



**PRESS RELEASE**  
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**The Industry is Facing Severe Hardship & Shut Down**

The Annual General Meeting (AGM) of Sarawak Timber Association (STA) was held today at Wisma STA, Kuching. The Chairman of the Association, Pemanca Datuk Wong Kie Yik, presided over the meeting which was attended by Council Members and Members of STA, in the presence of STA Advisor, Tuan Hamden bin Haji Mohammad, Director of Forests.

The recently proposed forestry policies aimed at transforming Sarawak's forestry sector was at the very heart of the present concerns raised by STA members. STA feels that the review of the forestry policies must be grounded on accurate and updated baseline data reflecting on the actual situation of the industry and supported by feasibility studies in order for comprehensive policies to be drawn up for effective development of the forestry and timber industry in Sarawak.

This very fact was obvious in the Dialogue Session held right after the AGM, where even though members acknowledge the importance of shaping the industry to have the capacity to innovate and upgrade, it is quite impossible for such positive change to be justifiable or take place if the challenges faced by the industry are not well understood and rightfully identified. Indeed, members are more aware of the current situation as they are struggling hard to deal with these complex challenges on a daily basis in order to keep their operations afloat.

The biggest obstacle the industry is facing presently is the significant increase in cost arising from policy and administrative requirements such as increase in premium and cess as well as labour cost on top of existing high production cost due to reduced log production from the implementation of forest management certification. For example, the increases in (i) Hill Timber Premium and (ii) Rehabilitation and Development Cess amounting to RM55/m<sup>3</sup> have increased the logs cost as well as products costs by RM110/m<sup>3</sup>, assuming a recovery rate of 50%.

Both upstream and downstream members are very concerned on the Sarawak Government's intention to increase its revenue through the proposed forestry policies. Members stressed that any further increase in royalty, introduction of new fees and sales tax on petroleum products will surely see an increase in prices of logs and timbers and further erode the industry's competitiveness in the global market. This will definitely aggravate the situation where many mills have already faced severe hardship and were forced to scale down or shut down their operations. Countries such as China, Indonesia and Viet Nam have competitive edge over Sarawak because of favourable policies, strong government support and abundant manpower.

On top of that, the industry is going through a transformation period with the change of raw material supply from natural forests to planted forests. Members have answered Sarawak Government's call to re-align their forestry activities to those of planted ones with promises of positive results. Yet, the initiative seems to have lost its gainful effect as the change has plagued the industry with various challenges which hinders the ability of the current plantation resource to meet the supply volume needed for downstream processing.

Furthermore, the bulk of the planted logs are not suitable for utilisation by the downstream sector as the existing machineries cannot efficiently process planted logs.

The members are very encouraged to know the planting target for one (1) million hectares of industrial tree plantation has been shifted from 2020 to 2025. However, shifting the planting target year, without addressing the main challenges such as land issue, shortage of manpower and lack of coordinated research and development (R&D) will not help the industry to achieve the desired planting target. Therefore, STA urges the Sarawak Government to address these issues urgently as well as carry out R&D efforts to not only achieve the desired planting target but also to develop the downstream industry as it has been proven extremely tough for the mills to survive in the current operating environment.

STA urges the Sarawak Government to work on advancing the insights obtained from communicating with stakeholders, namely the industry players and other forestry agencies, instead of focusing on a major and hasty policy change.

The key to a favourable policies is for the Sarawak Government to step in and work on an equal resolution acceptable by all parties involved, so that the benefits earned from the contributions of the industry will remain intact, and continue to fuel the economy and development of Sarawak, the many jobs created, the improved road accessibility, educations for our children, and ultimately, safeguarding the future of the people of Sarawak.



Caption: AGM in progress



Caption: Group photo with Pemanca Datuk Wong Kie Yik, STA Chairman (5<sup>th</sup> from right), Dato Henry Lau Lee Kong, STA Honorary Secretary (4<sup>th</sup> from right) and Hamden bin Haji Mohammad, Director of Forests in capacity as STA Advisor (4<sup>th</sup> from left)