

Exit policy deadlock finally over

MTO Forestry and the Department of Agriculture, Forestry and Fisheries (DAFF) have reached an interim agreement on how to move forward with the Western Cape Exit Policy, which includes the partial reversal thereof. MTO group CEO Lawrence Polkinghorne spoke to *Wood Southern Africa and Timber Times* about the agreement.

According to Polkinghorne, there has been an awareness for some time that it was necessary to address the areas affected by the Western Cape Exit Policy. This led to a series of positive engagements between MTO and DAFF. He reports that the two have been hard at work initiating steps to accelerate the handback of the land identified by the VECON report as land to be replanted.

History behind the exit policy

The Western Cape Exit Policy came into effect in 2001 when Cabinet approved the decommissioning of 45 000 ha of the 70 000 ha of commercial timber plantation areas across the Western Cape. The reason for the exit strategy was that the plantations were deemed to be "not economically viable" at the time.

In 2001, MTO Forestry won the bid to operate the state plantations in the province. One of the conditions of the lease was that MTO would implement government's strategy and exit 45 000 ha of plantations by 2020. Furthermore, it was agreed that there would be an amount payable by MTO per hectare exited as a rehabilitation fee. Government would then decide who the appropriate managing agent of the exited land would be - generally either SANParks or Cape Nature, depending on the location.

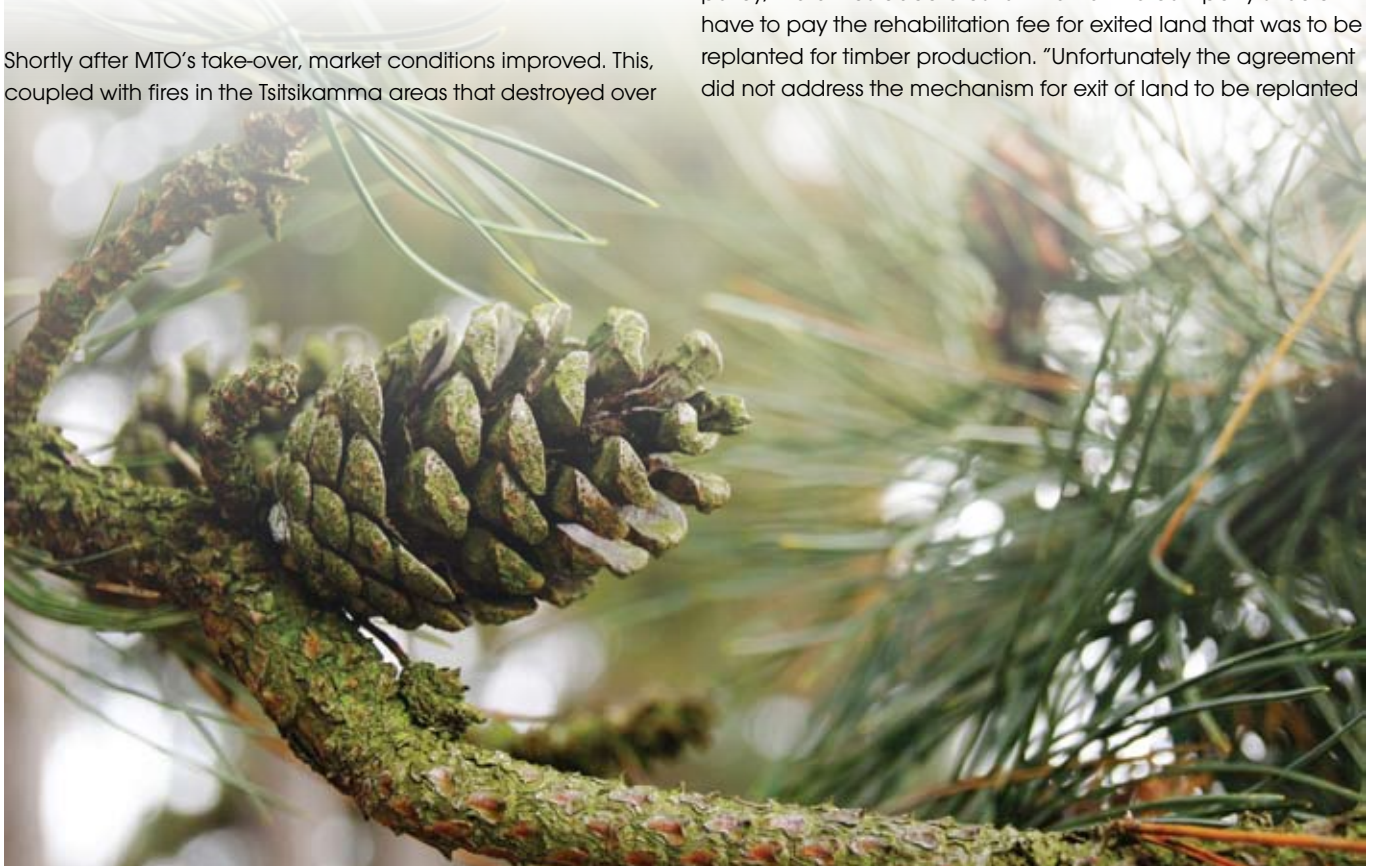
Shortly after MTO's take-over, market conditions improved. This, coupled with fires in the Tsitsikamma areas that destroyed over

16 000 ha of plantations, spelled a huge timber shortage in the market, thus threatening sawmilling and timber-related business in the area.

In 2005, MTO began to reassess the viability of the exit areas and made a series of representations to government requesting the reversal of the exit policy, arguing that there were broader socio-economic impacts, such as job losses and negative economic implications, inherent in the aforementioned exit strategy. An in-depth study was commissioned and carried out by the VECON group. The study was largely based on site potential and recommended that 22 500 ha of exited land be replanted for timber production.

In 2008, based on the VECON report, Cabinet took the decision to replant 22 500 ha of the original exit area. However, years later, the reversal policy still has not been signed off in parliament and has not been adopted as an official policy to be implemented. No details have been given as to how or when the areas could be replanted, and the land remains unused.

According to Polkinghorne, there were a number of proposals and initiatives to try to determine a way forward between 2008 and early 2015. While MTO welcomed the partial reversal policy, there was debate as to whether the company should have to pay the rehabilitation fee for exited land that was to be replanted for timber production. "Unfortunately the agreement did not address the mechanism for exit of land to be replanted



which caused a deadlock for some time, while trying to resolve an outcome fair to both parties,” explains Polkinghorne.

Moving forward

DAFF and MTO have entered into an interim, service level agreement that will run until the end of 2017. Budgets have been concluded and presented to DAFF by MTO and the expected start date of the agreement is 1 October 2015. The agreement stipulates three areas of responsibility:

1. To replant as much area as is deemed feasible within the timeline
2. To space naturally regenerated areas into commercial forestry stands
3. To maintain areas identified for hand-back, up to and during the period of the agreement

Maintenance includes forest protection by way of keeping the areas clean and free of weeds and invaders, maintenance of roads and infrastructure, and fire protection. The aim is for the land to be in a suitable condition to be replanted when such a time comes. Rehabilitation fees have been reallocated towards the replanting, spacing and maintenance of the areas in the interim to accelerate the sustainable replanting of the 22 500 ha.

“We are really positive and encouraged by the open and transparent engagement with government which bodes well for the forestry industry,” says Polkinghorne.

Polkinghorne highlighted the importance of community participation in the process. “There is no doubt that community participation will be a key element in the sustainability of the forestry industry, and it is critical that commercial forestry continues to engage the local communities accordingly. Strategic partnerships and community beneficiation will underpin government’s decision in the award of the 22 500 ha due to be replanted”

As a result of the hand-back, there are also villages that were due to be taken over by DAFF or local municipalities. Due to policy complications, MTO has temporarily taken responsibility for, and is managing, five villages, which includes supplying basic amenities such as water and subsidised electricity, sewerage and waste disposal, to ensure a smooth transition. There is ongoing engagement with DAFF and municipalities in order to facilitate this transfer.

The effects of the policy

Polkinghorne is very happy to have reached a resolution with DAFF around the exit policy and to be able to move forward after years of inaction. However, the delayed replanting of the reversal areas has had several knock-on effects in the industry.

Earlier this year Polkinghorne spoke to *Wood Southern Africa and Timber Times* about some of the far-reaching negative effects of the exit policy. “The impact is huge. For every year that we exit and the fibre resource diminishes, the pressure mounts on job security.”

The number of people employed by the forestry industry is affected dramatically. This escalates down the supply chain, where sawmills are under increasing pressure due to diminishing resources and supply.

A direct result for MTO is the closure of its Stellenbosch Sawmill. According to Polkinghorne, MTO can no longer sustain the sawmill because there is simply not enough timber supply to keep it open. The sawmill has been slowly decreasing its capacity since last year and will close at the end of 2015.

“DAFF and MTO’s interim agreement hopes to accelerate replanting to mitigate as many negative effects from the delay as possible, but there is no immediate relief, the long cycles in forestry make it difficult to meet the demand for fibre in the short to medium term,” says Polkinghorne.

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Stellenbosch Sawmill

The 75-year-old Stellenbosch Sawmill will close its doors on 15 December 2015. The mill employs over 270 people, has two log lines and eight kilns, and produces sawn timber for various structural and industrial applications.

According to Polkinghorne, the biggest fibre decrease is in the Boland. A portion of the logs coming out of the area will go to MTO's George Sawmill. MTO is continually working on improving their milling capacity through efficiency upgrades to enable them to cope with the increased workload.

There is a perception that the closure of the mill will result in a void in the market, particularly in the Western Cape. However, MTO has already begun subsidising the market with lumber from their other sawmills and strategic supply opportunities. "The market will likely experience a relative drop in supply and volume of lumber available, but we have been putting mitigating strategies in place and we expect the market to correct itself reasonably quickly. It will, however, create unprecedented demand, so it is likely that prices will increase accordingly," says Polkinghorne.

The MTO group human resources team together with the sawmill's operations team have been hard at work on a social plan to support employees during the lead-up to, and closure of, the mill.

The social plan was developed around the needs of the employees. MTO will ensure that all employees who are machine operators will have their operators' licences renewed so that they have a valid licence when they leave at the end of the year, ensuring they are more marketable to a variety of industries. The company is also assisting some employees in getting their National Senior Certificates by granting them study leave. There are a number of employees who are also doing courses in basic and intermediate computer literacy.

Emotional support is also an integral part of the social plan. "Retrenchment in anybody's life is quite an emotional and traumatic experience," says Rushda Sulaiman, the group HR operations manager.

For this reason, MTO has partnered with non-profit organisation Pro-Care, which will provide an emergency helpline for employees from October 2015 until February 2016. They will provide emotional support, as well as assist employees with information regarding things like government departments as well as education and social development programmes such as FAMSA.

Pro-Care will also run employee wellness programmes before the closure. This will involve talks on, among others, retrenchment, the stress that goes with it, and how to manage money, particularly the retrenchment package.

MTO will also list all of the sawmill employees on the Department of Labour's temporary employment services database. Many companies use this as a platform for hiring new workers. The Stellenbosch municipality has also been informed and will try to assist where possible. All vacancies within the organisations have been advertised and mechanisms put in place to assist employees with



relocation. "This, in our opinion, would be the best alternative for employees – to stay in the group and make themselves available for redeployment in other areas. That is the fortunate part about a corporate business such as ours. It does not limit one to only one workplace, it extends employment possibilities nationally," says Sulaiman. Despite this, redeployment has not been popular amongst staff, many of whom have lived in Stellenbosch most of their lives.

According to Sulaiman, the entire process has been very smooth with no problems (such as industrial action) from employees. Fernau Conway, the sawmill operations manager, believes this is largely owing to the company being very open and honest with staff about the shutdown. Sulaiman adds, "We have been consistent and transparent in our approach. What really worked for us was following through and providing continuous feedback to the employees, which they appreciated. There was no reason to distrust the process."

"It is never easy to shut down a business and the process has been testing for both management and the employees. But, the nature in which the negotiations have been handled has been a testament to the loyalty of the staff. I am seriously humbled by the manner in which our employees have worked to the end. They have embraced the closure, and the amicable and smooth process is the result of mature and really good people," says Polkinghorne.

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The Western Cape Forestry Sector Forum

To address forestry issues and to allow the positive engagement and participation of as many stakeholders as possible, MTO has established the Western Cape Forestry Sector Forum, which is facilitated by DAFF.

According to Polkinghorne, the intention of the forum is to deal with forestry related matters and to unlock potential initiatives through engagement of other government departments or sectors, to positively enhance transparency and engagement between all relevant stakeholders. The forum will address topics such as land issues, development of contractors, education and forestry stewardship, community opportunities, partnerships and problem resolution.

The Western Cape Forestry Sector Forum has already met twice and there is an interim executive structure in place which is represented by industry (currently MTO), institutions, including the Nelson Mandela Metropolitan University and Stellenbosch University, government, and communities.

Polkinghorne explains that participation and the ability to get people around the table were the driving forces behind establishing the forum. "It is a formal structure that allows for engagement at the right levels. It gives continuity, consistency and responsibility to stakeholders who subscribe to it." He welcomes the inclusion of all stakeholders in the industry. "Any relevant stakeholder that feels that they would like to participate is welcome to attend or make themselves available to be part of the executive structure."

Transparency is fundamental to the forum. "It is critical to create a much more open and transparent engagement philosophy between all stakeholders in the industry so that we are all working towards a common objective," says Polkinghorne.

By Danielle Petterson



MTO | group



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