



**sappi**

**Local Government Summit**

**September 2014**

## Did you know ...

Established 1936 . Johannesburg (Head Office) and Springs (first mill)

Today global leader in:

- Graphic (Magazine/ Brochure paper) made in Europe and the USA
- Dissolving Wood Pulp with 1 million tons exported from South Africa (R10bn foreign earnings)

Packaging paper leader in South Africa (40% share of local demand)

13,000 employees globally - 5,700 employees and 12,000 contractors in SA

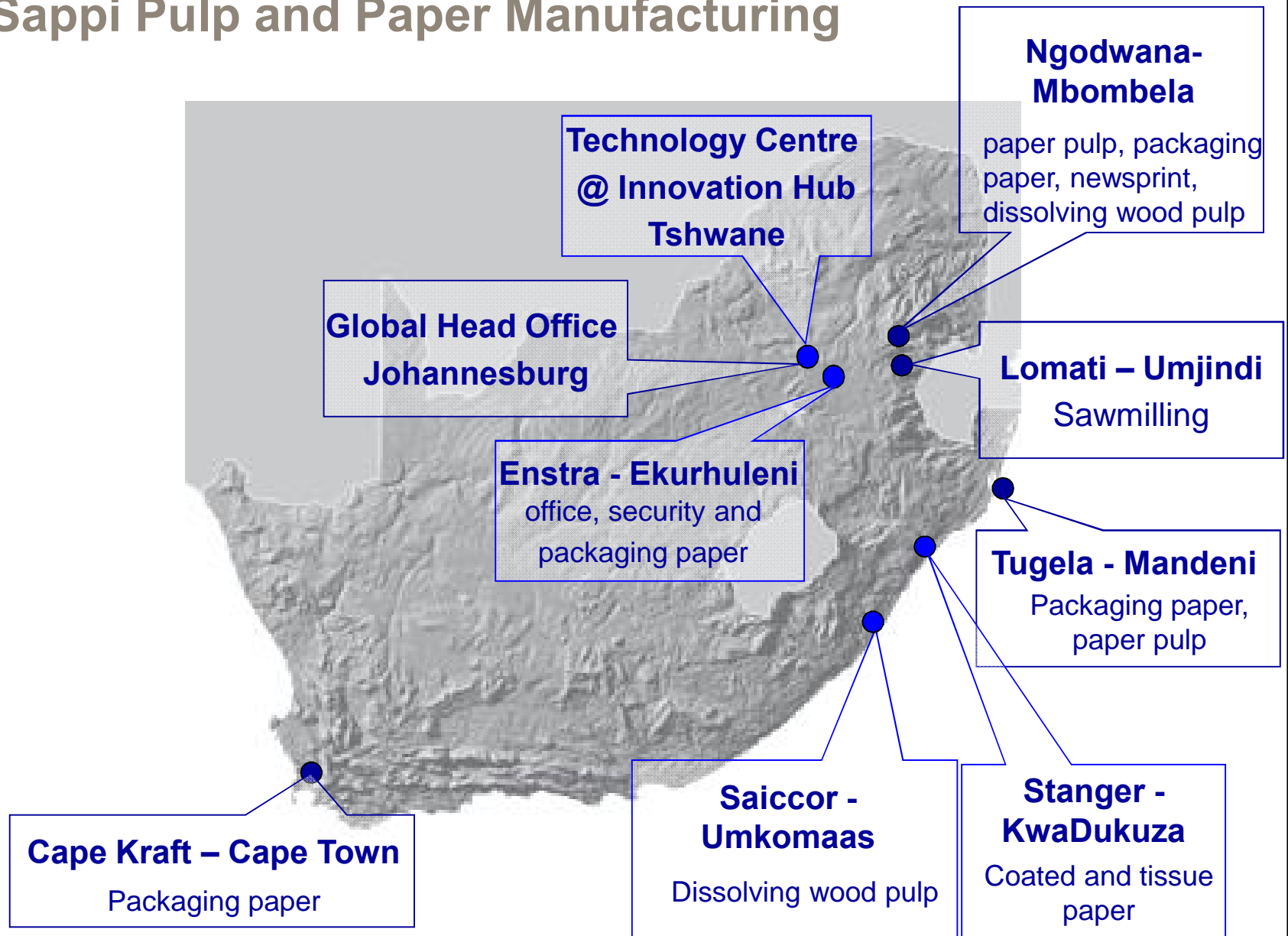
5.6 million tons paper per year                      - 950,000 tons produced in SA

3.5 million tons paper pulp per year                - 750,000 tons produced in SA

500,000 hectares owned, leased and sustainably managed plantations in South Africa (largest private land owner)

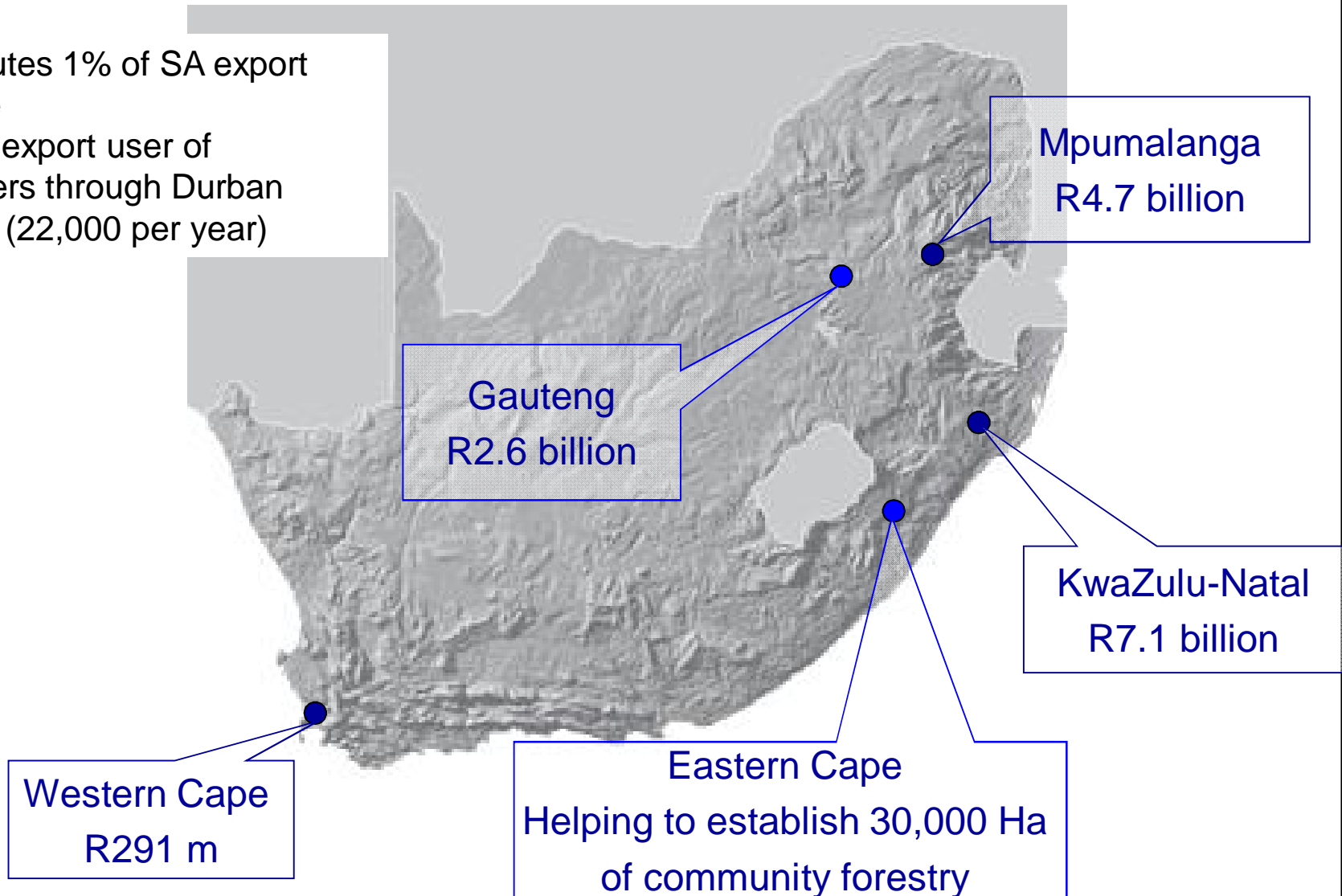
Group turnover US\$6 billion for 2013 . 24% from SA business

# Sappi Pulp and Paper Manufacturing

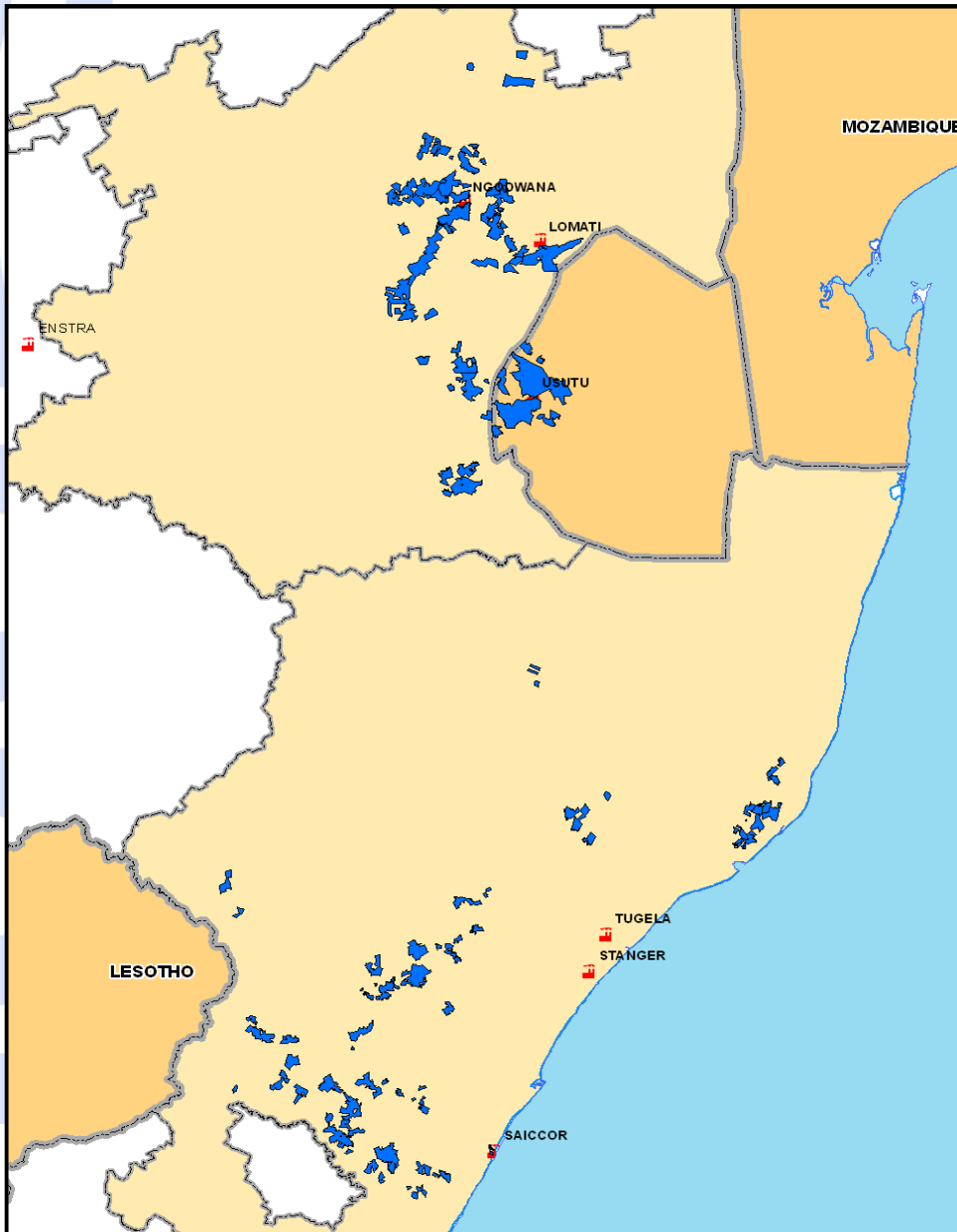


# Sappi value add to South Africa (2013)

- “ Contributes 1% of SA export revenue
- “ Largest export user of containers through Durban harbour (22,000 per year)



# Sappi Forests



- “ Own and manage 500 000 ha of plantations in Southern Africa
- “ 389 000 ha owned in South Africa
- “ 110 000 ha supply agreements with small farmers
- “ 138,000 ha of this land managed for conservation purposes
- “ 53% hardwoods, 47% softwoods
- “ Supply 5 million tons pulpwood annually (more than 70% self sufficient)
- “ Helping to establish 30,000 ha of new community forestry projects in northern Eastern Cape



# Engagement with Local Government

Water

Effluent

Energy

Emissions

Waste

Transport (road and rail)

Recycling

Employment

Local procurement

Rates and Taxes

Community development (CSI)

Social support (CSI)

Other support (infrastructure; basic services)

Safety and Security (people and property; illegal activities)

Fire fighting and disaster management

## Municipalities where we operate: Mills

**Mill Municipalities**

**Ekurhuleni Metro**

**Johannesburg Metro**

**Tshwane Metro**

**Cape Town Metro**

**eThikwini – Umkomaas**

**Ehlanzeni – Mbombela and Umjindi**

**iLembe – KwaDukuza and Mandeni**



## Municipalities where we operate: Forestry

### Forestry Municipalities KZN & EC

uMswathi Municipality

Umgeni

Umvoti

Richmond Municipality

Okhahlamba Municipality

Vulamehlo

uMzumbe

uBuhlebezwe

iNgwe

Mthonjaneni Local Municipality-Melmoth

KwaSani

Umfoloji Local Municipality -Zululand

UMhlathuze Municipality -Richards Bay

Umkhanyakude District Municipality -Mkuze

Ntambanana Municipality

Umhlabuyalingana Municipality

Ugu and eThekwini

Ingquza Hill local municipality

OR Tambo District Municipality

### Forestry Municipalities Mpumalanga

Ehlanzeni District Municipality

Bushbuckridge Municipality

Mbombela Municipality

Thaba Chweu Municipality

Umjindi Municipality

Gert Sibande District Municipality

Albert Lethuli Municipality

Emakhazeni Municipality

Mkhondo Municipality

Msukaligwa Municipality



# Contrasting experiences within one district municipality

## Mandeni Municipality A

- “ Partnership relationship
- “ Eskom supplies electricity
- “ Sappi supplies bulk water to municipality
- “ Municipality active in Simunye Environmental Forum (local stakeholder forum)
- “ Sappi & municipality co-operate on emergency services provided to the community
- “ Mandeni municipal domestic refuse placed at Sappi landfill site
- “ Close coordination on design parameters and approvals for new housing development
- “ Ngwenya nature reserve - joint initiative between Sappi & Municipality
- “ Municipality manages certain facilities at the Sappi club for benefit of the wider community
- “ Participate in municipality local economic development (LED) summit
- “ Regular contact with Mayor, Municipal manager, planning, the technical services manager, Exco members

## KwaDukuza Municipality B

- “ Indifferent relationship
- “ Purchases R10m per month of electricity from the municipality
- “ Paper Mill employs 500 people directly
- “ LED contribution over R1 billion per annum
- “ Major issue with power supply quality
- “ Problem overshadows all other cooperation
- “ 19 power outages already in 2014
- “ Mill recovery time at least 4 hours each time
- “ Production loss 1200 tons (market shift to imports)
- “ Working costs (equipment failures) and lost profits - R11m in direct costs.
- “ Every outage due to poor infrastructure (maintenance) at the KDM distribution systems or incorrectly set protective equipment in the KDM substations
- “ Engagement up to Mayoral level . no results
- “ Offers to assist have been declined
- “ Financial and human resources exist in KDM, but no willingness to act
- “ Lodged complaint with NERSA. Very slow.
- “ Mayoral contact mostly around appealing to address electricity supply issues

# Experience with Forestry municipalities

## Issues of concern

- “ Cooperation on LED has changed from very good until 2012 to non-existent today
- “ Constrained capacity to interact with business and assist to create enabling LED environment, typically with regards to co-funding and focussed project spending on local road infrastructure, rural health services, safety and security
- “ Poor participation of LMs in risk management forums, specifically at Local Fire Protection Association level. No investment in equipment. Local Fire Chiefs either absent, unwilling or incompetent to play their mandated roles in FPAs. LMs cannot just ignore their obligation to provide this service.
- “ Poor service delivery to rural communities result in service delivery protests in neighbouring communities that has huge security and fire risk impact on operations.

## Examples of cooperation and potentials

- “ Some good cooperation on road maintenance and fire fighting
- “ Some good cooperation on projects and services for remote communities
- “ Eastern Cape forestry development good cooperation from district municipalities
- “ Barberton town currently has a distribution network of about 20MW and the demand continue to grow.
- “ The HV supply from Nelspruit to Barberton has reached its limit and cannot supply more power to Barberton.
- “ Lomati Sawmill consumes 2MW
- “ Additional lines will take years.
- “ A power station at the sawmill that can consume all the biomass can generate between 8 and 10 MW and alleviate the situation.

THANK YOU

