

## CHAPTER 3 : STATEMENT OF NEED

### 3.1 INTRODUCTION

Based on statistics by *Jabatan Perhutanan Semenanjung Malaysia* (JPMS), lack of wood supply will continue and increasingly threaten the sustainability of wood-based industry factories in Peninsular Malaysia. This will give a serious socio-economic impact on the population involved in the forestry sector, especially in states that focuses on forest produce and timber industry. Statistics also show an area open for logging is decreasing. During the period of 1997 to 2009 (14 years), the area open for logging has been reduced by 53,342 ha (or 38% of the total area of which is logged in the year 1997) covering the Permanent Forest Reserve (HSK), State Land and the Alienated Land. The amount approved for the opening of the Ration Annual Attraction Volume (CTT) HSK also decreased by 9,085 hectares (or 20% of the total area approved in 1997) during the period. In addition, natural forest productivity also decreased due to most of the area of the CTT is obtained from logged forests (“Ladang Getah Klon Balak (TLC),” 2018).

As for Perak state, the details background related to the forestry are as in **Table 3.1**.

**Table 3.1 : Forestry Details of Perak State for 2016**

Address of Forestry Department: Jabatan Perhutanan Negeri Perak, Persiaran Meru Utama, Bandar Meru Raya, 30020 Ipoh, Perak.		
1.	Population (million)	2.48
2.	Land Area (ha)	2, 102, 200
3.	Forested land (ha)	1, 021, 780
4.	Non-Forested Land (ha)	1, 080, 420
5.	Forest Resource	
	a) Permanent Reserved Forest (ha)	999, 473
	b) Forest Plantation (ha)	56, 503
	c) State Land Forest (ha)	19, 146
	d) Wildlife Reserve (ha)	3, 161

	e) Annual Allowable Cut (for Permanent Reserved Forest)	7, 744
	f) Area opened for logging (ha)	6, 215
	g) Production	
	: Logs (m <sup>3</sup> )	529, 620
	: Other Forest Product (RM)	5, 068, 076
6.	Forest Industry	
	a) Number	
	: Sawmills	105
	: Plywood / Veneer Mills	8
	: Moulding Mills	4
	b) Consumption of Logs (m <sup>3</sup> )	
	: Sawmills	489, 071
	: Plywood / Veneer Mills	83, 093
	c) Production (m <sup>3</sup> )	
	: Sawn Timber	334, 749
	: Plywood	49, 093
	: Mouldings	10, 082

Source: (Forestry Department Peninsular Malaysia, 2016)

## 3.2 IN LINE WITH DEVELOPMENTAL POLICIES

### 3.2.1 National Government Strategy Plan

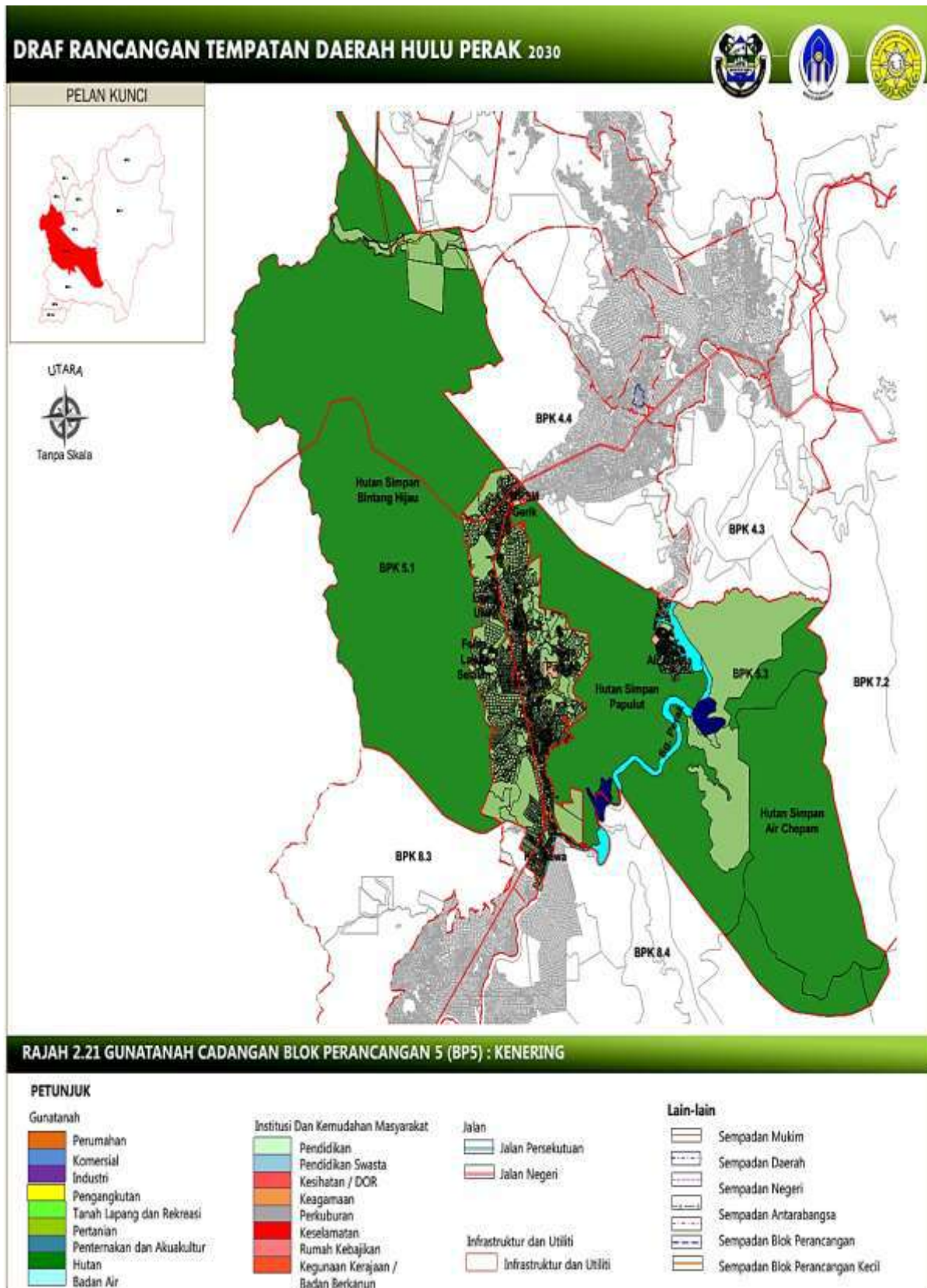
Agricultural development of the land is compliment to the 10<sup>th</sup> Malaysia Plan (2011-2015) with the outlook of creating the environment for unleashing economic growth to foster economic growth with the private sector as the main driver.

The current biodiversity of the flora and fauna composition of the site will not be greatly affected as the developer will replace the existing land with greenery crops. In addition, the development of the Project would enhance the economic growth in an effective and orderly manner. It would enhance the economic growth of Hulu Perak district and its outlying zones of influence. The Project would provide a permanent green space, buffer zone and generate employment opportunities to its surrounding villages.

Existing landuse of the proposed site is forest, hill and agricultural areas. Based on Rancangan Tempatan Daerah Hulu Perak 2030 (Gazette No.: 2106) which has been gazetted on 3<sup>rd</sup> August 2017,

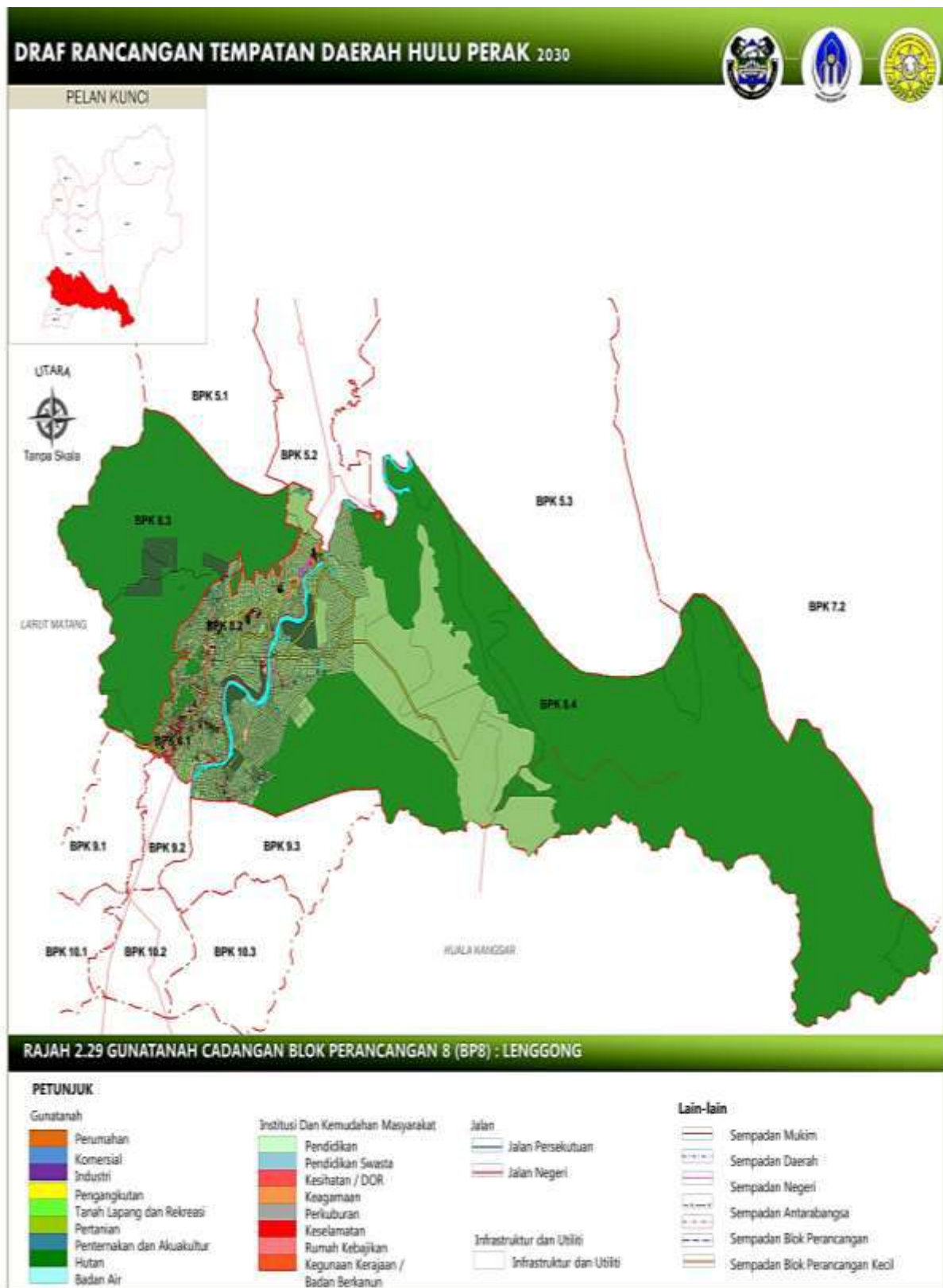
the proposed site is located in Blok Perancangan (BP) 5 Kenering, Blok Perancangan Kecil (BPK) 5.4: Air Ganda which zoned as forest (Hutan Simpan Air Chepam) and Blok Perancangan (BP) 8: Lenggong, Blok Perancangan Kecil (BPK) 8.5: Lenggong Agro Valley which zoned as forest (Hutan Simpan Piah). (See **Figure 3.1** and **3.2**).

The proposed Project activity is in accordance with the Rancangan Tempatan Daerah Hulu Perak 2030 and decision of Majlis Mesyuarat Kerajaan Negeri Perak (Bil. 1700 on 16 May 2012) and Dasar Perindustrian Kayu Negara (NATIP 2009-2020). Zoning approval letter for this Project is shown in **Appendix 1-E**.



**Figure 3.1 : Propose Landuse *Blok Perancangan 5 (BP5) : Kenering***





**Figure 3.2 : Propose Landuse *Blok Perancangan 8 (BP8) : Lenggong***

### 3.3 DEMAND AND SUPPLY

**Table 3.2** shows the consumption of logs and sawn timber by selected wood-based industries in Peninsular Malaysia for 2016. As for Perak state, total logs and sawn timber consumed are 572, 164 m<sup>3</sup>.

**Table 3.3** shows the production of selected wood-based products in Peninsular Malaysia of 2016. As for Perak state, the total production are 405, 713 m<sup>3</sup>.

**Table 3.4** exhibit the forest revenue collection in Peninsular Malaysia for 2016. As for Perak state, the grand total revenue are RM 66, 302,379 indicating 15.08 % from overall Peninsular Forest revenue.

**Table 3.5** exhibit the employment in the forest harvesting and selected wood-based industries in Peninsular Malaysia for 2016. As for Perak state, the grand total of employment are 3,730 person.

The tables indicated that Peninsular Malaysia is facing deficit in wood-based product where the consumption for the year 2016 is 4,174,787 m<sup>3</sup> as opposed to the production of 2, 014, 570 m<sup>3</sup>. This also hold for the state of Perak.

**Table 3.2 : Consumption of Logs and Sawn Timber by Selected Wood-Based Industries in Peninsular Malaysia 2016**

State	Consumption of Logs			Consumption of Sawn Timber
	Sawmills (m <sup>3</sup> )	Plywood/Veneer Mills (m <sup>3</sup> )	Total (m <sup>3</sup> )	Moulding Mills (m <sup>3</sup> )
Johor	326,080	9,908	335,988	648
Kedah	55,033	128,912	183,945	-
Kelantan	606,543	92,054	698,597	-
Melaka	47,252	-	47,252	-
Negeri Sembilan	297,842	29,860	327,702	686
Pahang	1,020,561	217,747	1,238,308	7,751
<b>Perak</b>	<b>489,071</b>	<b>83,093</b>	<b>572,164</b>	<b>10,878</b>
Perlis	-	-	-	-
Pulau Pinang	61,428	55,999	117,427	20,820
Selangor	182,857	1,885	184,742	31,135
Terengganu	376,749	-	376,749	19,995
WPKL	-	-	-	-
Total	3,463,416	619,458	4,082,874	91,913

Source: (Forestry Department Peninsular Malaysia, 2016)

**Table 3.3 : Production of Selected Wood-Based in Peninsular Malaysia 2016**

State	Sawn Timber (m <sup>3</sup> )	Plywood (m <sup>3</sup> )	Veneer (m <sup>3</sup> )	Mouldings (m <sup>3</sup> )
Johor	230,028	3,662	4,214	532
Kedah	34,885	106,729	-	-
Kelantan	437,051	25,488	34,559	-
Melaka	32,409	-	-	-
Negeri Sembilan	213,675	11,950	7,507	596
Pahang	740,304	135,258	34,429	6,112
<b>Perak</b>	<b>334,749</b>	<b>49,093</b>	<b>11,789</b>	<b>10,082</b>
Perlis	-	-	-	-
Pulau Pinang	43,087	32,067	-	16,249
Selangor	121,727	-	1,356	22,531
Terengganu	296,654	-	-	15,798
WPKL	-	-	-	-
Total	2,484,569	364,247	93,854	71,900

Source: (Forestry Department Peninsular Malaysia, 2016)



**Table 3.4 : Forest Revenue Collection in Peninsular Malaysia 2016**

State	Premium (RM)	Royalty		Cess (RM)	Other Sources* (RM)	Grand Total (RM)
		Logs (RM)	Other Forest Product (RM)			
Johor	8,979,164	3,219,617	1,037,331	1,189,454	2,531,633	16,957,199
Kedah	33,156,654	7,160,266	23,647	4,136,532	4,414,130	48,891,229
Kelantan	41,340,942	21,650,402	-	16,571,786	-	79,563,130
Melaka	67,000	23,401	481,368	162,069	107,389	841,227
Negeri Sembilan	290,433	1,604,590	-	488,725	46,769	2,430,517
Pahang	67,272,830	24,576,775	4,141,032	22,254,320	76,342	118,321,299
<b>Perak</b>	<b>17,956,030</b>	<b>14,219,606</b>	<b>5,068,076</b>	<b>9,806,336</b>	<b>19,252,331</b>	<b>66,302,379</b>
Perlis	40,902	12,991	-	16,436	-	70,329
Pulau Pinang	-	-	-	-	247,615	247,615
Selangor	7,753,545	60,540	35,747,887	3,623,665	28,700,436	75,886,073
Terengganu	16,926,827	7,017,652	7,834	2,920,883	3,247,253	30,120,449
WPKL	-	-	-	-	-	-
Total	193,784,327	79,545,840	46,507,175	61,170,206	58,623,898	439,631,446

\*Compound fees and compensations, sale of official government form & tender documents and payments

Source: (Forestry Department Peninsular Malaysia, 2016)

**Table 3.5 : Employment in the Forest Harvesting and Selected Wood – Based Industries in Peninsular Malaysia 2016**

State	Harvesting				Sawmills				Plywood / Veneer mills				Moulding Mills				Grand Total			
	Malaysian		Non-citizen	Total	Malaysian		Non-citizen	Total	Malaysian		Non-citizen	Total	Malaysian		Non-citizen	Total	Malaysian		Non-citizen	Total
	B	BB	BW		B	BB	BW		B	BB	BW		B	BB	BW		B	BB	BW	
Johor	96	144	32	272	1,017	537	474	2,208	159	72	44	44	6	8	-	14	1,278	761	750	2,789
Kedah	265	87	-	352	224	140	91	455	130	73	684	684	-	-	-	-	619	300	775	1,694
Kelantan	470	155	10	635	2,139	305	61	2,505	335	75	380	380	-	-	-	-	2,944	532	451	3,930
Melaka	2	3	-	5	167	99	74	340	-	-	-	-	-	-	-	-	169	102	74	345
Negeri Sembilan	47	99	5	151	307	660	210	1,177	27	53	80	160	-	22	32	54	381	834	327	1,542
Pahang	1,162	2,084	95	4,341	2,047	1,100	478	3,625	228	137	1,352	1,717	119	69	117	305	4,556	3,390	2,042	9,988
<b>Perak</b>	<b>357</b>	<b>217</b>	<b>56</b>	<b>630</b>	<b>674</b>	<b>709</b>	<b>451</b>	<b>1,834</b>	<b>113</b>	<b>170</b>	<b>532</b>	<b>815</b>	<b>99</b>	<b>149</b>	<b>203</b>	<b>451</b>	<b>1,243</b>	<b>1,245</b>	<b>1,242</b>	<b>3,730</b>
Perlis	12	-	-	12	-	-	-	-	-	-	-	-	-	-	-	-	12	-	-	12
Pulau Pinang	-	-	-	-	130	185	155	470	85	23	293	401	196	116	181	493	411	324	629	1,364
Selangor	188	173	53	414	122	230	309	661	9	15	56	80	61	104	188	353	380	522	606	1,508
Terengganu	583	129	-	712	2,146	244	133	2,523	-	-	-	-	529	19	245	793	3,258	392	378	4,028
W.P.Kuala Lumpur	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>4,182</b>	<b>3,091</b>	<b>251</b>	<b>7,524</b>	<b>8,973</b>	<b>4,209</b>	<b>2,436</b>	<b>15,618</b>	<b>1,086</b>	<b>618</b>	<b>3,621</b>	<b>5,325</b>	<b>1,010</b>	<b>487</b>	<b>966</b>	<b>2,463</b>	<b>15,251</b>	<b>8,405</b>	<b>7,274</b>	<b>30,930</b>

\* B : Bumiputera, BB : Non-Bumiputera, BW : Non-citizen

Source: (Forestry Department Peninsular Malaysia, 2016)