



CORPORATE BACKGROUND

Chain of Custody for Timber Products Exported from Sarawak

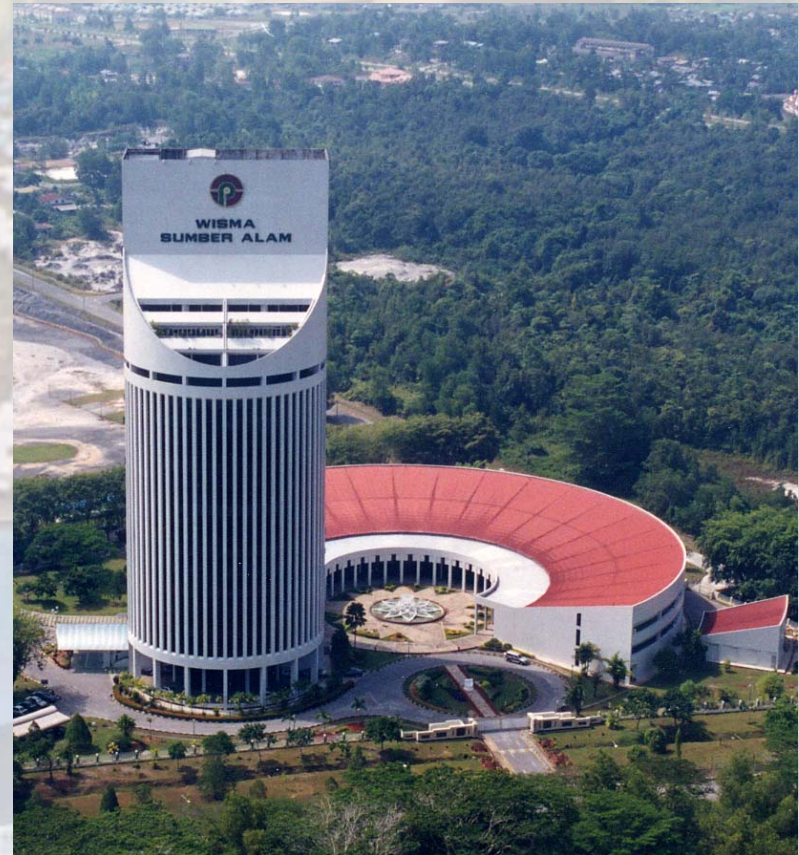
Presented by:

Datu Haji Len Talif Salleh

General Manager,

Sarawak Timber Industry Development Corporation

26th February 2007



- **Brief Introduction to STIDC**
- **Wood based industry in Sarawak**
- **Regulatory and Administrative Requirements**
- **Questions and Answers**



● **Brief Introduction to STIDC**

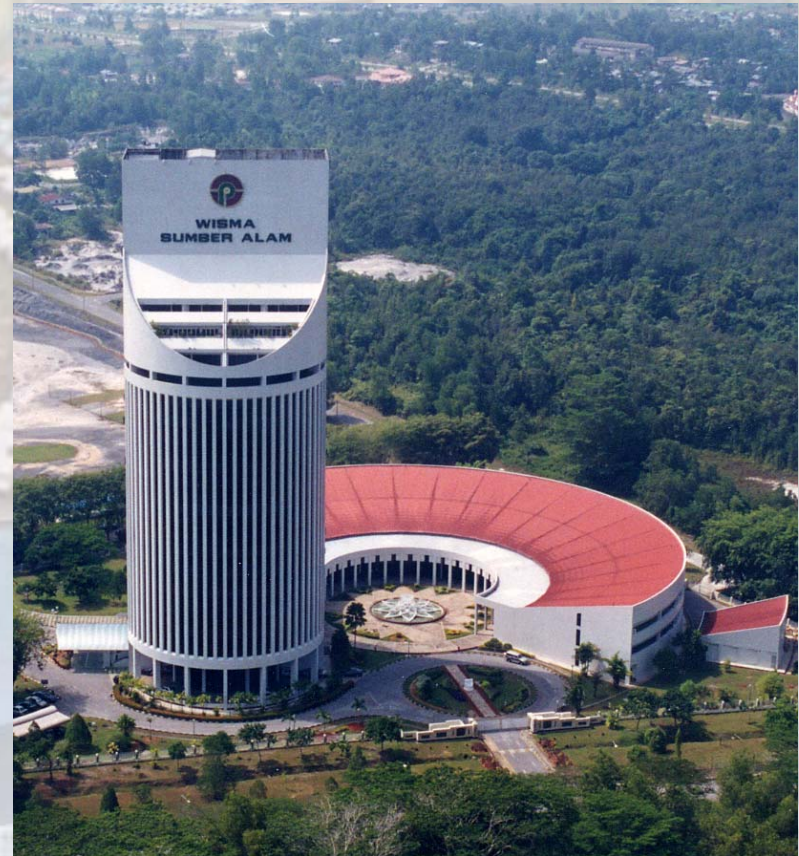


CORPORATE BACKGROUND

SARAWAK TIMBER INDUSTRY DEVELOPMENT CORPORATION (STIDC)

Established in June 1973 following the recommendation of the FAO which conducted a comprehensive forest inventory in 1968–1972

STIDC is a State Government agency formed to stimulate by all possible means the planned expansion of wood-based industries in Sarawak at a rate consistent with the overall interest of the economy, the availability of capital and technical expertise and effective management of the forest resource



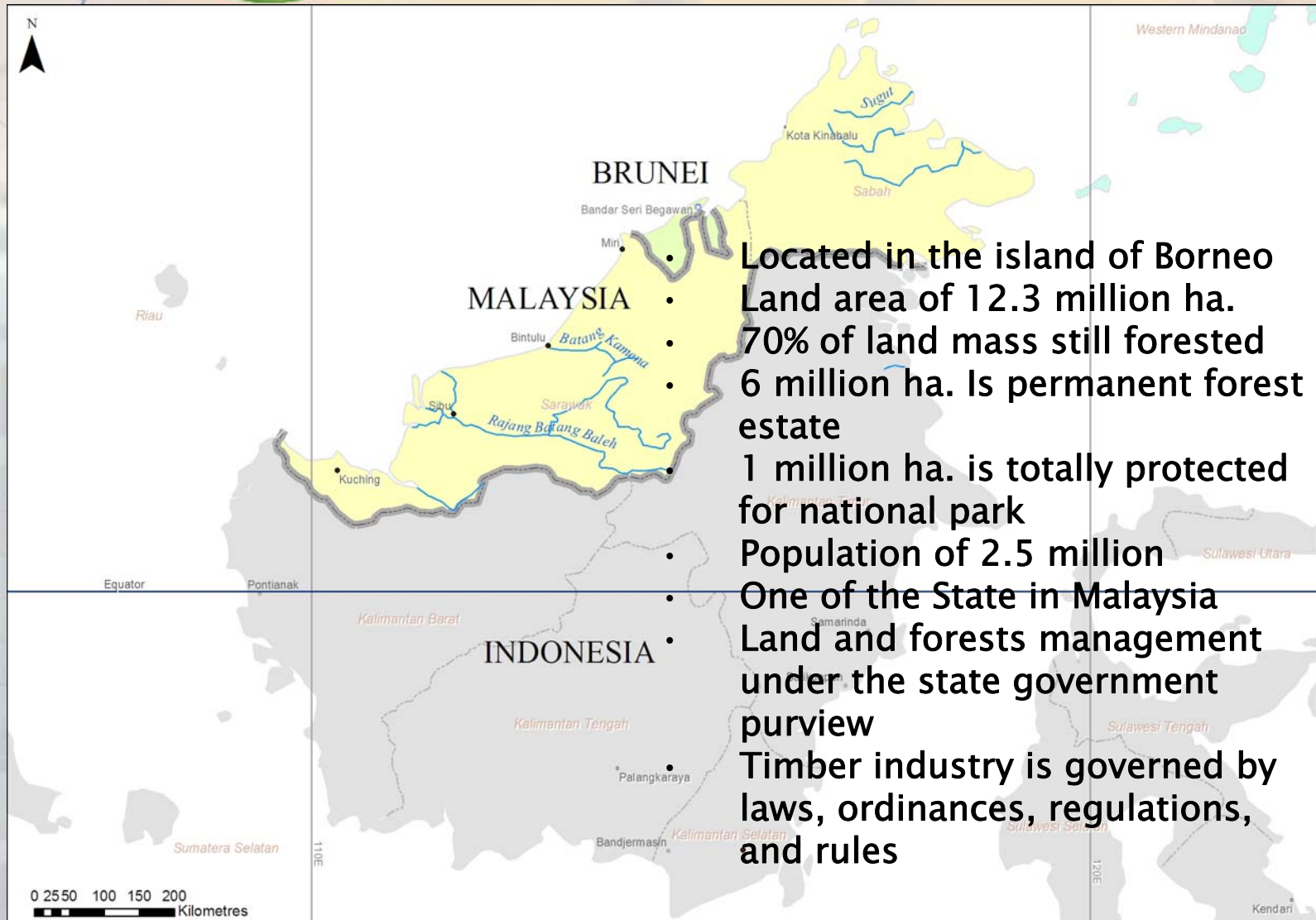
Corporate Function

- Control and coordinate the manufacturing standards and trade practices of timber industry
- Make recommendations to the Government as to methods, measures and policies to be adopted to facilitate the improvement of existing timber industry and where approved, to assist in the implementation of the same
- Encourage effective utilization of timber with emphasis on product diversification and quality control
- Promote, stimulate and facilitate the development of the timber industry and in connection with the discharge of its functions to assist any person engaged in the production and marketing of timber
- Provide technical advisory services for the purpose of assisting in the development of existing timber industry and in the establishment of new industries
- Provide technical training : Processing, Quality Control, Production Management, Marketing, etc

Geographical Location of Sarawak

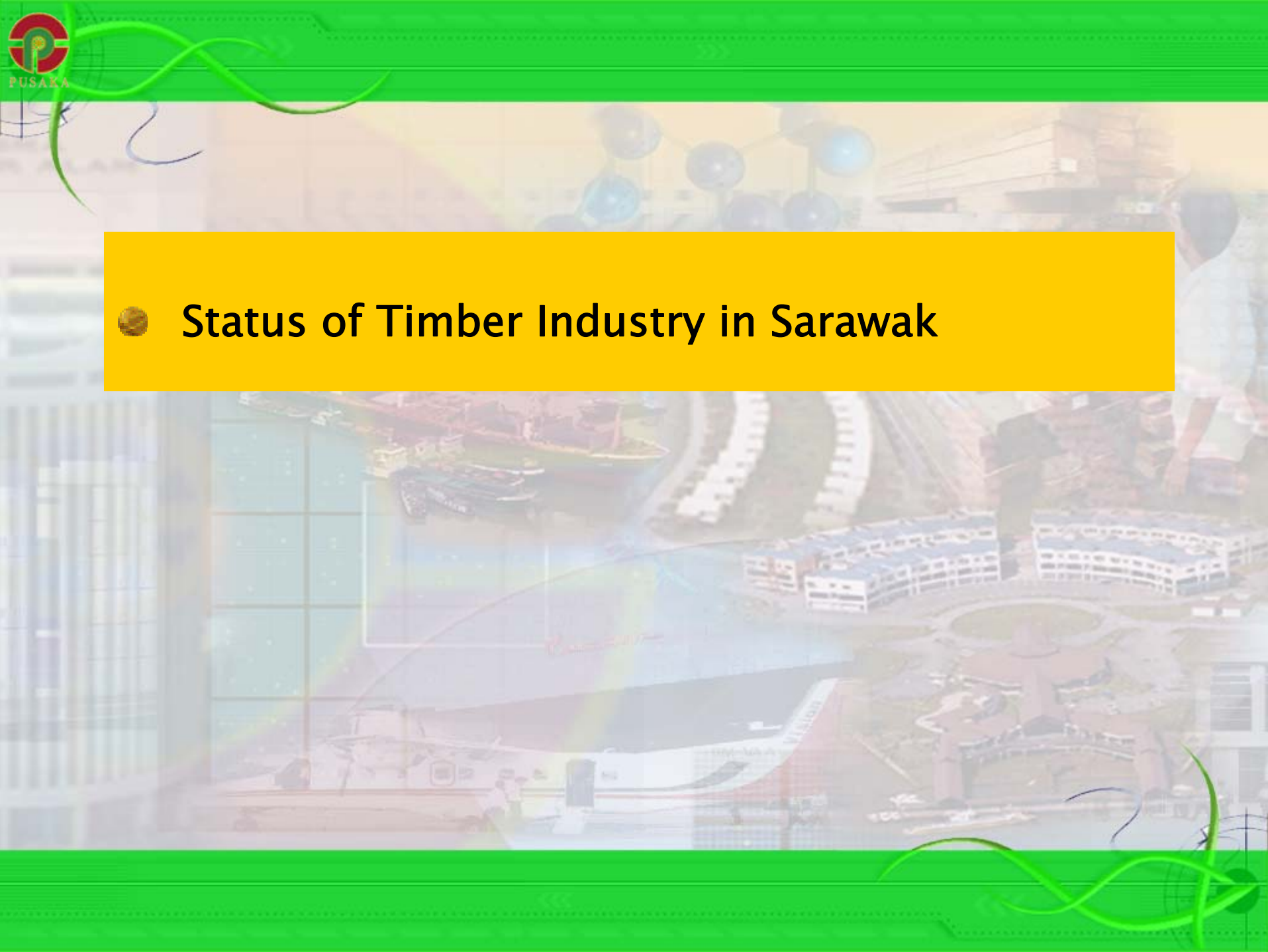


Sarawak : Brief Background



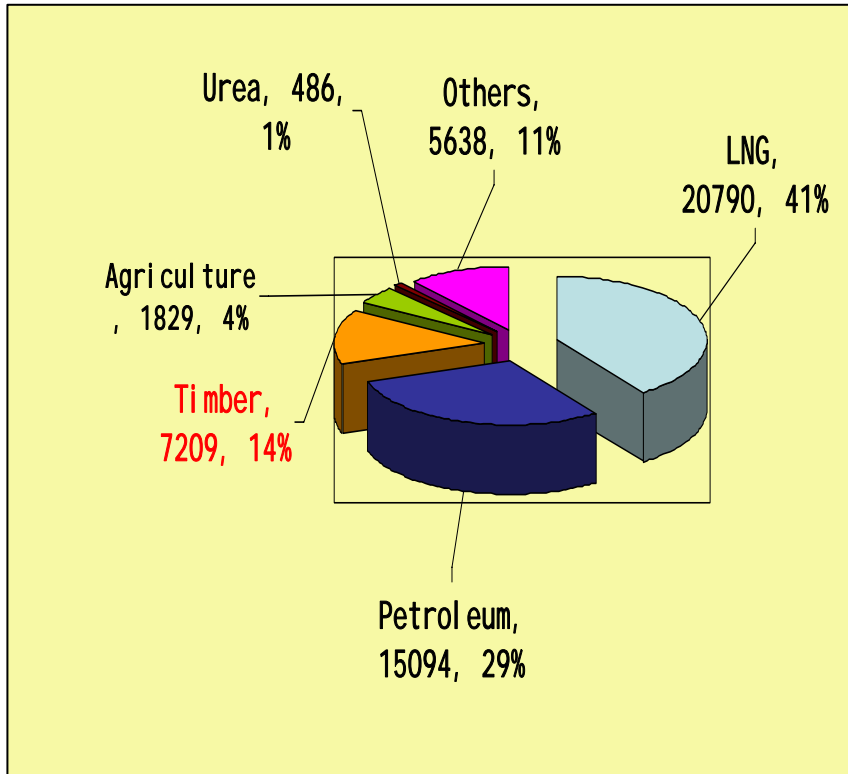
Located in the island of Borneo
Land area of 12.3 million ha.
70% of land mass still forested
6 million ha. Is permanent forest estate
1 million ha. is totally protected for national park
Population of 2.5 million
One of the State in Malaysia
Land and forests management under the state government purview
Timber industry is governed by laws, ordinances, regulations, and rules

● Status of Timber Industry in Sarawak

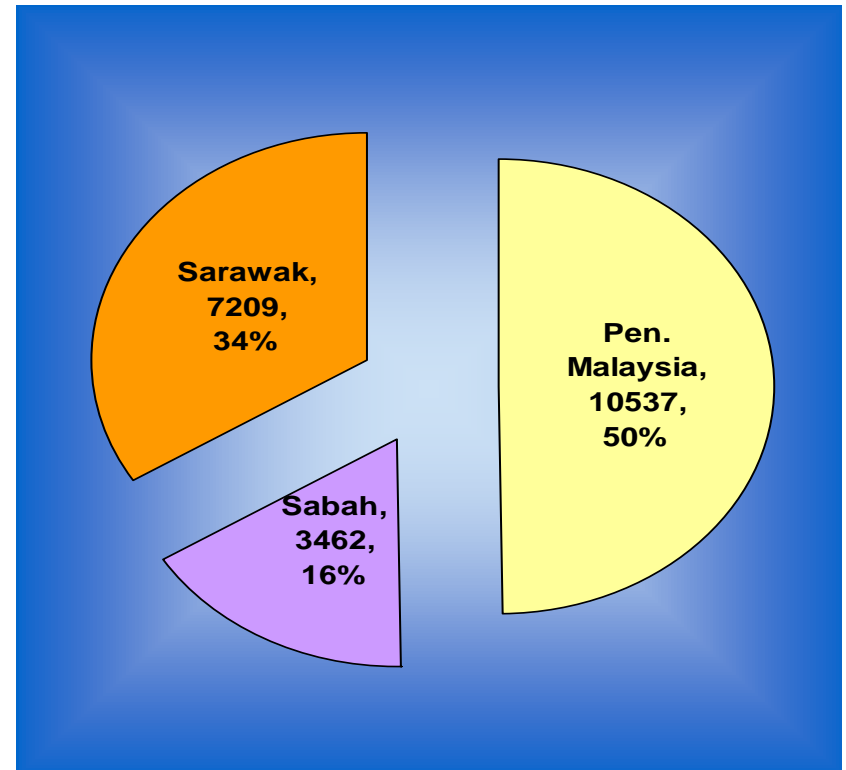


ECONOMIC CONTRIBUTION OF TIMBER INDUSTRY

CONTRIBUTION TO SARAWAK, 2005

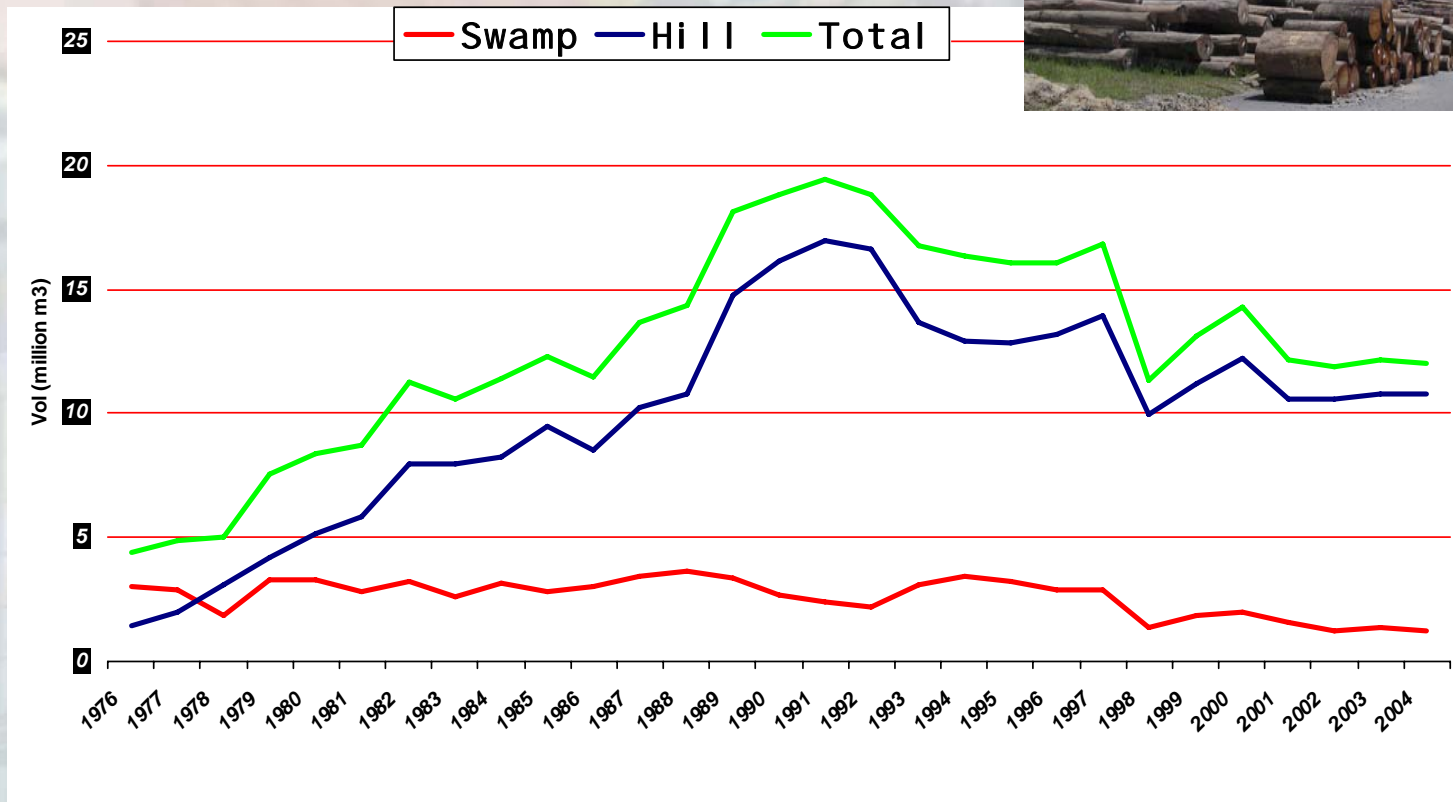


NATIONAL TIMBER INDUSTRY, 2005

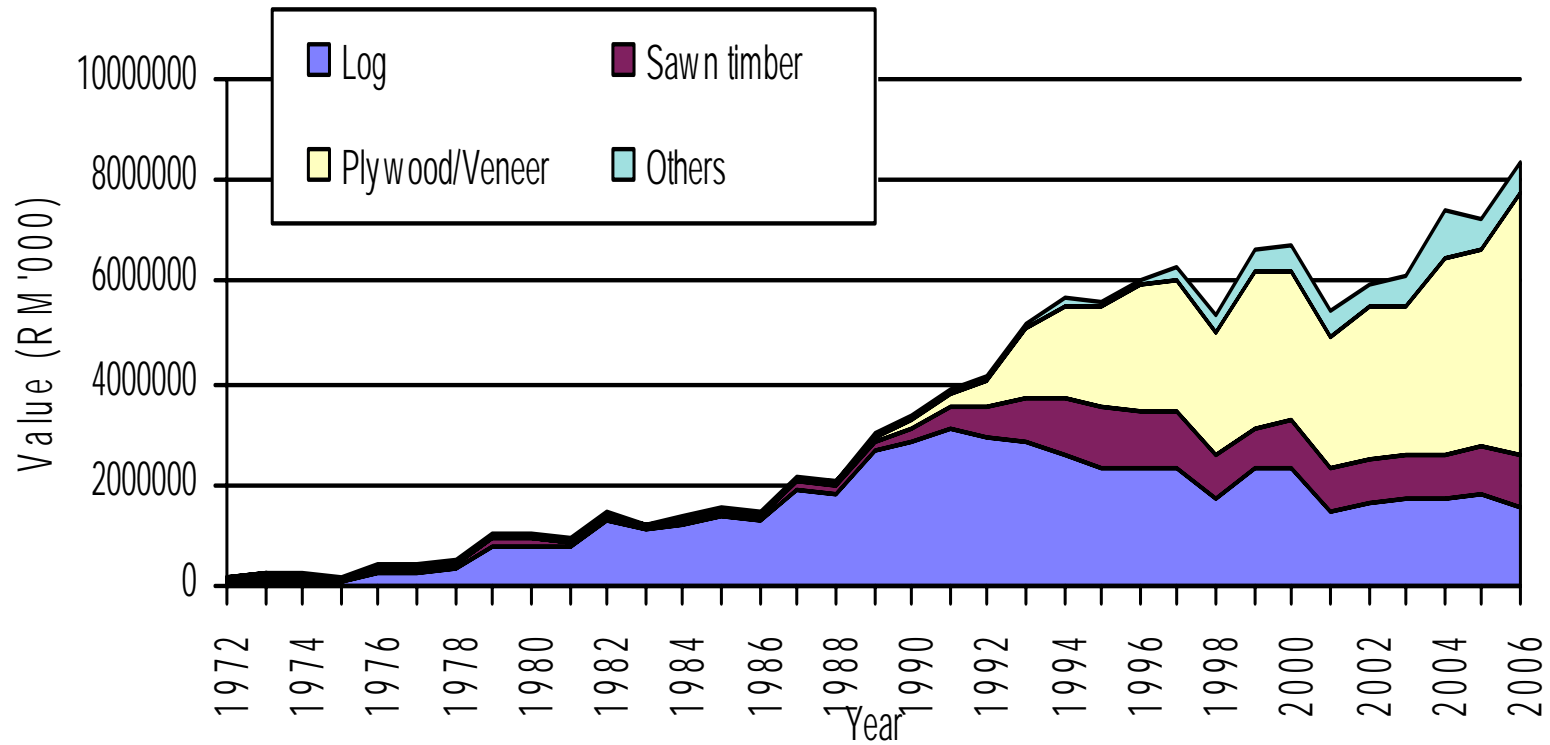


Values: RM million

LOG PRODUCTION TREND FOR SARAWAK



EXPORT REVENUE OF TIMBER PRODUCTS



SARAWAK: EXPORT OF MAJOR TIMBER PRODUCTS

PRODUCTS	2004		2005		2006
	M3	RM ('000)	M3	RM ('000)	RM('000)
LOGS	4,286,292	1,712,668	4,200,609	1,779,884	1,618,522
PLYWOOD	2,818,937	3,628,717	2,933,151	3,601,594	5,111,744
SAWN TIMBER	1,121,346	891,882	1,112,429	961,348	1,011,131
VENEER	329,220	271,259	360,263	321,155	270,718
MDF/FIBREBOARD	181,710	174,801	173,541	165,881	199,849
LAMINATED BOARD	33,466	68,226	22,253	52,355	74,741
MOULDINGS	28,661	60,661	26,319	58,330	64994
DOWELS	8,655	23,515	7,256	16,825	14,630
PARTICLEBOARD	104,565	42,005	111,805	41,715	49,900
LAM.VENEER LUMBER	81,176	109,973	78,475	114,472	130,924
WOODCHIPS (TONNE)	220,325	25,842	292,603	31,582	25,351
OTHER PRODUCTS		96,736		89,312	54,731
TOTAL		7,106,285		7,234,453	8,627,235
% EARNINGS TO SARAWAK	16		14		



Economic Contribution of Timber Industry to Sarawak

Important contributor to the socio-economic development of Sarawak in term of:-

- ✚ 3rd largest foreign exchange earnings (RM8,627 in Y2006)
- ✚ Investment opportunities
- ✚ Employment opportunities (direct employment of about 50,000)
- ✚ Catalyst physical development of Sarawak
- ✚ Promote transfer of technology

Factors Contributing to Growth in Timber Industry

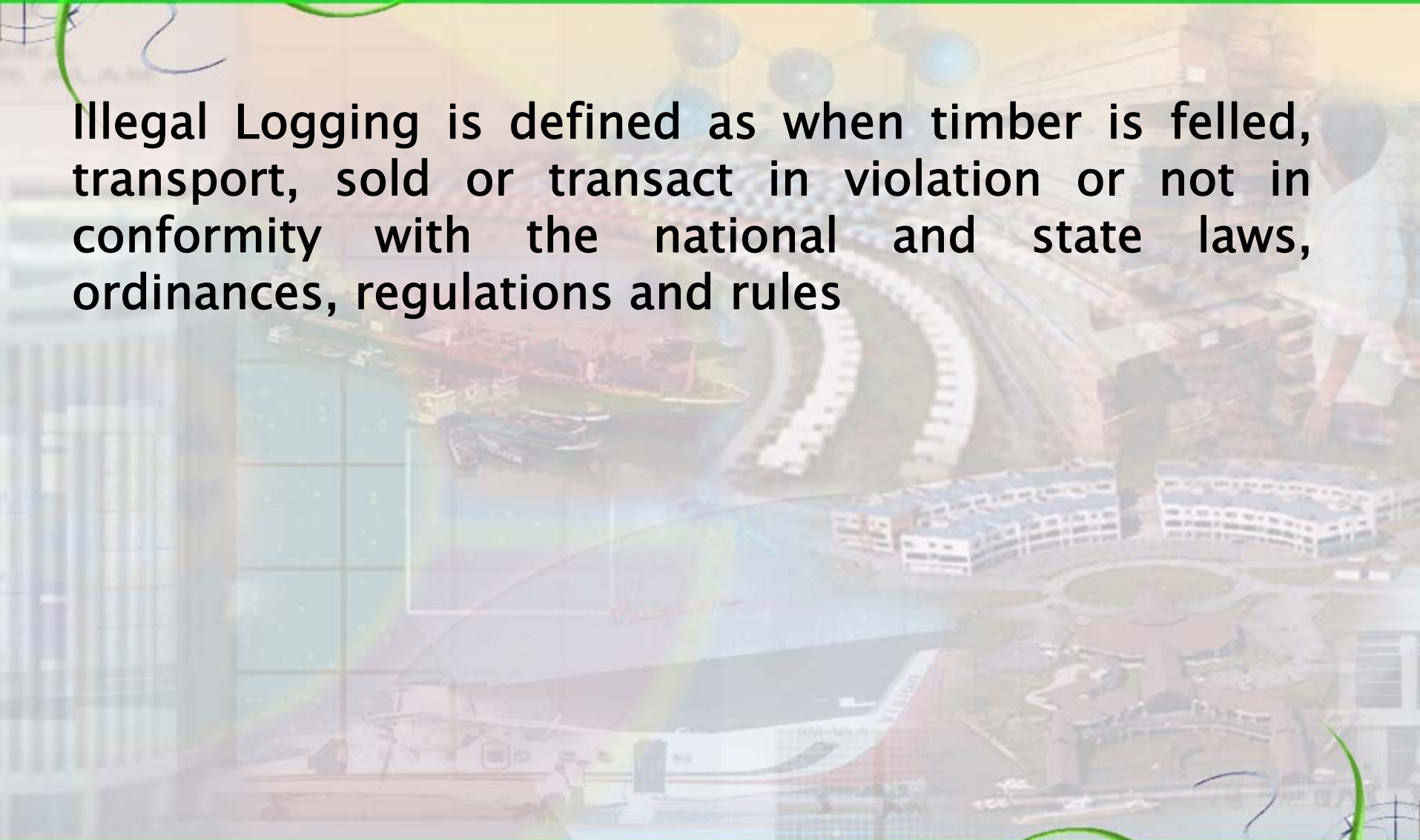
- ✚ Continuous growing demand from overseas market due to its reliability in meeting customers' quality, requirements and regulating laws
- ✚ Strong and accepted laws, regulations, rules and procedures established and implemented to regulate the industry
- ✚ Ability to implement an effective, reliable and trusted internal regulating mechanisms
- ✚ Acceptance of customers' on the administrative system used
- ✚ Ability to curb and control illegal activities to a manageable level
- ✚ Good relationship with traditional customers



- **Regulatory and Administrative Requirements**

Illegal Logging Definition

Illegal Logging is defined as when timber is felled, transport, sold or transact in violation or not in conformity with the national and state laws, ordinances, regulations and rules



Issues of Illegal Timber

- Harvesting without authority in designated national parks or forest reserves
- Harvesting without authorization or excess of concession permit limits
- Failing to report harvesting activity to avoid royalty payments or taxes
- Violating national trading laws, ordinances, regulations and rules

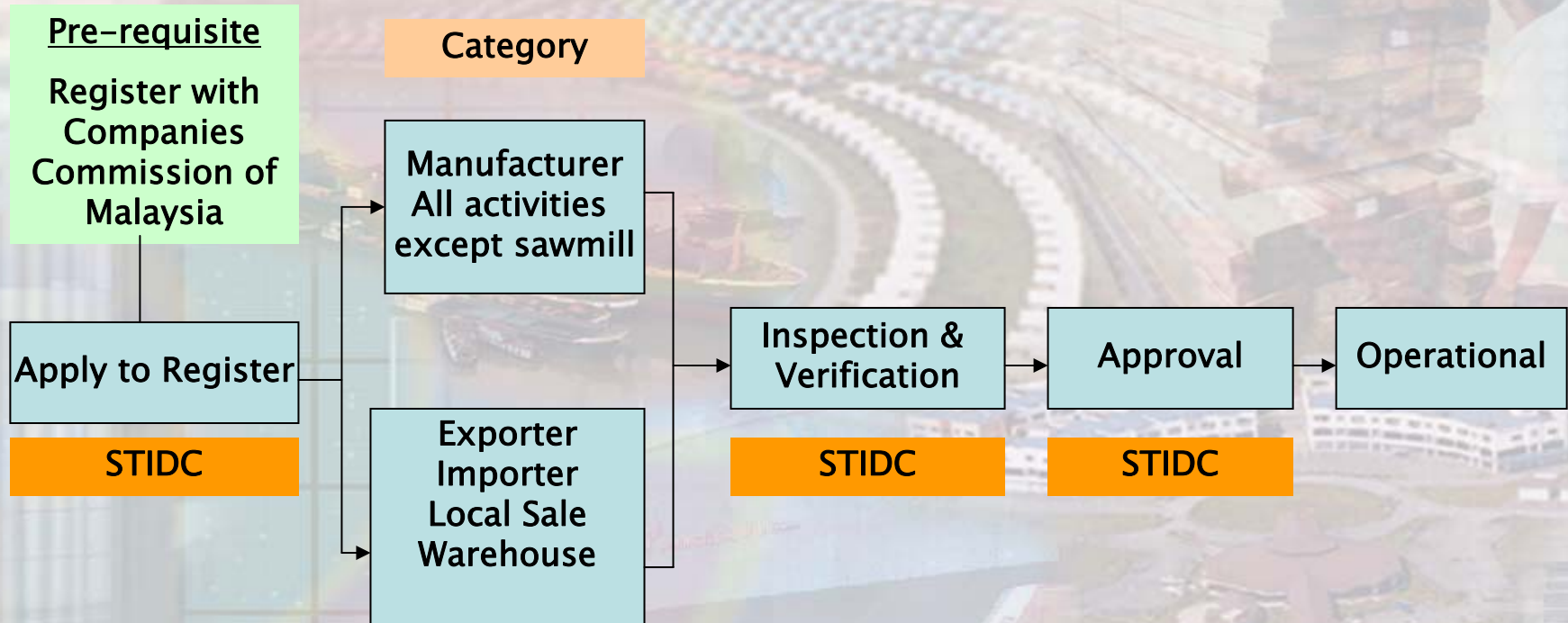
Regulation 3(1)

Notwithstanding any other written laws, no person shall be engaged in or associated with:–

- a) The manufacture of timber; or**
- b) The sale, distribution or marketing of timber.**

Unless he is registered under these Regulations.

Pre-requisite Regulatory Requirements Registration of Companies in Wood Based Industry



Procedure is certified under ISO9001:2000

The Industrial Co-ordination Act, 1975

Malaysia's Industrial Coordination Act, 1975 (ICA) aims to secure orderly development and growth in the country's manufacturing sector.

The ICA requires manufacturing companies with shareholders' funds of RM2.5 million and above or engaging 75 or more full-time employees to apply for a manufacturing licence for approval by the Ministry of International Trade and Industry (MITI).

In Sarawak, manufacturing licence for operation with shareholders' funds of less than RM2.5 million and or engaging less than 75 or more full-time employees is approved by the state Industrial Co-ordination Committee (ICC)

Manufacturing activity is define as making, altering, blending, ornamenting, finishing otherwise treating or adapting any article or substance with a view to its use, sale, transport, delivery or disposal; and includes the assembly of parts and ship repairing but shall not include any activity normally associated with retail or wholesale trade.

Paid-up capital >RM2.5 mil
Workers 75 and above

Sawmill

Monthly Production Return

MITI

Forest Dept

Industry

Manufacturing License

Obtain Mill License

Operational

Inspection

Export

Industrial Coordination Committee

STIDC

Other processing mills

**SFC
Harwood Timber
STIDC**

Local Use

Paid-up capital <RM2.5 mil
Workers less than 75



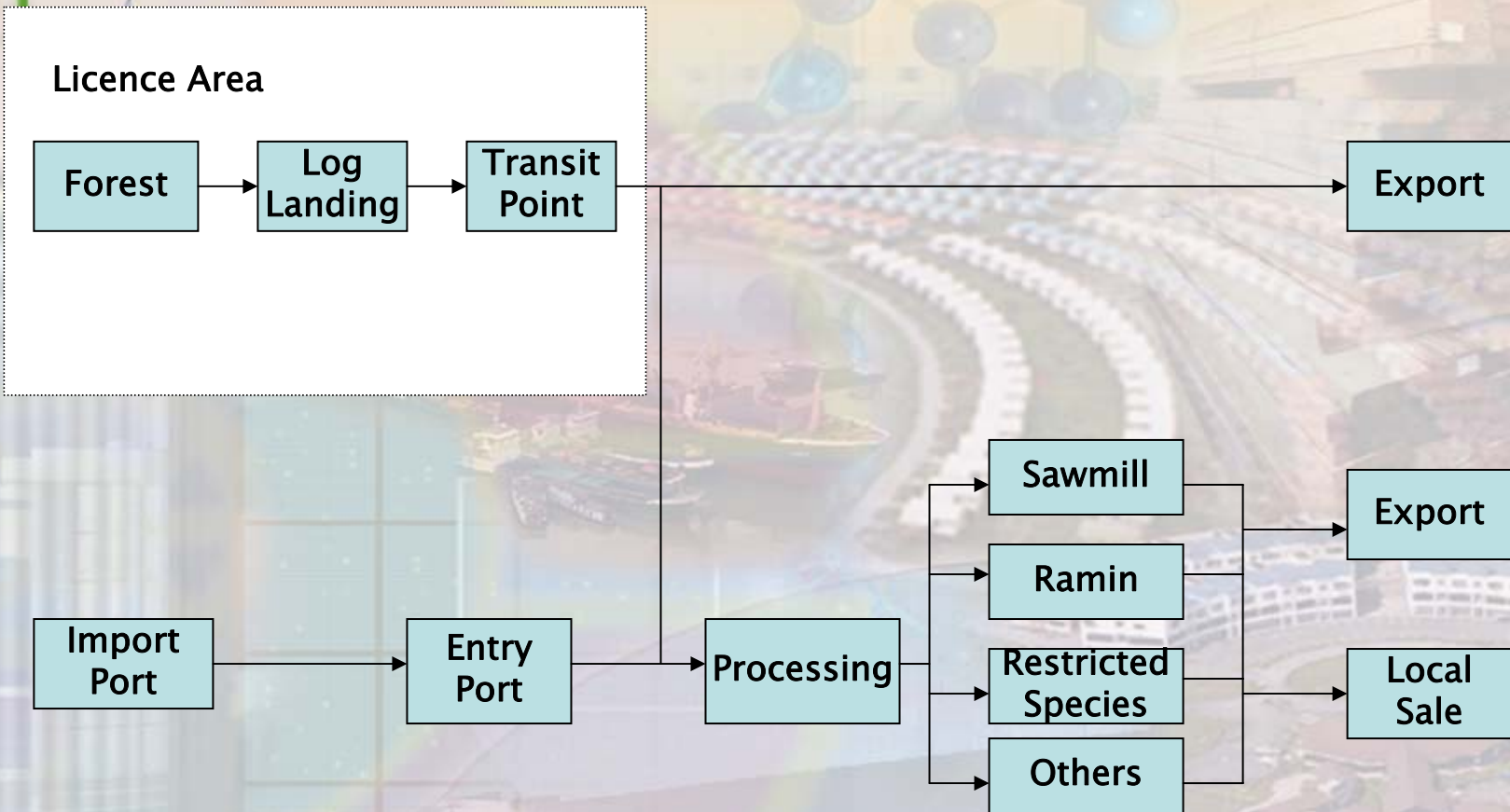
Section 49(1)

“The taking of forest produce in forests reserves and protected forests shall be controlled and regulated by the Director who may –

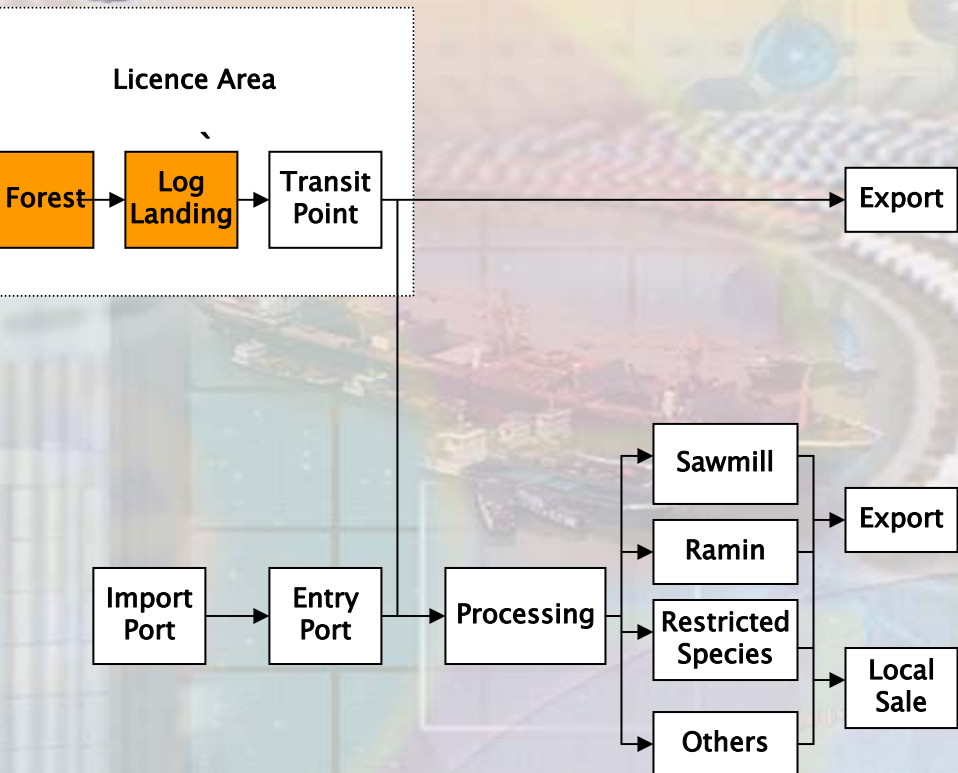
- a) Issue such licences or permits in such form and under such conditions as he may deem expedient
- b) Call for tenders for the right to take forest produce from a specified area
- c) Fix the fees, royalties, premia or other payments to be made in respect of such forest produce in any particular case
- d) Permit any other works that he may deem necessary for the taking of such forest produce or for the management of the forest”

- **Regulatory**
- **MRPM**
- **L & S**
- **Sarawak River Board**
- **Land Transport Department**
- **Port Authorities**

Flow of Timber and Timber Product



Harvesting in Licence Area

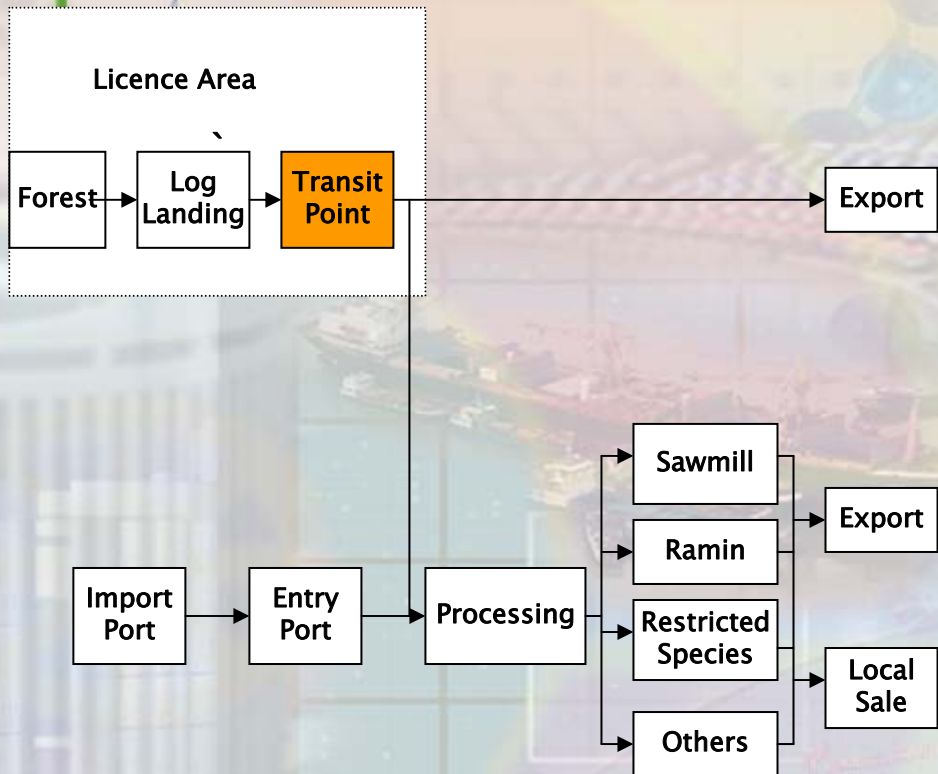


- Primary source of timber supply
- Only companies issued licence allowed to extract timber from the forest
- Approval of harvesting and forest engineering plan
- Approval to enter annual coupe
- Forest inventory
- Harvesting according to plan approved
- Stack logs at landing point
- Mark block/coupe number on every log harvested
- Moved to transit point with Log Trucking List

Production Number



Transit Point

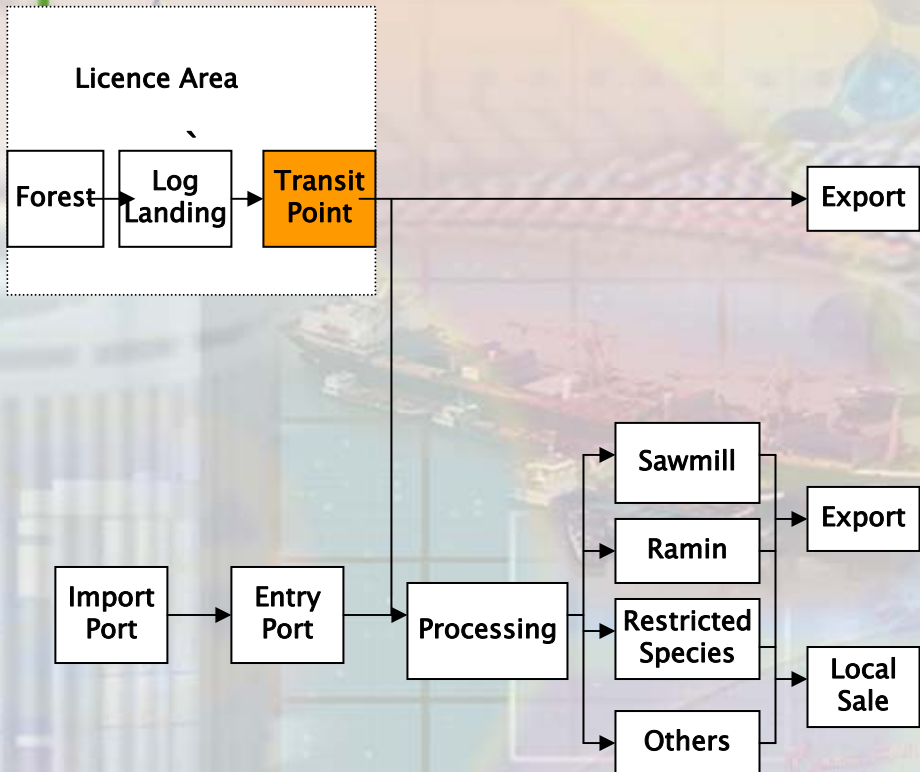


- Log measured and graded
- Identification of use (export of domestic)
- Hammer/property marking
- Log specification
- Tagging with different colours
- Inspection by SFC & Harwood
- Serial number issued
- Transit Removal Pass
- Transfer of logs must accompany with log specification and transit removal pass
- Pay royalty

Transit Point

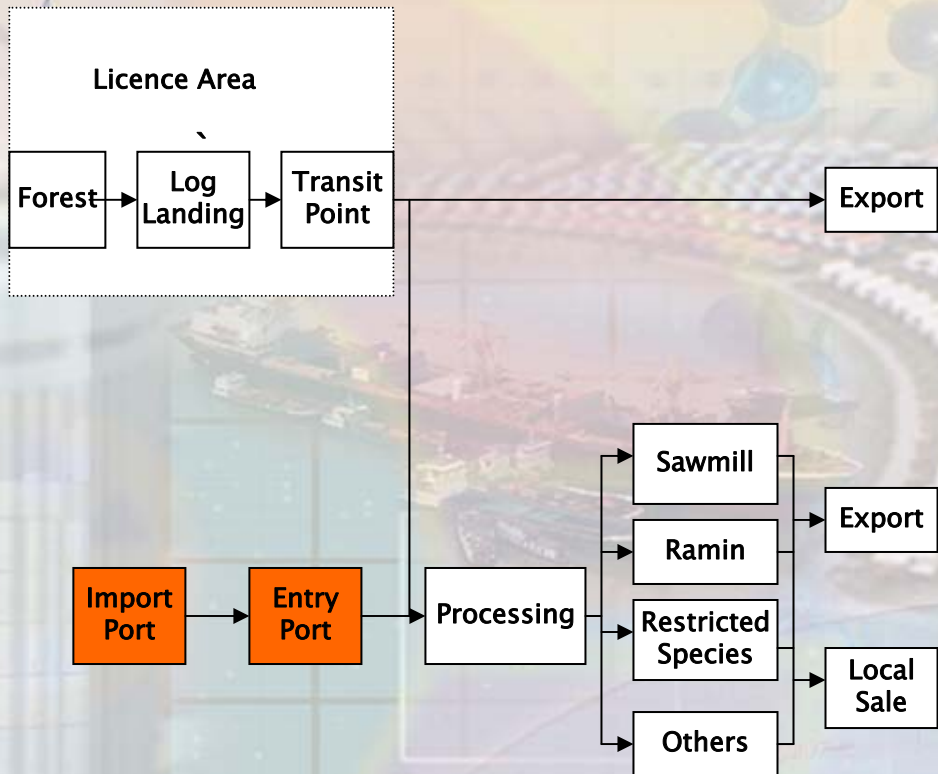


Export of Logs



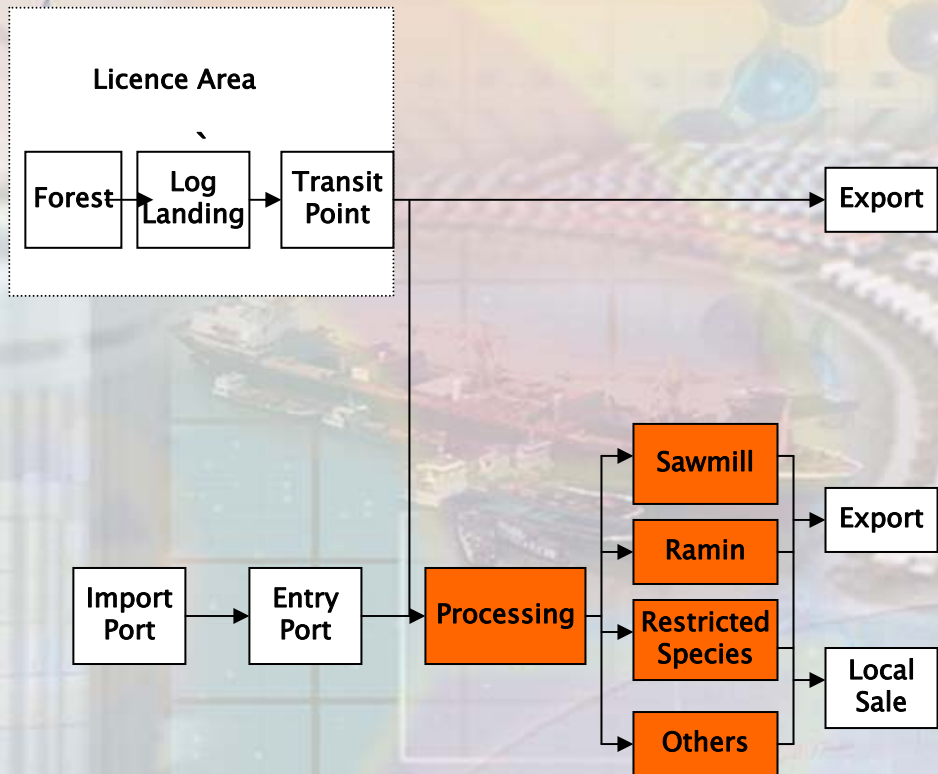
- Apply export permit from STIDC with complete supporting documents
- CUSTOM Form 2
- SFC Transit Removal Pass (Log)
- Log Specification
- Export Clearance Certificate
- Source of timber supply

Issuance of Import Licence



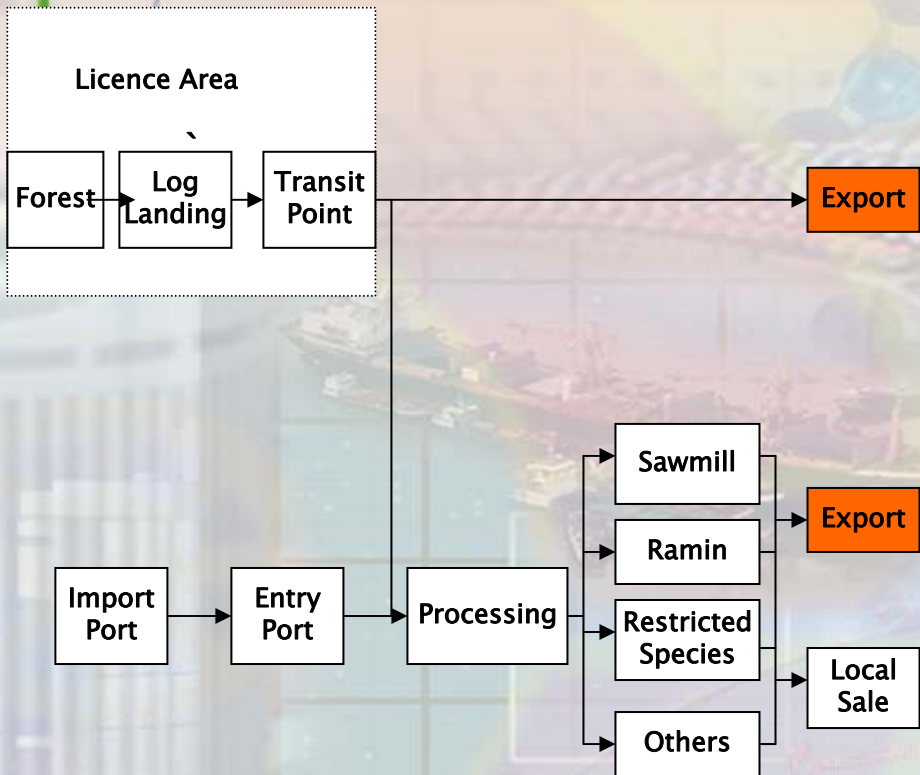
- Approval of import permit and quota
- Custom Declaration
- Inspection by STIDC, Harwood, SFC and Dept of Agriculture
- Hammer Marking
- Tagging
- Removal Pass
- Inspection at mill gates

Timber Processing



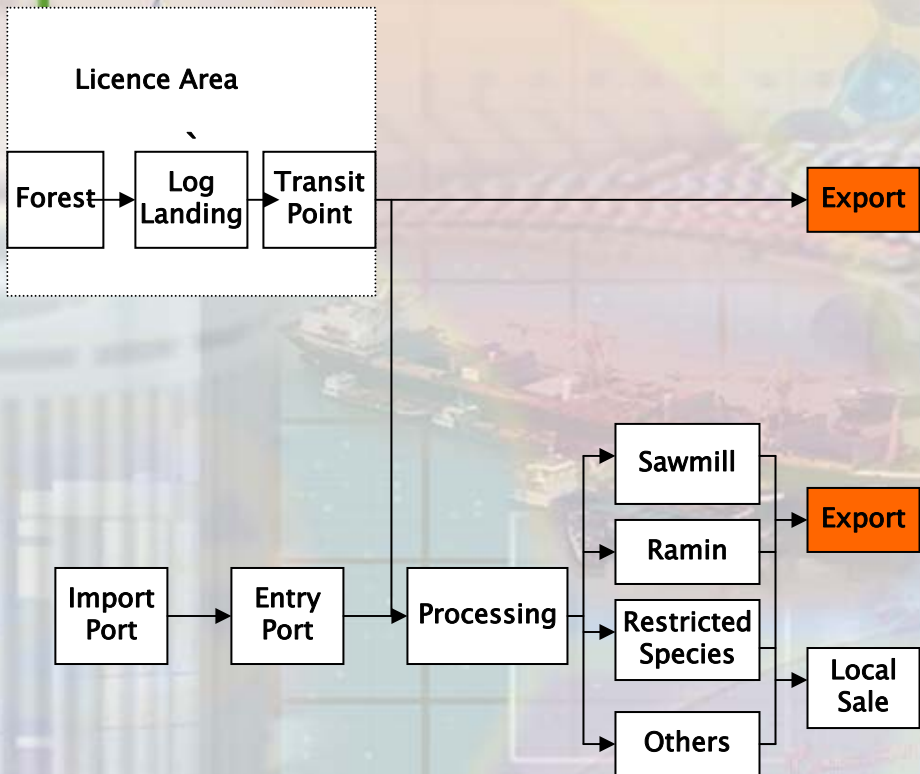
- Obtained manufacturing licence (ICA/ICC)
- Mill licence (Forest Dept)
- Register with STIDC
- SFC & Harwood inspect logs at mill gate
- Mill to submit monthly production return to STIDC
- Check grading by STIDC for sawn timber
- Company to maintain their supplier list

Export Permit of Timber and Timber Products



- Registered company submit application to STIDC use Custom Form 2 with complete supporting documents
- STIDC verify, inspect and approve
- Custom register and acknowledge approval
- STIDC issued export licence on Custom Form 2 with authorized signature and official stamp
- Joint SFC & Harwood inspection at port
- Declaration of goods with Custom and Port Authority

Export Permit of Timber and Timber Products

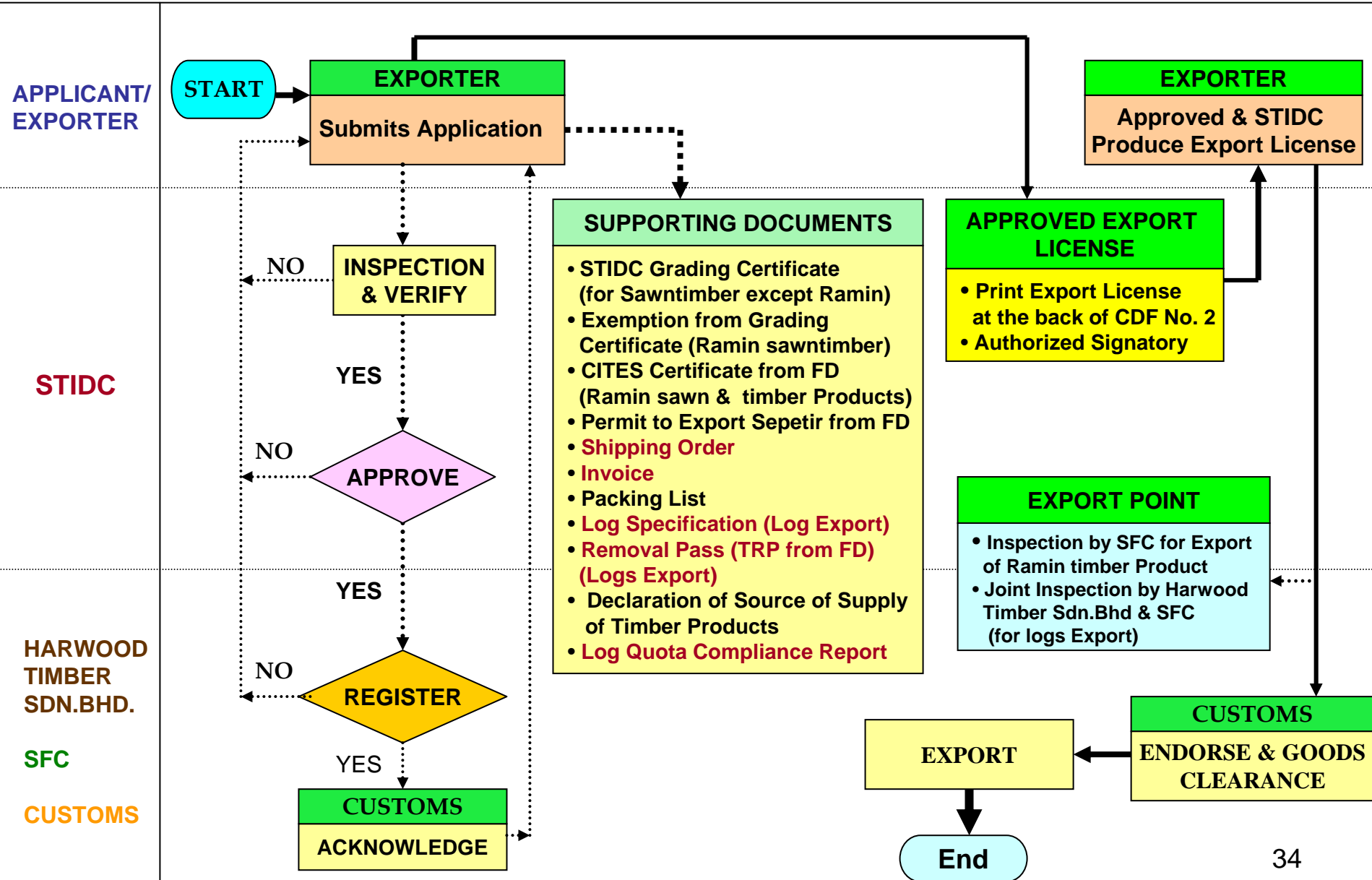


Supporting Documents:

- STIDC Grading Certificate
- Exemption from Grading Certificate (for Ramin)
- CITES Certificate from Forest Dept (Ramin)
- Permit to Export Sepetir from Forest Dept
- Packing List
- Declaration of Source of Supply of Timber Products
- Shipping Order
- Invoice
- Log Specification (Log Export)
- Removal Pass (TRP from FD) (Logs Export)
- Log Quota Compliance Report
- Other additional requirements by exporting countries

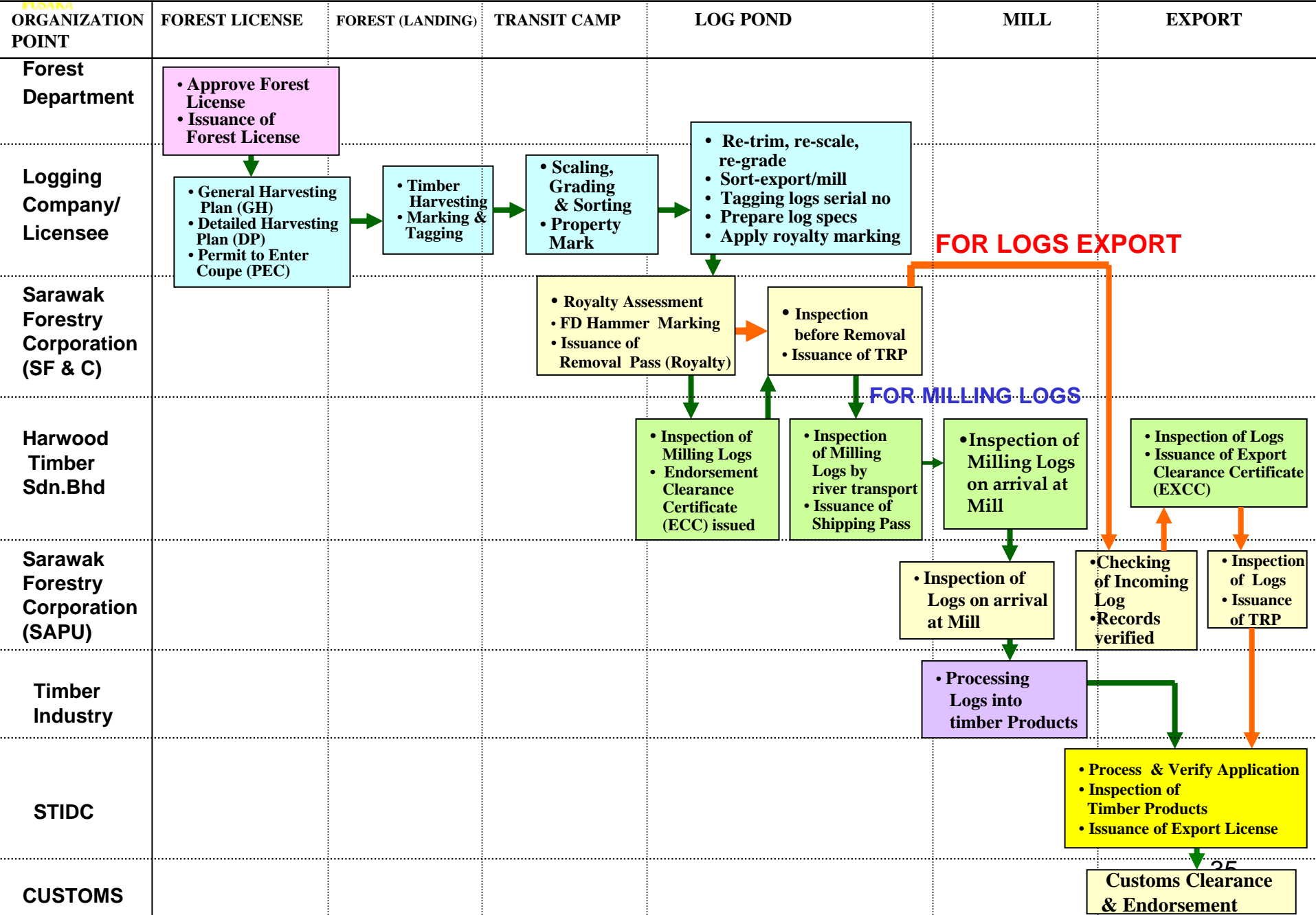


Process Flow Chart for Export License Scheme





CHAIN OF CUSTODY (CoC) SARAWAK



FOR LOGS EXPORT

FOR MILLING LOGS

CONCLUSION

- ✚ Sarawak formulated and implemented a reliable legal framework and regulatory system to manage the forest and timber industry
- ✚ The implementing agencies and stakeholders alike uphold dutifully to the system implemented
- ✚ Administrative system is multi-agencies linked to ensure continuous auditing along the supply chain
- ✚ Implementing agencies certified core functions under ISO 9001:2000 quality management systems
- ✚ Third party audit and continuous improvement are important elements to adhere in ISO:9001:2000 system
- ✚ Sarawak government allow transparency by inviting and allowing external credible parties to evaluate the system implemented
- ✚ Consumers can procure without doubts that timber issued with export permit issued by STIDC is deemed “legal”



PUSAKA

Thank You