

EXECUTIVE DIRECTORS REPORT TO THE ANNUAL GENERAL MEETING OF SAWMILLING
SOUTH AFRICA
JUNE 2019 - JHB

1. MEMBERSHIP

2018 has again seen growth in membership of the association and we welcome amongst others Busby Sawmills, NHR Montigny, Boskor and G&K Mouldings. We unfortunately saw the closure of two mills, Dargle and Babanango sawmills for various trade reasons. 2018 saw another major fire in the Southern Cape in fact one of the severest in recent history and which will, once the burned timber is all harvested result in a drastic fall in available resource for the mills in that region.

The fire resulted in the total destruction of Geelhoutvlei Timbers and the loss of over 400 jobs. At our out last meeting with the owner he was not sure if and when the mill would re-open for business.

The association continues to provide the following to all our loyal members

A lobbying platform - Research - legal assistance - Technical advice - External Funding – Government Representation – Skills development – Partnerships and Networking

2. EXECUTIVE COMMITTEE

The Executive Committee (Exco) under the chairmanship of Mr Duncan Mackay met three times during the year to discuss and debate the business of the association. These meetings proved to be opportunities for robust discussion on the many issues and challenges facing modern sawmillers. Not least the situation with regard to the regulations of the AQA and their impact on those millers who make use of kilns to dry their sawn timber, more of this later in the report. The Exco also tasked Mrs Jane Tennant with looking into ways, means and costs of increasing our involvement in the promotion of sawn wooden product and how best to promote the work of the association. Moore of this also in this report

3. FINANCIAL

2018 proved to be a reasonable year financially for the association as can be seen from the audited financial statements prepared by Mazars. These are available to members as a separate addition to this report.

I can report that the finances of the association are in a healthy position and that after the levy increase agreed to at the last AGM, we are now supported entirely by membership fees and so do not have to rely on assistance from the TMB any longer. The association also provides a management service to the FP&M Seta's skills development program which also assists.

We are hoping that his situation will improve in the coming year due to increased membership and an inflationary adjustment of 8% to be tabled at the AGM.

4. **TECHNICAL**

Skills development

The association has again been working hard this year at this important aspect of the Industry and Mrs Diane Randall has done sterling work for us in this portfolio. The full report on the status of skills development is covered under the FP&M Seta section of this report

Additional specification to 1783

The specification has now been written and passed through the SABS spec writing process and it has been decided by the task group formed under the leadership of George Dows that all sawmillers producing structural timber must be informed of the way the specification will be implemented and controlled by the certification bodies. Mr Abe Steers of SATAS, assisted by Dr Brand Wessels will start this process at the AGM and it will be followed up by presentations at meetings in the various regions of the country.

As explained when the idea of developing an additional specification to SANS 1783 was proposed by the association, this will allow for mill specific grading which in turn will afford each sawmill the ability to fully utilise the inherent quality of its raw material resource. This is a significant step in the evolution of compulsory standards for structural timber and one we initiated for the benefit of all structural producers.

AQA submission – The association together with one or two non-member mills decided to challenge the DEA's decision not to change section 9,5 of the regulations pertaining to emissions from Wood Drying Kilns. This after months of discussion between the association (industry) and the DEA where it was agreed that drying kilns should be excluded from the necessity to be registered and carry an Air Emissions Licence (AEL). However, when the DEA published the revisions to the regulations in the Government Gazette, they seemingly ignored the agreement and left the requirement for kilns to have an AEL in the regulations. They did rewrite section 9,5 but made it even more confusing. This meant that all sawmills who operate kilns would be subject to the necessity of having to have their kiln emissions tested and certified every year, a very involved and costly process.

The Executive felt that this could not be tolerated and so instructed the ED to seek legal opinion on the matter. The result was that the association and its members together with other non-members served notice on the DEA and the minister of Environment Affairs of our intention to challenge the legislation. The services of Mrs Terry Winstanley of Winstanley Ing and Mr Kevin Hopkins an advocate registered with the Johannesburg Bar were employed and notice was served on the two parties.

We have been notified by the state attorney that both the minister and the DEA will defend the motion and so now we wait for the process to take its course. This has the potential to develop into an intense legal battle with the intention of resolving the matter in the favour of the sawmilling industry. The cost of litigation will initially be covered by the associations reserve funds but a fair and equitable funding model must be debated and found at the AGM.

Market investigation - At last year's AGM a presentation was given by Letsema consulting on the report that they compiled for the association on the threat held by the Light Gauge Steel (LGS) industry to the traditional wooden truss market. The report highlighted amongst others the fact that most government sponsored affordable housing projects were required to use LGS in their construction. It was decided that the association should engage the department of Human Settlements together with the ITC to ask that this state of affairs be addressed by the authorities so that wooden trusses should also form part of the materials selection for these projects. The Timber processing division of the DTI offered to assist in this endeavour and a meeting in the form of a workshop was arranged between the ITC, SSA, the DTI and DHS at which time an appeal was made by all, for tender documents to be altered accordingly.

As with all things involving government the fact that it was an election year was used as a delaying tactic and progress has been slow. However, in more recent times and with the involvement of Tafadzwa Nyanzunda from the DTI who has arranged meetings with the departments of human settlements and Rural development we are at last making headway in getting these departments to understand that timber trusses must in future to be included in tender specifications for government sponsored housing projects. A document has been drafted by the DTI which has been sent to all government departments informing them of the importance of utilising timber in future construction.

Promotion – Another point that was emphasized in the Letsema report was the necessity for the “wood sector” to take advantage of the national and indeed international interest in the growth of the “green” economy and to promote the virtues of using wood in construction.

To this end the Exco appointed Mrs Jane Tennant to investigate ways the association could do this as well as refine our website to better cover the issue. Jane has put a presentation together in this regard for the Exco to consider which covers a broad investigation into the marketing of timber and of SSA itself. Broad proposals are to be discussed at the Executive meeting of 4th May. After which a document will be circulated outlining conclusions and an action plan in this regard once agreement has been reached. These will address follow up to the Letsema report as well as marketing approaches using social media.

5. Labour Issues

2018 was a better year than 2017 with regard to industrial action at members mills with no prolonged industrial action reported except for the usual shorter duration strikes on issues of wage disputes and service delivery by municipal authorities. The Eastern Cape and Mpumalanga were some of the regions that were effected by the above.

2018 also saw the introduction of the National Minimum wage which was set at R20.00 per hour for all workers in SA. However both agricultural and forestry workers were afforded a one year reprieve as their minimum was set at R18.00/ hour. The association together with FSA through AgriSA applied to the department of labour for sawmill workers to be included in the definition of “forestry worker” but this application was denied and so sawmill workers are included in the R20.00/ hour. Of interest here is that all allowances that form part of the sectoral determination are included in the R20.00. (Housing and Feeding)

6. GOVERNMENT

We continue to work with the various Government departments that have jurisdiction and influence over the sawmilling sector, the DTI, DAFF, DPE, DEA, and FSCC. However, the department that we work the closest with is the Resource Based Industries division at the DTI and this year saw us complete a South African sawmilling strategy for use by the department and other government agency in order to evaluate or assess the sector for amongst other things assistance from government run institutions, like the DTI, IDC, CASP and the innovation fund incentive schemes.

We also called on the assistance of the DTI in dealing with the department of Human Settlements in an effort to get them to change the tender rules on government sponsored housing projects to allow for timber to be used in the construction of low-cost housing. We did the same for the departments of rural development and public works for all projects initiated by those departments. To this end a seminar was arranged where we had the opportunity to address representatives of the above departments on the matter.

A large part of our efforts with government this year were directed towards the DEA and their regulations on the AQA. This matter is dealt with under “AQA submission”

In early May 2019 the DEA gazetted regulations with guidelines for a National Strategy on Climate Change and the association is working in collaboration with the York group to make a submission to the DEA on the ability of the increased use of timber in the built environment to mitigate the substantial effects that the building industry has on climate change. We expect that this will form an integral part of future interaction with government.

7. FOREST SECTOR CHARTER COUNCIL

Mrs Makhosazana (Khosi) Mavimbela was appointed as the new CEO of the Council early in the new year and has brought an air of respectability to the council. Messer's Lulamile Xate and Roy Southey were re-appointed as the sawmilling sectors representatives and continue to serve the sector on the council. One major issue that we are working with the council on is to get the DPE to agree that SAFCOL should be granted BEE facilitator status so that those mills who are supplied by KLF can claim their rightful BEE points. At the time of writing this report we were informed that a decision on the matter would be taken by the minister of trade and Industry Mr Rob Davies before the end of June, but with the possibility of a reshuffle in Mr Ramaphosa's cabinet imminent, who knows?

8. TMB

The TMB continues to be managed by the Exco of SSA and despite the depressed investment market in SA has still showed growth of 7.3% since we took over. The fund supported a number of projects through the year namely the international students' seminar at Saasveld, one of the ITC's annual timber buildings awards and the funding of the Letsema market investigation. The TMB currently has in excess of R5milon invested.

9. FP&M Seta

The curricula for qualifications and part qualifications for lumber milling, as identified by Sawmilling SA, in conjunction with the FP&MSETA, have been developed:

1. Saw Maker and Repairer (Saw Doctor): this qualification has been recognised by the National Artisan Moderation Board as a trade qualification.

Part Qualifications for Saw Doctor were identified as:

- Saw Filer; Saw Setter; Profile Grinder; Saw Maintainer
- Benchman
- Head Saw Doctor

2. Dry Kiln Operator
3. Wood Processing Machine Operator

Part Qualifications for the Wood Processing Machine Operator were identified as:

- Log Yard Operator
- Wet Mill Operator
- Dry Mill Operator

Status of sawmilling qualifications development

- ❑ Wood Processing Machine Operator Occupational Qualification: published in government gazette for public comment and is with SAQA for analysis prior to registration
- ❑ Dry Kiln Operator Occupational Qualification: is with SAQA for analysis prior to registration: not yet gazetted
- ❑ Saw Doctor Trade Qualification published in government gazette for comment.
 - Part Qualification Occupational Certificate: Saw Filer registered by SAQA on the National Qualifications Framework On 12th September 2018.
 - The final analysis is in process with SAQA prior to registration other part qualifications and full qualification.
- ❑ October 2018: Appointment of Materials and Assessment Tools Developers:
 - Appointment of Tirhani Skills for Africa to develop Materials and Assessment Tools in collaboration with the sawmilling sector and NAMB for Saw Doctor (Saw Filer; Benchman; Head Saw Doctor).
 - Appointment of Timber Drying Institute to develop Materials and Assessment Tools in collaboration with the sawmilling sector for Dry Kiln Operator.
 - Appointment of Skills Unlimited to develop Materials and Assessment Tools in collaboration with the sawmilling sector for Wood Processing Machine Operator (Log Yard Operator; Wet Mill Operator; Dry Mill Operator).

Way forward

- The development of learning materials and assessment tools is progressing well and should be finalised by August 2019.
- Once all the curricula have been registered with SAQA; Sawmilling SA will implement Pilot Programmes with the initial intake of Saw Doctor apprentices: learner Dry Kiln Operators and Wood Processing Machine Operators. The tardiness of SAQA registration of qualifications is being addressed by the sector through the FPMSETA Project Management Forum. We are aiming to begin the first pilot programmes in January 2020.
- The sector has to continue to identify qualifications' gaps so that Sawmilling SA can approach FP&MSETA to fund further qualifications development to motivate and encourage the development of skills that ensure career options and articulation within and between sectors, thereby encouraging sectoral and national economic development.

10. BMI-BRSCU

The association has belonged to this strategic think tank for the past number of years now and we regularly distribute its statistics on the building industry to all members, but one of its better offerings are the quarterly seminars they hold where they hold discussions with leading economists and business commentators. These sessions are always held in JHB and are not usually attended by Sawmillers for obvious reasons but now they are offering a web-based opportunity to attend via a webinar session. This is really good news for us as it is now possible to attend these sessions from your own office. Please just follow the instructions below if you are interested.

*BMI-BRSCU HAVE ENTERED THE 21ST CENTURY: THE ELECTRONIC COMMUNICATION AGE
Traffic is becoming increasingly hectic and down-right dangerous. Therefore, many of our subscribers are reluctant to attend off-site meetings, it is just not worth the trouble. In any event, the world is turning increasingly to Digital solutions.*

The benefits are self-evident:

No traffic to be navigated, to attend Webinar meetings at any time of the day or night, anywhere in the world, from the comfort of your own home or office, while on holiday, BMI-BRSCU STRATEGIC FORUM is there with the click of a button. All you need is your i-phone or laptop, Wi-Fi or Data.

We introduce you all to the ZOOM CALL! Watch the presentations as presented by Dr Azar Jammie, Dr Llewellyn Lewis and Mr Theo Venter. All you must do is to download the ZOOM APP for free, click on Join a Meeting, insert the meeting ID, which shall be e-mailed to you. Sit back with a cuppa and enjoy the dialogue!

The Agenda will be e-mailed a few days prior to said meeting. The meetings are still scheduled for 28 June and 29 November. Time commences at 09:00 and concludes at 13:00 or thereabouts.

We recommend the above will induce you to reconsider your approach to research as essential input to strategic planning, because of the value we can add to a receptive and collaborative client. We propose a different discussion to see to what extent we can leverage our separate expertise by working together. Also, to what extent your company, as a Leader in the Industry, can use and support research in our dynamic industry.

*We would value a meeting with your team to discuss new possibilities to contribute to the vision of Building and Construction as an Engine for growth and Property as a preferred investment.
Best regards,*

*Dr Llewellyn Lewis
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11. CONCLUSION

2018 proved to be a tough year for the sawmilling industry but despite these trading conditions most sawmills came out with their heads above water this is testament to the adaptability and fixability continuously shown by all sawmillers, we are indeed a resourceful bunch.

It gives me great pleasure to be able to serve such a bunch of true South Africans.

It remains for me to thank the members of the Executive for their guidance and support throughout the year and to ensure you, the members, that I certainly hope to continue serving the industry for the next year. Good luck for 2019/20 and let's hope that we all keep cutting straight and drying flat.

**R D Southey
May 2019**