

## FOREST INDUSTRY IN SABAH



The timber industry in Sabah was the main economic backbone to the socio-economic development of the State in the past. It has remained significant even at a much reduced log production level as being experienced of late. The total forest revenue collected for the year 2012 was RM177 million and contributed approximately 4% of the State's total revenue. For many years in the past, contribution from the forestry sector to the State's coffers was more than 50% of the State's total collection of revenue. In 2012, foreign earnings from the timber industry to the State on the other hand is recorded at RM2.1 billion, while some 31,416 jobs were generated by this sector. Log production from the natural forest in the year 2012 was 1.97 million m<sup>3</sup> while production from plantation forest on the other hand was 1.12 million m<sup>3</sup> over the same period of time.

It has been the policy of the State Government to further develop the wood based industry in Sabah towards more value-added processing as outlined in the *Sabah Industrial Action Plan (SIAP)*. In spite of this, the development of the value-added processing in the State has been quite slow and the wood-based industry remains dominated by primary processing activities namely the saw-milling and plywood sectors. Compared to the nineties, the total active wood processing mills in Sabah has shown a decline due to the dwindling supply of logs. The number of wood processing mills in the future is anticipated to be further reduced unless substantial volume of timber is imported by the local processing mills to meet their raw material requirement.



The installed input capacity of the wood-processing mills in Sabah for year 2012 stands at 4.8 million m<sup>3</sup> comprising of sawmill 1.7 million m<sup>3</sup>; plywood/veneer 2.2 million m<sup>3</sup> and pulp and paper 0.9 million m<sup>3</sup>. There is a big mismatch between the actual input capacity of mill in relation to the supply of domestic timber. In 2010, the consumption of imported logs, flitches and sawn timber by local mills was at 106,348 m<sup>3</sup>.



The export of timber products remains dominated by the export of sawn timber, plywood and paper which accounted for 77% of the total forest products export earnings in 2012. Log exports only accounted for 5.2% of the total forest products export earnings over the same period. The future of the timber industry will witness a much reduced activity arising from the declining raw material supply while supplementary supply of raw materials from import and plantation forest is anticipated to become more important in the future to meet the deficit in the domestic demand. Reconsolidation process in wood-based industry is unavoidable and this will definitely result in the reduction of workers and only efficient players will remain in the wood-based industry.

## 11. Timber Royalty

The royalty of timber in Sabah varies depending on what the timber is intended for (example: export or domestic processing), the log diameter and the sources of the logs. The rates are shown as below:

### (a) Export royalty on round logs including treated poles effective 1<sup>st</sup>. January 2014

Class	Species	ROYALTY (RM/M3)				
		FR/NFM		Helicopter Logging	ITP-FR/SL/AL	
		Non-RIL	RIL(b)			
<b>A</b>	Belian	350	350	350	Irrespective of size	350
<b>B</b>	Merbau/ Merbau Lalat	300	290	150	(i) ≥ 60 cm (ii) 45-59 cm (a) (iii) 30-44 cm (a) (iv) 29 cm and below (a)	300 250 200 150
<b>C</b>	Selangan Batu	170	160	85	(i) ≥ 60 cm (ii) 45-59 cm (a) (iii) 30-44 cm (a) (iv) 29 cm and Below (a)	170 145 120 70
<b>D</b>	Red Seraya White Seraya Yellow Seraya Melapi Kapur Keruing Agathis Kembang Kembang Semangkok	160	150	80	(i) ≥60 cm (ii) 45-59 cm (a) (iii) 30-44 cm (a) (iv) 29 cm and below (a)	160 130 110 60

	Nyatoh Oba Suluk Pengiran					
<b>E</b>	Any other species not mentioned in class A,B,C,D,F,G & H.	125	115	63	(i) ≥ 60 cm (ii) 45-59 cm (a) (iii) 30-44 cm (a) (iv) 29 cm and below (a)	125 100 90 50
<b>F</b>	Perupok	120	120	Not applicable	Irrespective of size	120
<b>G</b>	Macaranga	20	20	10	Irrespective of size	20
<b>H</b>	Any species of planted timber (logs)	<b>ROYALTY (RM/M3)</b>				
		<b>Diameter Size</b>	<b>ITP-FR</b>	<b>SL</b>	<b>AL</b>	
		(i) ≥ 60 cm	60	60	0	
		(ii) 45-59 cm (a)	48	48	0	
		(iii) 30-44 cm (a)	36	36	0	
			(iv) 29 cm and below(a)	24	24	0

**Note:**

FR: Natural Forest Management  
ITP: Industrial Tree Plantation  
AL: Alienated Land  
SL: State land

- (a) From alienated land, state land and industrial timber plantation approved within Forest Reserve  
(b) Subject to field inspection on RIL compliance prior to qualification of RIL rebates  
(c) Belian & Merbau are now prohibited species. The rates are listed in case of special circumstances – eg. unavoidable road construction, damaged trees etc.

**(b) Local processing royalty on round logs**

Diameter Class		Rate(RM/M <sup>3</sup> )					
		RIL FR (NFM) (b)	Helicopter Logging	Non-RIL			
				FR (NFM)	ITP-FR	SL	AL
<b>1)</b>	<b>Logs</b>						
	≥ 60 cm	80	45	90	90	90	90
	45-59 cm (a)	-	-	-	75	75	75
	30-44 cm (a)	-	-	-	40	40	40
	29 cm & below (a)	-	-	-	30	30	30
	Macaranga Spp.	-	-	5	5	5	5
	Logging Residues/Branches . Note: Does not apply to Belian and Merbau (c)	-	-	20	20	20	20
	"Fuel Wood" (d)	-	-	5	5	5	5
	Belian	100	100	100	100	100	100
	Perupok	75	Not applicable	85	85	85	85
	Any planted Timber	Not applicable	Not applicable	-	30	30	0
-				24	24	0	
-				18	18	0	

	(plantation Species)							
		29 cm & below			-	12	12	0
2)	Converted Timber	180	Belian: 200 Others: 90	180	180	180	180	
3)	i) Logs for pulp and paper mill (Natural Forest timber) (e)	-	-	7.50	7.50	7.50	7.50	
	ii) Logs for pulp and paper mill (plantation timber) (e)	-	-	6.00	6.00	6.00	-	

**Note:**

FR: Natural Forest Management

ITP: Industrial Tree Plantation

AL: Alienated Land

SL: State land

BW Benta Wawasan

YS Yayasan Sabah

(a) From alienated lands, state lands and industrial tree plantation areas approved within Forest Reserves.

(b) **All RIL areas are subject to inspection and verification by SFD staff prior to qualification of "rebates".**

(c) Subject to inspection and verification by the Staff of Sabah Forestry Department.

(d) As burning material for power generators and brick factory.

(e) As input for paper mill only.

**(c) Royalty for 'Confiscated Log' /Auctioned timber**

- i. Logs : RM 90.00/m<sup>3</sup> irrespective of size, species and source.
- ii. Converted Timber : RM 180.00/m<sup>3</sup> irrespective of size, species and source.

**(d) Processed timber export royalty**

Type	RATE (RM/M3)
1) Belian Sawn Timber	100
2) Sawn timber of other species	10
All Plywood	5
All Veneer	10
All Mouldings	5

**(e) Inspection fees and certification charges on imported timber**

Type	RATE (RM/M3)
Logs	10
Converted Timber	10
Sawn Timber	10
Veneer	10
Others	-
Logs for pulp & paper mill (SFI use)	1

**(f) Premium**

Type	Premium rate RM/M <sup>3</sup>	
<b>a) FR/NFM</b>	60 cm and above only	
1) Yayasan Sabah & Benta Wawasan	15	
	Macaranga: Exempted	
2) Other licences <b>after 01 Feb 2002</b>	20	
	Macaranga: Exempted	
3) Other licences <b>before 01 Feb 2002</b>	According to licences conditions	
	Macaranga: Exempted	
4) SFMLA	30	
	Macaranga: Exempted	
<b>b) ITP</b>	<b>≥ 45 cm</b>	<b>≤ 44 cm</b>
1) Yayasan Sabah & Benta Wawasan	15	0
	<b>Macaranga: Exempted</b>	<b>Macaranga: Exempted</b>
2) SFMLA	20	5
	<b>Macaranga: Exempted</b>	<b>Macaranga: Exempted</b>
<b>c) Stateland</b>	<b>≥ 45 cm</b>	<b>≤ 44 cm</b>
	20	5
<b>d) FR/ITP (non YS/BW)</b>	<b>Macaranga: Exempted</b>	<b>Macaranga: Exempted</b>
	20	5
	<b>Macaranga: Exempted</b>	<b>Macaranga: Exempted</b>

**(g) Diameter Assessment For Royalty Computation – itps, Stateland & Alienated Lands**

- this is based on the average of the 2 diameters at each end.

Last updated: 24/12/13

**12. Forest Revenue**

Comparative collection of forest revenue for the year 2011 and 2012 is as follows:

Year	RM
2011	RM 202,843,665.25
2012	RM 176,530,978.31

Last updated: 24/12/13

### 13. Total Set-up of Wood Processing Mills

	2011			2012		
	Total licensed	Active	Inactive	Total licensed	Active	Inactive
Sawmill	165	94	71	154	95	59
V/Ply/BB/LB	55	30	25	49	29	20
Mouldings	134	70	64	122	66	56
Paper	1	1	0	1	1	0
Chips	6	4	2	6	4	2
Wood preservation Plants	31	8	23	30	9	21
Kiln Dry Plants	66	39	27	58	34	24
Particle Board	3	1	2	3	1	2
Bamboo/Rattan furniture	1	1	0	1	1	0
MDF	2	0	2	2	0	2

Last updated: 24/12/13

### 4. Productions of Logs and Main Timber Products

Products	2011 (M <sup>3</sup> )	2012 (M <sup>3</sup> )
<b>Logs :</b>		
Natural logs	2,212,465.92	1,965,671.37
Plantation logs	1,234,777.75	1,117,066.46
<b>Timber Products:-</b>		
Sawn Timber	741,250.65	515,023.20
Veneer	163,604.09	130,727.56
Plywood	1,033,508.32	1,025,721.09
Blockboard	43,171.66	33,491.32
Laminated Board	19,695.65	12,039.28
Mouldings	145,354.72	166,035.77
Paper (m/t)	136,155.00	142,496.00
Particle Board	44,328.64	56,899.54
Chips	167,630.94	132,456.23
Medium Density Fibre board	-	-
Treated Timber	11,953.65	12,898.33
Kiln Dried Timber	221,138.06	217,825.22

Late updated: 24/12/13



## 15. Export of Logs and Main Timber products

	2011		2012	
	Volume (M <sup>3</sup> )	FOB (RM)	Volume (M <sup>3</sup> )	FOB (RM)
Logs	308,971.14	164,683,221.36	171,000.27	111,753,436.10
Plantation logs	38,989.07	13,759,846.55	36,163.23	12,225,489.40
<b>Timber Products :-</b>				
Sawn Timber	340,549.20	518,983,033.11	241,346.08	390,576,317.86
Veneer	70,320.98	97,462,929.92	41,571.24	64,933,067.45
Plywood	706,575.96	1,123,187,157.71	631,083.83	998,926,470.16
Mouldings	27,405.26	92,033,572.86	19,108.21	64,652,786.34
Particle Board	35,530.26	20,500,318.57	27,873.93	17,470,276.87
Chips	33,388.24	60,131,524.95	35,172.14	64,151,233.64
Paper (m/t)	82,083.27	226,697,057.23	100,518.54	253,434,671.75

Late updated: 24/12/13

## 16. Administrative Charges

Item	Rate	Note
<b>FOREST OCCUPATION PERMIT</b>		
Logging Camp/logging road & dumping point	RM250.00/hectare/annum	
Prospecting purpose	RM1260/hectare/annum and RM120/hectare/annum for road	
<b>LANDINGS (FOREST RESERVE ONLY)</b>		
Class I (less than or equal to 0.50 ha)	RM1,000.00/landing/annum	
Class II (0.51 - 1.00 ha)	RM2,000.00/landing/annum	
Class III (Greater than 1.00 ha)	RM5,000.00/landing/annum	
<b>Notes:</b> A landing is defined as a temporary storage area for logs prior to their transportation by land or water within any forest reserve land.		
<b>ROYALTY FOR POLES OF TREES (MANGROVE TREES ONLY) IRRESPECTIVE OF SIZE</b>	Royalty for Poles irrespective of sizes:- RM0.50 cent running meter	Charges according to diameter class is abolished.
<b>FIREWOOD (ANY SPECIES)</b>		
Per stacked m3	RM1.00	
Per tonne	RM1.50	

Item	Rate	Note
<b>LICENCE FEE (FIREWOOD)</b>		
Per person per month.	RM10.00	
Per person per month for domestic use only	RM1.00	
<b>CHARCOAL (MANGROVE)</b>		
Any species in bulk	RM10.00/Tonne	Already paid in local Processing royalty
Sacks not exceeding 50 kgs per sack	RM1.50/bag	-do-
Per oven per month.	RM50.00	-do-
CHIPS (i) Mangrove (ii) Inland Hardwood	Use of mangrove wood for chipping is not allowed. Royalty to be collected based on local processing royalty. No more export royalty.	
<b>SAWN TIMBER GRADING AND MARKETING CHARGES</b>		
Marking with mark of origin BINOB	RM 0.50/M3	
Certificate of Grade and marking with mark of origin BINOB	RM 1.00/M3	
Certificate of correct measurement.	RM 2.00/M3	
Certificate of freedom from live borer only.	RM 1.00/M3	
Certificate of grades, correct measurement, freedom from live measurement, freedom from live borer and hammer marking.	RM 3.00/M3	
Miscellaneous inspection	RM 1.50/M3	
<b>LOG GRADING AND MARKING CHARGES</b>		
Marking with mark of origin BINOB.	RM 0.50/M3	
Certificate of Grade and marking with mark of origin BINOB.	RM 1.00/M3	
Certificate of correct measurement	RM 2.00/M3	
Certificate of freedom from live borer only.	RM 1.00/M3	
Certificate of grades, correct measurement, freedom from live borer and hammer marking.	RM 3.00/M3	
Miscellaneous inspection.	RM1.50/M3	
<b>OVERTIME (DURING SCALING)</b>		
Note : <b><i>The scaler shall be paid the normal rate of 1% of the basic salary as overtime and the balance of 2% shall be taken as Government revenue.</i></b>	3% of the basic salary per hour.	



Item	Rate	Note
<b>SAWMILL LICENCE FEES</b>		
a. Sawmill	a) <u>Own use</u> : RM3,000/annum + RM100/sawbench  b) <u>Commercial use</u> - RM3,000/annum and RM100/sawbench	
b. Chipmill	RM6,000/annum	
c. Veneer Plant	RM6,000/annum and RM2,400 per peeler machine or slicer machine and RM100/sawbench	
Plywood Plant	RM6,000/annum and RM2,400 per peeler machine or slicer machine and RM100/sawbench	
Moulding Plant	RM2,000/annum + RM100/sawbench	
MDF (medium density fibre board plant) (i) Using wood fibre (ii) Using non-wood fibre	i) RM6,000 ii) RM1,000/annum	
g. Pulp Plant	RM12,000/annum	
h. Paper Plant	1) RM12,000/annum for mill using timber fibre 2) RM1,000/annum for non- wood fibre	
i. Wood-preservation plant	RM1,200/annum	
j. Wood-cement board plant	RM5,000/annum	
k. Blockboard	RM5,000/annum and RM2,400per Peeler/slicer machine and RM100/ sawbench	
l. Carbon Rod Mill	RM1,000/annum	
m. Chopstick Mill	RM500/annum	
n. Kiln Dry Plant	RM1,200/annum	
o. Match Factory	RM100/annum	
p. Furniture factory (*)  Note: If a mill is an integral part or another mill then only the highest fee will be imposed. Wood Preservation Plant, Kiln Dry Plant and Mobile Sawmill however are excluded from this provision and a separate licence fee is needed. Government owned mill is exempted from payment of annual fee/machines	RM2,000 AND RM100 for each bandsaw	
<b>PROCESSED TIMBER EXPORT LICENCE</b>	RM2,500.00/annum	

<b>SALE OF MAPS</b>	Revised as per items below: Paper map RM94/meter	
	Transparencies map RM141/meter.	
	Data processing and plotting : RM150/hour	

Item	Rate	Note
<b>ISSUANCE OF FOREST LICENCES</b>		
Form I	RM3,000/issuance including renewal	
Special Licence	RM5,000/issuance	
Licence Agreement	RM20,000/issuance 1. 50 acres & below : RM100 per issuance 2. 51 - 150 acres : RM300 per issuance 3. 150 acres & above: RM700 per	
Form IIB		
<b>LOGGING VEHICLE</b>		
Tractors	RM1,000.00/annum	
Skidders	RM500.00/annum	
Others	RM500.00/annum	
Long Distance Cable System (LDCS)	No fee imposed	
<b>EXPORT OF RATTAN</b>		
Unprocessed Rattan (fresh from the jungle).	Export is banned.	
Processed Rattan (washed, treated with sulphur or other chemicals, graded, dried, split or unsplit and bundled).	Export is banned.	
Converted Rattan (whole Furniture or Artifacts)	NIL	

<b>EXTRACTION OF RATTAN - COLLECTION FEE</b>		
Forest Reserve	RM10.00/person/month	
Stateland	NIL	
<b>PERMIT TO POSSESS OR CARRY FIREARMS OF APPARATUS WITHIN A FOREST RESERVE</b>	RM100.00/annum	
Permit to enter Forest Reserve:- Permit to enter Bird Nest Centers in forest reserves (For visitors)	RM5.00/person/entry	
Permit to enter forest reserves to collect Bird Nest (For collectors)	RM5.00/person/harvest.	
<b>QUARRY LICENSE (FOREST RESERVE) FOR COMMERCIAL USE</b>		

<b>Charges</b>	
Occupation	RM5,000/ha/annum
Permit to quarry	RM5,000/ha/annum
<b>Annual Fee</b>	
Grade E } Based on JKR/	RM2,000.00/annum
Grade D } Geological Dept. grading	RM6,000.00/annum
Grade C }	RM12,000.00/annum
Grade B }	RM24,000.00/annum
Grade A }	RM50,000.00/annum
<b>REMOVAL OF SAND FROM FOREST RESERVE</b>	10% of the value
	Occupation : RM5,000.00/ha/annum

<b>GRAVEL STONES (ALONG RIVERBEDS)</b>		
Occupation	RM1000.00/ha/annum	
Permit to operate gravel extraction work.	Not allowed	
<b>ISSUANCE OF REMOVAL PASS</b>	RM5.00 per lorry/scow	
<b>ADMINISTRATIVE CHARGES ON FOREST OFFENCES</b>		** <i>Macaranga</i> species is excluded under this provision (refer JPHTN/PP100-4/1/23 dated 24/4/2001)
a. Delay In Extracting Felled Trees	Deleted. (i) is similar to (ii).	
b. Abandoned logs/trees	3 times the export royalty as penalty.	
c. Felling undersized trees excluding <i>Macaranga</i> species (**)	10 times the local processing royalty as penalty (based on the highest rate).	
d. Leaving High Stumps	RM100.00/stump	
e. Illegal feeling	10 times the export royalty rate as penalty.	
f. Unauthorized used of commercial species for temporary construction work.	RM100/tree and local processing royalty payment.	
g. Avoidable damage to pole size trees	RM500.00/tree	
h. Failure to deliver by the date specified an accurate map of any year's working and the location of all extraction routes.	RM5,000.00/month or part of a month during which the maps are to be submitted.	
i. Failure to prevent and to report an outbreak of fire.	RM1,000.00/detection	
j. Production of an incorrect specification for any parcel or part of parcel of timber.	2 times of the royalty per parcel.	
	3 times the export royalty.	

<p>k. Unauthorized removal of logs.</p> <p>l. Felling prohibited species</p> <p>m. Failure to declare an area which has been logged and to request for logging inspection for that particular area.</p> <p>n. Penalty for removing forest produce between 7 p.m. to 7.00 am without authority.</p> <p>o. Attempting unauthorized export of logs *</p> <p><b>* NOTE :Apart from the penalties stated herein, other charges applicable, e.g. royalty in the case of undersized trees in log form being exported, are to be paid.</b></p> <p>p. Production of an incorrect mill production report.</p> <p>q. Failure to mark logs with registered property mark or serial number.</p> <p>r. Non maintenance of boundary</p> <p>s. Failure to register as a mill contractor/logging contractor</p> <p>t. Attempting un authorised export of any forest produce or product other than logs.</p>	<p>RM5,000.00/stump</p> <p>RM5,000.00/detection</p> <p>RM300.00 per lorry for first offence and RM500.00/lorry for second or subsequent offence.</p> <p>10 times the export royalty.</p> <p>RM500.00/report</p> <p>RM20.00/log</p> <p>RM500.00/detection</p> <p>RM1000/detection</p> <p>50% of the fine imposed on unauthorised export of logs as in 24(o).</p>	
<p><b>MINOR FOREST PRODUCE</b> (Damar, Fossil, Gums, Gaharu, Cinnamon, Sticks, Tengawang fruits, etc)</p>	<p>10% of the value. However Gaharu is only allowed if it is harvested from state land's. Forest reserve production is not allowed.</p>	