

EXECUTIVE DIRECTORS REPORT TO THE ANNUAL GENERAL MEETING OF
SAWMILLING SOUTH AFRICA
JUNE 2017 - JHB

1. **MEMBERSHIP**

Membership of the association remained fairly constant for the 2016 year with the loss of only two mills due to closure. We did however receive two new members, which kept membership at a constant 34 individual mills

It is often asked, “What does SSA offer its members”?

The association provides a lobbying platform - Government likes to deal with one “contact point” which in the sawmilling Industry’s case is SSA. Industry in turn can also lobby far more effectively on issues which affect it, if it acts collectively. SSA thus gives members a platform through which their collective voices can be heard when lobbying Government and other bodies... This is becoming increasingly more important as political uncertainty and economic difficulty make investment in the sector more challenging.

Research - the association has formed informal partnerships with institutions such as Stellenbosh University and Nelson Mandela University which undertake research and investigation into aspects of sawmilling which individual millers would otherwise find difficult or onerous in their personal capacities, an example is the SSA funded project conducted by SU to establish the cause and effect of felling younger trees on the structural integrity of sawn lumber. This study exposed the adverse effect on MOE which prompted further research into possible remedies to the problem.

External Funding – the association was able to secure funding from the FP&M seta for the development of QCTO approved curricula for the effective training of Sawdoctors, Kiln driers, logyard, wetmill and drymill operators, more of this later in this report.

Representation – the association represents a voice for the sector by representing it on the board of the Forest Sector Charter Council as well as on the faculty advisory boards of both US and NMMU. The association chairs the technical committee (TC 1008 Wood and Associated Products) of the SABS and by so doing represents the interests of all participants in the sector.

Partnerships – Through our partnerships with other industry sector associations such as FSA, PAMSA, SAWP and SAFCA we address issues of mutual concern to the entire forest value chain, for instance the effect of silvicultural regime change on the quality of saw logs, or the availability and effectiveness of alternative chemicals for the treatment of structural lumber. Our partnership with private consultants such as Crickmay provides members with updated industry statistics.

Networking – meetings and gatherings of the association create opportunities for members to come together and network with each to discuss issues of mutual concern.

2. EXECUTIVE COMMITTEE

The executive committee comprising of Sean Hoatson, Duncan Mackay, Craig Rance, Irvine Kanyemba, Tewie Giliomee and Manny Ferreira met three times during the year to discuss the business of the association and to provide direction to the executive director. All these meetings took place in JHB and were extremely productive.

It is with regret that this year we need to say goodbye to Mr Tewie Giliomee who after many years in the sawmilling industry, the bulk of which were with SAPPI Lomati has retired from active employment. We wish Tewie a good and restful retirement and assure him that both SSA and the industry will miss his intellect and experience.

3. FINANCIALS: -

The association's finances are in a healthy situation after the restructuring of the levy system, introduced last year. The full set of financials as prepared by Mazars will be available to members at the AGM.

The new year requires an inflationary adjustment of 6% to the levy system to ensure that the association remains viable and can continue into the year ahead. This has been applied to the budget for 2017/18, which will be presented at the AGM.

4. TECHNICAL:-

Skills development – much of the association's efforts have gone in this direction this year and together with our consultant Mrs Dianne Randal have achieved a great deal. The year saw us complete curricula and submit them to the QCTO for the training of Sawdoctors (a Trade), Kiln Operators, Log Yard Operators, Wetmill operators and Dry Mill operators, a mammoth task done in collaboration with the FP&M Seta. More of this under separate heading later in this report.

Additional specification to 1789 – under the guidance of Mr George Dows this initiative is now currently in its final phase with the SABS and will, we hope, be available as a separate specification within the next two to three months. The process of guiding this through the bureaucracy that is the SABS has proved extremely challenging, but we hope to finalise the process by mid-2017

Regional technical visits – this year saw us tour the regions during November with the subject of the sessions "Kiln Efficiency and Optimization". To this end we employed the expertise and experience of Dr Peter Stöhr who made detailed presentations on how to manage kilns efficiently for increased sawmill profitability.

Escapement project – this project first, initiated and supported by SSA and supported by FSA and others completed its field trials early in 2016 and entered the financial study phase later in the same year. We expect the final conclusions by mid-2017.

5. Labour Issues

2016 once again proved to be a challenging year for labour and industrial relations for many sawmills across the country but especially those in Mpumalanga and the Eastern Cape. Many manhours were lost as a result and this is going to prove to be an area that millers will need assistance and advice on going forward. It is for this reason that the association will renew its relationship with professional labour advisors whom members may consult as and when necessary.

The matter of a National Minimum Wage has been prominent during the last reporting period and I enclose below an extract from the FSA annual report written by Roger Godsmark which sums up the position most accurately.

“As reported in last year’s Annual Report, deliberations on the setting of a national minimum wage (NMW) had been going on in Nedlac for over two years. In response to a call from the Department of Labour (DoL) for input from interested and affected parties on the matter, FSA made a submission during this period, the main recommendations made being that (a) those Industries currently covered by Sectoral Determinations (such as Forestry) should be excluded from such regulations (b), that a “one-size fits all” approach to setting a minimum wage across all sectors of the economy was not appropriate and, most importantly, (c) that should a minimum wage be set at too high a level, job losses would occur, possibly in large numbers in “vulnerable” sectors such as agriculture and forestry.

Although outside the reporting period for this Annual Report, this matter is of such importance that it must be reported that an agreement was reached between the parties represented in Nedlac (with the exception of Cosatu) on 7 February 2017, the main provisions being that:

- *the NMW be set at R20.00 per hour to take effect from 1 May 2018;*
- *a National Minimum Wage Commission (NMWC) be established to review the minimum wage adjustment every year; and*
- *a provision be made for individual employers to apply to DoL for an exemption but only under certain circumstances and following the submission of evidence as to why they should be exempted.*

After having studied the agreement, FSA had identified certain issues that needed clarity and which, if not resolved, could potentially have negative consequences for the Industry. For example, depending on whether monthly wages were based on a working week of 45 hours (as per the current Sectoral Determination) or 40 hours (as per the NMW agreement), the wage increase faced by the Industry on 1 May 2018 could be either 17% or 29%.

Whilst the sawmilling “sub sector” is slightly different from the “growing sector” we continue to look upon FSA as our representative when it comes to this issue and so expect that before any promulgation there will be a period and opportunity for public comment at which time we may reserve the right to comment on behalf of our members on any issue that may be discriminatory to our sector.

The National Bargaining Council for the Wood and Paper sector set the increase in wages for the period 1st July 2016 to 30 June 2017 at 7.5% and the minimum wage at R3100.00 per month. The council is in discussion at present in an effort to set the parameters for 2017/18 and at time of compiling this report had not, as yet, reached conclusion.

6. GOVERNMENT

The association has continued to build its reputation with the various government departments and agencies it deals with, especially the DTI and DAFF. 2016 saw an extremely close working relationship develop between the DTI’s Resource Based Industries

“Agro-processing Directorate” and the association. DAFF also now refer all forest beneficiation by sawing to SSA. This has re-established the association as the official mouthpiece for the private sawmilling sector when dealing with Government.

7. FOREST SECTOR CHARTER COUNCIL

The council with substantial input from its Industry representatives all of which in turn are represented by the various sector associations, received notice that the revised codes of good practice had finally been approved by the Minister of Trade and Industry Mr Rob Davies. These codes have now been gazetted, bringing them into law. This brought to a close a very lengthy and involved process, which regulates and guides all participants in the entire Forest sector. A vote of thanks must go to SSA and all the other associations especially FSA, PAMSA, FCA and SAWPA.

This year saw the resignation of the councils Executive Director, Mr Simangaliso Nkhwanazie, the third CEO in the past eight years. Mrs, Khosi Mavimbela is in an acting capacity until a replacement CEO is found.

8. TMB

The TMB fund as managed by FNB Private Clients continues to be guided by the SSA Exco and despite the slowdown on the JSE has shown stable growth. The executive agreed to a payment of R50k as SSA’s final contribution to the US for the escapement project and a donation of R15k from the fund to the Forestry Student Association of SA as a contribution towards the hosting of the International Forestry Student Congress being held in SA later this year and hosted by Saasveld, was made.

9. FP&M Seta

The associations work together with the FP&M Seta in developing curricula for the Quality Council for Trades and Occupations (QCTO) approval has taken centre stage the past year and has been enthusiastically driven by our associate Mrs Dianne Randal. Great effort has gone into this work and a number of sawmills and ex sawmillers have been involved. A huge thank you needs to go these people who have voluntarily given of their time. Mention must be made in this instance of CJ Rance, Bracken Timbers, UCL, Saw Specialists, Dr Peter Stöhr and Mr Willem Meyer to mention a few. A separate report from Mrs Randall is attached to this report as annexure 1.

10. CONCLUSION

2016 proved to be a tough year in many respects both on an operational level and on an emotional level. Tough Financial times coupled with challenging industrial relations, political uncertainty and of course the devastating effects of continued drought in many forestry regions made 2016 particularly tough. Then at the end of our 2016/17-year we had the passing of one of our most respected and loyal fathers and mentors David Crickmay. David, in the words of Mr Martin Hill of Bracken Timbers was much, much more than an example to the industry he was a giant who made many of the sawmills in South Africa the successes they are today. May he rest in peace.

A vote of thanks needs to go to the Chairman Mr Sean Hoatson and the entire executive for their support and guidance during year and a special thank you also to our bookkeepers Mazars, George for their financial guidance and advice.

R D Southey

May 2017