



# **Annual Report**

## **2020/2021**





## CHAIRMAN'S REVIEW

Duncan Mackay

It seems totally unexpected that our industry should be in a more positive business environment than a year ago. After the poor economy of the past decade, further exacerbated by Covid-19, who would have anticipated stability or even some growth in our production levels and accompanying markets?

Certainly, we still face many challenges, with medium-term growth prospects still difficult to predict. The closure of a number of sawmills and the loss of a significant number of jobs between April 2020 and March 2021, is indeed a sombre reminder that our industry continues to face major headwinds.

However, it is encouraging that the forest products industry – which makes up 5% of South Africa's manufacturing GDP of which the sawmilling industry forms an integral part – is now being seen by Government as an important contributor to economic growth.

Our sector is a catalyst for the creation of permanent employment opportunities, particularly in the regions where it operates. This, together with imminent economic growth, should have a positive effect on appropriate private sector investment. I am sure that our members will use this situation to initiate plans for more efficiency and productivity, not only in a local but also an international context.

This improved business climate is further enhanced by the forest products industry's participation in the

Public Private Growth Initiative (PPGI) forum (thanks to Forestry South Africa (FSA) for its significant role), where investment in our industry has been prioritised, with our President and Minister of Finance having an overseeing role. The latter, together with our own Minister of Forestry, Fisheries and Environment (DFFE), Barbara Creecy, creates a strong and hopefully effective team to steer a sustainable Government response.

The role that this association plays together with FSA, the Institute of Timber Construction (ITC-SA), the South African Wood Preservers Association (SAWPA), the Paper Manufacturers Association of South Africa and other industry bodies, is critical to ensuring that momentum builds to self-sustaining, medium- and long-term growth. This is linked to the Forestry Master Plan (FMP), which itself is a significant milestone in our industry's development and potential growth.

Sawmilling South Africa (SSA) has continued to deliver on its mandate to focus on issues affecting the business environment in which we operate. This has been done in a responsible and conservative manner, with a sound financial basis.

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# CHAIRMAN'S REVIEW continued

Duncan Mackay

Accordingly, it continues to actively engage on a number of issues which will have a significant impact on each of our businesses, both now and in the future. These are detailed later in this Annual Report.

- **Forestry Master Plan (FMP) and PPGI**

The FMP has been approved by the Minister of Forestry, Fisheries and Environment, who has the responsibility to ensure implementation. This document is comprehensive, with a number of aspects affecting our industry directly, namely afforestation, Government support schemes such as the agro-processing support scheme, appropriate housing for all citizens, skills development and theft. SSA and FSA are playing a key role in these structures and have been instrumental in lobbying the sawmilling industry's needs. SSA is noted as a key organisation in the FMP.

- **Timber Institute website**

This will be the first time in South Africa that we will have a platform to showcase our industry's products, provide technical information as well as offering an online training component, initially focused on architects and designers.

- **Skills and technical development through Fibre Processing and Manufacturing Seta (FP&M Seta)**

This matter is high on SSA's agenda to provide meaningful technical training/education for all levels of industry employees as well as unemployed persons. It is, however, extremely disappointing that this process has not been fast-tracked and continues to be delayed due to various 'red tape' issues. Government needs to urgently step up to get these qualifications approved, in place and available.

- **SSA strategy plan:**

As part of an ongoing internal review, it is important that our short-, medium- and long-term strategic goals be evaluated to ensure that our association remains relevant, forward and outward thinking.

I would like to thank our Exco for their efforts during the pandemic, a particularly difficult time in our history. Their input on issues has always been on finding solutions without personal agendas and busy schedules getting in the way. Although online meetings are reasonably effective, personal attendance with dynamic and direct interaction at meetings has, to a certain extent, been missed. I would like to thank Jane Tennant for her passionate and informative contribution over the years; we will miss her and wish both her and Gavin much success in their future ventures.

Faced with a pandemic, it has not been easy to interact with members and role players but we have, to some degree, been successful in safely doing this. We look forward to more engagement as we get to grips with the 'new normal'. My thanks go to Roy Southey for all that you have done over the past year, a lot of which is not always seen by Exco or our members.

Our association continues to strengthen and will again play an important role in our industry over the next year. We need to actively contribute to creating an environment where all role players will benefit.

Credit: Forestry South Africa

# EXECUTIVE REPORT

Roy Southey

## 2020 HIGHLIGHTS

- Essential service during Covid-19
- PPGI and FMP
- Air Quality Act (AQA) challenge, success
- Improved market
- Australian export
- SANS 1783 - part 5

## MEMBERSHIP

2020/21 started off like no other year, with the Covid-19 pandemic still with us for the entire year. Despite the fact that we were allowed to travel after September 2020, things certainly did not get back to normal, and we doubt they ever will. The era of virtual communication and meeting seems here to stay.

This situation has certainly changed the way we interact and do business. At first, I think it safe to say that we were all of the opinion that it would not take long for the experts to find a solution to the problem, and that we would all be back to normal in 2020 – or by the latest 2021.

What this has meant for our interaction with members is that we now rely on electronic communication channels like Zoom, MS Teams and email to stay in contact and keep members informed. This is quite effective and convenient from the association's point of view, but it does seem to restrict communication back from members.

This can only be addressed by face-to-face contact, as demonstrated on recent mill visits in KZN, where problems facing specific members could be discussed and hopefully resolved. Unfortunately networking and fellowship among millers was missing for most of the year.

Not discounting the difficulties in running a business and dealing with Covid-19 – sawmills ended the year on a more positive note than in the past two years, which has more to do with trading conditions than communication. This is evidenced in the fact that we only lost two members in 2020/21, both to resource difficulties.

Limpopo Lumber was forced to close when an agreement with its log supplier could not be reached. The other mill, situated in the Eastern Cape, is still operating but only at 50% capacity. A huge drop in its available log supply as a result of fires in the southern and eastern parts of the province is to blame.

We were not able to recruit any new members and this, we suspect, was a direct result of the lack of face-to-face recruitment opportunities.

SSA continued to do much work together with other major players in the sawmilling sector and our sister associations, the ITC-SA and SAWPA, on the potential of timber construction to aid the movement to a greener building industry in South Africa.

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



Advocacy and  
lobbying



Government  
representation



Partnerships and  
networking



Research



Technical advice



Skills  
development



Legal  
assistance



External  
funding

## EXECUTIVE COMMITTEE

The executive committee, under the able chairmanship of Duncan MacKay, met three times during the year. A big thank you must go to all members for making the time to serve the communal interests of the sawmilling industry.

All Exco meetings were held in a virtual format on either Zoom or MS Teams. I think this suited the majority of members as it meant less time on the road away from the office. While virtual meetings certainly can't replace physical meetings entirely, they are more convenient when you consider that our Exco members hail from all corners of the country, from the Western Cape to Limpopo.

## FINANCIAL

Despite a holiday in levies for the first three months of the initial Covid-19 shutdown, and thereafter a reduction of 7% for the rest of the year, I am pleased to report that the association nevertheless ran at budget and was even able to post a moderate positive on the bottom line. Much of the credit for this must go to the reduction in expenditure on the 2020/21 budget which saw substantial savings on items such as travel and meeting expenses.

The audited financial statements prepared by Mazars and approved by the Exco are available to members on request.

After a number of very tough trading years for South African sawmills' we are pleased to report that due to fundamental shifts in the marketplace and extremely tight financial controls, millers are experiencing improved returns at present and this bodes well for the new year.

## TECHNICAL

### ADDITIONAL SPECIFICATION TO 1783 PART 5

The addition to 1783 was finally accepted by the South African Bureau of Standards (SABS) and communicated to all sawmillers in 2019. The agreed implementation date was set for 1 July 2021, and that date is now almost upon us.

SANS 1783 part 5 will allow for mill-specific grading and this in turn will allow those mills that are fortunate enough to have a selective resource base to take better advantage of the fact. This initiative was suggested by Dr Brand Wessels of the University of Stellenbosch back in 2018 and then embraced by sawmillers.

The association has played a meaningful role in its path through the sometimes-frustrating SABS bureaucracy, and is one that we are proud of for obvious reasons, as we believe it to be an important aspect in the development and modernisation of the sawmilling industry in South Africa.

### SABS SPECIFICATION FOR EUCALYPTUS STRUCTURAL TIMBER

The SABS is in the process of getting the documents ready to go out as a Draft South African Standard (DSS), for 60-day public comment. This entails the final editing of the last committee draft, and we hope that it won't take too long for the DSS stage to kick off.

Our hope is for the DSS stage to start by the end of June 2021, and the public comment stage to be completed by the end of August 2021. If no adverse comments are received during the public comment stage, the standards should be published by October/November 2021. This is, however, still dependent, on when the SABS editors get the draft ready for DSS.

This initiative was started by the hardwood millers in an effort to get a national spec for structural eucalyptus published by the SABS and accepted and recognised by truss fabricators and merchants alike. The process was initially driven by Jane Tennant of Limpopo Lumber and one of our Exco members, who unfortunately will now be lost to the industry. We commend her for her tireless work towards this outcome.

This is indeed a milestone for all hardwood sawmillers and especially those making use of the new technology and innovation in the sawing of eucalyptus.





## AIR QUALITY ACT SUBMISSION

The year under review has seen much work being done by the association and its legal team on the challenge to Section 9.5 of the regulations to the Air Quality Act and its consequence for kiln operators at sawmills. The year saw the case against the minister and the DFFE that was started in 2019 being heard by Judge Tolmay in the Gauteng High Court. The case was argued by our advocate and attorney, Kevin Hopkins and Terry Winstanley, late in November 2020. Judgement in our favour, including costs, was handed down on 22 February 2021.

We were obviously very pleased with this outcome and – to say the least – over the moon about the judgement. Then, on 14 April, the State notified us that they would seek leave to appeal the judgement. Their application was 14 days late, for which they had to seek condonation from the court for the late application.

We were advised by counsel not to oppose the condonation, but to rather oppose the application for leave to appeal. At the time of drafting this report, this is the latest information from our attorney:

**"We agreed not to oppose the application for condonation, so it is unlikely that this will be refused. What we are opposing is the application for leave (permission) to appeal. The State has to persuade our judge that it has the right to appeal because a different judge may come to a different view from the one she took. That application has to be argued (by their advocate and ours, Kevin). Both the condonation application and the application for leave to appeal will be argued on the same day. We haven't as yet been given a date on which that will happen."**

## TIMBER PROMOTION

A lot of preparatory work has been done following Exco's decision to place greater emphasis on promoting timber, a task that will be aided by the Department of Trade, Industry and Competition (DTIC).

Last year we informed members that Samantha Choles of Frog Communications had been approached to assist and advise us with what to sawmillers is an unknown and potentially expensive undertaking. I can report that due to the Covid-19 situation, not a great deal has transpired in this direction, but that Samantha has indeed advised us on a number of cost-effective and creative ideas for timber promotion. She also helped us to push away many of the 'well intended' approaches that were made to us by agencies for advertising space in various publications, and that this has saved us good money and ensure that our marketing efforts remain strategic.

This year will see us trying to co-ordinate a more cohesive strategy towards advertising and promotions together with our sister associations, the ITC-SA and SAWPA. The promotion of the use of timber, especially in the built environment, is not the sole domain of the sawmilling sector and a pooled initiative will allow our money to go a lot further.

One interesting idea to come out of our relationship with Dr Schalk Grobbelaar of the University of Pretoria, is a 'Tiny House' project we will be looking at in the new year.

During the year, the University of Stellenbosch made great strides with their project, 'The Timber App' – a website that will eventually become the online Timber Institute. It will be a web-based platform where anyone needing information on solid timber, its uses and its characteristics can visit and obtain all the relevant technical details and advice they need.

The site will be aimed chiefly at architects and engineers but will be available to all. SSA has helped finance this initiative and much is expected from it going forward. We thank the university for their efforts to increase the awareness and use of timber in the built environment.

As mentioned in the highlights, the association has been instrumental in establishing a working relationship with Wespine in Western Australia for the marketing and distribution of South African softwood structural and decking timber. Here we must thank those mills that have enthusiastically taken part in the trials, namely Tekwani, CJ Rance, Bracken and the Union Co-op.

We believe that many South African sawmills will benefit greatly from this relationship in the future.



Credit: Adobe Stock



## LABOUR ISSUES

As expected, 2020 was a very confusing year for labour relations although not many members reported any problematic issues. There were a few reports of problems regarding the TERS payment system following Covid-19, but luckily most of these were resolved except for one or two millers who did indeed experience major disruptions. One mill had a very nasty experience with the manager being wrongfully arrested and even spending a few nights in jail.

## GOVERNMENT

Despite the convenience of Zoom and MS Teams, interaction with government departments was definitely affected Covid-19. The usual interaction with government was limited to dealings around the finalisation of the FMP, which we are pleased to report has been finalised and accepted by the office of the president and all government departments associated with the plan.

The association also continues to interact with the DTIC with whom SSA has developed a very healthy working relationship. In the deliverables and roles of responsibility for the first year of operation of the plan under Focus Area 3, 'Processing', the DTIC plays a leading role in five of the sub-focus areas as well as being a partner with SSA in the area 'Modernisation of the South African Sawmilling Industry'. We look forward to an even healthier relationship with the department going forward.

The PPGI arguably remains the most valuable initiative to have come out of Government in the last 10 years or more and is proving to be a great tool in getting action out of sometimes slow-moving departments and officials.

It would be remiss of us not to mention the role of the forestry sector in the functioning of the PPGI and the tireless role that our representatives play in this valuable initiative. Special mention must be made of the efforts of Michael Peter, who never stops lobbying and fighting for forestry's share of the attention.

The purpose of the PPGI was to establish a productive link between Government and the private sector in the forestry value chain. Forestry and the forest products industry were identified by the Presidency as a sector that held great potential for both investment and job creation, and this has placed us firmly in the spotlight.





## FOREST SECTOR CHARTER COUNCIL

The sawmilling sector continues to be represented on the Forestry Sector Charter Council (FSCC) by Roy Southey and Lulamile Xate. The FSCC continued to be one of the more efficiently run transformation councils in the country in 2020. Khosi Mavimbela, CEO of the council, made the following statement in an address she gave in 2019 and this still holds true:

**Forestry is the only sector in South Africa that regularly produces an annual state of transformation report. This is extremely important, as it provides some defence against unfounded criticism of the sector's transformation progress, since we have actually become the benchmark in terms of institutional capacity and performance, against which other sectors should be measured.**

Francois Oberholzer of FSA produced an 'Employment Equity Sectoral Targets Report' for the entire forestry sector, including sawmilling and other converters that illustrates the position in our sector and is included on request as an annexure to this report.

## TIMBER MARKETING BUREAU

After a disastrous 2019, timber once again has a more positive growth profile on the Johannesburg Stock Exchange. This has seen many of 2019's losses be recouped by the Timber Marketing Bureau (TMB) which has been invaluable in bridging the funding gap in our AQA legal challenge.

The association has also benefited from a donation from the TMB of R150,000 which has gone a long way in financing the University of Stellenbosch's 'Wood App', the platform being developed by the university.

This initiative is designed to act as a reference for professional wood workers, architects, engineers, specifiers and builders. It will incorporate much of the old South African Lumber Millers Association 'Timber Manual' and will be a source of information and product knowledge on all things related to the use of timber in the built environment. The old Timber Manual was a valuable resource that will be a lot more user-friendly in its modernised digital form.

### FP&M SETA

2020 has proved to be a frustrating year for our dealings with the sawmilling qualifications development through the FP&M SETA. The report on page 8 from Diane Randall, who is managing the programme on SSA's behalf, illustrates this.



# SAWMILLING SA SKILLS QUALIFICATIONS DEVELOPMENT REPORT: MAY 2021

## CHALLENGES IN THE REGISTRATION OF LUMBER MILLING QUALIFICATIONS

Since the initiation in 2016 and final verification of the Lumber Milling Qualifications in March 2017, the fate of our qualifications has been in the hands of the FP&M SETA, the Quality Council of Trade and Occupations (QCTO), South African Qualifications Authority (SAQA) and the Department of Higher Education and Training (DHET).

Four years later, numerous policy changes by the Minister of Higher Education and Training and the QCTO have seen the process regress to the point where qualifications already registered by SAQA are being returned for revision and re-submission.

The verification and approval of those qualifications not yet registered (four years later) have been returned for revision and re-submission.

Subsequently, this is now the updated status of the Lumber Milling Qualifications:

- **Saw Doctor as Trade and Part Qualifications of Head Saw Doctor and Saw Filer:** These were registered in August 2019 and now will be returned for revision and re-submission to SAQA. The reason: the part qualifications exceed 120 credits, a new policy regarding part qualifications introduced by the QCTO post-2018.
- It was impossible to re-structure the **Benchman Part Qualification** and it was decided to withdraw this as a part qualification and develop it as a skills programme.
- **Wood Processing Machine Operator Occupational Qualification and its Part Qualifications of log yard machine operator, wet mill machine operator and dry mill machine operator:** These were revised and re-submitted in October 2020 and sent to SAQA for evaluation in February 2021. The full qualification and part qualifications have all been registered with SAQA. We await official notification.
- **Dry Kiln Operator Occupational Qualification:** This qualification has taken three months to revise: it was finally decided that for all credits to be correctly allocated, according to QCTO policy, the part qualifications would need to be removed. It was re-submitted as only a full qualification with no part qualifications on 17 May 2021 to the QCTO.

Another policy change, as legislated by DHET in 2018, requires that all SAQA-registered qualifications be formatted as learnerships and submitted to DHET for Quality Assurance Approval. (Yet another format and yet another state organisation approval).

The biggest challenge of all these policy changes (despite the numerous revisions of a perfectly good document) has been the unintended consequence of the budgetary constraints placed on the project. All the funding has already been allocated to the completion of the project, with the development of the materials and assessment tools underway. The QDFs will not do the curriculum revision without payment and the final tranche payment is only to be paid on completion of the entire project.

SSA applied for additional funding to FP&M SETA on 19 October 2020 and has re-applied on 30 April 2021. We await FP&M SETA approval.



Credit: Adobe Stock

## CONCLUSION

With the scourge of Covid-19 still with us and likely to be so well into 2021, we will need to keep our heads down and concentrate on 'cutting straight and drying flat'. Should we be able to do just this, there is no reason why we will not come through these challenging times with flying colours.

It remains for me to thank the 2020 Exco for their support during the year and to wish the incoming executive the best of luck for the year ahead.