

1.Expansion and upgrading of 4 pulp, paper and bio-refinery plants in Kwa Zulu Natal and Mpumalanga	
SAPPI: <ul style="list-style-type: none"> • 82% of R7.7bn pledged, invested since launch of PPGI • 959 people employed from local communities • 405 people trained in construction and welding • Production expected Q4 2020 • Pledge of additional R14bn in MP and KZN 	MONDI: <ul style="list-style-type: none"> • 26% of R8bn pledged, invested since launch of PPGI • Anticipated 3,800 support staff from local communities • 1,000 youth supported through an employment accelerator programme in partnership with Harambee • Additional 2.1 million seedlings investment into community grower schemes
Insufficient raw material (see 2. below)	Biggest constraint to further investment is that there is zero new raw material and worse is that existing timber resources have come under major and imminent threat
Insufficient port capacity	Useful meeting held with acting Chief Executive of Transnet Port Terminals on 18 November regarding plans for increased port capacity. Challenges communicated to PPGI head for further discussions with Portnet as it is a transversal challenge across multiple sectors.
Inadequate and expensive rail services for timber	Significant improvements in services on main and branch lines and competent TFR staff appointed
Prohibitive visa requirements to source foreign skills	Several engagements already held with DHA
Increase in business disruption by special interest groups	Industry very encouraged by SONA 2020 announcement on the prioritisation of economic crimes and the establishment of specialised investigative units. Industry very encouraged by political response from Presidency (Dr Ramakgopa's office) in Barberton violent protests and impact on sawmill disruptions.
2. New plantations and recapitalisation of existing damaged and degraded plantations	
Zero Investment and zero new jobs to date	
Prohibitive conditions in water-use licences	Excellent meeting with DG of DWS on 16 March. Revised WUL conditions received from DWS on 17 March.
Failure by DWS to regularise lawful water use for existing plantations	Following agreement by the Minister of DWS, the High Court suspended the prejudicial process by the DWS and their implementing agents, pending final judgement from the Court on the main matter of existing lawful water use. The CMA however has repeatedly acted in contempt of the High Court order and they continue to issue notices to timber growers. New letters have been sent by FSA's attorneys to the parties informing them of their illegal notices but investment is

<p>New attempts by DWS to insist on authorisation and reduction in plantation area when switching genera</p>	<p>being impeded pending the outcomes of both processes. DG of DWS has invited FSA to send him a letter on this issue for internal action to be taken while the Court process proceeds.</p> <p>Industry and DWS agreed in 2015 that the fatally flawed genus exchange regulations would not be implemented, until DWS had examined and responded to the hydrological report. The report showed the regulations to be unsupported in science and unnecessarily prejudicial. In March 2020 a DWS junior official started making public statements to the contrary, in spite of DWS never having responded to the report sent to them in 2015. This is causing reputational and potential economic harm to Industry and is severely threatening investment.</p> <p>Industry is now seeking legal recourse for a second legal action on the genus exchange matter, over and above that on Exiting Lawful Water use described above.</p> <p>The DG of DWS has undertaken to take internal action on this issue while FSA pursues legal recourse.</p>
<p>Lack of commitment in DAFF (DEFF), to partner with the private Sector to recapitalise degraded State plantations</p>	<p>After Industry sent detailed input on the proposed models and the assets which are likely to attract private sector co-investment, the Minister of DEFF agreed in principle, that the PPP model is the appropriate mechanism to recapitalise State plantations. No EOIs or RFPs have been issued by DEFF and Industry has had no further feedback from DEFF following the meeting with the Minister in January. A field visit by the Deputy Minister was postponed and is now likely to happen in April.</p>
<p>No State funding to support black participants</p>	<p>The Minister of DEFF has advised Industry that the 12 year old commitment by the State to fund black participants in the forestry value chain, will not be forthcoming from the former DAFF</p> <p>There is still no feedback from DEFF on the status of the 2015 World Forestry Congress legacy project commitment, in which DEFF are to provide funding to small-scale growers to re-plant 18 000ha of plantations which they lost to tree pests.</p>
<p>DAFF disinvestment into Forestry Research</p>	<p>Following meetings in November 2019 with the DG and another meeting with the Minister and Deputy Minister and DG in January, it was agreed that the MoU for forest protection would be signed and DEFF's 2019 payment would be made in arrears before the end of the 2019 financial year. FSA was subsequently asked to respond to National Treasury's questions on an incorrect version of the MoU. The responses were sent to DEFF but no feedback has been provided on the</p>

	<p>finalisation of the MoU and no funding has been forthcoming. Industry has once again had to bankroll the State for this commitment but cannot do so for another quarter and human capacity in the affected world-leading research programmes, has been negatively impacted as a result of this failure by DEFF to honour its commitments. The correct version of the MoU must be finalised immediately and payment must be made by DEFF.</p>
DTIC disinvestment into Forestry Research and human capital development	<p>None of the applications which were submitted by Industry for continued THRIP funding have been approved. A meeting was held with DTIC in December in which they acknowledged problems with the programme as well as funding shortfalls. As with the DEFF co-funded programmes above, this poses massive and immediate risk to South Africa's world-leading tree research and protection programmes. In a subsequent meeting of the PPGI in January Industry was informed that the DTIC are revising the criteria for funding. While this is understandable for underperforming or new programmes, it is extremely damaging to existing programmes like those in forestry which have a strong track record of excellent performance.</p>
3. Expansion and modernisation of 10 sawmills in 5 provinces	
<p>Two mill expansions completed in the Eastern Cape and another 3 in projects in progress in Mpumalanga</p> <p>R377m invested to date</p> <p>366 jobs created to date</p>	
Insufficient raw material (see 2 above)	<p>Zero new raw material and existing resources under major and imminent threat</p> <p>Lack of transparent pricing model by State owned plantations</p> <p>No long terms contracts on offer to secure funding for upgrades</p>
Government tender restrictions on the use of timber in affordable housing developments	<p>No response from repeated requests to departments of Human Settlements and Public Works. Have sought assistance from office of the DM of DEFF</p> <p>SANS standard in imported products for structural application – imported plywood from Brazil not FSC certified or SANS certified. Import regulations do not require these certifications and expose local producers to dumping of lower grade and inferior products.</p>
Non-compliance with timber specification regulations	<p>Illegal trade in fake treated timber KZN, Limpopo, Eastern Cape and Mpumalanga has escalated and is undermining the viability of legitimate producers</p> <p>Illegal producers' volumes are estimated to be as big as the legitimate market</p>

	<p>Implementation of VC 9092 and SANS standards has compelled compliance and associated costs for legitimate producers but NRCS as the appointed Regulator are not doing anything to stop illegal market</p> <p>Serious criminal elements appearing where armed robberies have taken place and the CCA wood preservative concentrate at plants is the target. It's suspected that the stolen preservative is for the illegal markets.</p> <p>Industry trying to co-ordinate government departments and NRCS to resolve.</p> <p>Industry is pleased with the SONA 2020 announcement on the prioritisation of economic crimes.</p>
4. Renewable energy plant in Mpumalanga	
YORK TIMBERS:	
<ul style="list-style-type: none"> Applications submitted to the IPP office as part of the MTPPP RFI for 90MW of power production capacity, at three plants in Mpumalanga. 	
The IRP doesn't allow flexibility for additional generation to be added in rural areas in a distributed generation manner	<p>IRP 2019 has been published</p> <p>Next steps : Ministerial Determination specifying capacity(ies) and buyer; buyer RFI/RFB</p> <p>Exemption schedule to the ERA (no licence is required) provides for cogen (unlimited capacity) - sales, own use and wheeling. Generation must be from a waste/ co product/ by product/ residual product input of an underlying industrial process. Useful for bilateral agreements, and only requires registration. Registrations are under way after a long delay, and at least one cogen project has been registered</p>

Speaking notes:

1. Covid 19

- Industry have implemented a raft of measures including
 - Cancellation of all domestic and international flights for staff, customers and suppliers
 - Establishment of Covid 19 task teams
 - Investment in preventative measures like awareness and hygiene campaigns, provision of hygiene products including sanitisers, masks and gloves, suspension of breathalysing and biometric scanning at major sites
 - Investment in detection and control measures like body temperature scanners major sites and quarantine protocols and facilities for infected people

- **Industry requests** the Presidency to consider the following raft of State-led interventions:
 - Fiscal and monetary easing and stimulus to protect businesses and jobs
 - Wage subsidies
 - Corporate and PAYE tax relief
 - Dramatic Reserve Bank intervention in the repo rate, so that financial institutions in turn, can provide debt relief/repayment holidays to corporate and retail clients
 - Keep ports and rail infrastructure open as more than 50% of revenue in major sub-sectors, is in foreign exchange earnings and exporters of fresh produce in turn, support the forestry industry in their packaging requirements
2. **Excellent progress from private sector in investment and employment** plans.
 - R8.6bn in new investments in the first year of PPGI and one mega-project has already met 82% of its 5 year investment target in the first year.
 - 2730 people have been employed and trained.
 3. **Good progress and commitments by the State** in areas of **renewable energy, prioritisation of economic crimes and timber freight rail**
 4. **However, on the most important constraint to investment and which offers the greatest employment opportunities, which is the availability of new timber as raw material for the investments in processing, progressed has stagnated** in the following areas:
 - Water use licences
 - Regularisation of existing plantations' water use
 - Recapitalisation of State plantations
 - Funding for research and protection from pests and diseases
 - Funding for new black entrants into the forestry value chain and recapitalisation of small scale growers' plantation losses
 - A new threat to existing resources has arisen, which was naturalised nearly five years ago. False public statements by officials in DWS on the issue of genus exchange, are causing severe harm to the investment climate, as well as presenting reputational and financial damage to forestry companies. Industry is now engaging in a second expensive legal process to interdict this behaviour.

If all of the above issues are not resolved immediately, there is no way that the private sector can justify to shareholders and other sources of capital, that continued investment and job creation is feasible.