



PRESS STATEMENT

(FOR IMMEDIATE RELEASE)

Reviving the Ailing Timber Industry Cannot Be Done Alone

As the timber industry enters the year 2020, STA members remain deeply concerned about the gloomy outlook that continues to shroud the industry. The economic climate is not getting better, retrenchment and lay-off cases are surging, Sarawak sees a large scale layoff of 500 employees, mostly Sarawakians, in the recent termination of Lebuhraya Borneo Utara Sdn Bhd's project and the industry believes more of such cases are on the way if there is no intervention or measure taken by the Sarawak Government. The industry is not spared from the current economic challenges and uncertainties, the industry has been struggling hard to re-align its operation strategies and re-allocate its key resources in order to keep businesses afloat. STA regrettably notes that the actions by the industry to sustain businesses included decisions which affected jobs.

The industry continues to be severely affected by cost increase 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. Many mills across Sarawak are in dire situations and have been forced to either scale down or shut down their operations. For mills that are still in operation, the industry sees a sharp drop of more than 50% in capacity utilised as of 2019 compared to 2018. At the same time, the industry is gradually losing its market share to countries such as Indonesia, Viet Nam and other ASEAN countries who have competitive edge over Sarawak because of favourable policies and strong government support.

STA is grateful that the Sarawak Government has been creating opportunities for the industry to provide its feedback and recommendations, but concerns and frustrations are raising among the industry players with no concrete actions in sight. Hence, STA reiterates that the Sarawak Government ought to conduct thorough assessment studies taking into consideration the actual situations affecting the industry, as well as working on advancing insights obtained from communicating with stakeholders including the industry players and other forestry agencies. Instead of introducing new policies such as additional fees, cesses and premiums which will further increase costs for the industry, STA hopes that the Sarawak Government will also look into implementing various measures which could include reduction in royalty and premiums for logs used in local processing, waiver on royalty for planted logs used in local processing, reduced levy for foreign workers in manufacturing sector, subsidies for automation of planted log processing, amongst others, to cushion the current difficult situation and to stimulate growth in the timber industry.

STA believes that reviving the ailing timber industry is no work to be done alone by the industry players. It requires the Sarawak Government to be the driving force joined by other stakeholders to overcome the challenges ahead in order for the industry to sustain and remain a vital contributor to the State's economy.

Sarawak Timber Association
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