot be ignored.

Arbor Week (September 1 to 7 1999) will pay special attention this year to the value of our forests, particularly to indigenous trees whose conservation is closely linked to the overall policies of Minister of Environmental Affairs and Tourism Mohamed Valli Moosa. Arbor Week, though, coincides also with the submission to government of the final bidding bids for government's plantation forests as part of the privatisation of Salsol and related government forests, focusing our attention on the economic role of forests.

Business Day's recent articles on the Salsol transaction (August 3) brought some important insights to the fore. Thus Robyn Chalmers (Adviser calls for urgency in sale of forest assets) quotes international forestry adviser Dennis Neilson, who reminds us of the urgency of completing this process. We agree with him. We granted an extension of a month for the submission of bids at the request of the bidders who felt they needed the extra time to do the subject justice.

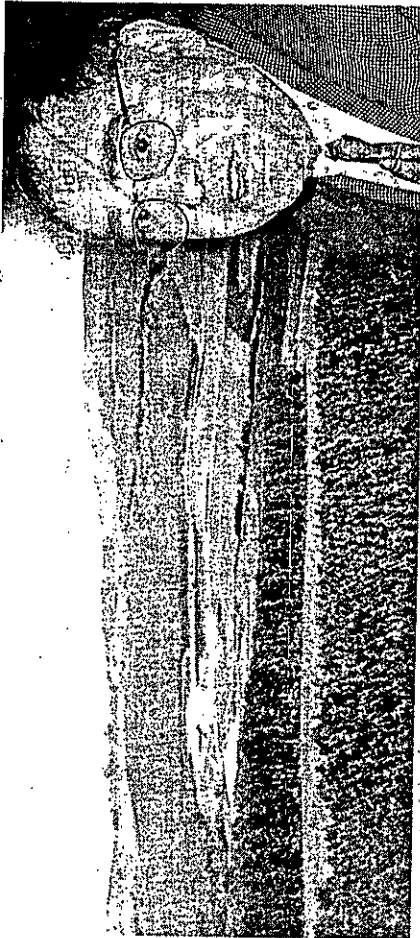
Minister of Public Enterprises Jeff Radebe, who is responsible for govern-

ment's overall privatisation process as well as this transaction, has spoken authoritatively of the benefits that new investors can bring. In this transaction they include new capital investment in the wood processing industry, especially in timber products. This is indeed a priority and when the bids are evaluated strong emphasis will be placed on the ability of potential investors to invest downstream. We are fortunate to be coming to the market just as commodity prices are on the turn and industry sentiment picking up.

Neilson is correct when he says the financial packaging of the sale is critical. The 500 000ha on offer represents the largest single privatisation of state forests on record so there is limited precedent only to guide us. Investors have been given the opportunity to make offers for the entire asset or for one or more of seven portions. The offers that we receive will show the market perception of the best packaging options. It may be that one bidder is able to run the entire asset as a single company focused on international as well as local markets. It may be, however, that some of the assets (especially those in remote areas of the country) are better focused on local and regional markets. We will be guided by the bids we receive.

In this context Patrick Wadula's observation (Tribal authorities bid for Salsol) that several of the black empowerment bidders are community-based is significant. Government's intention is that this transaction and the continuing restructuring of the rest of government's forests should create space for a type of black empowerment that is broadly based and creates investment opportunities for large numbers of people. By allowing bidding for individual packages it was intended to encourage this.

We are therefore pleased to note that not only have large local and international companies expressed their interest, but that a substantial number of black empowerment firms are also in the running.



Graphic: Maima Moss

It should be noted that government has agreed to allow bidding consortiums to bring additional partners to the table. These partners have to meet the same criteria as those originally shortlisted and will not be able to form new bids but will rather strengthen existing bidders. Two additional partners which have already qualified in this way are Steinhoff International (which has joined the African Forestry Consortium) and, in a move whose significance goes beyond this transaction, the Global Environmental Fund (which has joined Mondi). In addition several other requests are being considered by government. Bidders had until August 6 to propose further partners.

Bidders now have all the relevant information and documentation including the draft lease over the land. The lease is a critically important document given that the land will be leased rather than sold to the successful bidders for a minimum period of 70 years. Rentals will be payable per hectare and, in the case of successful land claims and tenure rights, these rentals will be payable to community entities.

Completion of this transaction will not spell the end of the road for the restructuring of government's forest assets. A further 75 000ha of plantation inherited from the former homelands will still have to be disposed of. About 50 000ha of these are commercially oriented forests, best suited for small to medium-sized businesses. Efforts will be made to foster partnerships between communities and companies.

The largest of these assets is the Mhazwana-Mazongwenya complex in northern KwaZulu-Natal, which includes 22 000ha with a sawmill. The remaining assets range from fairly small isolated plantations to larger groups of plantations.

The third category of commercial assets are woodlots — small, stand-alone plantations originally established for the use of rural communities. Some of these could be viable community-owned enterprises while others will be handed over to communities to provide fuel and building materials. Support will be given to develop community-private partnerships to ensure the management and financial resources needed are available.

President Thabo Mbeki has instructed all government departments to contribute to the development and implementation of coherent, integrated rural development strategies. The restructuring of government's forests will be a significant step forward in catalysing sustainable economic development in rural areas from Tsikamma to Thoyandou.

# New foreign players join bid for SA's forestry assets

Robyn Chalmers

③ FORESTRY

BD 11/8/99

TWO new international players have joined the bidding for SA's commercial forests after government agreed to allow existing bidding consortiums to bring new partners to the table.

Water Affairs and Forestry Minister Ronnie Kasrils says US-based investment vehicle Global Environmental Fund has joined Mondi, while furniture manufacturer Steinhoff International now forms part of the African Forestry Consortium's bid.

Government's decision to allow new partners to join existing consortiums was welcomed by analysts yesterday.

Bidders are prevented from discussing the details of the sale process due to confidentiality agreements.

However, there were indications yesterday that a number of international funding institutions had approached short-listed bidders about participating in the initiative.

Kasrils says bidders had until Friday last week to propose further partners. New partners will have to meet the same criteria as those originally short-listed and cannot form new bids. However, they can strengthen existing bidders, he says.

The sell-off involves about 500 000ha of commercial forestry assets, initially valued at between R1bn and R1,5bn. These include the SA Forestry Company's forestry holdings and a portion of those held by the former homelands.

Bidders can bid for the asset as a whole, for any one of seven packages or for any combination of packages. The forestry assets will be offered on a long-term lease.

Public Enterprises Minister Jeff Radebe announced that the deadline for the submission of bids had been delayed by a month to August 31.

Kasrils says bidders now have all the relevant information and documentation to submit their bids, including the draft lease for the land. The lease will span a minimum of 70 years.

The big local players in the forestry industry, Sappi and Mondi, and trade union consortium Union Alliance Holdings have been short-listed.

Stand-alone international firms on the list are Swedish defence and car group Saab, Indonesia's Barito Pacific Timber and Saudi Arabia's Tarik al-Zahid Group.

Precious assets: Page 13

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# Sonae pulls out of forestry consortium

by Nkhato Motlana jnr  
Solly Tucker, the chairman of Yorkcor, confirmed the consortium would still submit its bid today. He would not comment on the reasons for Sonae's decision not to participate.

He said all bidders were required to sign a confidentiality agreement and a breach of this agreement was disqualification from the bid.

Tucker said Yorkcor did not want the government to take umbrage in the way it handled this matter but it also felt compelled in terms of JSE rules to disclose it to its shareholders.

Tucker was also not at liberty to comment on whether Sonae's withdrawal would affect the bid.

The consortium initially included Yorkcor, Sonae and Madiba Mills, the black empowerment enterprise headed

price. "Obviously this aspect will be reviewed, but the government has made it clear that socio-economic factors were also pivotal to the award criteria."

"These included the contribution to black empowerment, job creation, export development, environment impact, competition law and policy."

Tucker said negotiations were taking place with other interested parties, but he refused to elaborate.

Commenting on the bid, he said intensive work had been under way with the two consortium partners, Sonae and Madiba Mills, since the beginning of the year.

"We are satisfied that all the

due diligence work and other key disciplines have been rigorously and reliably completed and nothing prevents us from making a bid."

Madiba Mills, situated near White River, was established by Yorkcor as the first sawmilling operation in the formal sector of the timber industry to be run by black management.

"The Madiba Forestry Consortium plans to make it a model to show the way to a profitable future for enterprising black entrepreneurs whose entry into the sawmilling industry has been barred because of barriers to secure sources of long-term sawlog suppliers. We aim to correct this," Tucker said.

## Last-minute bidding for Safcol

Robyn Chalmers

UP TO seven consortiums are expected to submit bids by noon today for SA's commercial forestry assets after a spate of mergers among bidders and some entities pulling out.

Industry observers emphasised that deals were still being made yesterday and that changes in consortiums were likely to take place up until the 11th hour. "The situation is extremely fluid. The picture could change substantially before noon," said one analyst.

An initial 16 consortiums were short-listed to bid for 500 000ha of commercial forest around SA in the world's largest forestry privatisation exercise to date. The assets, initially valued at R1bn to R1.5bn, consist of those of the SA Forestry Company (Safcol) and a portion of the former inland forests. Public Enterprises Minister Jell Radebe has said the timetable for the completion of the sale process is October. Bidders may not discuss details of

the sale process due to confidentiality agreements. However, industry observers said yesterday that several consortiums had put together strong bids as a result of mergers and the introduction of new partners.

By last night strong contenders included the African Forestry Corporation, believed to have teamed up with Sappi, Steinhoff International and Uthmaniyah Timber Industries.

Mondi is understood to have linked up with Thesen & Co, the industrial Development Corporation and US-based investment vehicle Global Environmental Fund. Mondi may also bid for other packages with the Eastern Cape Forestry consortium and timber group Hans Merensky or others.

The only consortium that may bid for the entire forestry package is London-based Eco-Africa Forest Holdings. It is made up of Gruppo Mauro Sordani from Italy, Masthead Holdings and Forestmatch Holdings, with Anderson Consulting believed to be involved. Indone-

sia's PT Barito Pacific Timber group may bid on its own, as may the Anadibole Timber Consortium.

The Madiba Forestry Consortium, which lost Portuguese group Sonae this week, said it would bid for assets in Mpumalanga.

International bidders, said to have pulled out of the process, could include Sweden's Saab group and Saudi Arabia's Tarik Al-Zahid group. Locally based investors include AAC Stewart and possibly trade union consortium Union Alliance may withdraw.

Analysts said a key concern was the lack of interest expressed by big international forestry groups such as US-based Weyerhaeuser or Rayonier. An analyst says this is due to the lengthy sale process and its complexity. Lead transaction adviser Real Africa Durobel Investment Bank said yesterday that one unnamed international group had already submitted a bid. The remaining bids are due at its Sandton headquarters at noon today.

*Department rules out possibility of extending deadline for submission of binding bids*

# State sticks to forestry deadline

EXCERPTS FROM THE FORESTRY

**ROY COKAYNE**

Pretoria - There was no possibility that the deadline for the submission of binding bids for the state's forestry assets would be extended again, Lydia Bici, the chief director in the office of the public enterprises department, said last week.

"That possibility is out because some of the bidders would have already submitted their bids," Bici said.

The sale of the forestry assets of Safcol and the water affairs and forestry department is expected to raise R1,5 billion for state coffers. The assets consist of 335 000ha of plantations and five saw mills.

Last Friday was the deadline for the submission of binding bids after the original deadline was extended by four weeks because of numerous requests from bidders.

A total of 16 potential bidders were shortlisted during the first round of the process.

Bici was unable to confirm how many had already submitted bids and whether any of the shortlisted bidders had decided against submitting binding bids.

"We don't have that information yet. The bids will go to our transaction advisers."

"We're waiting anxiously for that information."

The York Timber Organisation

(Yorkcor), the listed forestry products company that is part of a consortium on the shortlist, announced last Wednesday that Sonae, the Portuguese particle board manufacturer, had withdrawn at the 11th hour from the Madiba Forestry Consortium, which would be submitting a bid for the state's forestry assets in Mpumalanga.

But Solly Tucker, the chairman of Yorkcor, confirmed that the consortium would submit its bid on Friday. The consortium included Yorkcor, Sonae and Madiba Mills.

Madiba Mills is the black empowerment enterprise headed by Nkhato Motlana jr that was established by Yorkcor as the first

sawmilling operation in the formal sector of the timber industry to be run by black management.

The extension of the binding bid deadline meant the timetable for the sale of the state's forestry assets shifted by about a month, including the selection of the preferred bidder or bidders.

The selection of the preferred bidder or bidders was initially scheduled for the middle of August. Negotiations were then to take place before the privatisation of Safcol was finalised.

But the public enterprises ministry has been unable to provide a target date for the implementation of Safcol's privatisation.

# Sale of state forests set to give sawmillers a boost

Preferred bidders must show support for black economic empowerment

Robyn Chalmers

THE privatisation of the state's massive commercial forests will give SA's sawmilling industry a much-needed boost, says Nhato Motlana Jr, recently appointed chairman of the SA Lumber Millers' Association.

Motlana said the sale of up to 500 000ha of state commercial forests should inject further competition into the forestry sector.

The industry has to date been dominated largely by the government-owned SA Forestry Company (Safcol), which is the sole supplier of sawlogs for many sawmillers in the country.

He said tender documents for the sale stipulate that the preferred bidders must show support for black economic empowerment and the promotion of downstream industries.

Government has offered 500 000ha of forests as a single package, but bidders may tender for one or more of seven

forestry packages. The smallest package is 14 000ha and the largest 120 000ha.

The sawmilling sector has been through a tough period and the number of active sawmillers is down to about 60, from 188 more than 10 years ago. Several timber merchants have also closed shop, reducing the number of timber outlets.

Motlana said members of the association had almost halved over the past 10 years as sawmillers had gone out of business. This was largely the result of existing pricing policies in SA and the need for huge capital investment in technology because of globalisation.

"We believe that Safcol's pricing is uncompetitive. In other countries there are generally a number of growers to choose from, leading to a competitive process. In SA, with Safcol being the dominant player, there is nowhere else to go," he said.

Motlana said while this should ease with the looming privatisation of Safcol, the lengthy run-up to the sale had led to a lot of uncertainty in the sawmilling sec-

tor. Many sawmillers, using equipment 10 to 15 years out of date, have been reluctant to take investment decisions because of uncertainty about the sale of Safcol and the former homeland forests.

"Many sawmillers are feeling besieged as, for a long time, there has been no certainty on the way forward for the industry. It is important that the privatisation process is completed," he said.

Motlana said the industry was broadly divided into two areas — bushmillers who are largely black entrepreneurs with mobile equipment and set up shop where trees are available — and formal sawmillers.

Motlana said the association planned to bring the bushmillers into the formal sector over time and to establish them as formal sawmilling operations.

Motlana is also executive director of Madiba Mills in which the York Timber Organisation has a stake. The two are jointly bidding for the state's forestry assets in Mpumalanga.

31/8/99 FORESTRY

# Farm and forestry workers threaten to strike over pay

SA FORESTRY 152 (4)  
Simphiwe Xako

MORE than 3 200 members of the SA Agricultural, Plantation and Allied Workers' Union (Saapawu) have threatened to go on strike on Monday after pay talks with management deadlocked.

Saapawu national organiser Thamsanga Myeza said workers decided to engage in industrial action following a dispute with management about wages and working conditions.

Myeza said the union and the Sapekoe Estates management failed to reach a settlement at a meeting with the Commission for Conciliation, Mediation and Arbitration (CCMA) on Tuesday.

"We have obtained a certificate from the CCMA and have already given management the required notification."

Sapekoe Estates is a national tea-growing company with estates in the Northern Province, North West and KwaZulu-Natal.

Myeza said the R330 a month earned by the lowest paid employee was "inadequate" and that management's 7% across the board final offer was unacceptable. The union's position has always been the closure of the apartheid wage gap between the lowest and highest paid employees and the introduction of an adequate minimum wage.

Myeza said employees' wages should not be linked to the short-term behaviour of markets and that jobs should be retained.

The company's industrial relations officer Calie Lombard declined to comment, saying it would affect the "good faith of collective bargaining". He was optimistic, however, that a settlement could be reached by the two parties despite the strike notice.

Meanwhile, more than 150 Columbus Stainless Steel employees are expected to appear in the Middleburg Magistrate's Court today after a strike last month. National Union of Metalworkers of SA spokesman Dumisa Ntuli said the workers were charged with intimidation and defying a court interdict.

About 120 members of the Southern African Clothing and Textile Workers' Union gathered at the Cape Town customs and excise offices yesterday to protest against what they said were illegally imported clothing, textiles and footwear flooding the SA market. The union said protesters handed a memorandum to management demanding an end to the alleged illegal imports.

BD 2/9/99



*Substantial competition for a number of the packages*

# 14 bidders for Safcol 'and more privatisation ahead'

LYNDA LOXTON  
ET (M) 2/9/99

③ FORESTRY

PARLIAMENTARY CORRESPONDENT

Cape Town - Fourteen bids had been received for Safcol, the state's forestry company, Deputy President Jacob Zuma said yesterday.

Sources said announcements on the privatisation of further state assets were expected soon. These could include Petronet, the state's oil and gas pipeline company, and Syncat, the synthetic catalyst manufacturer owned by the state's Central Energy Fund and Germany's Stid-Chemie.

No official confirmation could be obtained.

Details of the two deals, and possibly one other, were due to have been revealed at a briefing yesterday by Jeff Radebe, the public enterprises minister. This was postponed because of an inter-ministerial Cabinet committee meeting on the restructuring

of state assets and, in particular, the crisis at Sun Air.

Radebe said the meeting had been briefed on the proposals for the future of Sun Air by former employees and by South African Airways.

An emergency meeting would be called of the departments of finance, state expenditure, transport and trade and industry to "consider the final proposals on the future of the airline".

Radebe confirmed that 14 bids had been received from nine bidders or bidding consortia by the time the bids closed on August 27.

Two bids for Safcol were received for the company as a whole and the rest for one or several of the seven packages into which the bid has been divided.

"Three of the bids, including one for the asset as a whole, are from international bidders or include international partners," Radebe said.

A final decision on the bids was expected by the end of September. Radebe said that, in addition to the up-front price, the bidders would have to pay an annual rental of about R200 million over 10 years. The up-front price, which has not been released yet, would take that into account.

Radebe said there were a number of positive possibilities for Safcol, but "substantial" work lay ahead to reach a decision. "It remains to be seen whether the asset will be sold as a whole or in parts," Radebe said.

"There is substantial competition for a number of the packages."

If Safcol was sold in parts, the government could retain one or more of the packages if the bids for them were unsatisfactory.

Radebe said the final decision would take into account the scope for black economic empowerment, investments in the plantations and downstream manufacturing. Also important would be the retention of labour, job creation and co-operation with neighbouring communities.

**Radebe said  
a final decision  
on the bids  
was expected  
by the end of  
September**

# Safcol sale details this month

ET(BP) 11/10/99 (3) FORESTRY

**STEWART BAILEY**

Johannesburg - The sale of Safcol, the state-owned forestry assets, would be wrapped up by the end of this month, Jeff Radebe, the minister of public enterprises, confirmed last week.

It was expected that the successful bidders would be announced at the next meeting of the inter-ministerial Cabinet committee on the restructuring of state assets on October 23, ending a two-month wait since 16 bids were lodged on August 27.

This would bring to an end what is widely regarded as the single biggest privatisation of state forestry assets in the world to date. Safcol's annual turnover is R569 million and its assets are worth about R693 million.

The department of public enterprises said the bids were being assessed on the basis of value as well as technical proficiency.

Mike Edwards, the executive director of the Forest Owners Association, said that although it was gratifying that a decision was to be made, the committee

could well make a negative announcement.

Edwards said such an announcement could result from concerns surrounding the further concentration of South Africa's domestic timber-supply base, or from the value of the bids, which he said might not be in line with the government's expectations.

Among the reasons for lower than expected bids, he said, could be the poor state of the sawmilling and solid wood industries.

# Wetlands key to sale of forests

JOHN YELD  
ENVIRONMENT REPORTER

Moves to ensure proper wetland conservation in commercial forests are expected to feature strongly during detailed negotiations between the Government and bidders for South Africa's state-owned forests.

The cost of rehabilitating wetlands which were planted with trees in earlier years, before wetland conservation was taken seriously, and the resulting reduction in the area available for planting new timber, will have an impact on the price bidders are willing to pay the state for the forests, say some sources.

Also, the Department of Environmental Affairs and Tourism is understood to have been insisting that wetlands get appropriate recognition during moves to privatise the forests.

But these claims have been played down by Lael Bethlehem, chief director of forestry in the Department of Water Affairs and Forestry.

"I don't think it's a new issue - wetlands have always been around," she said.

Ms Bethlehem, who has won praise for her commitment to the sound environmental management of state forests, also said figures bandied around which put the value of the state's forestry assets at between R1-billion and R1.5-billion, were "very old".

"These were based on very early evaluations." She did not give a new estimate.

The Government had invited bids for 330 000 hectares of plantations and associated processing plants in seven areas - either as a whole or for any one "package".

This included forests managed by Safcol, the parastatal forestry company which was established in 1992, and forests owned by the Department of Water Affairs and Forestry that were inherited from the former homeland governments of Ciskei and Transkei.

The Government has shortlisted five bidders for the acquisition of forests in Mpumalanga, KwaZulu Natal, eastern Cape (north), eastern Cape (south) and the southern Cape.

All five are consortia which include black empowerment and/or community interests, as well as South Africa's "big two" timber companies, Sappland and Mondi.

There were no bidders for the package as a whole or for the state's forestry assets in the Western Cape (17 766ha) or the Northern Province (18 825ha).

In a joint statement, Public Enterprises Minister Jeff Radebe and Water Affairs and Forestry Minister Ronnie Kasrils said detailed discussions and negotiations with the five bidders would now begin.

The new emphasis on wetland conservation in forests comes from two sources: South Africa's new Water Act, and field guidelines for wetland conservation being developed by the forestry industry itself.

In terms of the act, there are restrictions on any activities which reduce "stream flow" - the amount of water in natural systems such as rivers and wetlands - and which have an impact on the quality of water.

Planting trees in wetlands reduces both the water flow, because the trees use significant amounts of water, and the natural ability of wetlands to filter and cleanse water.

# Winner of SA forests will face a challenge

③ FORESTRY

DD 29/10/99

Global industry is set for consolidation, writes Robyn Chalmers

AS GOVERNMENT moves into the final phase of selling a portion of its commercial forests, the question on the lips of many analysts and industry officials is why the international community has stymied the process.

It is clear that the lack of participation by foreign forestry companies is of concern and a big disincentive to government officials. Key factors in the state's overall privatisation programme include the injection of foreign investment into the SA economy, transfer of skills and introduction of new technology.

It is also critical that the winning bidders have the financial muscle to fund expensive processing, modernisation, expansion and international marketing programmes. US forestry groups such as Weyerhaeuser, Rayonier and Georgia Pacific or New Zealand's Fletcher Challenge would have brought all of these to the party.

Instead, the five short-listed consortiums are local players. Bidders have put together relatively strong consortiums, all with empowerment elements and with good local expertise. The concern among analysts is not so much about the quality of the local consortiums, but rather the ability of a more fragmented SA forestry market to be globally competitive.

International forestry adviser Dennis Neilson says whoever owns SA's forests will face serious challenges in the next millennium.

New Zealand and Chile are set to double their available log supplies in the next decade and the added production from these countries alone will be 10 times the total sawlog harvest in SA. More expansion is also expected in Australia, following the recent injection of three new overseas owners. Neilson says that all this wood will come from softwood plantations, which can easily be substituted for the local species.

"This competitive environment is not likely to abate within the foreseeable future, and indeed may intensify," he says.

Craig McKenzie, chief operating officer of Jaakko Pöyry Consulting, says the forest industry is set for rapid consolidation, driven by globalisation in fibre and product markets, and the capital intensive nature of the industry.

"Expect to see major regional players link up with companies in other regions to create true global players with resource supply-and-process facilities across all regions, and an international market presence," he says.

Once the consolidation trend runs its course, McKenzie believes there will be eight to 12 global megaplayers that will dominate the industry.

The question is whether local players will be able to compete effectively, given that government has split the industry into various lots. No single company has bid for the entire 332 000ha.

At the moment the industry is held by SA Forestry Company (Safco) and the state.

Forestry department chief director Liel Bethlehem says this is not a big concern and that a key issue for the state is to increase black economic empowerment holdings in the sector.

Government's decision to give companies the choice of bidding for smaller packages of forestry assets helped attract interested empowerment groups.

Neilson says the replacement of one big player — Safco — and the state — with another will not necessarily help the market.

"Big is not necessarily beautiful. In sawmilling and to some extent panel production, smaller entrepreneurial owners and managers with access to capital are proving well suited to efficient pro-

duction and marketing," he says. Bethlehem agrees that the lack of interest from the global forestry players is a disappointment, but he says the local market is a minor concern compared with other markets.

Public enterprises ministry spokesman Zaid Nordin believes the timing of the sale may have been a problem in attracting international interest, given the poor conditions in the global pulp and paper market.

"It is unclear whether enough thought was given to this issue," says Nordin.

Mike Edwards, executive director of the Forest Owners Association, argues that, while timing may have been a factor, lengthy delays in the sale process and demands made on new owners as part of the sale contract have played a significant role.

Democratic Party public enterprises spokesman Kaennette Taljaard agrees. Not only had government taken "an age and a half" to deliver an incomplete process, she said, it had added so many contractual stipulations that the deal became unattractive.

Taljaard says no international investor will accept such a strict regulatory regime, together with the cost of the rentals, a pending land tax, increased water tariffs, costly labour legislation and a lack of competition policy assurances.

Government may embark on a second sale process for the Northern Province and Western Cape packages that failed to attract suitable bids. This is generally not seen as a negative factor by analysts and could give the process a second chance.

The state has already indicated it will sell the second half of the former homeland forests at a later date, and if these packages are included in this sale, it could improve the chances of creating international interest in SA's forests.

## State's commercial forestry sale

### Short-listed forestry bidders:

- Black empowerment company African Forestry Consortium, in a management partnership with Suppi, is short-listed for the Mpumalanga and KwaZulu-Natal packages.
- Sizibuthaka Consortium, made up of tribal authorities Imbokodo, Lamahabala and Moudi, is short-listed for the KwaZulu-Natal package.
- Singisi Forest Products Eastern Cape Forestry Consortium, owned by Haas Werensky Holdings and the Eastern Cape Development Corporation, is short-listed for the Eastern Cape North package.
- Anabole Timber Holdings, consisting of Faniran Investments, JD Lentz Investments, the Anabole Community Trust and the Rance and Lentz Workers' Trust, is short-listed for the Eastern Cape South package.
- The Hasen Consortium, including the Khwela Consortium, Southern Cape Forestry Consortium and the Industrial Development Corporation, is short-listed for the Southern Cape package.
- No bidders have been short-listed for the aXcel as a whole.

### Forestry packages on offer:

- Northern Province - 18 825 hectares (planted)
- Mpumalanga - 720 250 hectares (planted)
- KwaZulu-Natal - 32 851 hectares (planted)
- Eastern Cape North - 57 935 hectares (planted)
- Eastern Cape South - 14 405 hectares (planted)
- Southern Cape - 70 209 hectares (planted)
- Western Cape - 17 788 hectares (planted)

Graphic: KUBEN DAVID. Source: DEPARTMENTS OF WATER AFFAIRS AND FORESTRY, PUBLIC ENTERPRISES

# The sawmillers versus the state

Government is armed with new tool in the form of the National Forests Act, writes Robyn Chalmers

THE battle between the state and sawmillers over timber supply contracts has been under way for years, and government appears to be readying itself to take up the cudgel again.

The state, which has lost the legal battle in the past, is now armed with a new tool in the form of the National Forests Act of 1998.

Government is also driven by the impending sale of a portion of its commercial forests as the contracts have implications for some of the new forestry owners.

The act gives Water and Forestry Minister Ronnie Kasrils the right to terminate any agreement to sell timber from state forests which was in force before the act came into being. Five years' written notice must be given unless the parties agree to a greater or lesser period.

In order to terminate the contracts, Kasrils has to be convinced that the contract holder has had an opportunity to realise a reasonable return on any investments made before the act was brought into force. The state does not have to pay compensation, other than paying out for any improvements, such as buildings or sawmills constructed, undertaken in state forests as a result of the contracts.

The act also says the state cannot be forced to deliver more timber from its forests than is sustainable, unless any shortfall is due to negligence on the part of the state.

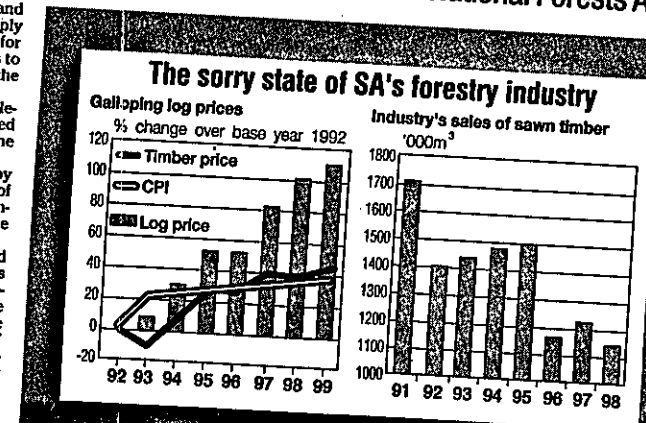
Analysts believe the act potentially gives the state a legal way of getting out of the evergreen supply contracts which were forged by the former homeland governments and government years ago.

The biggest problem for the new government has been that these contracts were granted in perpetuity, making it almost impossible to cancel the agreements without paying compensation.

Water and forestry department chief director Lael Bethlehem says the contracts are essentially cosy relationships which give saw-

millers a long time to pay and substantial discounts. "The contracts are not easy to defend to the public," she says.

Government's argument is that the contracts close out new entrants to the sawmilling industry, which is one market sector that can promote small entrepreneurs and black economic empowerment relatively easily.



KUBEN DAVID Source: SALMA/SA LUMBER INDEX AND CRICKMAY ERASMUS AND ASSOCIATES

It argues the evergreen contracts force the state to supply a volume of timber which is not sustainable, raising environmental concerns.

Sawmilling firm The York Timber Organisation (Yorkcor) is the only one of five sawmillers with evergreen supply contracts which has gone to court to protect its agreement and has

won its legal battle.

Yorkcor, along with many other sawmillers in the country, is in an invidious position as it does not have ready access to its own plantations, as paper giants Sappi and Mondi do.

Yorkcor has also not been short-listed as a bidder for the state's forest sale. The sawmilling firm lost its foreign part-

ner Sonae shortly before bids for the sale were due. Yorkcor chairman Solly Tucker says two factors are driving the pressure for Yorkcor to give up its contracts.

First, he claims the state wants to include Yorkcor's resource entitlement in the Mpumalanga forestry privatisation package. Second, he says the department cannot deliver on its obligations under the contract because the plantations have not been properly managed for years.

Tucker says the company understands that opportunity must be shared, new entrants to the industry encouraged and sustainability in forest management encouraged. "Our contract provides for fair compensation to make good the loss of our business from the termination of the contract."

"We would settle for that if there were no way of carrying on. But it would really be mean to try to make us bear the loss altogether without a proper accounting."

In terms of Yorkcor's evergreen contract, the state has to give five years' notice if it wants to cancel the agreement and pay compensation so Yorkcor is not worse off as a result of the termination. It could have to pay out future profits on an indefinite basis.

Tucker says the timber industry has been immobilised by uncertainty created by the tenuous hold sawmillers now have on their log supply.

The state-owned SA Forestry Company (Safcol) has hiked its log prices by 30% over the past two years while lumber sales have either fallen or been stagnant. Safcol, which is being privatised along with a portion of the former homeland forests, is the dominant player in sawlogs, supplying more than 70% of the market.

Tucker says so few sawmillers have opted to fight for their evergreen contracts because it is tough to stand up to government or Safcol. "For most independent sawmillers, there is nowhere else to go for logs," he says.

Yorkcor is unlikely to give up its contract without a fight and the state seems keen to convert the remaining evergreen agreements to more commercial ones. Unless some sort of compromise can be reached, the chances are that litigation will once again be the order of the day.

# Sell-off to aid shortfall

FORESTRY ET (PR) 17/11/99

**ROY COKAYNE**

Pretoria - Privatisation proceeds would be used to "make good" the more than R44 million shortfall in the retirement funds of the South African Forestry Company (Safcol), the forestry parastatal, Charles Ntuli, Safcol's deputy chairman, said yesterday.

Eliminating the shortfall will cut the state's benefits from selling off its forestry assets, which include Safcol, water affairs and forestry department forests.

Five consortiums have been placed on a shortlist by the government for the purchase of 75 percent of its forestry assets.

Reports, unconfirmed by the public enterprises department, said bids submitted by the consortiums would result in the government realising less than R300 million, well below the

market value of between R700 million and R1,5 billion of its forestry assets.

Ntuli, who is also the chairperson of the board of trustees of one of Safcol's retirement funds, said agreement had been reached amicably with the government on a settlement of the shortfall in Safcol's retirement funds. He said only the signing of an agreement was outstanding and, as far as he knew, the agreement would be signed before the end of this month.

Ntuli said actuaries from both parties had agreed on a figure for the shortfall. He was unable to establish the total but said it was more than R44 million.

According to Safcol's 1998 annual report, its most recent, the initial actuarial shortfall in Safcol retirement funds was estimated at R80 million.

The report said R20 million was

transferred to the Safcol retirement funds during 1995 and R16 million during 1994, reducing the estimated market value of the deficit to R44 million as at June 30 1998.

It added that in terms of the Management of State Forests Act of 1992, the state had to eliminate the shortfall in funds transferred from the state's pension funds to the Safcol retirement funds.

The report emphasised that irrespective of the actions by Safcol's board of directors, the state remained responsible for the elimination of the shortfall in the funds transferred.

A circular by the board of trustees of the Safcol retirement funds sent to members earlier this year said the state's pension funds were underfunded and, in terms of this act, the state was liable to fund any shortfall in the liabilities transferred to the Safcol retirement funds.

2. LABOUR  
2.2 Employment, salaries and wages  
2.2.3 Manufacturing (continued)

Year or quarter	Total employment				Total salaries and wages (R'000)			
	Transport equipment	Manufacture of furniture	Total: Other manufacturing and recycling	Manufacturing, n.e.c.	Transport equipment	Manufacture of furniture	Total: Other manufacturing and recycling	
	Transport equipment, n.e.c.				Transport equipment, n.e.c.			
	167	168	169	170	171	172	173	
1998*	471	44 431	19 885	19 025	18 148	1 393 253	637 482	514 218
1999	836	42 837	18 419	17 654	25 629	1 399 756	646 378	524 201
1998 - 1	435	41 738	19 912	18 936	2 364	304 843	149 339	144 611
2	471	44 413	19 885	19 025	2 962	341 924	153 893	145 211
3	509	44 838	19 835	19 011	3 267	343 899	155 713	145 211
4	1 056	45 877	20 044	19 241	9 555	402 587	178 537	145 211
1999 - 1*	1 016	43 334	19 632	18 781	6 163	321 733	156 779	145 211
2*	836	42 837	18 419	17 654	5 680	316 147	153 440	145 211
3*	817	43 621	19 193	18 416	5 748	346 082	156 007	145 211
4	823	43 986	19 842	19 070	8 038	385 794	180 152	145 211

## 2.2.3 Manufacturing (concluded)

Year or quarter	Total employment		Total salaries and wages (R'000)	
	Recycling, n.e.c.			
	175	176		
1998*	860	22 608		
1999	765	22 133		
1998 - 1	976	4 863		
2	860	5 681		
3	824	5 859		
4	803	6 205		
1999 - 1	851	5 373		
2	765	5 505		
3*	777	5 635		
4	772	5 620		

## 2. LABOUR

## 2.2 Employment, salaries and wages

## 2.2.3 Manufacturing (continued)

Year or quarter	Total employment				Total salaries and wages (R'000)			
	Transport equipment	Manufacture of	Total: Other	Manufacturing, n.e.c.	Transport equipment	Manufacture of	Total: Other	Manufacturing, n.e.c.
	Transport equipment, n.e.c.	furniture	manufacturing and recycling		Transport equipment, n.e.c.	furniture	manufacturing and recycling	
	167	168	169	170	171	172	173	174
1998*	471	44 431	19 885	19 025	18 148	1 393 253	637 482	614 874
1999	836	42 837	18 419	17 654	25 629	1 399 756	646 378	624 245
1998 - 1	435	41 738	19 912	18 936	2 364	304 843	149 339	144 476
2	471	44 413	19 885	19 025	2 962	341 924	153 893	148 212
3	509	44 838	19 835	19 011	3 267	343 899	155 713	149 854
4	1 056	45 877	20 044	19 241	9 555	402 587	178 537	172 332
1999 - 1*	1 016	43 334	19 632	18 781	6 163	321 733	156 779	151 406
2*	836	42 837	18 419	17 654	5 680	316 147	153 440	147 935
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## 2. LABOUR

## 2.2 Employment, salaries and wages

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Year or quarter	Total employment				Total salaries and wages (R'000)			
	Transport equipment	Manufacture of	Total: Other manufacturing	Manufacturing, n.e.c.	Transport equipment	Manufacture of	Total: Other manufacturing	Manufacturing, n.e.c.
	Transport equipment, n.e.c.	furniture	and recycling		Transport equipment, n.e.c.	furniture	and recycling	
	167	168	169	170	171	172	173	174
1998*	471	44 431	19 885	19 025	18 148	1 393 253	637 482	614 874
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FORESTRY

# Concession aids SA fruit exports

 Business Day Reporter 

THE Cape fruit industry has completed one of its most successful air export seasons thanks to the concession on the use of charter flights given by Transport Minister Eli Louw last year.

The concession enabled charter planes, for a limited period, to carry freight on both their south- and north-bound routes instead of only on the export route.

Unifruco, the international marketing group of the deciduous fruit industry, said the concession enabled more economical use of air export opportunities by the industries.

In total, 700 tons of apricots, peaches, nectarines, melons and table grapes were supplied without any problems to Europe over the Christmas and New Year season.

Unifruco CE Louis Kriel said the use of charter flights in addition to regular scheduled flights enabled Unifruco to service destinations in Europe that could not previously be reached.

*h/dm 25/1/88*

D/D 15/11/88

# Test tube pines are harvested

FRUIT

The first pineapples to be produced by plants obtained via tissue culture were picked recently by Mrs Mariana Fitchet, a researcher of the Citrus and Subtropical Fruit Research Institute at Nelspruit. Four queen pineapples were harvested.

The cultures were initiated on October 18, 1984 and the buds grew rapidly to produce healthy miniature pineapple plants. These plantlets were re-established on January 25, 1985, in a seedling tray with a plastic tunnel constructed over it.

Once the plantlets were strong enough, they were placed in a glasshouse and then eventually transferred to a nursery bed. Mrs Fitchet said the plants grew well even though the climatic and culture conditions in the nursery were not optimum.

The four pineapples were very small, probably due to the genetic make-up of the parent material. The original parent material was obtained from a commercial outlet and the size of the fruit as well as the plant is unknown.

As this experiment was carried out to establish the protocol for clonal multiplication, the

technique can now be applied to plants with desirable characteristics such as larger, well-shaped fruit, with a high sugar content and good external appearance.

By taking planting material from a known parent, it will then be possible to compare the performance of the progeny with the original parent plant, Mrs Fitchet explained.

## Blacks 'want land reallocation'

SUPPORT for redistribution of land and wealth is strongest among the more highly educated sections of the black community, according to Market Research Africa.

"As many as 59 percent of blacks in professional and managerial positions and 56 percent of those with matric or higher levels of education are in favour of a redistribution of land," MRA said in a Press release summarising the findings of the survey.

The report says about 34 percent of unskilled and blue collar workers and 29 percent of those without formal schooling favour land reallocation.

*Political Staff.*

## Company to run State forests

STATE forests will be managed and operated by a public company, the South African Forestry Company Ltd, in terms of a new Bill.

The object of the measure is to commercialise the State's forestry and timber-processing activities.

The company, with the State as sole shareholder at incorporation, may sell or dispose of shares only with the approval of parliament. — Sapa.

③ FORESTRY ARG 10/6/92

## Insurance deal covers fruit farmers

CAPE TOWN — Insurance brokers First Bowring & Associates have teamed up with Cape-based brokers Hammond & Graafts to provide western Cape fruit farmers with a Lloyd's underwriting facility for crop insurance. *8/10/94 13/8/92*

First Bowring regional manager Bertie van Eck said from Worcester that the development was a breakthrough because traditionally high

LINDA ENSOR

risk fruit crop insurance had in the past been available mainly through co-operatives. *(3) fruit*

"Fortunately, in negotiations with Hammond & Graafts, First Bowring managed to obtain coverage for export grapes from the Hex River Valley to the UK market under a package deal named Cropsecure," Van Eck said.

# Showdown at High Noon fruit farm

*Sowetan 2/12/92*  
ABOUT 150 workers at the High Noon fruit farm near Villiersdorp downed tools on Monday after a local labour leader was arrested for alleged intimidation, Ovenstone Farms managing director Mr Arthur Kemp confirmed.

Workers demanded that police release a former High Noon employee, Mr Petrus Motsamayi, who was still in custody on Monday after being arrested on Thursday.

Motsamayi had also been dismissed "for threatening two members of our management staff with necklacing", said Kemp.

African National Congress Villiersdorp spokesman Mr Thomas Jansen said workers were upset because High Noon management had not taken

## Workers down tools after labour leader is arrested for intimidation:

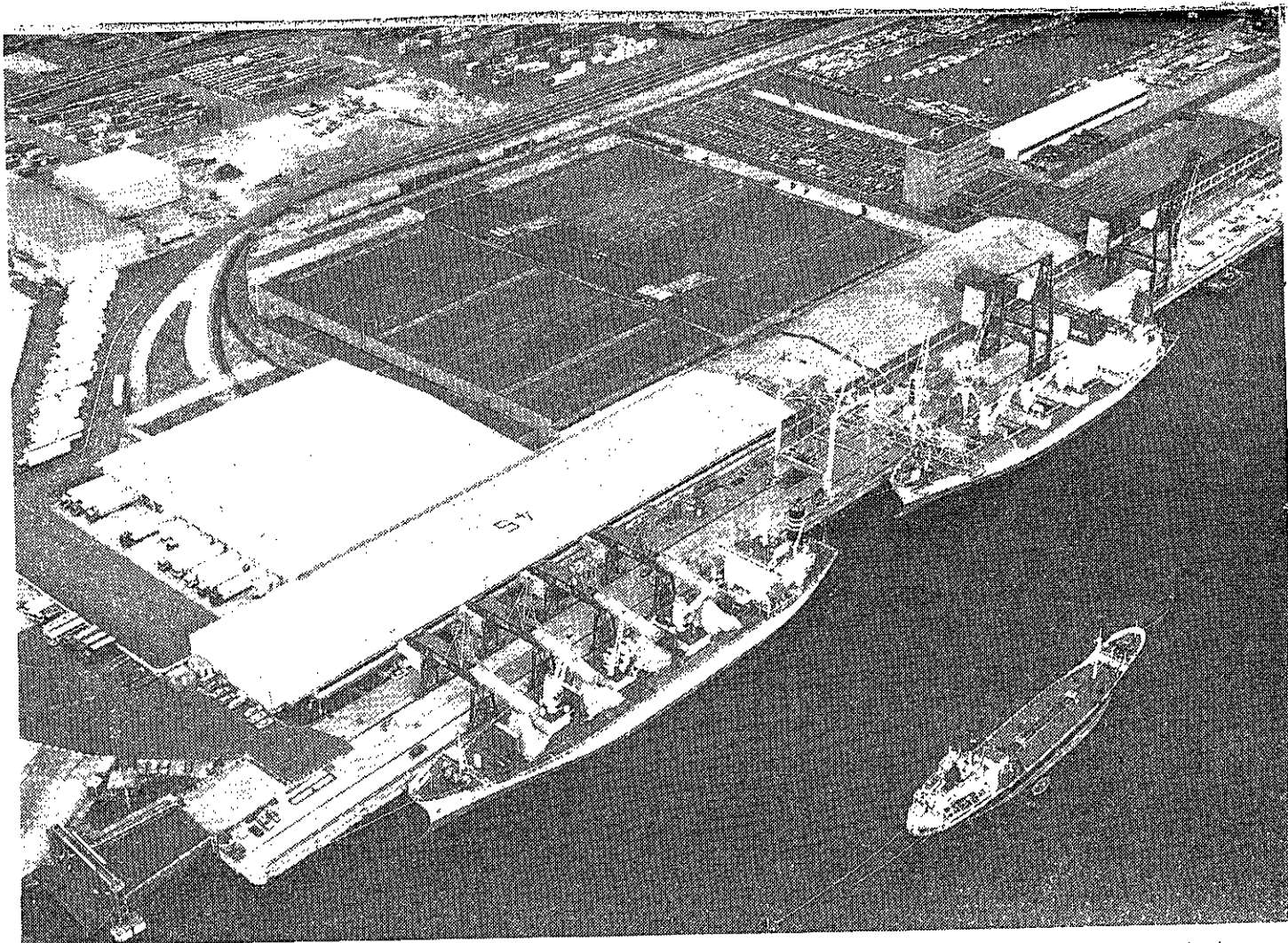
up the incident with the workers committee on the farm.

Motsamayi, being held in Caledon prison, was a member of the workers committee and was also active in the ANC.

Jansen said he and three ANC representatives were ordered off the farm on Sunday when they tried to address the workers. They continued their meeting on a road outside the farm watched by police and farmers.

A Stellenbosch attorney acting for Motsamayi claimed his client had been evicted from the farm on Thursday.





□ **NEW FRUIT TERMINAL:** Two reefer vessels offload at the opening of Hamburg's new fruit import terminal.

# Hamburg gears for Cape fruit

ARG 19/12/92  
 (B) FRUIT

**IAN SHIFFMAN**  
 Shipping Correspondent

A MAJOR development in the port of Hamburg has been the construction of a new fruit centre to handle imports of fruit products.

South African fruit exports reached a new peak last season and indications are that the coming season will see further records set.

Germany sees increased fruit imports from South Africa and on December 7 berths 2 and 3 of the HHLA Fruit Centre were handed over at O'Swaldkai.

It is just over one year since Hall 45 was commissioned, and with the handing over of these berths, three berths can be available for the start of imports of South African fruit for the current season.

This does not signify the final completion of the Fruit Centre's expansion projects, but places the important infrastructure in operation for the necessary fast dispatch of modern reefer vessels.

The restructuring of this old part of the port has taken just 14 months and was undertaken at a cost of DM20 million. Some 320 metres of quay are

provided for, capable of accommodating vessels with 13m draft.

Taking in the ro-ro terminal beside Hall 46, the HHLA Fruit Centre will now be able to handle four ships simultaneously.

Also integrated into these berths is a further docking berth for ro-ro vessels with bow and quarter ramps. Hamburg is also adjusting itself to fruit transit cargoes to North and North-East European countries.

Total capacity of the fruit terminal is some 1.5 million tons a year. About 4 000 pallets can be handled a day with cold

storage points for 20 000 pallets available. Available refrigerated storage area is in excess of 60 000 m<sup>3</sup>. Besides three 12.5 ton shore cranes there is a container crane for handling 6m x 12m containers.

The Baltic republics are also becoming interested in fruit deliveries via Hamburg and feeder services operated by cellular feeder vessels will be available.

The new HHLA Fruit Terminal will be capable of smooth dealing with the enormous rise in fruit imports and will do full justice to the increased service demands of customers.

# Langeberg expects better profits in '93

**TOM HOOD, Business Editor**

FRUIT canners Langeberg Holdings sees sales volumes rising only moderately in the coming year.

But better profits should come from improved efficiencies and the increasing strength of its brands in the local division, says managing director Ray Brown in his annual review.

Export and domestic markets were not expected to improve significantly. In addition the company would begin to pay tax and the rand was expected to depreciate only moderately.

The deciduous fruit division is to upgrade production and establish its own brands in selected markets.

The group raised earnings by 29 percent to R87,5 million for the year to September — its first year as a listed company.

■ Cash-rich Consol is consolidating its investment in tyre and rubber manufacture and paying R210 million in cash to Trecor for the 25,6 percent shares which it does not already own in Contred and also for Trecor's claims on Contred's loan account.

Contred is the holding company of Tycon and Tredcor. Tycon makes and sells a wide variety of tyres and tubes under the Goodyear and Kelly brand names. It also makes conveyer belting and other industrial rubber products including VC footwear.

Tredcor makes tread rubber and retreads and distributes passenger, truck, earthmover and tractor tyres through Mastertreads and Trentyre.

Consol's latest annual report showed current assets of R642 million of which R305 million was in deposits and cash.

Turnover of the rubber division rose from R1,13 billion to R1,18 billion, but operating profit fell 9 percent to R132 million.

■ Clinic Holdings reported a 15 percent rise in profit after tax to R33,8 million for the year ended September 30.

The private hospital group's chairman Barney Hurwitz forecast a fall in earnings next year because of the group's restructuring which is likely to entail the issue of compulsorily convertible debentures and reduce earnings a share calculated on a full diluted basis.

Clinic is incorporating the merger of the group's trading operations with its landlord's property-owning interests.

Mr Hurwitz expects the group to show satisfactory growth next year but said it was difficult to continue providing world-class health care at affordable costs.

■ Rand Mines shareholders are to vote on the group's restructuring in the new year and if they approve the scheme Randgold and Exploration and PGM will be listed from the beginning of February.

Pre-listing statements show Randgold making after-tax profits of R4,6 million in the year to September 30 1993, compared with R2,7 million in 1992 and R1,9 million in 1991. Randgold's turnover in 1993 is forecast at R35 million.

PGM Investments forecasts after-tax profits of R1 million compared with R1,4 million in 1992 and R2,1 million in 1991.

The decline in profits in 1992 was mainly the result of lower dividends received on shares PGM holds in both Implats and Rusplats.

The new Mineral Resources Division has assets of around R3 billion and the muscle to generate profits of over R400 million a year.

## Outspan enjoys year of record exports

OUTSPAN International's exports exceeded the 32-million carton mark in 1992 for the first time, bringing in more than R1,12bn in export revenue.

CE Douglas Stanton said this had been achieved despite the drought and negative marketing factors, such as fierce competition from other southern hemisphere countries and the largest summer fruit crop in Europe for 30 years. This had resulted in an oversupply and huge volumes being dumped.

Business Day Reporter

Payments to citrus producers were up nearly 3% over 1991, but when measured against inflation it was clear that grower profit margins were declining, he said.

Citrus production had been severely affected in the drought-stricken Transvaal and Natal production areas. "However, we are hopeful that the recent rains will have a positive effect on next year's southern African citrus exports."

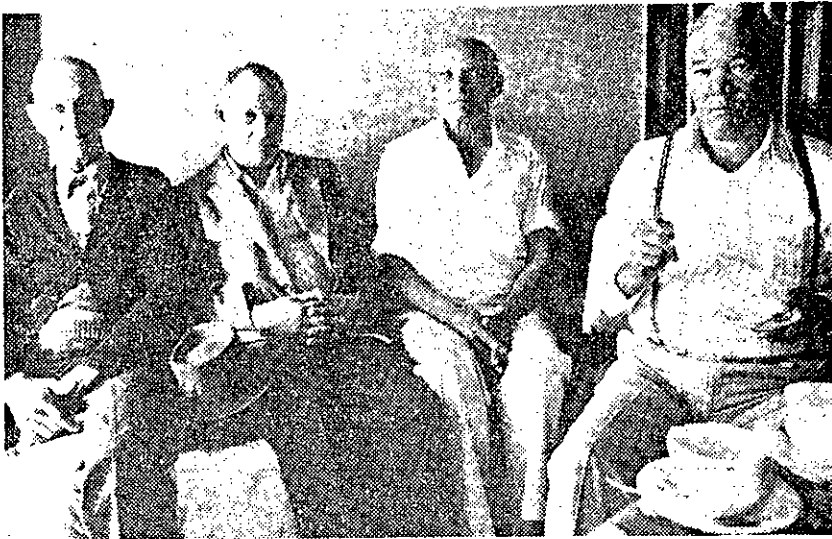
28/12/92  
BIDAY

FORESTRY

'We are not rubbish to be thrown away'

# GERMAN 'SETTLERS' RESIST EVICTION

W/C ARGUS 5/6/82  
3 Forestry



AN eviction notice, and no other home for (from left) Mr Frank von Buchenroder, 78, Mr Aubrey Scheuble, 55, Mr Fred Scheuble, 73, and Mr Jacobus Scheuble, 63.

From CASSIE DU PLESSIS

PORT ELIZABETH: — "We are not rubbish that can be thrown away," say the retired woodcutters of Colchester, who, with the pride of their German settler ancestors, are resisting eviction from the only home they know.

Members of their community, which has lived on the banks of the Sunday's River about 30 kilometres from Port Elizabeth for more than a century, have been concerned about their future since March 8, when they received letters from a firm of attorneys giving them three weeks to clear out.

notices which say the land belongs to the Nelson Pearson company of Colchester, who need it for redevelopment.

"Is there no such thing as birthright?" asked Mr von Buchenroder.

"Our ancestors were real Germans who took coloured wives here, but later their land changed hands and we have no claim to it."

Mr Aubrey Scheuble, 55, says: "Mr Pearson (the owner) acquired this land in the year I was born. Then our grandfathers had already been here. My mother worked for his wife."

Mr Scheuble is unmarried but supports his sickly parents of 77 and 86.

## SQUATTING

Because they have not complied, three men have been charged, and briefly appeared in court this week on a charge of illegal squatting.

Their names echo their claims to German descent: Mr Fred Scheuble, 73, his brother, Mr Jacobus Scheuble, 63, and Mr Frank von Buchenroder, 78.

They were not asked to plead, and the Circuit Magistrate's Court in nearby Kinkelbosch village has postponed the case to August 5.

## HARMONY

Their modest sun-bleached houses are spread out on a grey and flat piece of land between the Port Elizabeth-Grahamstown national road and the railway line, across the road from the expensive houses of Colchester holiday resort, near the Sunday's River mouth.

Older residents say the harmony of more than a century has been disturbed by the attorneys'

Said Mr Fred Scheuble, his cousin: "We shall move if we have to, but where to? Where is there place for old people. Port Elizabeth has its own housing shortage."

Residents' deputations to the Department of Community Development and Dias divisional council have achieved nothing.

## "DILEMMAS"

The regional representative the Department of Community Development, Mr Awie Verwey, said the situation was a "dilemma." Mr Nelson Pearson required his land for development, but the people had no alternative place.

The department had decided not to develop a coloured township as the community was too small, and the area had been proclaimed white.

If they indicated that they wanted alternative accommodation, it would make matters easier, although there was a housing shortage in Port Elizabeth.

id Footwear

ing

Tobacco Workers

Union

Shoemakers Industrial Union

Union

ation

Workers, Shipbuilders and Welders

Union (SAAMU)

(Natal)

XXX

# State looks into forest hand-over

③ Forestry 8/5/83 BY DAVID PINCUS ~~SE~~ Express

THE Department of Forestry started searching in earnest this week for a way to transfer its considerable commercial interests to the private sector.

It has appointed an inter-departmental committee for this purpose. The committee has already held four meetings.

The first major meeting was held in Pretoria on Wednesday.

The committee will meet again next month when one of the main items on the agenda will be to decide whom it should co-opt from the private sector.

The significance of the department's move, apart from giving some meaning to the oft-stated belief of the Prime Minister, Mr P W Botha, that State-run enterprises should be taken over by the private sector, is the sheer size of its commercial activities.

While it may supply only about 5% of the sawn timber to the South African market, it is by far the country's biggest supplier of logs to private sawmillers and to the veneer industry.

Its annual turnover is about R50-million and it owns about 256 000ha, or 21%, of the 1 200 000 hectares under timber in South Africa.

It wields tremendous power over private growers who cannot adjust their prices without its full co-operation.

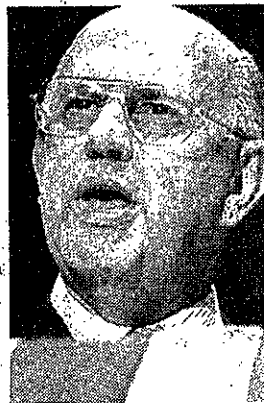
Wilson van der Merwe, Deputy-Director-General, Directorate of Forestry of the Department of Environment Affairs, stressed that "we are only investigating at present", but said the aim was to canvass the opinion of all who mattered and "to hold a mini-Carlton conference."

"There are many reasons for our trying to hand over to the private sector, apart from the Prime Minister's belief that the State should not compete with the private sector," he said.

"One of them is finance. We are hamstrung by the State's cut-back in expenditure."

Danie Jacobs, Chief Director of Timber Industries of the department, said that Herman Potgieter, the department's administration head, was chairman of the committee, on which the Treasury and the Department of Industries were also represented.

He said the committee should complete its work and be able to decide one way or another by September.



● MR P W BOTHA  
... forest chiefs heed his call

# Seven who died in fire came from Transkei

CAPE TOWN. — The Department of Forestry yesterday released the names of seven of the nine men who were killed fighting the Franschhoek fire on Sunday.

The blackened Purgatory Ridge, where they died, is marked by a large cross, laid out in stones near a flat spot where the helicopter landed to remove the 19 survivors and nine bodies on Sunday afternoon.

The men died when they were trapped by flames at Aasvoelberg, near the Franschhoek Pass, when the wind suddenly swung from south-east to north-west.

Only one of the men, who were all aged between 23 and 45 and came from Transkei, was not married and all had worked for the Directorate of Forestry for less than a year.

They were the Mr Kayaletu Sidziya, 23, of Idutywa, who was unmarried and started working for the Directorate of Forestry in April 1983.

Mr Ntshuntshe Mayile, 37, and Mr Isaac Awu Idutywa, 24, both from Idutywa, and

Mr Ntubeni Marwanqana, 27, from Willowvale, started working for the Directorate in April 1983.

Mr Ntintasi Ngqosini, 45, started working for the Directorate in September 1983, while Mr Mthutyana Qhaba, 43, and Mr Zolile Ntlemenza, 40, both from Lady Frere, started working for the Directorate last February.

The once beautiful Franschhoek Pass is now devastated and has been stripped of its vegetation.

Now that the fire has destroyed their 20km by 30km habitat, the animals that survived the raging flames are suffering from hunger and exposure. Troops of baboons can be seen rummaging around their territory, with little to eat, although there are enough streams and dams from which they can drink.

Hundreds of birds' nests were burned out and countless rabbit and buck carcasses were found by foresters after the fires had swept through the area. — Sapa.

RAM 18/4/84 ③

# Forestry experts to gather

## Pretoria Bureau

NEARLY 150 scientists and researchers from South Africa and abroad will meet in Pretoria and Maritzburg at the end of April to focus attention on the silvicultural problems of plantation forestry.

The symposium, on "site and productivity of fast-growing plantations", will start at the conference centre at the Council for Scientific and Industrial Research in Pretoria.

It will continue at the University of Natal in Maritzburg after a field trip, attended by nearly 100 people, to forest areas in the Transvaal, Swaziland, Zululand and Natal.

Delegates will also tour the forestry regions in the Cape. The meeting will be opened by the Minister of Environment Affairs, Mr S A S Hayward.

It has attracted scientists from Australia, New Zealand, North America and Europe.

It is being sponsored by the International Union of Forestry Research Organisations, the Directorate of Forestry of the Department of Environment Affairs, the Forestry Council and the private forest industry here and in Swaziland.



Mercury 24/4/84  
③ Forestry  
**Scientists to converge on S A for forestry talks**

CAPE TOWN—About 150 scientists and researchers from South Africa and other countries are to meet in Pretoria and Pietermaritzburg at the end of April to study problems of plantation forestry, the CSIR has announced.

The 'symposium on site and productivity of fast-growing plantations' will start at the Conference Centre, CSIR, in Pretoria and will be continued at the University of Natal in Pietermaritzburg after a field trip by nearly 100 people to forest areas in the Transvaal, Swaziland, Zululand and Natal.

Delegates will also tour Cape forestry regions.

The meeting, which will be opened by the Minister of Environment Affairs, Mr S A Hayward, has attracted scientists from Australia, Austria, Canada, West Germany, New Zealand, Sweden,

the UK, US, and South Africa.

It is being sponsored by the International Union of Forestry Research Organisations, the Directorate of Forestry of the Department of Environment Affairs, the Forestry Council and the private forest industry in South Africa and Swaziland.

### Exotic

Plantations of fast-growing exotic tree species, mainly in the southern hemisphere, will be responsible for an ever-increasing share of the world timber, pulpwood and industrial wood supply in this decade.

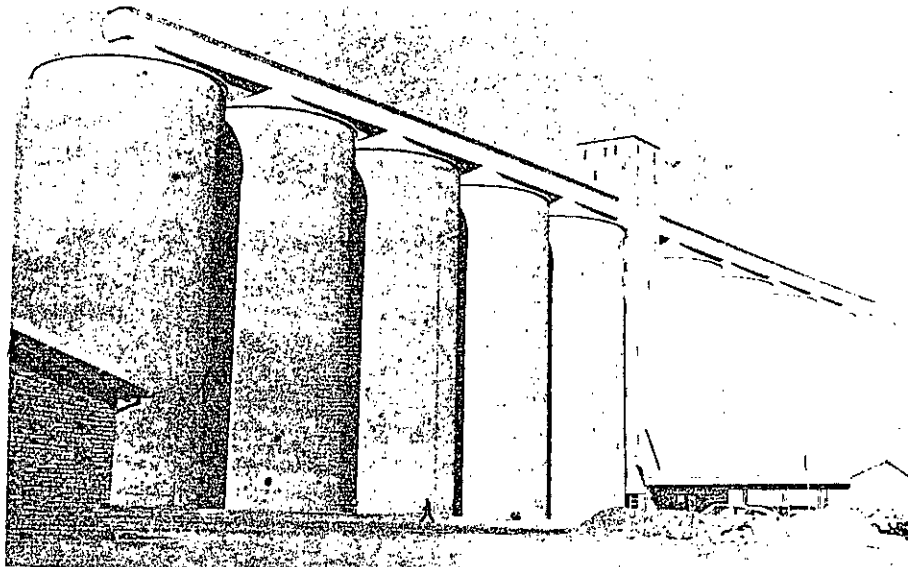
Most of these plantations have been established on different soils and with other specific objectives when compared with the traditional forestry resources of the northern hemisphere.

— (Sapa)



AGRICULTURE-OTHERS

GRAIN - 1980 - 1986



The huge structure of the new Vryhof silo in the Molopo district in BophuthaTswana.

Lucas Mangope opens Vryhof grain silo

# 'Self sufficiency in food production is our first priority'

By PETER SETUKE

THE President of BophuthaTswana, Chief Lucas Mangope, officially opened

the Vryhof silo in the district of Molopo near Mafeking in BophuthaTswana this week.

Attending the open-

ing were 800 people from the nearby districts of Ditsobotla, Lichtenburg and the Molopo complex. With them were the Director of the Agricultural Corporation of BophuthaTswana, Mr Hendrik van Zyl, Cabinet Ministers and their wives.

In his address, the President told the guests: "The most important person in the development of any country's agricultural potential is the farmer. I therefore commend those farmers of Ditsobotla for their dedication to the contribution of this invaluable asset to the population of South Africa."

## PRIORITY

"Self-sufficiency in food production is our first priority, which led to the negotiations with one of the largest agricultural groups in Southern Africa on the establishment of a multi-million Rand ethanol plant to be erected soon."

"There may be arguments about ethanol in a hungry country like ours, but this will be made from grain sorghum instead of maize, and food production will continue in order to make our country less dependent on imports."

"When we started the project in 1977, there was some pessimism towards a small country like ours, but today I am proud that the entire world can witness us basking in the pride of having achieved what we believed. We shall feed the population



The President of BophuthaTswana, Chief L M Mangope during his address at the official opening of the new Vryhof silo.

new Vryhof silo before an excited crowd of blacks and whites.

The Minister of Agriculture for the BophuthaTswana Government, Chief Tswana Mokgoko said that the project had cost them R2 250 000 and took eighteen months to erect.

Mr Mokgoko said there were already 15 000 tons of grain stored against an anticipated capacity of 18 000 tons to fill the silo.

The grains in store are white maize yellow maize, beans and sunflower, which will be followed by the addition of others

in the course of the coming year. As soon as this project is completed, the BophuthaTswana Government will embark on the erection of yet another silo.

He added that the Agricultural College of Taung will be moved to the faculty of agriculture at the new University of BophuthaTswana.

Mr Whittaker, project manager of Agrico, officially handed the silo over to the President.

The Vryhof silo will provide jobs for 1 000 people in future.



Mrs Leah Mangope was the first person to press the starter-button of the new silo.

# Farmers will be paid more for cereals

20M 18/9/81  
39 Jan 1981  
THE Government has approved an increase in the price of barley, oats and rye, the Wheat Board announced in Pretoria yesterday.

The basic producers' price for these cereals in the 1981-82 season will be: barley R210,02 ton, oats R140 ton and rye R229,33 ton.

Compared with this year's figures, the increases are 14,8%, 13,4% and 12,2% respectively.

The board said that, at the request of winter cereal producers, contributions to research and development funds had been increased. Total producers' levies for each of these cereals would amount to R1 a ton. — Sapa

29 JUNE 1983

1756

rected at analysing the toxin levels in sorghum (a) malt and (b) beer; if not, why not; if so, (i) what was the nature of the research and (ii) what were the findings.

(3) whether any action was taken as a result of these findings; if not, why not; if so, what action?

THE MINISTER OF AGRICULTURE:

(1) (a) No.

(b) Yes—1 May 1979 to 30 April 1982.

(i) C.S.I.R. on behalf of the Maize Board; Magaretha Mes Institute for Seed Research.

(ii) C.S.I.R.

- \* Evaluation of the influence of genetic and environmental factors on the grain, malting and source characteristics of grain sorghum cultivars.
- \* Investigation into the improvement of the technology of malt manufacturing.
- \* Chemical investigation into the polyphenols of grain sorghum.
- \* Evaluation of the malting potential of new grain sorghum material for plantbreeders.

Magaretha Mes Institute for Seed Research

\* Cultivar identification.

(2) (a) No.

(b) No. The National Research Institute for Nutritional Diseases of the South African Medical Research Council is conducting research into the occurrence of micotoxins in various sources of

1757

WEDNESDAY

food, amongst others grain sorghum and sorghum malt. In addition, the C.S.I.R. has undertaken research in the grain sorghum beverage industry.

(i) and (ii) fall away.

(3) Further research is envisaged. The Maize Board plans to make a considerable amount over following three years available to the National Research Institute for Nutritional Diseases for research into the occurrence of micotoxins and fungus on grain sorghum.

Grain sorghum: levies

1012. Dr. M. S. BARNARD asked the Minister of Agriculture:

(1) What amount was (a) raised by the Maize Board by way of the special levy on grain sorghum and grain sorghum products and (b) spent on sorghum research in each of the latest specified five years for which figures are available;

(2) whether there is a surplus in the grain sorghum and grain sorghum products levy account at present; if so, what is the amount of the surplus?

THE MINISTER OF AGRICULTURE:

(1)	(a)	(b)
	R	R
1977/78	93 266	—
1978/79	19 145	70 000
1979/80	80 184	71 300
1980/81	127 265	73 856
1981/82	72 328	—

(2) Yes. R221 891 on 30 April 1982 R200 000 of this is a contribution towards the erection of the Summer grain Institute at Potchefstroom.

29 June 1983  
Grain sorghum: research  
Dr. M. S. BARNARD asked the Minister of Agriculture:

(1) Whether any research projects financed by way of the special levy on grain sorghum and grain sorghum products were undertaken by (a) his Department and (b) any other specified bodies during the latest specified period for five years for which statistics are available; if so, (i) by whom were these projects undertaken and (ii) what was the nature thereof;

(2) whether any such research was di-

U 67

③ Grain *Hansen Q. 61. 1730*  
Barley *29/6/83*

\*4. Mr. F. K. MOORCROFT asked the Minister of Agriculture:

- (1) Whether a consignment of barley for stock-feeding purposes has been or is to be imported; if so, (a) at what

1731

WEDNESDAY

price per ton landed and (b) what quantity;

- (2) whether this consignment has been or is to be made available to distributors in the Cape coastal region; if so, when; if not, (a) why not and (b) to which distributors has it been or is it to be made available?

†The MINISTER OF AGRICULTURE:

X (1) and (2) The importation of barley for stock-feeding purposes is at present under consideration and neither the quantity nor the landed price is known at this stage. It is expected that the largest portion of this barley will be supplied to inland users, but distribution of a portion thereof in the coastal regions is not necessarily excluded.

# Grain basket overflows

*36 grain 20/7/68*  
**Riches of wheat, rye**

SYBRAND MOSTERT, Weekend Argus Reporter

**SOUTH Africa's "grain basket" — the Western and South Western Cape — is overflowing.**

"Farmers in the Swartland and Rûens have had four bumper crops in a row," says Mr Eddie Pienaar, manager, Grain and Technical Services for the Swartland Co-Op, "and we have more wheat, milk, mutton, fruit and vegetables than can be consumed on the local market."

This is in contrast to harvests in the Transvaal and Free State, where maize, grain sorghum and ground nut crops have been decimated by drought. An agricultural survey by Volkskas showed that Cape farmers had an appreciably smaller debt burden — which runs to R9-billion nationally — than their northern counterparts.

Mr Pienaar said wheat silos and cool storage facilities were overflowing, with agricultural products from the farming areas stretching from the Peninsula and Swartland up to Port Elizabeth being transported up country and to SWA.

## More barley

"Roughly one third of the wheat crop will be transported to the north as we have more than needed for the local market. The oats crop is smaller, but there has been a tremendous increase in the rye and barley crops. We have about 30 percent more than we need."

Fifteen percent of the fresh milk produced is being exported to Windhoek. "Litres are being stored and creamed off, turned into yoghurt, with farmers producing more butter to give their product a longer shelf value."

The mutton market, ruled by a set of quotas issued to farmers made it difficult to establish accurate figures. "But we have more than enough meat on the market and farmers report an exceptionally good lambing season."

But the optimism is tempered by the lower prices being paid due to an overstocked market. Potatoes have dropped in price from an average of about R4 a pocket to R2.50.

Mr Barry Measer, director of the Epping market, said the overall tonnage of potatoes, onions, lettuce and carrots has increased "tremendously,"



# Grain producers break away from Maize Board

Pretoria Bureau

GRAIN sorghum producers yesterday voted to break away from the Maize Board and establish their own control board.

Delegates to the National Grain Sorghum congress in Pretoria criticised the board's marketing of sorghum surpluses.

They added that it did not make sense to trust the board with the marketing of sorghum, which was competing more strongly with maize in the feed industry.

NGS Committee Chairman W M Leonard said the industry had never been so weak.

The Maize Board received 400 000 tons of grain and little had been sold.

"During the 1984 Maize Board meeting, we learned with shock that the surplus of 60 000 tons was not sold," said Leonard.

He said storage costs were about R5 a ton.

Referring to this year's harvest,

he said at the Maize Board meeting on June 25 "we learned there was a surplus of 435 000 tons.

"We expressed concern over the marketing of the surplus, particularly as we were told at least 200 000 tons would have to be exported at a big loss.

"The NGS committee recommended the board call for tenders for the surplus from feed manufacturers, the feedlot and poultry industries.

"The board refused the request."

Leonard said the SA Feedlot Association, the SA Poultry Association and the Pig Breeders' Association had shown strong interest in grain sorghum.

"But we were powerless to talk business to these organisations as this was the task of the Maize Board."

(5) whether any employees holding heavy vehicle licences have been involved in accidents whilst driving of-  
ficial vehicles; if so, (a) how many during the latest specified period of three years for which figures are available and (b) what is the total es-  
timated cost involved;

Passenger transport overseas countries

32. Mr J H VISA GIE asked the Minister of Transport Affairs:†

CR COL 132

- (1) Whether the South African Transport Services has ordered any passenger trains from overseas countries in the latest specified period of two years for which figures are available; if so, (a)(i) how many passenger trains and (ii) how many carriages does each train have and (b)(i) from which country and (ii) at what total cost, expressed in rand, in each case;

(7) whether the South African Transport Services have taken any action in re-  
spect of (a) remedying the position in regard to employees (i) failing their drivers' tests and (ii) involved in ac-  
cidents whilst driving official vehicles and (b) the employees in question; if not, why not in each case; if so,

(8) (a) (i) what action, (ii) when, (iii) with what results, in each case, and (b) (i) in respect of how many such employees was action taken in (ii) for what reasons in each case?

The MINISTER OF TRANSPORT AF-  
FAIRS:

(1) to (8) The honourable member's at-  
tention is directed to Question No. 965  
put during the 1985 Parliamentary Session  
in which identical information was re-  
quested and to which a comprehensive re-  
ply was furnished.

In view of the time and cost involved in  
gathering such information, it is consid-  
ered not justifiable to repeat a similar  
exercise.

HOA

R8,58 million and R9,5 million respective-  
ly.

The option for the eight production  
train sets expired on 26 April 1985. A con-  
tract was concluded with Messrs Doryl  
Railway Products (Pty) Ltd for the local  
manufacture of these 12 coach train sets at  
a total cost of R77,38 million.

#### Lorries

71. Mr D J N MALCOMESS asked the  
Minister of Transport Affairs:

Whether any lorries were impounded in  
1985 by the South African Railways  
Police; if so, how many in each month?

The MINISTER OF TRANSPORT AF-  
FAIRS:

Yes.

	Mechanical	Horses/ Trailer	Trailers	Heavy Vehicles
January	21	3	3	3
February	22	0	2	2
March	28	2	6	6
April	12	2	2	2
May	29	1	4	4
June	29	7	4	4
July	46	5	4	4
August	21	2	1	1
September	13	3	3	3
October	10	3	0	0
November	5	0	1	1
December	0	0	1	1

14/08/86 Q COL 133.  
Grain: imported 54444  
98. Mr D J N MALCOMESS asked the  
Minister of Agricultural Economics:

Whether any grain was imported into

South Africa in 1985; if so, (a) how many  
tons, (b) what was the nationality of the  
ships in which the grain was transported  
and (c) who collected the (i) brokerage  
and (ii) insurance premiums in respect of  
each shipment?

The MINISTER OF AGRICULTURAL  
ECONOMICS:

Yes.

(a) 95 958 tons feed wheat and 228 362  
tons yellow maize.

(b) The grain was imported on a cif ba-  
sis. Shipping arrangements were  
made by the suppliers and the na-  
tionality of the ships is therefore not  
known.

(c) Not known as the grain was imported  
on a cif basis.

#### Advertisements

108. Mr D J DALLING asked the Minis-  
ter of Finance:

(1) What was the total amount spent by  
the Office of the Auditor-General in  
1985 on placing advertisements for  
any purpose in newspapers in the Re-  
public;

(2) what amount was paid to each  
specified newspaper in the above re-  
gard in that year?

The MINISTER OF FINANCE:

(1) Nil.

(2) Falls away.

HOA

"TABLE 1

MINIMUM EN MAXIMUM VERKOOPPRIJSE VAN BROOD IN DIE REPUBLIEK

Klasse brood	Minimum verkoopprijs van brood	Maximum koopprijs van brood	Maximum prijs van brood wat anders as vir koopprijs verkoop word
1	2	3	4
Witbrood .....	R0,74	R0,76	R0,78
Bruintbrood .....	R0,54	R0,56	R0,58
Volmeelbrood .....	R0,54	R0,56	R0,58

"TABLE 1

MINIMUM AND MAXIMUM SELLING PRICES OF BREAD IN THE REPUBLIC

Classes of bread	Minimum selling price of bread	Maximum selling price of bread for cash	Maximum price for bread sold otherwise than for cash
1	2	3	4
White bread .....	R0,74	R0,76	R0,78
Brown bread .....	R0,54	R0,56	R0,58
Whole wheat bread .....	R0,54	R0,56	R0,58

No. R. 2078 26 September 1986

BEMARKINGSWET, 1968 (WET 59 VAN 1968)

WINTERGRAANSKEMA—HEFFINGS EN SPECIALE HEFFINGS OP WINTERGRAAN

Ek, Jacob Johannes Greyling Wentzel, Minister van Landbou-ekonomie, maak hierby ingevoelge artikel 79 (a) van die Bemarkingswet, 1968 (Wet 59 van 1968), bekend dat—

- (a) die Koringraad bedeel in artikel 6 van die Wintergraanskema gepubliseer by Proklamasie R. 162 van 1974, soos gewysig, kragtens artikels 24 en 25 van genoemde Skema die heffings en spesiale heffings in die Bylae uiteengesit, opgelei het; en
- (b) genoemde heffings en spesiale heffings deur my goedgekeur is en op 1 Oktober 1986 in werking tree;

(c) Goewermentseminisiering R. 2192 van 27 September 1985 met ingang van genoemde datum van inwerkingtreding herroep word.

J. J. G. WENTZEL,

Minister van Landbou-ekonomie.

## BYLAE

## Woordomskrifing

1. In hierdie Bylae het enige woord of uitdrukking waarvan 'n betekenis in die Skema gegee is, daardie betekenis en, tensy uit die samehang anders blyk, beteken—
- "die Skema", die Wintergraanskema gepubliseer by Proklamasie R. 162 van 1974, soos gewysig;
- "graad", 'n graad soos ingevoelge artikel 35 (b) van die Skema deur die Raad bepaal;
- "klas", 'n klas soos ingevoelge artikel 35 (b) van die Skema deur die Raad bepaal; en
- "kommersiële meulenaar", iemand wat kragtens artikel 36 van die Skema deur die Raad geregtig is om met wintergraanprodukte as 'n besigheid te handel.

Heffings en spesiale heffings op koring, gars, haver en rog

2. (1) 'n Heffing en 'n spesiale heffing word hierby opgeleë op wintergraan van die klasse en grade in kolom 1 van die tabel vernied.

(2) Die bedrag van sodanige heffing is soos in kolom 2 van die tabel teenoor die betrokke klas of graad wintergraan vernied.

(3) Die bedrag van sodanige spesiale heffing is soos in kolom 3 en 4 van die tabel teenoor die betrokke klas of graad wintergraan vernied.

No. R. 2078 26 September 1986

MARKETING ACT, 1968 (ACT 59 OF 1968)

WINTER CEREAL SCHEME—LEVIES AND SPECIAL LEVIES ON WINTER CEREALS

1. Jacob Johannes Greyling Wentzel, Minister of Agricultural Economics, hereby make known in terms of section 79 (a) of the Marketing Act, 1968 (Act 59 of 1968), that—

- (a) the Wheat Board referred to in section 6 of the Winter Cereal Scheme published by Proclamation R. 162 of 1974, as amended, has under sections 24 and 25 of the said Scheme imposed the levies and special levies set out in the Schedule; and
- (b) the said levies and special levies have been approved by me and shall come into operation on 1 October 1986; and

(c) Government Notice R. 2192 of 27 September 1985 is hereby repealed with effect from the said date of commencement.

J. J. G. WENTZEL,

Minister of Agricultural Economics.

## SCHEDULE

## Definitions

1. Any word or expression in this Schedule to which a meaning has been assigned in the Scheme shall have that meaning and, unless the context otherwise indicates—
- "class" means a class as determined by the Board in terms of section 35 (b) of the Scheme;
- "commercial miller" means a person registered by the Board under section 36 of the Scheme to deal in the course of trade with winter cereal products;
- "grade" means a grade as determined by the Board in terms of section 35 (b) of the Scheme; and
- "the Scheme" means the Winter Cereal Scheme published by Proclamation R. 162 of 1974, as amended.

Levies and special levies on wheat, barley, oats and rye

2. (1) A levy and a special levy are hereby imposed on winter cereals of the classes and grades specified in column 1 of the table.

(2) The amount of such levy shall be as specified in column 2 of the table opposite the class or grade of winter cereal concerned.

(3) The amount of such special levy shall be as specified in columns 3 and 4 of the table opposite the class or grade of winter cereal concerned.

Verbalg van heffings en spesiale heffings

3. 'n Heffing en 'n spesiale heffing word deur die Raad verneel deur dit—

- (a) in die geval van 'n bedrag in kolom 2 van die tabel vernied, by te voeg by die prys waarteen die Raad die betrokke klas of graad wintergraan verkoop;
- (b) in die geval van 'n bedrag in kolom 3 van die tabel vernied, by te voeg by die prys waarteen die Raad koring, gars, haver en rog teenoor die betrokke klas of graad wintergraan verkoop; en
- (c) in die geval van 'n bedrag in kolom 4 van die tabel vernied, af te trek van die prys wat deur die Raad aan die produsente van die betrokke klas of graad wintergraan betaalbaar is.

TABLE

Klas of graad wintergraan	Heffing per metrie ton netto massa (sent)	Spesiale heffing per metrie ton netto massa (sent)	Spesiale heffing per metrie ton netto massa (sent)
1	2	3	4
1. Koring (alle klasse en grade behalwe durumkoring) .....	320	50	143
2. Durumkoring .....	320	—	143
3. Gars (alle grade) .....	320	—	644
4. Haver (alle grade) .....	320	—	146
5. Rog (alle grade) .....	320	—	144

No. R. 2079 26 September 1986

BEMARKINGSWET, 1968 (WET 59 VAN 1968)

WINTERGRAANSKEMA—VERKOOPPRIJSE VAN SEKERE WINTERGRAANPRODUKTE

Ek, Jacob Johannes Greyling Wentzel, Minister van Landbou-ekonomie, maak hierby ingevoelge artikel 79 (b) van die Bemarkingswet, 1968 (Wet 59 van 1968), bekend dat—

- (a) die Koringraad bedeel in artikel 6 van die Wintergraanskema gepubliseer by proklamasie R. 162 van 1974, soos gewysig, kragtens artikel 37 van genoemde Skema die verkoopprijs in die Bylae uiteengesit, van sekere wintergraanprodukte vasgestel het;
- (b) genoemde verkoopprijs deur my goedgekeur is en op 1 Oktober 1986 in werking tree; en

(c) Goewermentseminisierings R. 2278 van 7 Oktober 1985, R. 2670 van 29 November 1985, R. 383 van 28 Februarie 1986 en R. 596 van 27 Maart 1986, met ingang van genoemde datum van inwerkingtreding herroep word.

J. J. G. WENTZEL,

Minister van Landbou-ekonomie.

## BYLAE

## Woordomskrifing

1. In hierdie Bylae het enige woord of uitdrukking waarvan 'n betekenis in die Skema gegee is, daardie betekenis en, tensy uit die samehang anders blyk, beteken—
- "die Skema", die Wintergraanskema gepubliseer by Proklamasie R. 162 van 1974, soos gewysig;
- "kommersiële meulenaar", iemand wat—

(a) kragtens artikel 36 van die Skema deur die Raad geregtig is om met wintergraanprodukte as 'n besigheid te handel; of

Recovery of levies and special levies

3. A levy and a special levy shall be recovered by the Board—

- (a) by adding it, in the case of an amount specified in column 2 of the table, to the price at which the Board disposes of the class or grade of winter cereal concerned;
- (b) by adding it, in the case of an amount specified in column 3 of the table, to the price at which the Board disposes of wheat to commercial millers for milling purposes; and
- (c) by deducting it, in the case of an amount specified in column 4 of the table, from the amount payable by the Board to the producers of the class or grade of winter cereal concerned.

TABLE

Class and grade of winter cereal	Levy per metrie ton net mass (cents)	Special levy per metrie ton net mass (cents)	Special levy per metrie ton net mass (cents)
1	2	3	4
1. Wheat (all classes and grades except durum wheat) .....	320	50	143
2. Durum wheat .....	320	—	143
3. Barley (all grades) .....	320	—	644
4. Oats (all grades) .....	320	—	146
5. Rye (all grades) .....	320	—	144

No. R. 2079 26 September 1986

MARKETING ACT, 1968 (ACT 59 OF 1968)

WINTER CEREAL SCHEME—SELLING PRICES OF CERTAIN WINTER CEREAL PRODUCTS

1. Jacob Johannes Greyling Wentzel, Minister of Agricultural Economics, hereby make known in terms of section 79 (b) of the Marketing Act, 1968 (Act 59 of 1968) that—

- (a) the Wheat Board referred to in section 6 of the Winter Cereal Scheme published by Proclamation R. 162 of 1974, as amended, has under section 37 of the said Scheme, fixed the selling prices set out in the Schedule, of certain winter cereal products;
- (b) the said selling prices have been approved by me and shall come into operation on 1 October 1986; and

(c) Government Notices R. 2278 of 7 October 1985, R. 2670 of 29 November 1985, R. 383 of 28 February 1986 and R. 596 of 27 March 1986, are repealed with effect from the said date of commencement.

J. J. G. WENTZEL,

Minister of Agricultural Economics.

## SCHEDULE

## Definitions

1. In this Schedule any word or expression to which a meaning has been assigned in the Scheme shall have that meaning and, unless the context otherwise indicates—
- "commercial miller" means—

(a) a person registered by the Board under section 36 of the Scheme to deal in the course of trade with winter cereal products; or

(b) "n meul geregistrasie deur die owerheid van 'n staat waarvan die grondgebied voorteen deel van die Republiek uitgemaak het, ten gevolge van 'n Wet van die Republiek wat deur die toepaslike wetgewing van die betrokke staat aangegryp is; en

"wintergraanprodukt" koekiemolm, winteroedel-blom, bruinbroodmeel, volkornmeel, semolina en bruinsmeel soos onderskeidelik omskryf in die regulasies wat kragtens artikel 89 van die Wet uitgevaardig is.

#### Verkooppryse van wintergraanprodukte

2. (1) Behoudens die bepalings van subklousule (2) mag 'n wintergraanprodukt wat op 'n bepaalde tydskrif en plek in 'n hoeveelhede in kolom 1 van die tabel vermeld, aan die koper daarvan gelewer word in die format in kolom 2 van die tabel daarteenoor vermeld—

(a) in die geval van 'n hoeveelhede in Deel I of Deel II van die tabel vermeld, nie teen 'n ander prys; en

(b) in die geval van 'n hoeveelhede in Deel III van die tabel vermeld, nie teen 'n hoër prys.

as die toepaslike prys in kolom 3, 4, 5, 6, 7 of 8 van die tabel teenoor die betrokke hoeveelhede in format vermeld, verkoop word nie.

(2) (a) Die werklake verkoopprys van 'n wintergraanprodukt in die format in Deel III van die tabel vermeld, mag nie laer wees nie as die toepaslike vasgestelde prys in Deel II van die tabel vir daardie format vermeld.

(b) 'n Verkoopprys in subklousule (1) bedoel, is nie van toepassing nie op 'n hoeveelhede van 'n wintergraanprodukt wat—

(i) as skeepsvoorraad verkoop word; of

(ii) uitgevoer word na 'n ander land as Suidwes-Afrika, Botswana, Lesotho, Swaziland of 'n staat waarvan die grondgebied voorteen deel van die Republiek uitgemaak het.

(3) Die verkoopprys van 'n hoeveelhede van 'n wintergraanprodukt in Deel I of Deel II van die tabel vermeld, wat in 'n ander format as die in kolom 2 van die tabel daarteenoor vermeld, gelewer word, moet betrekken word soos sodanige hoeveelhede in 65-kg-jutehouers gelewer is.

#### Toestaan van voordele en afslag, en byvoeging van rente op verkooppryse

3. (1) (a) Geen verkoper van 'n wintergraanprodukt mag by die verkoop van 'n hoeveelhede daarvan, enige voordeel anders as daardie hoeveelhede aan die koper daarvan of aan iemand anders verskaf, gee, toelaat of aanbid, of belooft om te verskaf, te gee of te laat nie.

(b) Waar enige voordeel anders as die betrokke hoeveelhede aan 'n koper of iemand anders verskaf, gegee, toegelaat, aangebied of belooft word, word sodanige hoeveelhede geag teen 'n ander prys as die toepaslike verkoopprys in klousule (2) bedoel, verkoop te gewees het.

(c) Vir die doeleindes van hierdie subklousule word enige addisionele vergoeding, prys, beloning, geskenk, diens, konsessie, toelating (insluitende 'n toelating vir spoorwag of vervoer), leuning, betaling, kommissie, korting, gratifikasie, verlening van krediet sonder die prysverhoging waarvan in subklousule (3) voorsiening gemaak word, of ander voorreg van water aard oekal, geag 'n voordeel te wies.

(2) 'n Afslag van 1,75 persent moet op die toepaslike verkoopprys in Deel I en Deel II van die tabel vermeld, toegeleat word indien betaling vir 'n hoeveelhede van 'n wintergraanprodukt—

(a) kontant met bestelling geskied;

(b) a null registered by the authority of a state the territory of which formerly formed part of the Republic, on account of an act of the Republic authorised by the applicable law of the state concerned; "the Scheme" means the Winter Cereal Scheme published by Proclamation R. 162 of 1974, as amended; and "winter cereal product" means cake flour, white bread flour, brown bread meal, whole-wheat meal, semolina and self-raising flour as respectively defined in the regulations made under section 89 of the Act.

#### Selling prices of certain winter cereal products

2. (1) Subject to the provisions of subclause (2) a winter cereal product that is delivered to the buyer thereof in a quantity specified in column 1 of the table at a particular time and place in the format specified in column 2 of the table opposite thereto, shall—

(a) in the case of a quantity specified in Part I or Part II of the table, not be sold at another price; and

(b) in the case of a quantity specified in Part III of the table, not be sold at a higher price.

than the applicable price specified in column 3, 4, 5, 6, 7 or 8 of the table opposite the quantity and format concerned.

(2) (a) The actual selling price of a winter cereal product in the format specified in Part III of the table shall not be less than the applicable fixed price specified in Part II of the table for that format.

(b) A selling price referred to in subclause (1) shall not apply to a quantity of a winter cereal product that—

(i) is sold as ship's provisions; or

(ii) is exported to another country other than South West Africa, Botswana, Lesotho, Swaziland or a state the territory of which formerly formed part of the Republic; or

(3) The selling price of a quantity of a winter cereal product specified in Part I or Part II of the table that is delivered in another format than that specified in column 2 of the table opposite thereto shall be calculated as if such quantity is delivered in 65 kg jute bags.

#### Allowance of benefits and discount, and addition of interest on selling prices

3. (1) (a) No seller of a winter cereal product shall at the sale of a quantity thereof supply, give, allow or offer or promise to supply, give or allow to the buyer thereof or to any other person any benefit other than that quantity.

(b) Where any benefit other than the quantity concerned is supplied, given, allowed, offered or promised to a buyer or any other person, such quantity shall be deemed to have been sold at a price other than the applicable selling price referred to in clause (2).

(c) For the purposes of this subclause any additional consideration, price, reward, gift, service, concession, allowance (including any allowance for railage or transport), loan, payment, commission, rebate, gratuity, extension of credit without the price increase provided for in subclause (3), or other advantage whatsoever, shall be deemed to be a benefit.

(2) A discount of 1,75 per cent shall be allowed on the applicable selling price specified in Part I and Part II of the table if payment for a quantity of a winter cereal product is made—

(a) cash with order;

(b) binne 12 dae na die datum waarop die verkoper die betrokke hoeveelhede per spoor aan die koper versend het in kontant gesteld; of

(c) binne vyf dae, Saterdag. Sondag en openbare vakansiedae uitgesluit, na die datum waarop die verkoper die betrokke hoeveelhede aan die koper lewer, in kontant gesteld en daardie hoeveelhede anders as per spoor versend word.

(3) Die koper van 'n hoeveelhede van 'n wintergraanprodukt moet die toepaslike verkoopprys daarvan voort of op die laaste dag van die maand volgende op die maand waarin die verkoper die betrokke hoeveelhede aan daardie koper gelewer het, of van die tweede daaropvolgende maand indien die verkoper daardie hoeveelhede gedurende die laaste sewe dae van 'n maand per spoor aan daardie koper gestuur het, aan die verkoper daarvan betaal.

(4) Indien 'n koper versien om die toepaslike verkoopprys van 'n wintergraanprodukt voort of op die toepaslike datum in subklousule (3) bedoel, te betaal, word daardie verkoopprys met 1,75 persent verhoog ten opsigte van elke maand of gedeelte van 'n maand waarmee die datum van betaling die toepaslike datum oorskry.

#### Kostes van houters

4. (1) Behalwe waar in subklousules (2), (3) en (4) anders bepaal, sluit die verkooppryse in klousule 2 bedoel, die koste van houters en versamelhouers van wintergraanprodukte in.

(2) Die koste van enige goeie, jute-, jute-phormium tenax- of plastiekbedekking of versamelhouter wat vir die beskutting van 'n wintergraanprodukt in katoenhousers gebruik word, kan teen R0,30 per bedekking of versamelhouter by die toepaslike verkoopprys gevoeg word.

(3) Geen koste van 'n papier-versamelhouter ("baler bag") wat vir die beskutting van 'n wintergraanprodukt in 2 x 12,5-kg-, 5 x 5-kg-, 10 x 2,5-kg-, 25 x 1,0-kg- of 50 x 500-g-papierhouers gebruik word, mag by die toepaslike verkoopprys gevoeg word nie.

(4) Die toepaslike verkoopprys ten opsigte van semolina en bruinsmeel in 1,0-kg- en 500-g-papierhouers sluit die koste van hout- of ander versamelhouters in wat voorsien is om sodanige papierhouers te bevat, en sodanige verkoopprys moet met R0,40 per 50 kg semolina of bruinsmeel verminder word indien sodanige versamelhouters nie voorsien word nie.

#### Vervoerkoste

5. (1) Waar die verkoper van 'n hoeveelhede van 'n wintergraanprodukt 'n kommersiële meulenaar is, sluit die toepaslike verkoopprys in klousule 2 bedoel, van die betrokke hoeveelhede—

(a) wanneer dit met die verkoper se vervoer na die perseel van die koper daarvan vervoer word, behoudens die bepalings van subklousules (2) en (3), die koste van sodanige vervoer in; en

(b) wanneer dit per spoor vervoer word vanaf die spoorwegstasie of sylyn naaste aan die perseel van die koper van sodanige meulenaar, na die spoorwegstasie of sylyn naaste aan die perseel van die koper daarvan—

(i) die koste van die vervoer vanaf die perseel of depot van sodanige meulenaar na die spoorwegstasie of sylyn naaste aan die perseel van die koper daarvan; en

(ii) behoudens die bepalings van subklousule (2), die spoorwag na die spoorwegstasie of sylyn naaste aan die perseel van die koper daarvan in; en

(b) in cash within 12 days of the date on which the seller despatched the quantity concerned by rail to the buyer; or

(c) in cash within five days, excluding Saturdays, Sundays and public holidays, of the date on which a seller delivered the quantity concerned to the buyer and that quantity is despatched otherwise than by rail.

(3) The buyer of a quantity of a winter cereal product shall pay the applicable selling price thereof to the seller thereof before or on the last day of the month following the month during which the seller delivered the quantity concerned to that buyer, or of the second consecutive month if the seller has despatched that quantity by rail to that buyer during the last seven days of a month.

(4) If a buyer fails to pay the applicable selling price of a winter cereal product before or on the applicable date referred to in subclause (3), that selling price shall be increased by 1,75 per cent in respect of each month or portion of a month by which the date of payment exceeds the applicable date.

#### Costs of containers

4. (1) Except where provided otherwise in subclauses (2), (3) and (4) the selling prices referred to in clause 2 shall include the costs of containers and collective containers of winter cereal products.

(2) The cost of any hessian, jute, jute phormium tenax or plastic cover or collective container used for the protection of a winter cereal product in cotton containers may be added to the applicable selling price at R0,30 per cover or collective container.

(3) No costs of a paper collective container (baler bag) used for the protection of a winter cereal product in 2 x 12,5 kg, 5 x 5 kg, 10 x 2,5 kg, 25 x 1,0 kg or 50 x 500 g paper containers shall be added to the applicable selling price.

(4) The applicable price in respect of semolina and self-raising flour in 1,0 kg and 500 g paper containers, shall include the cost of wooden or other collective containers provided to hold such paper containers, and such selling price shall be reduced by R0,40 per 50 kg of semolina or self-raising flour if such collective containers are not supplied.

#### Transport costs

5. (1) Where the seller of a quantity of a winter cereal product is a commercial miller, the applicable selling price referred to in clause 2 of the quantity concerned shall—

(a) when conveyed to the premises of the buyer thereof with the transport of the seller subject to the provisions of subclauses (2) and (3) include the costs of the conveyance; and

(b) when despatched by rail from the railway station or siding nearest to the premises or depot of such miller to the railway station or siding nearest to the premises of the buyer thereof—

(i) include the costs of transport from the premises or depot of such miller to the first-mentioned railway station or siding;

(ii) subject to the provisions of subclause (2), include the railage costs to the railway station or siding nearest to the premises of the buyer thereof; and

(iii) subject to the provisions of subclause (3), include the delivery costs from the last-mentioned railway station or siding to the premises of the buyer thereof.

(2) If a quantity of a winter cereal product—

- (a) is conveyed to a destination in Botswana, Lesotho or Swaziland, the applicable selling price of that quantity may be increased with the actual costs of the conveyance thereof from the border of the said country to the destination concerned; and
  - (b) is conveyed to Walvis Bay or a destination in South West Africa the applicable selling price of that quantity shall be increased with an amount of R38,5<sup>6</sup> per ton net mass in respect of transport costs.
- (3) The delivery costs referred to in subclause (1) (b) (iii) shall not—

6. If a collision occurs, the

- (b) in Botswana, Lesotho or Swaziland, include the costs of any transport from the railway station or siding concerned to the premises of the buyer concerned.

## Date of delivery

7. A quantity of a winter cereal product shall be deemed to have been delivered on the date on which—
  - (a) if despatched by rail, the seller railed it to the buyer thereof; or
  - (b) if despatched in any other manner, it is received by the buyer thereof.

**TABLE**  
**SELLING PRICES OF WINTER CEREAL PRODUCTS**

	Quantity of product delivered	Form in which product is sold	Kind of winter cereal product					
			Cake flour	White bread flour	Brown bread meal	Whole-wheat meal	Semolina	Self-rising flour
Part I	1	2	3	4	5	6	7	8
Three tons and more acid, in the case of insoluble lime self-rising flour, 250 lbs and more jointly	In bulk..... 50 lb zinc bags..... 50 lb cotton containers..... 50 lb paper containers..... 50 lb polypropylene..... 25 kg cotton containers..... 12.5 kg cotton containers..... 12.5 kg paper containers..... 5 kg paper containers..... 2.5 kg paper containers..... 1 kg paper containers..... 500 g paper containers.....	In bulk..... 50 lb zinc bags..... 50 lb cotton containers..... 50 lb paper containers..... 50 lb polypropylene..... 25 kg cotton containers..... 12.5 kg cotton containers..... 12.5 kg paper containers..... 5 kg paper containers..... 2.5 kg paper containers..... 1 kg paper containers..... 500 g paper containers.....	802.32 813.77 835.94 827.92 766.15  824.95 846.54 782.77 871.86 852.68 874.08 922.09 935.35	740.55 752.00 774.17 766.15  765.18 782.77 810.09 790.91 812.31 860.32 873.58	653.21 664.66 686.83 678.81  677.84 695.43 722.75 703.57 874.97 722.98 736.24	574.77 586.32 600.37 600.37  599.40 616.99 644.13 645.13 644.54 657.80	802.32 813.77 835.94 827.92  824.95 846.54 871.86 852.68 874.08 922.09 935.35	* * 1 062.82   * * * * 1 158.13 1 184.15

Quantity of product delivered	Formal in which product is sold	Kind of winter cereal product					
		Cake flour	White bread flour	Brown bread meal	Whole-wheat meal	Semolina	Self-rising flour
Part I	2	3	4	5	6	7	8
Part II	In bulk: 65 kg jute bags, 50 kg cotton containers, 50 kg paper containers, 50 kg polypropylene containers, 25 kg cotton containers, 12.5 kg paper containers, 5 kg paper containers, 2.5 kg paper containers, 1 kg paper containers, 500 g paper containers, 500 g cotton containers	R/ton	R/ton	R/ton	R/ton	R/ton	R/ton
		834.41 846.32 869.38 861.04	770.17 782.05 805.14 796.80	679.34 691.25 714.30 705.96	597.76 609.67 632.73 624.38	633.38 645.29 670.08 650.14 650.32 684.11	860.03 871.92 896.73 886.79 909.04 958.97 972.76
Part III	65 kg jute bags, 50 kg cotton containers, 50 kg paper containers, 50 kg polypropylene containers, 25 kg cotton containers, 12.5 kg paper containers, 5 kg paper containers, 2.5 kg paper containers, 1 kg paper containers, 500 g paper containers, 500 g cotton containers	R/centner	R/centner	R/centner	R/centner	R/centner	R/centner
		56.86 58.33 45.54 45.54	53.77 55.24 42.50 42.50	48.39 49.86 38.69 38.69	43.68 45.15 34.22 34.22	56.86 58.33 45.54 45.54	• • • •
Less than 250 kg and, in the case of semolina and self-rising flour, less than 50 kg jointly	In containers other than those specified above, in quantities of: (a) at least 25 kg; (b) at least 12.5 kg, but less than 25 kg; (c) at least 5 kg, but not less than 2.5 kg; (d) at least 2.5 kg, but less than 1.25 kg; (e) less than 2.5 kg	56.86/65 kg	53.77/65 kg	48.60/65 kg	42.87/65 kg	56.86/65 kg	•
		11.70/12.5 kg	11.28/12.5 kg	10.39/12.5 kg	9.16/12.5 kg	11.70/12.5 kg	•
		4.76/5 kg	4.70/5 kg	4.32/5 kg	3.81/5 kg	4.76/5 kg	•
		2.44/2.5 kg	2.40/2.5 kg	2.24/2.5 kg	1.98/2.5 kg	2.44/2.5 kg	•
		0.98/0.5 kg	0.96/0.5 kg	0.91/0.5 kg	0.81/0.5 kg	0.98/0.5 kg	•
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\* Not specified.

## No. R. 2080 26 September 1986

BEMARKINGSWET, 1968 (WET 59 VAN 1968)  
WINTERGRAANSKEMA.—SPECIALE HEFFINGS OP  
KORING- EN ROGSEMELS

Ek, Jacob Johannes Greyling Wentzel, Minister van Landbou-ekonomie, maak hierby ingevolge artikel 79 (a) van die Bemarkingswet, 1968 (Wet 59 van 1968), bekend dat—

- (a) die Koringraad bedoel in artikel 6 van die Wintergraanskema gepubliseer by Proklamasie R. 162 van 1974, soos gewysig, kragtens artikel 25 van genoemde Skema die spesiale heffings in die Bylae uiteengesit, opgaaf het;
- (b) genoemde spesiale heffings deur my goedgekeur is en op 1 Oktober 1986 in werking tree; en
- (c) Goewernementskeuring R. 2191 van 27 September 1985 met ingang van genoemde datum van inwerkingtreding hierop word.

J. J. G. WENTZEL,  
Minister van Landbou-ekonomie.

## No. R. 2080 26 September 1986

MARKETING ACT, 1968 (ACT 59 OF 1968)  
WINTER CEREAL SCHEME.—SPECIAL LEVIES ON  
WHEATEN AND RYE BRAN

1. Jacob Johannes Greyling Wentzel, Minister of Agricultural Economics, hereby make known in terms of section 79 (a) of the Marketing Act, 1968 (Act 59 of 1968) that—

- (a) the Wheat Board referred to in section 6 of the Winter Cereal Scheme published by Proclamation R. 162 of 1974, as amended, has under section 25 of the said Scheme imposed the special levies set out in the Schedule;
- (b) the said special levies have been approved by me and shall come into operation on 1 October 1986; and
- (c) Government Notice R. 2191 of 27 September 1985 is repealed with effect from the said date of commencement.

J. J. G. WENTZEL,  
Minister of Agricultural Economics.

## BYLAE

## Woordomskrifwing

1. In hierdie Bylae het enige woord of uitdrukking waarvan 'n betekenis in die Skema getref is, daartoe betrekken en, tensy uit die samehang anders blyk, beteken—

“die Skema” die Wintergraanskema gepubliseer by Proklamasie R. 162 van 1974, soos gewysig; en

“kommerstie meulenaar” iemand wat kragtens artikel 36 van die Skema deur die Raad getreister is om met wintergraanprodukte as “n deelsheid te handel.

## Speciale heffings op koring- en rogsemels

2. Die volgende spesiale heffings word hierby opgelê op koring- en rogsemels bekend as fynsemels, koringsemels, spysvermengsemels en rogsemels, wat deur “n kommerstie meulenaar verkoop word:

- (a) Fynsemels: R115.00 per ton.  
(b) Koringsemels: R115.00 per ton.  
(c) Spysvermengsemels: R115.00 per ton.  
(d) Rogsemels: R115.00 per ton.

## No. R. 2081 26 September 1986

BEMARKINGSWET, 1968 (WET 59 VAN 1968)  
WINTERGRAANSKEMA.—VERKOOPPRYSSE VAN  
KORING- EN ROGSEMELS

Ek, Jacob Johannes Greyling Wentzel, Minister van Landbou-ekonomie, maak hierby ingevolge artikel 79 (b) van die Bemarkingswet, 1968 (Wet 59 van 1968), bekend dat—

- (a) die Koringraad bedoel in artikel 6 van die Wintergraanskema gepubliseer by Proklamasie R. 162 van 1974, soos gewysig, kragtens artikel 37 van genoemde Skema die verkoopprysse in die Bylae uiteengesit, van koring- en rogsemels vasgestel het;
- (b) genoemde verkoopprysse deur my goedgekeur is en op 1 Oktober 1986 in werking tree; en
- (c) Goewernementskeuring R. 2276 van 7 Oktober 1985 met ingang van genoemde datum van inwerkingtreding hierop word.

J. J. G. WENTZEL,  
Minister van Landbou-ekonomie.

## BYLAE

## Woordomskrifwing

1. In hierdie Bylae het enige woord of uitdrukking waarvan 'n betekenis in die Skema getref is, daartoe betrekken, en beteken “die Skema” die Wintergraanskema gepubliseer by Proklamasie R. 162 van 1974, soos gewysig.

## Verkoopprysse van koring- en rogsemels

2. (1) Behoudens die bepaling van subklousule (2) mag 'n bepaalde hoeveelhede van 'n wintergraanprodukt van “n klas in kolom 1 van die tabel vermeld, wat op “n bepaalde tydsked en plek aan die koper daarvan gelever word—

- (a) nie deur “n produsent daarvan teen “n hoër prys as die te verhandel prys in kolom 2 of 3 van die tabel daarteenoor vermeld, verkoop word nie; en
- (b) nie deur iemand anders teen “n hoër prys as die toepasselijke prys in kolom 4 of 5 van die tabel daarteenoor vermeld, verkoop word nie.

(2) “n Verkoopprys in subklousule (1) bedoel, is nie van toepassing nie op “n hoeveelhede van “n wintergraanprodukt wat—

- (a) uitgevoer word na “n land anders as Suidwes-Afrika, Botswana, Lesotho, Swaziland of “n staat waarvan die grondgebied voorheen deel van die Republiek uitgemaak het;

## SCHEDULE

## Definitions

1. Any word or expression in this Schedule to which a meaning has been assigned in the Scheme shall have that meaning and, unless the context otherwise indicates—

“commercial miller” means a person registered by the Board under section 36 of the Scheme to deal in the course of trade with winter cereal products; and

“the Scheme” means the Winter Cereal Scheme published by Proclamation R. 162 of 1974, as amended.

## Special levies on wheaten and rye bran

2. The following special levies are hereby imposed on the wheaten and rye products known as pollard, wheaten bran, digestive bran and rye bran, that are sold by a commercial miller:

- (a) Pollard: R115.00 per ton.  
(b) Wheaten bran: R115.00 per ton.  
(c) Digestive bran: R115.00 per ton.  
(d) Rye bran: R115.00 per ton.

## No. R. 2081 26 September 1986

MARKETING ACT, 1968 (ACT 59 OF 1968)  
WINTER CEREAL SCHEME.—SELLING PRICES OF  
WHEATEN AND RYE BRAN

1. Jacob Johannes Greyling Wentzel, Minister of Agricultural Economics, hereby make known in terms of section 79 (b) of the Marketing Act, 1968 (Act 59 of 1968) that—

- (a) the Wheat Board referred to in section 6 of the Winter Cereal Scheme published by Proclamation R. 162 of 1974, as amended, has under section 37 of the said Scheme fixed the selling prices set out in the Schedule, of wheaten and rye bran;
- (b) the said selling prices have been approved by me and shall come into operation on 1 October 1986; and
- (c) Government Notice R. 2276 of 7 October 1985 is repealed with effect from the said date of commencement.

J. J. G. WENTZEL,  
Minister of Agricultural Economics.

## SCHEDULE

## Definitions

1. Any word or expression in this Schedule to which a meaning has been assigned in the Scheme shall have that meaning, and “the Scheme” means the Winter Cereal Scheme published by Proclamation R. 162 of 1974, as amended.

## Selling prices of wheaten and rye bran

2. (1) Subject to the provisions of subclause (2) a particular quantity of a winter cereal product of a class specified in column 1 of the table, that is delivered to the buyer thereof at a particular time and place shall not—

- (a) be sold by a producer thereof at a price above the applicable price specified in column 2 or 3 of the table opposite thereto; and
- (b) be sold by another person at a price above the applicable price specified in column 4 or 5 of the table opposite thereto.

(2) A selling price referred to in subclause (1) shall not apply to a quantity of a winter cereal product that—

- (a) is exported to another country other than South West Africa, Botswana, Lesotho, Swaziland or a state the territory of which formerly formed part of the Republic;



- (b) in die geval van fynsemsels, 'n netto massa van minder as 50 kg het;
- (c) in die geval van koringsemsels en rogsemsels, 'n netto massa van minder as 35 kg het; en
- (d) in die geval van spysvermengingssemsels, 'n netto massa van minder as 25 kg het.

**Koste van houters**

3. Indien 'n hoeveelheid van 'n wintergraanprodukt van 'n klas in kolom 1 van die tabel vermeld, in 'n houer verkoop word wat deur die verkoper daarvan verskaf is, mag die toepasslike verkoopprys in Kousule 2 bedoel, met die werklike koste van daardie houer verhoog word.

**Vervoerkoste**

4. (1) Wanneer 'n hoeveelheid van 'n wintergraanprodukt van 'n klas in kolom 1 van die tabel vermeld, ooreenkomstig die opdrag van 'n koper na sy perseel vervoer word, dan sodanige koper die vervoerkoste daarvan.

(2) Sodanige vervoerkoste mag by die toepasslike verkoopprys en, indien van toepassing, koste van houters bygevoeg word wanneer 'n koper 'n hoeveelheid van 'n wintergraanprodukt hervrekoop.

**Af ronding van verkooppryse**

5. Indien 'n verkoopprys soos ingevolge hierdie Bylae beteken, 'n breuk van 'n sent beval, word dit tot die naaste volle sent afgerond.

- (b) in the case of pollard, has a net mass of less than 50 kg;
- (c) in the case of wheaten bran and rye bran, has a net mass of less than 35 kg; and
- (d) in the case of digestive bran, has a net mass of less than 25 kg.

**Cost of containers**

3. If a quantity of a winter cereal product of a class specified in column 1 of the table is sold in a container that is supplied by the seller thereof, the applicable selling price referred to in clause 2 may be increased with the actual cost of that container.

**Transport cost**

4. (1) When a quantity of a winter cereal product of a class specified in column 1 of the table is conveyed to the premises of a buyer in accordance with his instructions, such buyers shall bear the conveyance cost thereof.

(2) Such conveyance cost may be added to the applicable selling price and, if applicable, costs of containers when a buyer resells a quantity of a winter cereal product.

**Rounding off of selling prices**

5. If a selling price as calculated in terms of this Schedule contains a fraction of a cent it shall be rounded off to the nearest full cent.

TABEL

Klas wintergraanprodukt	Maksimum verkoopprys per ton netto massa indien deur 'n produsent verkoop—		Maksimum verkoopprys per ton netto massa indien deur iemand anders as 'n produsent daarvan verkoop—	
	In hoeveelheid van een ton of meer	In minstens een houer in hoeveelheid van minder as een ton	In hoeveelheid van een ton of meer	In minstens een houer in hoeveelheid van minder as een ton
1	2	3	4	5
Koringsemsels.....	R163,00	R179,30	R179,30	R197,23
Spysvermengingssemsels.....	R180,00	R198,00	R198,00	R217,80
Fynsemsels.....	R166,00	R182,60	R182,60	R200,86
Rogsemsels.....	R163,00	R179,30	R179,30	R197,23

TABEL

Klas van winter cereal product	Maximum selling price per ton net mass if sold by a producer—		Maximum selling price per ton net mass if sold by a person other than a producer—	
	In quantities of one ton and more	In at least one container in quantities of less than one ton	In quantities of one ton and more	In at least one container in quantities of less than one ton
1	2	3	4	5
Wheaten bran.....	R163,00	R179,30	R179,30	R197,23
Digestive bran.....	R180,00	R198,00	R198,00	R217,80
Pollard.....	R166,00	R182,60	R182,60	R200,86
Rye bran.....	R163,00	R179,30	R179,30	R197,23

No. R. 2082

26 September 1986

BEMARKINGSWET, 1968 (WET 59 VAN 1968)

WINTERGRAANSKEMA.—SPECIAL HEFFING OP WITBROODMEEL, BRUINBROODMEEL EN VOLKORINGMEEL, IN VOORRAAD BY KOMMER-SIELE BROODBAKERS OP 30 SEPTEMBER 1986

Ek, Jacob Johannes Greyling Wentzel, Minister van Landbou-ekonomie, maak hierby kragtens artikel 79 (a) van die Benamingswet, 1968 (Wet 59 van 1968), bekend dat—

(a) die Kortingsraad bedoel in artikel 6 van die Wintergraanskema gepubliseer by Proklamasie R. 162 van 1974, soos gewysig, kragtens artikel 25 van genoemde Skema die spesiale heffing in die Bylae uiteengesit, opgelê het.

(b) genoemde spesiale heffing deur my goedgekeur is en op 1 Oktober 1986 in werking tree.

J. J. G. WENTZEL,

Minister van Landbou-ekonomie.

**Woordomskrywing****BYLAE**

1. In hierdie Bylae het enige woord of uitdrukking waarvan 'n betekenis in die Skema gegee is, daardie betekenis en, tensy uit die samehang anders blyk, beteken—

“bruinbroodmeel”, “volkorningmeel” en “witbroodmeel”, dieselfde as in die regulasies gepubliseer by Goewernementskennisgewing R. 1981 van 30 September 1977, soos gewysig;

“die Skema”, die Wintergraanskema gepubliseer by Proklamasie R. 162 van 1974, soos gewysig; en

“kommersiële broodbakker” iemand wat kragtens artikel 36 van genoemde Skema deur die Raad geregistreer is om met witbrood, bruinbrood of volkorningbrood as 'n besigheid te handel.

**Spesiale heffing**

2. (1) 'n Spesiale heffing word hierby opgelê op—

- (a) die hoeveelheid, minus 1,5 ton, witbroodmeelblom;
- (b) die hoeveelheid, minus 3,5 ton, bruinbroodmeel; en
- (c) die hoeveelheid volkorningmeel,
- wat 'n kommersiële broodbakker op die stadium in subklousule (2) (d) bedoel, in voorraad het, met inbegrip van enige hoeveelheid van sodanige witbroodmeelblom, bruinbroodmeel of volkorningmeel deur hom aangekoop teen die prys van toepassing voor genoemde datum en na genoemde datum aan hom gelever.

(2) Sodanige spesiale heffing—

- (a) bedra in die geval van witbroodmeelblom, R77,61 per ton;
- (b) bedra in die geval van bruinbroodmeel, R67,86 per ton;
- (c) bedra in die geval van volkorningmeel, R59,10 per ton; en
- (d) is van toepassing op die hoeveelheid in subklousule (1) bedoel, wat 'n kommersiële broodbakker onmiddellik na 30 September 1986 in voorraad het.

GOVERNMENT GAZETTE, 26 SEPTEMBER 1986

No. 10473 11

No. R. 2082

26 September 1986

MARKETING ACT, 1968 (ACT 59 OF 1968)

WINTER CEREAL SCHEME.—SPECIAL LEVY ON WHITE BREAD FLOUR, BROWN BREAD MEAL AND WHOLE-WHEAT MEAL IN STOCK AT COMMERCIAL BREAD BAKERS ON 30 SEPTEMBER 1986

1. Jacob Johannes Greyling Wentzel, Minister of Agricultural Economics, hereby make known in terms of section 79 (a) of the Marketing Act, 1968 (Act 59 of 1968), that—

(a) the Wheat Board referred to in section 6 of the Winter Cereal Scheme published by Proclamation R. 162 of 1974, as amended, has under section 25 of the said Scheme imposed the special levy set out in the Schedule; and

(b) the said special levy has been approved by me and shall come into operation on 1 October 1986.

J. J. G. WENTZEL,

Minister of Agricultural Economics.

**Definitions****SCHEDULE**

1. Any word or expression in this Schedule to which a meaning has been assigned in the Scheme shall have that meaning and, unless the context otherwise indicates—

“brown bread meal”, “white bread flour” and “whole-wheat meal” shall have the meanings assigned thereto in the regulations published by Government Notice R. 1981 of 30 September 1977, as amended;

“commercial bread baker” means a person registered by the Board under section 36 of the Scheme to deal in the course of trade with white bread, brown bread or whole-wheat bread; and

**Special levy**

2. (1) A special levy is hereby imposed on—

- (a) the quantity, less 1.5 ton, of white bread flour;
- (b) the quantity, less 3.5 ton, of brown bread meal; and
- (c) the quantity of whole-wheat meal,
- which a commercial bread baker has in stock at the stage referred to in subclause (2) (d), including any quantity of such white bread flour, brown bread meal and whole-wheat meal purchased by him at the prices applicable before the said date and delivered to him after the said date.

(2) Such special levy shall—

- (a) in the case of white bread flour, amount to R77,61 per ton;
- (b) in the case of brown bread meal, amount to R67,86 per ton;
- (c) in the case of whole-wheat meal, amount to R59,10 per ton; and
- (d) apply to the quantities referred to in subclause (1), which a commercial bread baker has in stock immediately after expiration of 30 September 1986.

Help om ons land, Suid-Afrika, skoon te hou!

Please keep our country, South Africa, clean!

**SCHEDULE**

1. In this Schedule "the regulations" shall mean the regulations published under Government Notice R. 2166 of 3 December 1971 as amended by Government Notice R. 1812 of 9 September 1977 and Government Notice R. 584 of 30 March 1984.
2. Regulation 69 of the regulations is hereby amended by the substitution in subregulation (1) for the words "two rand" of the words "ten rand".

**DEPARTMENT OF AGRICULTURAL ECONOMICS AND MARKETING**

No. R. 2103

3 October 1986

MARKETING ACT, 1968 (ACT 59 OF 1968)

**REGULATIONS RELATING TO WHEATEN AND RYE PRODUCTS.—AMENDMENT**

The Minister of Agricultural Economics has under section 89 of the Marketing Act, 1968 (Act 59 of 1968), made the regulations in the Schedule.

**SCHEDULE****Definitions**

1. In this Schedule "the Regulations" means the regulations published by Government Notice R. 1981 of 30 September 1977, as amended by the regulations published by Government Notices R. 564 of 23 March 1978, R. 968 of 12 May 1978, R. 986 of 19 May 1978, R. 1979 of 29 September 1978, R. 1759 of 17 August 1979, R. 1142 of 6 June 1980, R. 2151 of 24 October 1980, R. 1097 of 22 May 1981, R. 2384 of 30 October 1981, R. 1548 of 20 July 1984, R. 2453 of 9 November 1984, R. 1429 of 28 June 1985, R. 2275 of 7 October 1985, R. 771 of 25 April 1986 and R. 1475 of 11 July 1986.

**Amendment of regulation 17**

2. Regulation 17 of the Regulations is hereby amended by the addition of the following paragraph after paragraph (i) of subregulation (1):

"(j) woven polypropylene containers containing 50 kg net."

No. R. 2110

3 October 1986

MARKETING ACT, 1968 (ACT 59 OF 1968)

**REGULATIONS RELATING TO APPEALS AND INSPECTION FEES.—AMENDMENT**

The Minister of Agricultural Economics has under section 89 of the Marketing Act, 1968 (Act 59 of 1968), made the regulations in the Schedule.

**SCHEDULE****Definitions**

1. In this Schedule "the Regulations" mean the regulations published by Government Notice R. 602 of 30 March 1984 (as corrected by Government Notice R. 1578 of 27 July 1984), as amended by the regulations published by Government Notices R. 1244 of 7 June 1985 and R. 598 of 27 March 1986.

**BYLAE**

1. In hierdie Bylae beteken "die regulasies" die regulasies afgekondig by Goewermentskennisgewing R. 2166 van 3 Desember 1971 soos gewysig by Goewermentskennisgewing R. 1812 van 9 September 1977 en Goewermentskennisgewing R. 584 van 30 Maart 1984.
2. Regulasie 69 van die regulasies word hierby gewysig deur in subregulasie (1) die woorde "twee rand" met die woorde "tien rand" te vervang.

**DEPARTEMENT VAN LANDBOU-EKONOMIE EN -BEMARKING**

No. R. 2103

3 Oktober 1986

BEMARKINGSWET, 1968 (WET 59 VAN 1968)

**REGULASIES BETREFFENDE KORING- EN ROG-PRODUKTE.—WYSIGING**

Die Minister van Landbou-ekonomie het kragtens artikel 89 van die Bemarkingswet, 1968 (Wet 59 van 1968), die regulasies in die Bylae uitgevaardig.

**BYLAE****Woordomskrywing**

1. In hierdie Bylae beteken "die Regulasies" die regulasies gepubliseer by Goewermentskennisgewing R. 1981 van 30 September 1977, soos gewysig deur die regulasies gepubliseer by Goewermentskennisgewings R. 564 van 23 Maart 1978, R. 968 van 12 Mei 1978, R. 986 van 19 Mei 1978, R. 1979 van 29 September 1978, R. 1759 van 17 Augustus 1979, R. 1142 van 6 Junie 1980, R. 2151 van 24 Oktober 1980, R. 1097 van 22 Mei 1981, R. 2384 van 30 Oktober 1981, R. 1548 van 20 Julie 1984, R. 2453 van 9 November 1984, R. 1429 van 28 Junie 1985, R. 2275 van 7 Oktober 1985, R. 771 van 25 April 1986 en R. 1475 van 11 Julie 1986.

**Wysiging van regulasie 17**

2. Regulasie 17 van die Regulasies word hierby gewysig deur die volgende paragraaf na paragraaf (i) van subregulasie (1) by te voeg:

"(j) geweeftde polipropileenhouers wat 50 kg netto bevat."

No. R. 2110

3 Oktober 1986

BEMARKINGSWET, 1968 (WET 59 VAN 1968)

**REGULASIES BETREFFENDE APPELLE EN INSPEK-SIEGELDE.—WYSIGING**

Die Minister van Landbou-ekonomie het kragtens artikel 89 van die Bemarkingswet, 1968 (Wet 59 van 1968), die regulasies in die Bylae uitgevaardig.

**BYLAE****Woordomskrywing**

1. In hierdie Bylae beteken "die Regulasies" die regulasies gepubliseer by Goewermentskennisgewing R. 602 van 30 Maart 1984 (soos verbeter by Goewermentskennisgewing R. 1578 van 27 Julie 1984), soos gewysig deur Goewermentskennisgewings R. 1244 van 7 Junie 1985 en R. 598 van 27 Maart 1986.



# Boycott of grain could deal blow to US farmers

## Pik phones senators in bid to uphold Reagan's veto

WASHINGTON — A South African boycott of United States grain purchases would have little impact on total American exports but would be another psychological blow to hard-pressed US farmers, agricultural analysts said yesterday.

The South African Minister of Foreign Affairs, Mr Pik Botha, telephoned US farm-state senators on Wednesday threatening to boycott purchases and block shipment by rail of US grain to the frontline states if the Senate yesterday voted to override President Ronald Reagan's veto of sanctions.

Government and private analysts estimated that the maximum impact of the boycott would be on potential

US sales of about 500 000 tons of wheat and maize to Southern Africa — less than one per cent of total US shipments of 70.8 million tons this year.

Nevertheless, US grain prices are at the lowest levels in several years and the loss of any export market is a blow, some analysts said.

So far this year South Africa has bought 161 900 tons of American wheat and private grain traders said they had hoped for sales of 300 000 tons to South Africa this year.

South Africa has bought no US maize yet this year and there was little likelihood of major purchases later in the year because the South African maize crop was expected to reach about

nine million tons, enough to allow some exports.

In the past, South Africa has been a major buyer of US maize to meet shortfalls caused by drought.

This year South Africa is expected to import only 200 000 tons of maize from all suppliers, according to the Agriculture Department.

A South African embargo on rail shipments of American wheat and maize to other African countries would affect only about 100 000 to 150 000 tons to Mozambique, Lesotho, Zambia and Zimbabwe, most of that wheat provided under food aid programmes, officials said. — Sapa-RNS



MR BOTHA



MR REAGAN

### Market glut behind threat

Dispatch Correspondent JOHANNESBURG —

South Africa could be using its advantageous position as buyer in a glutted international grain market as a weapon in its anti-sanctions campaign.

The world's granaries are overflowing with surplus stocks — and observers say suppliers would be so eager to find a market to get rid of them that it would be difficult for them to agree not to sell to South Africa.

The United States has surplus grain stocks — 55 per cent of the world total — to provide for its needs for more than a year.

World grain production this year is expected to reach 1.4 billion tons.

The Progressive Federal Party spokesman on agriculture, Mr Errol Moorcroft, said Mr Pik Botha had "called their bluff — and he could get away with it."

"I believe they would experience grave problems in keeping suppliers of wheat out of South Africa."

Simple economics would ensure that sales went ahead — and any government attempting to hinder this would face an outcry by farmers.

Professor Ekhart Kassier, of the department of agricultural economics at Stellenbosch University, agreed that internationally it was a buyer's market.

But South Africa would be in dire trouble if the US, Australia and Canada banned wheat exports to South Africa in a year of poor wheat and maize harvests, Pretoria experts say.

The value of South African farm exports to the US is insignificant compared to the country's total exports, say economists.

In 1984 the figure was R118 million and last year R98 million, according to a US Embassy source.

US farm exports to South Africa totalled \$108 million last year, and \$481 million in 1984, when large maize imports were required.

This year 156 000 tons was bought by South Africa from the US (less than one per cent of its total wheat exports), 55 000 tons from Canada and 90 000 tons from Australia — South Africa's three traditional suppliers.

Usually 1.9 million tons of wheat are produced annually in South Africa — and 2.2 million tons consumed — including the 150 000 tons exported to neighbouring states.

During the past few drought-stricken years, South Africa has imported about 301 000 tons annually, a departmental spokesman said.

Agriculture Minister, Mr Greyling Wentzel, is on record as saying that South Africa would have to continue importing wheat for the foreseeable future.

**"TABEL 3****MERKE WAT OP SEKERE BEHEERDE DIERE AANGEBRING MOET WORD**

(Regulasie 29)

Doel van merk	Merk	Plek op liggaam waar merk aangebring moet word
1	2	3
Om tuberkulose besmetting in 'n bees aan te dui .....	T	Linkerkant van die nek.
Om brucellose besmetting in 'n bees aan te dui .....	C	Regterkant van die nek.
Om 'n dier met betrekking waartoe 'n bek-en-klouseerbeheermaatreël van toepassing is, te identifiseer	F	Regterkant van die nek.
Om 'n dier te identifiseer—	V	Regterkant van die nek.
(a) wat met 'n ander siekte as tuberkulose of brucellose besmet is; of		
(b) waarop 'n beheermaatreël anders as 'n bek-en-klouseerbeheermaatreël van toepassing is		
Om 'n bees te identifiseer wat uit 'n bek-en-klouseer beheerde gebied ten ooste van 28° oosterlengte verwyder word en wat nie reeds met 'n "F" gemerk is nie	Twee simbole wat onderskeidelik die maand en jaar van verwydering van die betrokke dier aandui, en wat bestaan uit L vir 1, J vir 2, I vir 3, F vir 4, V vir 5, > vir 6, A vir 7, < vir 8, U vir 9, D vir 10, N vir 11 en C vir 12	Regterkant van nek".

**No. R. 2215****24 October 1986****MARKETING ACT, 1968 (ACT 59 OF 1968)****WINTER CEREAL SCHEME.—SELLING PRICES OF CERTAIN WINTER CEREAL PRODUCTS—CORRECTION NOTICE**

Government Notice R. 2079 of 26 September 1986 published in *Government Gazette* 10473 of the said date is hereby corrected—

- (a) by the substitution in Part I of the Afrikaans text of the table—
- for the figures "608,29" where it occurs in column 6 opposite the entry "50-kg-katoenhouders" in column 2, of the figures "608,39"; and
  - for the figures "657,24" where it occurs in column 6 opposite the entry "1-kg-papierhouders" in column 2, of the figures "657,80";
- (b) by the substitution in Part I of the table for the figures "1 158,13" where it occurs in column 8 opposite the entry "500-g-papierhouders" in column 2, of the figures "1 184,15";
- (c) by the substitution in Part II of the table for the figures "782,05" where it occurs in column 4 opposite the entry "65 kg jute bags" in column 2, of the figures "782,08"; and
- (d) by the substitution in Part II of the Afrikaans text of the table for the figures "838,32" where it occurs in column 7 opposite the entry "25-kg-katoenhouders" in column 2, of the figures "878,32".

**No. R. 2216****24 October 1986****MARKETING ACT, 1968 (ACT 59 OF 1968)****REGULATIONS RELATING TO APPEALS AND INSPECTION FEES.—AMENDMENT**

The Minister of Agricultural Economics has under section 89 of the Marketing Act, 1968 (Act 59 of 1968), made the regulations in the Schedule.

**No. R. 2215****24 Oktober 1986****BEMARKINGSWET, 1968 (WET 59 VAN 1968)****WINTERGRAANSKEMA.—VERKOOPPRYSE VAN SEKERE WINTERGRAANPRODUKTE—VERBETERINGSKENNISGEWING**

Goewermmentskennisgewing R. 2079 van 26 September 1986 gepubliseer in *Staatskoerant* 10473 van vermelde datum word hierby verbeter—

- (a) deur in Deel I van die tabel—
- die syfers "608,29" waar dit in kolom 6 teenoor die inskrywing "50-kg-katoenhouders" in kolom 2 voorkom, deur die syfers "608,39" te vervang;
  - die syfers "657,24" waar dit in kolom 6 teenoor die inskrywing "1-kg-papierhouders" in kolom 2 voorkom, deur die syfers "657,80" te vervang;
  - die syfers "1 158,13" waar dit in kolom 8 teenoor die inskrywing "500-g-papierhouders" in kolom 2 voorkom, deur die syfers "1 184,15" te vervang;
- (b) deur in Deel II van die Engelse teks van die tabel die syfers "782,05" waar dit in kolom 4 teenoor die inskrywing "65 kg jute bags" in kolom 2 voorkom, deur die syfers "782,08" te vervang; en
- (c) deur in Deel II van die tabel die syfers "838,32" waar dit in kolom 7 teenoor die inskrywing "25-kg-katoenhouders" in kolom 2 voorkom, deur die syfers "878,32" te vervang.

**No. R. 2216****24 Oktober 1986****BEMARKINGSWET, 1968 (WET 59 VAN 1968)****REGULASIES BETREFFENDE APPELLE EN INSPEK-SIEGELDE.—WYSIGING**

Die Minister van Landbou-Ekonomie het kragtens artikel 89 van die Bemarkingswet, 1968 (Wet 59 van 1968), die regulasies in die Bylae uitgevaardig.

FIN HML 5/12/86  
AGRICULTURE 3

## Barley boost?

SA's barley producers, about 98% of them from the Caledon district in the Cape, are hoping for major benefits from the current investigation into increasing the national malting capacity.

Increased local demand for malting barley — used in the burgeoning beer market — and the danger of sanctions putting a dampener on residual barley malt imports, have forced SA Breweries' (SAB) malting arm, SA Maltsters (SAM), to reconsider the supply position.

SA Maltsters now imports about 60 000 t of barley malt annually because its local malting capacity cannot meet the beer industry's requirements. This malt is equivalent to 75 000 t of barley, says Wheat Board (WB) assistant GM Andries Liebenberg.

Agriculture Minister Greyling Wentzel points out that local barley production has increased from some 70 000 t in 1976/77 to 244 000 t in 1985/86 — an increase of 249% in nine years. But in view of limited local malting capacity for barley (about 130 000 t a year), the balance goes for cheaper feed grain and seed and malting extract (18 000 t).

With malting barley this year selling for R295/t net, against only about R199/t for feed grain barley, farmers would understandably prefer the benefit of increased

local malting capacities.

But the problem is not as simple as it might sound. For one thing, special quality standards apply to malting barley. For another, SA's climate makes supplies to brewers uncertain. And as a regular supply of quality barley is a prerequisite for major investments in increased malting capacity, the beer industry is understandably loath to over-extend itself.

"Barley is very susceptible to SA's fickle climate and can be successfully produced only in the winter rainfall region," Liebenberg explains. "In Europe, only some 10% of barley production is used for malt, while in SA the malt market is the prime target. Strict quality standards make this an even higher-risk product."

The beer and malting industries also face a dilemma. Says SAB public affairs manager Gary May: "Fundamentally, SAB's first concern is quality, followed by costs. While we are striving for greater self-sufficiency, a reasonable percentage of our malt is still imported, as the local product does not always have the required quality. Nevertheless, some expansion of local malting capacity is being planned for next year."

Total self-sufficiency is not possible at this stage, but a gradual expansion programme is receiving preference, adds SAB chief buyer Fred Korner. While self-sufficiency would be a laudable aim, the availability of quality barley is still a top priority.

SAM GM Charles Coe adds that sanctions would affect SAB and not his company, as SAB is concerned about obtaining sufficient quality malt. And because SA produces more barley than its annual malting capacity can cope with, he says his company and the WB are looking both at improving the quality of local production and expanding malting capacity, which is the other side of the equation, he tells the FM.

SAM has two malting plants — at Alberton and Caledon. The respective malting capacities are 35 000 t and 70 000 t a year, although capacities can be stepped up if necessary. Details of capital expenditures and plant expansions will be discussed at a board meeting this month.

The signs are good that barley producers in the southern Cape will be able to improve their marketing situation gradually. Certainly, as beer consumption keeps expanding, their market should also grow. ■

GRAIN

AGRICULTURE

17/11/87

36 acres

# Bumper year for Cape grain farmers

By MAGGIE ROWLEY

CAPE wheat and barley farmers are heading for a bumper year with record yields being reported by co-operatives.

Farmers can expect to make a handsome profit for the first time in many years, says Mr J J Engelbrecht, general manager of the Moorreensburg Co-operative.

"And not only are the farmers happy but the townsfolk in the farming communities are looking forward to reaping the benefits of the excellent crops.

## OUTSTANDING QUALITY

"Small towns are very dependent on the farmers for their livelihood. When the farmers have a bad year, it means a bad year for them too. So now everyone is smiling," he said.

Mr Engelbrecht said that already a record 169 000 tons had been collected at the co-operative which serves a large area stretching to Piketburg, Sandveld and Darling.

"Many farmers are still busy and we are expecting a further 20 000 tons to be bought in," he said.

Not only had the yield exceeded last year's 163 000 tons by 6 000 tons already but the quality of the crop was outstanding.

"About 95 percent of it is super or first grade," he said.

It was no longer cheap to farm wheat, he added.

"Last year we lost about 20 000 tons through disease and pests so this year farmers had to plough millions of rands into crop spraying. And it has paid off," he said.

At nearby Porterville, record yields have also been harvested.

Mr Nico Human, general manager of the Porterville Agricultural Co-operative, said that 110 000 tons had been bought in so far and the co-op expected to receive a total of 130 000 tons this year — up 15 000 tons on last year.

"The yield is definitely a record and about 95 percent is super and A grade quality. So we are very happy indeed."

He too believed there would be spin-offs from the good crops for the towns falling un-

der the co-op's area, including Ceres.

Mr Ben Koegelenberg, silo manager for the Western Province Co-operative in Vredenburg, said farmers in the area had already delivered 16 000 tons of wheat and more was expected.

"Last year the area produced a record 18 000 tons and if the weather holds for another week or two we are almost certain to exceed this.

"In addition, the quality of the crop is outstanding with more than 75 percent being super grade and the rest grade 1.

Mr Koegelenberg said the farmers were "in the sky" over the good harvest.

The Caledon-Riviersonderend Co-operative, which produced 50 000 tons of wheat last year, is also expecting a record harvest of barley and wheat.

"We have just started with the wheat crop now and have already received nine tons. We are expecting up to 60 000 tons which seems very possible as long as the weather holds for another week or two," said Mr C A Kruger, assistant manager.

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MARKET REPORT

CIRAIN

Supply/demand balance urged

# State's capacity to help grain farmers 'limited'

3 GRAM  
8/day  
7/9/88

PRETORIA — The ability of government to assist grain farmers financially had been seriously limited in recent years, Development Bank chairman and CE Simon Brand said yesterday.

Speaking at an SA Agricultural Union grain sorghum conference, Brand said a lasting grain marketing and pricing policy could be achieved only if there was continuous and intensive co-ordination of the actions of the three grain industries.

Rather than financially underwriting unviable marketing pricing policies, government's role should be through research and information to widen farmers' choices.

Under normal conditions it could be argued SA could benefit from world surpluses by importing grain. Anti-SA trade sanctions, however, made it essential for SA to strive for self sufficiency.

One way of ensuring enough grain for domestic consumption was to follow a price and marketing policy that could lead to a surplus.

This meant, however, in a normal year there would be a surplus and in a good year a big surplus, which would have to be exported with resulting heavy losses. This would mean

GERALD REILLY

stabilisation fund losses and would place the cost of such a policy squarely in the hands of government.

The difficult economic circumstances of the past few years had made it increasingly necessary to strongly curb state spending.

## Investigation

It was important the marketing and price policy for the different grains sent out the correct signals to producers and consumers so that domestic production and consumption could be co-ordinated.

It had become clear, Brand said, that the marketing and price policies for grains could not be carried out in isolation.

He said the committee investigating alternative marketing systems for the maize industry had to take into account all these factors.

Brand, who is chairman of the committee, said a final round of consultations with leaders in the grain industries was under way. The committee hoped to submit its report to the Agriculture Minister soon.

15/7/88

## GRAIN PRICES

*Grain*

### Whither weather?

Crop estimates to be released by the US Department of Agriculture (USDA) this week, as well as US weather forecasts for the next 10 days, are expected to have a major impact on world grain prices.

Unexpectedly heavy rains fell over 40% of the US corn (maize) and soya producing areas last weekend, creating jitters on the Chicago Futures grain market.

With the provisional crop figures expected this week and differences of opinion between official and private weather forecasters, futures speculators have decided to consolidate profits. The uncertainty could continue for weeks.

Holcom Futures head commodity broker Lyndsay Williams says grain and soya prices

have come off highs as the running bull market went through a short-term "correction." This week's statistics should establish longer-term price trends.

"We foresee higher prices than the recent record \$11 a bushel for soya, which has since come down to \$9.20. Corn futures have dropped in sympathy, but this can only be a short-term trend," he says.

A Maize Board spokesman says Chicago September maize futures have come down from a high of \$134.80/t (fob Gulf) to \$125.49 last Friday.

"But then the futures market is highly sensitive to any weather news. The US crop has already been damaged, but any reports of even light rains lead to a softening of futures prices," he says. Another heatwave has been forecast, but rain is needed in all corn-producing areas over the next 10 days during the crucial pollination period.

"Unless this happens, the corn crop could be a virtual write-off, with only 20%-30% of normal expectations. Once this reality hits home, corn prices are bound to firm further. But soya could survive and recover to 50%-60% of last year's crop if good rains fall by August," says Williams.

While the US has substantial grain and other food stocks, these are stored for strategic reasons and will not automatically reach world markets, should a massive crop failure occur. The ensuing worldwide scramble for food could push food commodity prices through the roof.

"If this week's USDA crop forecasts are low and the heat continues, we could see a substantial price take-off," says Williams.

All of this is good news for SA. By September-October, the inflationary effects of rising US food prices should begin to impact on precious metal prices.

Certainly, the fortunes of large sectors of the SA economy could be substantially affected by rain — or the lack of it — in the US cornbelt over the next few days. ■



# US drought likely to give boost to SA grain exports

Star 29/6/88  
3 Grain  
25/1/88

By Neil Behrmann

LONDON — South African grain exports will surge in the coming year because of the severe drought in the United States.

Exports will rise because of a sharp increase in world prices.

The US, the largest producer in the world, also has fewer crops to export so that other nations will be able to fill the gap in the world market and sell more grain.

A large proportion of South Africa's grain exports, mainly maize, however, ends up clandestinely on the African continent.

But even these impoverished countries, in desperate need of aid, may be forced to pay higher prices.

## Surge in prices

Corn futures in Chicago have soared to \$3.53 a bushel from \$2.02 in early May.

Wheat futures have surged to \$3.97 a bushel from \$3 and soya beans to \$10.595 from \$6.75.

The surge in these prices has filtered through to the international trade.

Over 40 percent of the United States has been declared a disaster area and crops are expected to be devastated if there is no rain in the coming week.

So far, a large proportion of wheat, barley and oat crops have been lost and corn and soya bean crops are reaching a critical stage in the prolonged drought.

In Montana, North and South Dakota, the wheat crop is expected to be about a fifth of its normal size and crop damage is estimated at more than \$2 billion.

These states are experiencing the worst conditions since the Thirties when thousands of farms were forced to sell up during a terrible dust bowl.

Grain stockpiles are vanishing fast.

The government's wheat stocks are around 270 million bushels, near the shrunken levels last seen in 1976.

That was a time when agriculturalists were talking of world food shortages.

Maize stocks are also falling. At 1.4 billion bushels, they will last eight months.

Yet farmers fear that crop damage will slash yields by 25 percent and yields will drop further if the drought continues.

The Mississippi river, one of the world's greatest waterways, is also a victim of the drought.

Massive grain barges carrying 1 400 tons of grain are running aground and are clogging a grain path from the Great Lakes in North America to the Gulf of Mexico in the South.

That means that international freight rates of dry cargoes are likely to rise.

Economists at the International Wheat Council are hastily downgrading supply forecasts of wheat and coarse grains.

Yet even before the drought worsened, consumption at 1,385 billion tons exceeded production by 65 million tons.

World stocks early this month were estimated to be down to 280 million tons from 397 million tons a year ago.

Yet production of major grain producers — the Soviet Union, China, Europe, Canada, Australia and South Africa — are expected to be higher this year.

South African maize output, according to the International Wheat Council, is 7.3 million tons, about 100 000 tons higher than levels in 1986, while wheat production has surged to 3.3 million tons from 2.3 million tons in 1986.

Ahead of the drought, South African exports of maize and sorghum were forecast to be around 1.7 million tons this year.

With production of the rest of the world higher, the surge in prices and lower US exports will help grain competitors around the world.

The US government has subsidised grain exports to reduce a huge stockpile built up over the past few years.

## Direct effects

With stocks falling and international prices rising, it has become uneconomic for the United States to sell large quantities of grain to buyers at discount prices.

Besides the direct effects on wheat and maize prices and feed grains, especially soya beans, will have an impact on US and world food inflation. Farmers in America have been forced to kill livestock because the price of soya bean meal is so high.

In the short run, meat prices have fallen because of a glut, but next year they should rise sharply.

In the Northern Hemisphere and the Far East, prices of pork, bacon, poultry and eggs are expected to jump in the coming twelve months because of the rising costs of animal feed.

# Surplus is a problem

36041W  
GERALD REILLY

PRETORIA — SA grain farmers have produced themselves into a R450m problem.

This, according to sources here, is what they will lose on exporting surpluses from the maize crop and the big wheat crop.

The Wheat Board estimates that about 550 000 tons of its record crop of 3.3-million tons will have to be exported at a loss of more than R120m.

Losses in selling feed wheat on the local over-supplied animal feed market could add to the losses.

And, according to Nampo sources, deliveries to the Maize Board from the 7.8-million ton crop will be around 6.6-million tons.

Of this, 1.5-million tons will be surplus to domestic needs. The balance of 1.5-

million tons will be exported at a loss of more than R300m.

And so far government has given no indication whether it will renew last season's R134m support for export maize.

According to agricultural authorities, the wheat crop now being planted in the Free State could be a "monster" throwing up another huge surplus problem.

Free State maize farmers have switched to wheat on a large scale — to such an extent that an unprecedented shortage of seed has developed.

Wheat Board GM Dennis van Aarde said the board's storage capacity could be stretched to accommodate a maximum of six months supply.

# Grain crops will be 'more than sufficient' for country's needs

ster 5/3/88  
Grain 3

Boosted by good rains since the middle of February, the South African maize crop could hit the 7,2 million tons mark — a good crop considering how hopes of a record crop were dashed by scorching conditions since mid-January.

This prediction comes from Johannesburg grain distribution group, Kahn & Kahn which sees the final crop estimate at about the same as that of last year.

"A crop of 7 million tons is more than sufficient to cater for the normal domestic demand and it is significant that the Maize Board is announcing a very active marketing campaign for the forthcoming year to stimulate the consumption of maize rather than to be left with a substantial export surplus.

"Such a large surplus can lead only to enormous losses when it is sold competitively with maize produced in other countries."

Details of the board's marketing plans are still to be announced but it

is understood that there will be a drive to encourage consumers to absorb more of the commodity over the next year.

On the wheat front, the company says there is a highly competitive trend developing in the form of a substantial volume of the commodity produced this year in excess of the country's needs.

The wheat crop has been estimated at 2,8 million tons compared with the 2,2 million tons normally required.

"Consequently, there are 400 000 to 600 000 tons of feed wheat overhanging the South African market for which the Wheat Board is equally anxious to find an outlet within our borders rather than to export it at a serious loss," says Kahn & Kahn.

The grain sorghum crop will, it is believed, be very close to that of the

1987 harvest.

The Grain Sorghum Board is not due to consider the floorprices for 1988 until towards the end of this month or early April when a more reliable estimate of the crop can be made.

It will, however, be obliged to be more careful because what will have to be borne in mind is the "active endeavours" by the Maize Board to increase its market share of maize and at the same time, the necessity of competing effectively with the Wheat Board in its efforts to dispose of its surplus.

"It is therefore conceivable that the floor price for grain sorghum will have to be lower than what will satisfy the bulk of the farmers but unless this is done, they will run the risk of their own board having to take in, handle, store and finance a much larger percentage of the crop and having to dispose of its holdings on to an unwilling and somewhat hostile market," says K&K.

3 GRAIN  
Bldg  
30/3/88

# Schwarz calls for merger of grain boards

PRETORIA — A drastic rationalisation and reduction in the number of commodity control boards was long overdue, PFP finance spokesman Harry Schwarz said yesterday.

He was reacting to the demand expected to be made before the Simon Brand Committee on Alternative Marketing Schemes for Maize and for the merging of the maize, wheat and grain sorghum boards.

GERALD REILLY

At last count, there were 22 boards employing more than 3 000 workers earning about R20m a year.

He said the National Maize Producers Organisation (Nampo) was concerned at confusing market signals from various boards on products.

Nampo has also criticised the high costs of marketing, as well as the costs of administrative duplication

which have to be met by producers.

Schwarz said there were no good reasons for the proliferation of the boards during the past two decades. They merely extended the web of bureaucracy at the expense of producers and consumers.

Schwarz said the merging of boards would bring about greater marketing co-ordination, greater efficiency and lower administrative costs.

## HOUSE OF ASSEMBLY

Indicates translated version.

For written reply:

General Affairs:

Agricultural production not under control of boards

71. Mr R J LORIMER asked the Minister of Agriculture:

What percentage of South Africa's total agricultural production in the 1986-87 production seasons was not under the control of any board established under the Marketing Act, No 59 of 1968?

The MINISTER OF AGRICULTURE:  
20.2 per cent.

Agricultural production/exports: value

72. Mr R J LORIMER asked the Minister of Agriculture:

What was the value of the Republic's agricultural (a) production and (b) exports in 1987?

The MINISTER OF AGRICULTURE:

- (a) R12 898 503 000.  
(b) The value of the Republic's agricultural exports in 1987 is not yet available. In 1986 it was R2 594 711 000.

Grain imported

80. Mr D J N MALCOMESS asked the Minister of Agriculture:

Whether any grain was imported into South Africa in 1987, if so, (a) how many tons, (b) what was the nationality of the ships in which the grain was transported and (c) who collected the (i) brokerage and (ii) insurance premiums in respect of each shipment?

The MINISTER OF AGRICULTURE:

Yes.

- (a) 8 800 tons of barley  
26 356 tons of oats.  
(b) The nationality of the ships in which the grain was transported and

- (c) the instances which collected the (i) brokerage and (ii) the insurance premiums in respect of each shipment are not known since the barley was imported by the malt manufacturers and the oats by the oats millers themselves.

State veterinarians: vacancies

214. Mr R J LORIMER asked the Minister of Agriculture:

Whether there are any vacancies for State veterinarians in his Department; if so, (a) how many and (b) in respect of what date is this information furnished?

The MINISTER OF AGRICULTURE:

Yes.

- (a) 19.  
(b) 29 February 1988.

Veterinarians registered in Republic

215. Mr R J LORIMER asked the Minister of Agriculture:

- (a) How many (i) White, (ii) Black, (iii) Coloured and (iv) Asian veterinarians are registered in the Republic at present and (b) in respect of what date is this information furnished?

The MINISTER OF AGRICULTURE:

- (a) Altogether 1 498 persons practising a veterinary profession are registered with the South African Veterinary Council. The Council no longer keeps record of the number of registered persons belonging to the different population groups.  
(b) 12 February 1988.

Control of noxious plants: herbicides

219. Mr R J LORIMER asked the Minister of Agriculture:

- (a) What amount was spent on herbicides for the control of noxious plants during the latest specified period of 12 months for which figures are available, (b) what noxious plants were involved and (c) what amount was spent on each of these plant varieties?

## The MINISTER OF AGRICULTURE:

- (a) R1 255 000 for the twelve months ending on 31 March 1987.
- (b) Opuntia species and Nassele turf-grass.
- (c) R989 000 and R266 000 respectively.

## Road transport operations: privatization

221. Mr D J N M A L C O M E S S asked the Minister of Transport Affairs:

Whether any South African Transport Services road transport operations were privatized in 1987, if so, (a) how many, (b) which specified road transport operations and (c) to whom was each sold?

## The MINISTER OF TRANSPORT AFFAIRS:

- No.
- (a), (b), and (c) Fall away.

(a)

(aa) A Division	:	79 375	(i)		
(bb) B Division	:	70 591	(ii)		
Services	:	72 522	(iii)		
Non-classified	:	4 267	(iv)		
Whites	:	226 755			
Coloureds	:	67 859			
Indians	:	16 721			
Blacks	:	190 104			

## Own Affairs:

## Primary/secondary schools: teacher/pupil ratio

13. Mr R M B U R R O W S asked the Minister of Education and Culture:

What teacher/pupil ratio was applicable in (a) primary and (b) secondary schools in (i) each of the provincial education departments and (ii) his Department as at the latest specified date for which figures are available?

## The MINISTER OF EDUCATION AND CULTURE:

(i) Cape Province	1:20.9	(b) secondary	1:16.0
Natal	1:21.2		1:16.4
OFS	1:22.5		1:16.1
Transvaal	1:22.6		1:17.1

HOUSE OF ASSEMBLY

## The MINISTER OF EDUCATION AND CULTURE:

- (1) (i) Head Office\*

(ii) Cape	51	234
Natal	18	11
OFS	—	—
Transvaal	19 in (a) and (b) together;	—

(2) no, (a) and (b) fall away.

\*Head Office does not employ any teachers in a teaching capacity.

## Average expenditure per type of school

15. Mr R M B U R R O W S asked the Minister of Education and Culture:

What was the average expenditure, excluding expenditure of a capital nature, per type of school falling under the control of his Department in 1987?

## The MINISTER OF EDUCATION AND CULTURE:

- (a) Ordinary schools: R809 477
- (b) Schools and centres for special education: R1 428 833

## Primary/secondary schools: pupils enrolled

16. Mr R M B U R R O W S asked the Minister of Education and Culture:

What total number of pupils enrolled in 1988 in (a) primary and (b) secondary schools in each specified region of each education department falling under the control of his Department?

## The MINISTER OF EDUCATION AND CULTURE:

Natal	primary	55 360	secondary	44 806
OFS	42 946	31 355		
Transvaal				
Southern Transvaal	40 176	20 284		
Central Rand	39 016	32 285		
Eastern Transvaal	37 927	23 922		
Western Transvaal	24 921	19 913		
East Rand	44 876	29 940		
West Rand	32 943	21 670		
Far Northern Transvaal	17 993	12 783		
Northern Transvaal	52 866	39 501		

HOUSE OF ASSEMBLY

Cape information in respect of 1988 is not yet available.

## School hostels: vacant places

17. Mr R M B U R R O W S asked the Minister of Education and Culture:

What was the total number of vacant places in school hostels for (a) male and (b) female pupils at schools falling under the control of his Department as at the latest specified date for which information is available?

## The MINISTER OF EDUCATION AND CULTURE:

(a) Cape	4 741	as at 1987-12-31
Natal	1 030	as at 1988-02-01
OFS	1 316	as at 1987-05-20
Transvaal	5 656	as at 1988-02-23
(b) Cape	4 328	as at 1987-12-31
Natal	644	as at 1988-02-01
OFS	1 173	as at 1987-05-20
Transvaal	4 778	as at 1988-02-23

## School buildings constructed

18. Mr R M B U R R O W S asked the Minister of Education and Culture:

(a) How many school buildings were constructed or caused to be constructed by his Department in 1987 and (b) what was the average capital cost of constructing these buildings?

## The MINISTER OF EDUCATION AND CULTURE:

(a)	(b)
Number of schools	Average cost
—	—
3	R2 575 229.00
4	R4 630 600.00
Cape Natal OFS Transvaal	

## Black students at universities for Whites

20. Mr R M B U R R O W S asked the Minister of Education and Culture:

(a) How many foreign Black students were enrolled at universities for Whites in the Republic as at the latest specified date for which figures are available, (b) what was the country of origin of each such student

FLOWERS

1997 - 1999

Samantha Sharpe

CAPE TOWN — SA's protea growers have accused trade and industry department of undermining their export efforts through bureaucratic bungling.

SA exports fresh cut proteas and fynbos worth about R25m-R30m each year.

SA Protea Producers' and Exporters' Association chairman Maryke Middelmann said while the department had secured a dis-

## Protea growers attack govt bureaucracy

18/11/97

3 FLOWERS

count on import duties for fresh flowers destined for the EU, the department had to complete a form which would be used by European importers to claim.

With the department's offices located away from the airports, where quality inspections were done, most consignments were simply "rubber stamped" after

they left SA, she said. Importers thus had to wait a long time before they could claim their discount, a situation which was causing intense dissatisfaction.

"(The association) has over the last four months been in contact with the department and the Western Cape department of agriculture to see if this function can

be delegated to the perishable product export control board as agent of the department of agriculture — the department of agriculture had indicated that they do not see a problem in taking over this function.

"We have also, in collaboration with the deciduous fruit board ... endeavoured to make an appoint-

ment with the director general of trade and industry, (which) also seems to be a dead-end street," Middelmann said.

The Western Cape's agriculture ministry had written to Trade and Industry Minister Alec Erwin to try to broker a meeting between the association and the department, a ministry spokesman said. However, trade and industry spokesman Gobs Pillay said the ministry had no record of such a request.



## SA's floral exports 'are increasing daily'

Stephané Bothma

**3 Flowers**  
INTERNATIONAL demand for SA flowers has increased to such an extent that SA Airways Cargo was now flying flowers out of Johannesburg International airport on a daily basis, the airline said on the weekend.

Leading floral exporter, Flora Export, sent about R80 000 worth of flowers a week on SAA Cargo to various destinations like New York, Frankfurt, Amsterdam, Dubai and Hong Kong, as well as locally to Durban, Cape Town and East London.

Regular exports include fynbos such as proteas and other green varieties, cut ferns, foliages and rare decorative restios from the Tsitsikama forest in the Eastern Cape as well as most of all other cut flowers produced in Gauteng and KwaZulu-Natal.

From the time of be-

BD 13/10/97  
ing received at SAA Cargo facilities at Johannesburg International until they reach their destination, the flowers are refrigerated to maintain quality and freshness, SAA Cargo executive manager Charles Fairweather said.

□ Meanwhile, SAA announced the acquisition of a second Boeing 767 wide-bodied aircraft, to enable the carrier to improve its African regional schedules. The aircraft is being leased.

## INSIDE AGRICULTURE

# Illegal breeders a thorn in rose industry's side

CTCBE) 22/7/99 (3) Flowers

Supplying rose plants to garden centres and nursery retail outlets in South Africa is big business. The two largest companies which supply roses are Malanseuns and Ludwigs Roses, both of which are based near Pretoria.

In addition to supplying nearly 1 million ready-to-sell plants a year, between them the companies are agents for about 35 rose breeders, mainly in New Zealand, Germany, France, the US and Denmark. They have granted about 40 sub-licences to other growers.

Every year breeders around the world spend millions of dollars developing new roses and ornamental plants. When they comply with high standards, they are released to a worldwide network of agents.

These plants are protected internationally by the Plant Breeders Rights Act and the Trade Marks Act. The agent in every country must see to the protection of the variety and collect royalties on behalf of the breeders.

Because they are the agents for most of the rose varieties, Malanseuns and Ludwigs Roses are responsible for protecting the rights of overseas breeders and legitimate growers in South Africa.

Recently a nursery situated to the north of Brits in North West province was caught producing and selling protected rose varieties illegally (without a licence) and without proper labels. It was pocketing the royalty fee of R2.80 a plant.

Malanseuns and Ludwigs

Roses decided to take joint legal action because the crimes involved rose varieties protected in terms of agency agreements held by them both.

Taking into account the stipulation that an infringement of the Plant Breeders Rights Act could lead to a civil lawsuit with a maximum fine of R10 000, and because 30 varieties were in question, they submitted a demand for R300 000 and the outstanding royalty fees that had accumulated since 1997, when the current owner began to conduct business.

The last time such action was taken in South Africa was about 20 years ago. A Western



JUSTINE NOFAL

This time the nursery concerned clearly knew it was in breach of the regulations and asked for a meeting with the companies. It agreed to pay the outstanding royalties, which were recorded in their invoice books, but Malanseuns and Ludwigs Roses insisted that the roses – about 15 000 plants – should be destroyed the following day.

Understandably, both companies have opposed granting the nursery a growing licence.

Cape nursery was illegally producing a protected variety of groundcover rose and the department of agriculture confiscated the plants when the nursery refused to comply with licensing and royalty regulations.

This time the nursery concerned clearly knew it was in breach of the regulations and asked for a meeting with the companies.

It agreed to pay the outstanding royalties, which were recorded in their invoice books, but Malanseuns and Ludwigs Roses insisted that the roses – about 15 000 plants – should be destroyed the following day.

Understandably, both companies have opposed granting the nursery a growing licence.

The incident caused mild interest in the industry and the genetic resources directorate in the agriculture department was notified of what had taken place. The department warned illegal growers in its official newsletter.

This has opened the flood gates. Malanseuns and Ludwigs Roses have been tipped off about more nurseries that are propagating and selling rose varieties illegally. Culpit nurseries are easy to spot as their plants for sale lack the orange or mauve "royalty labels" borne by legally grown and marketed plants.

Usually about 80 percent of all plants in a nursery have these labels. The companies are hoping that these are isolated incidents and that rose wars will not be a regular feature of the nursery business.

GRAIN

# EU negotiators arrive 'to listen to SA'

John Dlodlu

EUROPEAN Union (EU) negotiators who arrive today for the resumption of co-operation talks with SA tomorrow are hoping to work out a programme of action that will put the stalled discussions firmly on track, sources say.

EU ambassador to SA Erwan Fouéré said last night although not much was expected to come out of this round of discussions, the session was important in building confidence amid the pre-talks speculation.

The EU delegation, to be led by

acting director-general for development Philippe Soubestre, would seek more clarity on the SA position which was informally delivered to Brussels last month, Fouéré said.

"We are going to listen to the presentation of their position; we would also like to know what SA's long-term objective and vision is."

EU sources hope the talks, which will continue over the weekend, will come up with a statement setting out the principles of the discussions. Such a framework will cover areas of common ground such as the regional as-

pects of the proposed co-operation accord, long-term objectives, time scales for further talks, as well as the compatibility of the final agreement with the World Trade Organisation (WTO) provisions on free trade arrangements.

The EU says its proposal was tested for WTO compatibility before presentation to SA. Faizel Ismail, trade department foreign trade relations chief director, has said that while the provisions were not sufficiently clear, they were "loosely" understood to include coverage of 90% of all trade between contracting partners.

## Millers seeking more effective border controls

Louise Cook

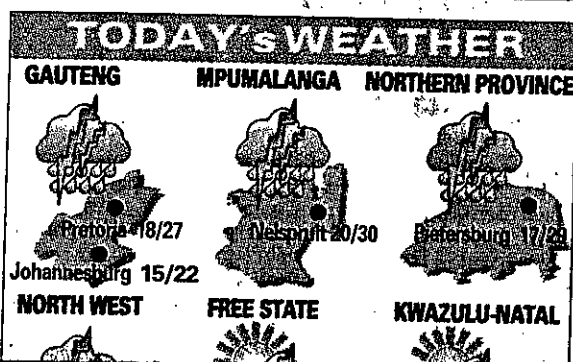
THE Southern African Millers' Federation, representing 31 milling companies from Southern African Development Community (SADC) countries, yesterday called on governments in the region to set up more effective border controls.

The federation met at Centurion to discuss strategies towards fully deregulated grain trade between SADC countries by the year 2003 — a move in tandem with an agreement last year between SA, Mozambique, Botswana, Zambia, Lesotho, Malawi, Swaziland, Namibia and Zimbabwe. The countries committed themselves to free trade and zero tariffs on goods in eight years' time.

However, SA Chamber of Milling MD Jannie de Villiers said millers could not operate in a free trade environment without effective customs control.

"The problem lay mainly in a lack of expertise and training of customs officials. To introduce a free trade area without proper monitoring of goods was asking for serious trouble," he said.

Grain trade turnover in SADC countries amounted to R12bn a year, half of it generated in SA.



# Secret report called for into silo storage 'monopoly'

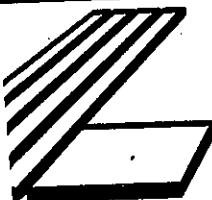
Louise Cook

A SECRET report called for by Land and Agriculture Minister Derek Hanekom would question co-operatives' monopoly over the country's 15-million-ton silo storage capacity, a source close to the co-operatives policy-working group said at the weekend.

Uncertainty over the future of SA's R1bn silos arose when the minister intervened in the Cape High Court case against wine co-operative KWV when it transformed into a company earlier this year.

Ownership of the silos, at present in the hands of farm co-operatives, became questionable due to the soft loans co-operatives enjoyed in the past from the Land Bank to build the silos. "The fact that the co-operative sector owns the silos and there is no way the grain industry and farmers can function without these storage facilities, is a problem," the source said.

Co-operatives working group chairman Nick Amin declined to comment prior to the release of the report. However, he said the sector's monopoly over silos was a known fact and that he did not want to "inflamm the arguments". Indications were that the focus would fall on storage costs in particular. Several grain co-operatives had in the interim transformed into companies and taken the silos with them as part of new company assets.



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**Holdings Limited**

(Republic of South Africa)  
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## share award and cash election

, further to the announcement published on Wednesday,  
rms of the capitalisation share award and cash election as

### Turnover

Operating income  
Net financing  
Exceptional items

Income before  
Taxation

Income after tax  
Attributable to:

- outside share
- preference
- and subsidiary
- ordinary share
- ordinary share

Shares in issue

Weighted average

Earnings per share

Headline earnings

Dividend per share

### Supplementary

Depreciation

Capital expenditure

Capital commitment

Interest bearing

Interest earnings

Non-Interest bearing

### Reconciliation

Profit attributable

Exceptional items

Minority share

Headline earnings



Ordinary capital

Preference capital

Non-distributable

Accumulated

Convertible debt

Outside share

Total group funds

Long-term liabilities

Deferred tax

## Wildflower industry seeks place in sun

Tim Cohen

Spokesmen

CAPE TOWN — The SA Protea Producers and Exporters Association has claimed the *fynbos* wildflower industry is being insufficiently cultivated by government, which is not providing exporters with vital documentation.

Maryke Middelman of the association said the *fynbos* industry was "deeply concerned" about a breakdown in this public service.

The export of *fynbos*, which the association says is growing fast, requires a document described as the "Authorisation of GSP Certificate (Form A)" to be handled at the point of export, normally the airport. Form A enables importers to obtain a reduction on import duty, an attractive bonus in the very competitive floriculture trade.

The distribution of the form is the responsibility of the trade and industry department, which promised to devolve the work to the agriculture department, and that a new procedure would be in place by April last year.

However, the agriculture department is prepared to sign Form A only for consignments which require a phytosanitary certificate, which is not required in respect of *fynbos*.

"We are tired of government departments who do not respond to urgent and real problems caused by departmental red tape," Middelman said.

Spokesmen for both the trade and industry ministry and the agriculture ministry said they would investigate the problem.

20 23/2/99



**SEED CAPITAL:** Former school teacher Elize Appollis inspects the Cape Bugle hybrid, one of the West Coast's famous flowering bulbs, which could be cultivated and exported Picture: KIM LUDBROOK

TOM HOOD

ST 14/3/99

## Impoverished community set to flower in bulb trade

*(420) 1 flowers*

A GROUP of unemployed women in an impoverished Western Cape area are set to make a mint from a delicate-looking flower that thrives in their desert-like village.

The women, who live in a community of 1 250 people at Pella near Atlantis, are working on their first crop of 50 000 bulbs of the plant known as the Cape Bugle or George Lily. They have an advance order for another 450 000 for export to the Netherlands. Dutch farmers will grow them in hothouses and send the crop to supermarkets in Europe, where they are a prized long-flowering house plant that sells for up to £10 (about R100).

Although the eight women work without pay, they hope to see their first profit in six months and should have earned R25 000 by the end of the year — a relative fortune in the impoverished area.

The women share responsibility. Most take care of plant diseases and weeds, one is responsible for tools and stores, one keeps down the moles, another is in charge of security and keeps outsiders off their patch and one sees that the planting programme is followed.

Horticulturist Stephen Leivers of Stellenbosch, who discovered that the Cape Bugle thrived in Pella's soil, believes the project could provide thousands of jobs.

He said: "The Netherlands earns more foreign exchange from its cul-

tivated stocks of South Africa's indigenous plants than South Africa does from gold. The Dutch market is so big that it can handle 2,6 billion roses a year and 100 million lily bulbs in a single consignment from India. We need to supply bulbs by the million — and we can do it."

The project has been established on land owned by the Moravian mission, which has set aside a further 4ha for planting. With a yield of 150 bulbs/m<sup>2</sup> and an income of 5c a bulb, an annual income of about R45 000/ha is possible.

Pella has between 200ha and 300ha that could be cultivated.

West Coast Bulbs, a company set up by Leivers' Cape Seeds and Bulbs to uplift rural communities by creating jobs, is overseeing the project. Future plans include building a R5-million laboratory at Pella or Atlantis, as well as a nursery. The laboratory would employ 50 people and produce up to 25 million bulbs for transplanting. The nursery would employ 20 people.