



SABAH FORESTRY DEPARTMENT

**INFORMATION PAPER ON THE ROUND LOGS INSPECTION AND
ROYALTY ASSESSMENT SYSTEM (SPPR)**

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INTRODUCTION

Sistem Pemeriksaan dan Pentaksiran Royalti (SPPR), also known as the Round Logs Inspection and Royalty Assessment System, is an online platform developed by the Sabah Forestry Department under Forest Industries and Trade supervision. It was introduced to modernize the royalty assessment process for timber production, which previously relied on manual systems.

Before the development of SPPR, the Scaling Order System was used to handle log inspection and royalty assessment. This was a standalone system that required heavy reliance on the Jabatan Perkhidmatan Komputer Negeri (JPKN) to provide data on log production and royalty collected.

Several critical issues were faced with the old system, including:

- **Unsystematic Data Recording:** Due to a lack of staff, data entry was not managed efficiently, leading to inaccuracies and delays.
- **Delayed Log Production Reports:** Annual reports on log production were frequently delayed, which disrupted planning and oversight.
- **Slow Royalty Collection:** The process of collecting royalties was inefficient as it was heavily manual, requiring the physical handover of documents.
- **Billing Issues:** The department was unable to issue timely billing due to delays in data entry and processing, caused by technical hiccups and staff shortages.

These challenges emphasized the need for a modern system that could streamline processes, minimize human error, and ensure timely and accurate reporting.

OBJECTIVES OF THE SPPR

The SPPR was designed with several key objectives:

- To replace the existing manual methods of log royalty assessment with a fully automated digital platform.
- To facilitate real-time data entry, processing, and reporting of logs and royalty payments.
- To enhance the transparency, accuracy, and accountability of forestry operations.
- To eliminate delays and inefficiencies in log production reporting and royalty collection.

PREPARATION FOR THE DEVELOPMENT OF THE SPPR

During the development of the SPPR, the Sabah Forestry Department undertook extensive preparations to ensure that the new system would address the challenges of the previous system and meet the needs of all stakeholders. Several key activities were carried out as follow:

Series of Discussions: The division organized a series of discussions with field officers, representatives from the timber industry, and the Jabatan Perkhidmatan Komputer Negeri (JPKN). These discussions were focused on defining the system's flow, creating a standardized Standard Operating Procedure (SOP), and aligning the system with the operational realities in the field.

Industry Consultation: Input from the timber industry was essential to ensure that the SPPR would be user-friendly and meet industry needs while adhering to government regulations.

Government Funding (Rancangan Malaysia Ke-12): The SPPR development was supported by a financial allocation from the 12th Malaysia Plan (Rancangan Malaysia Ke-12), which provided the necessary resources for the project's planning, design, and execution.

SYSTEM OVERVIEW

The SPPR system introduces a systematic solution for log scaling, royalty assessment, and permit (TDP) issuance through an automated and efficient flow as below:

i. Registration of user (licensee)

- The licensee requires to register their user account in the system which includes details such as username, password, name of company, email, office address, and contact number.
- While, system admin also creates license details on the system which will be link to the user account. Each account includes essential details of licensee and license information.

ii. TDP Permit Application:

- Licensees (timber companies) apply for the TDP permit using their registered accounts.
- The licensee uploads an Excel file containing harvested log data, such as log number, log diameter, log length, species, and defect information.

iii. Log Scaling:

- Sabah Forestry Department field officers will conduct a 100% logs inspection and measurement on the site.
- Inspection form containing detail information of logs will be download and printed from the system.
- After the measurement, the field officer will submit a detail report to the DFO for further action.

- Any amendment regards with the log information will be inform to the licensee and the application will be rejected for the further action.
- After the 100% logs inspection and assessment, the field officer will approve and submit the reports to DFO through the online system.

iv. Royalty Assessment and Billing:

- Upon receive the report, the DFO then approve and submit it to Financial Officer (FO) to assess and issue a royalty bill based on the 100% measurement done by the field officer.
- The system automatically calculates the royalty, and the FO verifies and adds any additional charges if necessary for billing issuance. The billing notification will be sent to the licensee email and the bill can be download from the system.

v. Royalty Payment:

- Licensees receive the bill and pay the royalty either online or manually at the regional financial office.
- After confirmation of the royalty payment, the FO notifies the DFO to issue the Timber Disposal Permit.

vi. Issuance of TDP Permit:

- Once the payment is verified, the system will produce and send the TDP to DFO for printing.
- The TDP will be stamped and signed by both DFO and KPPM for verification and issued to licensee.

COMPLIANCE WITH NEW POLICIES: EUDR

The SPPR also plays a crucial role in ensuring compliance with international regulations, particularly the European Union Deforestation Regulation (EUDR). The EUDR Policy mandates that economic operators must thoroughly examine their supply chains to ensure that products entering the European market do not contribute to deforestation or forest degradation.

Key compliance features of SPPR include:

Traceability and Geo-location: The system ensures that all logs harvested are from verified, licensed sources. The logs are tracked with geo-location data, meeting the EUDR's traceability requirements.

Authentic and Valid Permits: The TDP Permits issued through the SPPR are authentic and adhere to due-diligence procedures, providing assurance to both the local government and international buyers that the logs come from sustainable sources.

By integrating these features, the SPPR system supports Sabah's efforts to comply with the EUDR, which in turn helps to maintain market access for Sabah's timber products, particularly in the European Union. This initiative protects the sustainability of Sabah's

timber industry and strengthens its position in the global market by ensuring adherence to strict trade barrier policies aligned with the environmental issues.

BENEFITS OF THE SPPR

The implementation of SPPR brings numerous advantages to the Sabah Forestry Department and the timber industry:

- **Increased Efficiency:** The shift from manual to digital systems speeds up the log inspection and royalty assessment processes.
- **Transparency:** Real-time data entry that keeps records accurate and minimizes errors.
- **Timely Reporting:** The department can generate timely and accurate reports on log production and royalties collected based on type of land (forest reserve / state land / alienated land) by licensee, district or region in the whole state of Sabah.
- **Improved Compliance:** The system ensures compliance with international regulations like the EUDR, securing access to export markets.

SYSTEM OUTPUTS AND ANALYTICAL DATA

Figure 1: Timber Disposal Permit Sample (Summary)

FORM V
FOREST RULES 1969
(RULE 15(1))
DISPOSAL PERMIT FOR ROUND LOGS

SFMLA02/2009 TWU15/17
 (License No./Coupe Permit No.)

DP No.: DP004
 Scaling Order
 Date:

SDN BHD is hereby authorised to cut/extract/remove the following timber from the area(s) under the above-stated License/Permit.

Total Logs: 419	Total Volume: 766.70 m3	Total Amount: 66,862.60
Total Royalty: 51,676.20	Total Premium: 10,586.20	

Charges Involved	Type	Amount
FCF	2.00 Per M3	1,533.40
PPM	4.00 Per M3	3,066.80
		4,600.20

Species	No. of logs	Volume
RED SERAYA <i>Shorea spp.</i>	300	526.58
NYATOH <i>Palaquium spp.</i>	1	5.43
WHITE SERAYA <i>Parashorea spp.</i>	14	29.44
KEMBANG <i>Heritiera simplicifolia</i>	1	3.52
LARAN <i>Neolamackia cadamba</i>	46	91.64
MEMPISANG <i>Goniothalamus spp.</i>	12	27.11
PUTAT PAYA <i>Planchonia valida</i>	18	34.85
YELLOW SERAYA <i>Shorea spp.</i>	18	29.98
CHEMPAKA <i>Magnolia spp.</i>	2	5.57
MELAPI <i>Shorea spp.</i>	2	2.69
MEDANG <i>Actinodaphne spp.</i>	2	4.75
SERUNGAN <i>Cratoxylum arborescens</i>	1	1.51
DARAH-DARAH <i>Myristica spp.</i>	1	2.05
SEPETIR <i>Sindora spp.</i>	1	1.58

Size	No. of logs	Volume
Between 30 to 44cm	232	316.52
Between 45 to 59cm	163	355.62
60cm and above	24	94.56

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Figure 2: Timber Disposal Permit Sample (Form V)

FORM V		
FOREST RULES 1969		
(RULE 15(1))		
DISPOSAL PERMIT FOR ROUND LOGS		
Place of Scaling	: STUMPING - TWU15/17	These logs are certified for Local Processing
Licensee Account No.	: S [REDACTED]	
Date Scaled	: 2024-09-20	
Name of Scaler	: PH [REDACTED] / PH [REDACTED]	Pegawai Perhutanan Daerah Serudong
Registered Property Hammer Mark	:	
Owner of Property Hammer Mark	:	Ketua Pejabat Perhutanan Mukim
FDRP Number	: FDRP [REDACTED]	
FD Number	: FD [REDACTED]	
Scaling Order Ref.	: JPHTN/SER [REDACTED]	
Buyer	: [REDACTED] SDN BHD	
Royalty Receipt/LU No.	: RH [REDACTED]	
FCF Receipt No.	: AM [REDACTED]	
This permit expired on	:	

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Figure 3: Timber Disposal Permit Sample (Log List)

FORM V
FOREST RULES 1969
(RULE 15(1))
DISPOSAL PERMIT FOR ROUND LOGS

DP No.: DP00

SFMLA02/2009 TWU15/17 Scaling Order
 (License No./Coupe Permit No.) Date:

SDN BHD is hereby authorised to cut/extract/remove the following timber from the area(s) under the above-stated License/Permit.

Log No.	Species	Length	D1	D2	Mean	Vol	Symbol	Defect	
								Length	Diameter
170959	RS	6	56	55	56	1.48	0	0	0
170960	RS	7	56	48	52	1.49	0	0	0
170963	RS	8	44	38	41	1.06	0	0	0
170968	RS	11	43	34	39	1.31	0	0	0
170979	RS	5.4	53	48	51	1.1	0	0	0
170980	KEM	10.6	72	58	65	3.52	0	0	0
170982	RS	10.2	52	41	47	1.77	0	0	0
170989	RS	11.2	47	38	43	1.63	0	0	0
170990	RS	14	43	33	38	1.59	0	0	0
170992	RS	9.8	46	40	43	1.42	0	0	0
170993	RS	10	39	34	37	1.08	0	0	0
170998	WS	11.4	42	40	41	1.51	0	0	0
171002	RS	13.8	46	40	43	2	0	0	0
171004	PIS	7.6	54	51	53	1.68	0	0	0
171005	RS	12.8	56	45	51	2.61	0	0	0
171009	RS	12.8	45	39	42	1.77	0	0	0
171010	PIS	8	53	43	48	1.45	0	0	0
171013	RS	13	42	34	38	1.47	0	0	0
171015	YS	13.4	40	29	35	1.29	0	0	0
171022	RS	15.6	72	66	69	5.83	0	0	0
171026	RS	14.2	42	34	38	1.61	0	0	0
171027	RS	12.8	55	46	51	2.61	0	0	0
171030	RS	8.8	47	39	43	1.28	0	0	0
171031	RS	7.2	45	44	45	1.15	0	0	0
171032	WS	11.4	41	31	36	1.16	0	0	0
171033	RS	6.6	46	41	44	1	0	0	0
171035	RS	5.6	54	51	53	1.24	0	0	0
171041	RS	5.6	56	50	53	1.24	0	0	0
171042	RS	9	54	45	50	1.77	0	0	0
171047	RS	13.8	51	38	45	2.19	0	0	0

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Figure 4: Report Sample – Report of Production and Revenue by Licensee

REPORT OF PRODUCTION AND REVENUE BY LICENSEE																	
Year		Land Type		Region		District											
All		All		All		All											
Total Revenue				Total Volume													
81,951,495.82				1,873,912.87													
Year	Month	Region	District	Licensee	Land Type	Volume (M3)	Royalty	Premium	PPM	FCF	FRF	License Fee	Upset Price	Bidding Proce	Other	Total Revenue	
2024	January	Kudat	Pitas	AGAMA FORESTRY COMPANY SIBANGA SDA BHD (P) BHD	FF (ALL)	32.67	2,225	413	131	65	0	0	0	0	0	2,833	
2024	January	Kudat	Pitas	AGAMA FORESTRY COMPANY SIBANGA SDA BHD (P) BHD	FF (ALL)	23.34	2,021	426	93	47	0	0	0	0	0	2,586	
2024	January	Kudat	Pitas	AGAMA FORESTRY COMPANY SIBANGA SDA BHD (P) BHD	FF (ALL)	8.13	528	110	33	16	0	0	0	0	0	687	
2024	January	Kudat	Pitas	AGAMA FORESTRY COMPANY SIBANGA SDA BHD (P) BHD	FF (ALL)	104.37	7,181	1,532	417	209	0	0	0	0	0	9,339	
2024	January	Kudat	Pitas	AGAMA FORESTRY COMPANY SIBANGA SDA BHD (P) BHD	FF (ALL)	42.84	2,992	606	171	86	0	0	0	0	0	3,855	
2024	January	Kudat	Pitas	AGAMA FORESTRY COMPANY SIBANGA SDA BHD (P) BHD	FF (ALL)	53.19	3,567	717	213	106	0	0	0	0	0	4,602	
2024	January	Kudat	Pitas	AGAMA FORESTRY COMPANY SIBANGA SDA BHD (P) BHD	FF (ALL)	56.88	3,808	776	228	114	0	0	0	0	0	4,925	
2024	January	Kudat	Pitas	AGAMA FORESTRY COMPANY SIBANGA SDA BHD (P) BHD	FF (ALL)	69.90	4,810	980	280	140	0	0	0	0	0	6,209	
2024	January	Kudat	Pitas	AGAMA FORESTRY COMPANY SIBANGA SDA BHD (P) BHD	FF (ALL)	57.83	4,674	1,039	231	116	0	0	0	0	0	6,060	
2024	January	Kudat	Pitas	AGAMA FORESTRY COMPANY SIBANGA SDA BHD (P) BHD	FF (ALL)	50.08	3,925	851	200	100	0	0	0	0	0	5,076	
2024	January	Kudat	Pitas	AGAMA FORESTRY COMPANY SIBANGA SDA BHD (P) BHD	FF (ALL)	65.08	4,733	1,010	260	130	0	0	0	0	0	6,133	
2024	January	Kudat	Pitas	AGAMA FORESTRY COMPANY SIBANGA SDA BHD (P) BHD	FF (ALL)	11.09	796	145	44	22	0	0	0	0	0	1,007	
2024	January	Kudat	Pitas	AGAMA FORESTRY COMPANY SIBANGA SDA BHD (P) BHD	FF (ALL)	32.20	2,258	508	129	64	0	0	0	0	0	2,959	
2024	January	Kudat	Pitas	AGAMA FORESTRY COMPANY SIBANGA SDA BHD (P) BHD	FF (ALL)	52.32	3,388	690	209	105	0	0	0	0	0	4,392	
2024	January	Kudat	Pitas	AGAMA FORESTRY COMPANY SIBANGA SDA BHD (P) BHD	FF (ALL)	47.63	3,351	678	191	95	0	0	0	0	0	4,314	
2024	January	Kudat	Pitas	AGAMA FORESTRY COMPANY SIBANGA SDA BHD (P) BHD	FF (ALL)	7.11	412	75	28	14	0	0	0	0	0	529	
2024	January	Kudat	Pitas	AGAMA FORESTRY COMPANY SIBANGA SDA BHD (P) BHD	FF (ALL)	45.65	3,615	765	183	91	0	0	0	0	0	4,654	
2024	January	Kudat	Pitas	AGAMA FORESTRY COMPANY SIBANGA SDA BHD (P) BHD	FF (ALL)	30.01	1,887	369	120	60	0	0	0	0	0	2,436	
2024	January	Kudat	Pitas	AGAMA FORESTRY COMPANY SIBANGA SDA BHD (P) BHD	FF (ALL)	63.45	4,474	968	254	127	0	0	0	0	0	5,822	
2024	January	Kudat	Pitas	AGAMA FORESTRY COMPANY SIBANGA SDA BHD (P) BHD	FF (ALL)	56.96	4,535	1,008	228	114	0	0	0	0	0	5,885	
2024	January	Kudat	Pitas	AGAMA FORESTRY COMPANY SIBANGA SDA BHD (P) BHD	FF (ALL)	23.75	1,832	365	95	48	0	0	0	0	0	2,340	
2024	January	Kudat	Pitas	AGAMA FORESTRY COMPANY SIBANGA SDA BHD (P) BHD	FF (ALL)	12.75	731	131	51	26	0	0	0	0	0	938	
2024	January	Kudat	Pitas	AGAMA FORESTRY COMPANY SIBANGA SDA BHD (P) BHD	FF (ALL)	31.38	2,280	481	126	63	0	0	0	0	0	2,949	

Figure 5: Report Sample – Report of Production by Species

REPORT OF PRODUCTION BY SPECIES						
Year	Month	Land Type				
2024	All	All				
Total Volume						
8894027.23						
Year	Month	Region	District	Licensee	Species	Volume (M3)
2024	February	Keningau	Keningau	BRIGHT ECOGREEN SDN BHD	ASSAM	7.82
2024	March	Keningau	Keningau	BRIGHT ECOGREEN SDN BHD	ASSAM	4.03
2024	June	Keningau	Keningau	BRIGHT ECOGREEN SDN BHD	ASSAM	1.64
2024	July	Keningau	Keningau	BRIGHT ECOGREEN SDN BHD	ASSAM	5.17
2024	August	Keningau	Keningau	BRIGHT ECOGREEN SDN BHD	ASSAM	2.68
2024	September	Keningau	Keningau	BRIGHT ECOGREEN SDN BHD	ASSAM	1.14
2024	July	Keningau	Keningau	BRIGHT ECOGREEN SDN BHD	BAWANG-BAWANG	2.08
2024	September	Keningau	Keningau	BRIGHT ECOGREEN SDN BHD	BAWANG-BAWANG	1.01
2024	February	Keningau	Keningau	BRIGHT ECOGREEN SDN BHD	BAYOR	1.69
2024	March	Keningau	Keningau	BRIGHT ECOGREEN SDN BHD	BAYOR	0.90
2024	April	Keningau	Keningau	BRIGHT ECOGREEN SDN BHD	BAYOR	2.64
2024	May	Keningau	Keningau	BRIGHT ECOGREEN SDN BHD	BAYOR	0.84
2024	July	Keningau	Keningau	BRIGHT ECOGREEN SDN BHD	BAYOR	2.35
2024	August	Keningau	Keningau	BRIGHT ECOGREEN SDN BHD	BAYOR	0.51
2024	September	Keningau	Keningau	BRIGHT ECOGREEN SDN BHD	BAYOR	2.36
2024	February	Keningau	Keningau	BRIGHT ECOGREEN SDN BHD	BERANGAN	62.42
2024	March	Keningau	Keningau	BRIGHT ECOGREEN SDN BHD	BERANGAN	90.87
2024	April	Keningau	Keningau	BRIGHT ECOGREEN SDN BHD	BERANGAN	83.66
2024	May	Keningau	Keningau	BRIGHT ECOGREEN SDN BHD	BERANGAN	43.88
2024	June	Keningau	Keningau	BRIGHT ECOGREEN SDN BHD	BERANGAN	22.78
2024	July	Keningau	Keningau	BRIGHT ECOGREEN SDN BHD	BERANGAN	82.52

Figure 6: Logs Production by Region as at 31 August 2024 (Data Table & Charts)

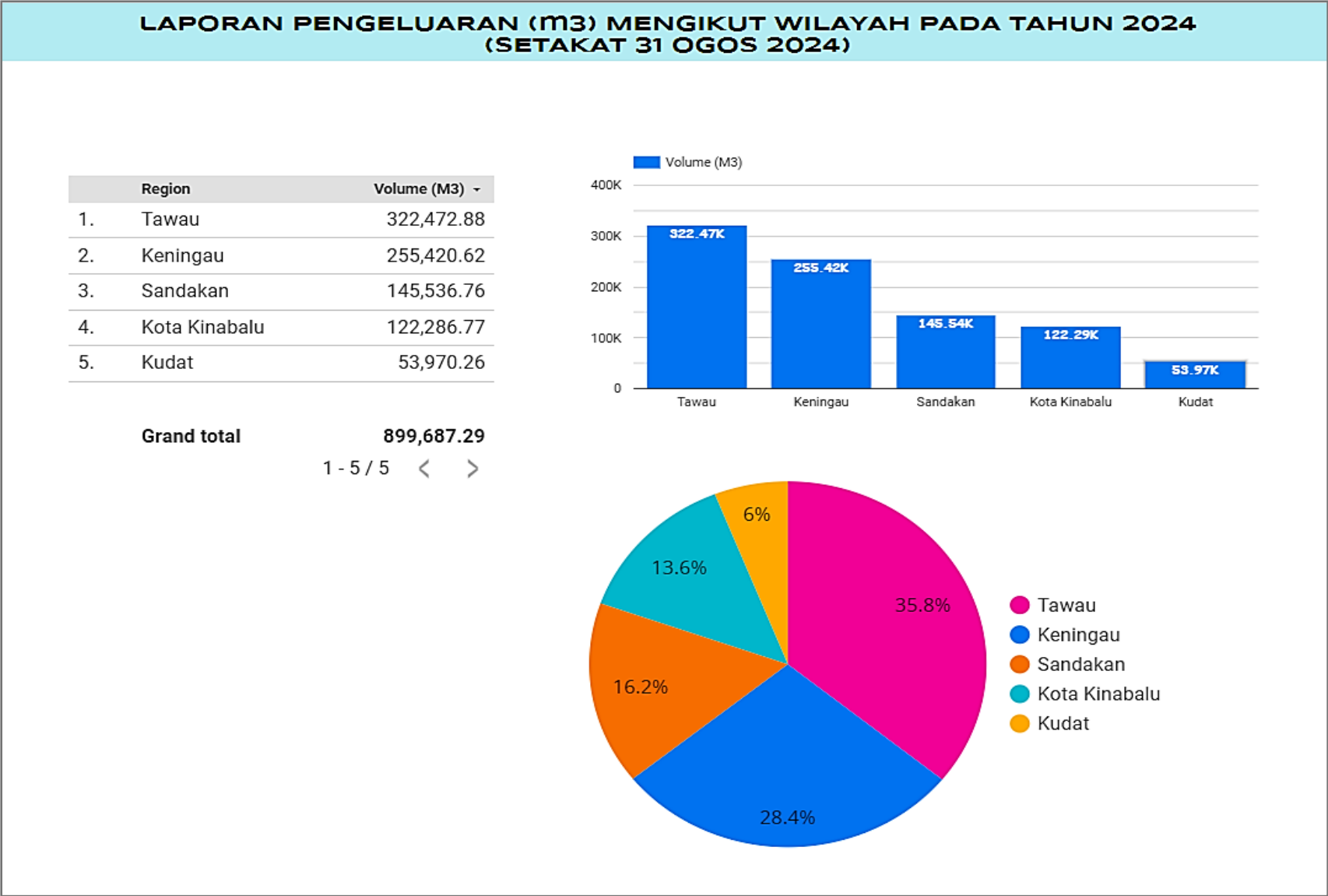
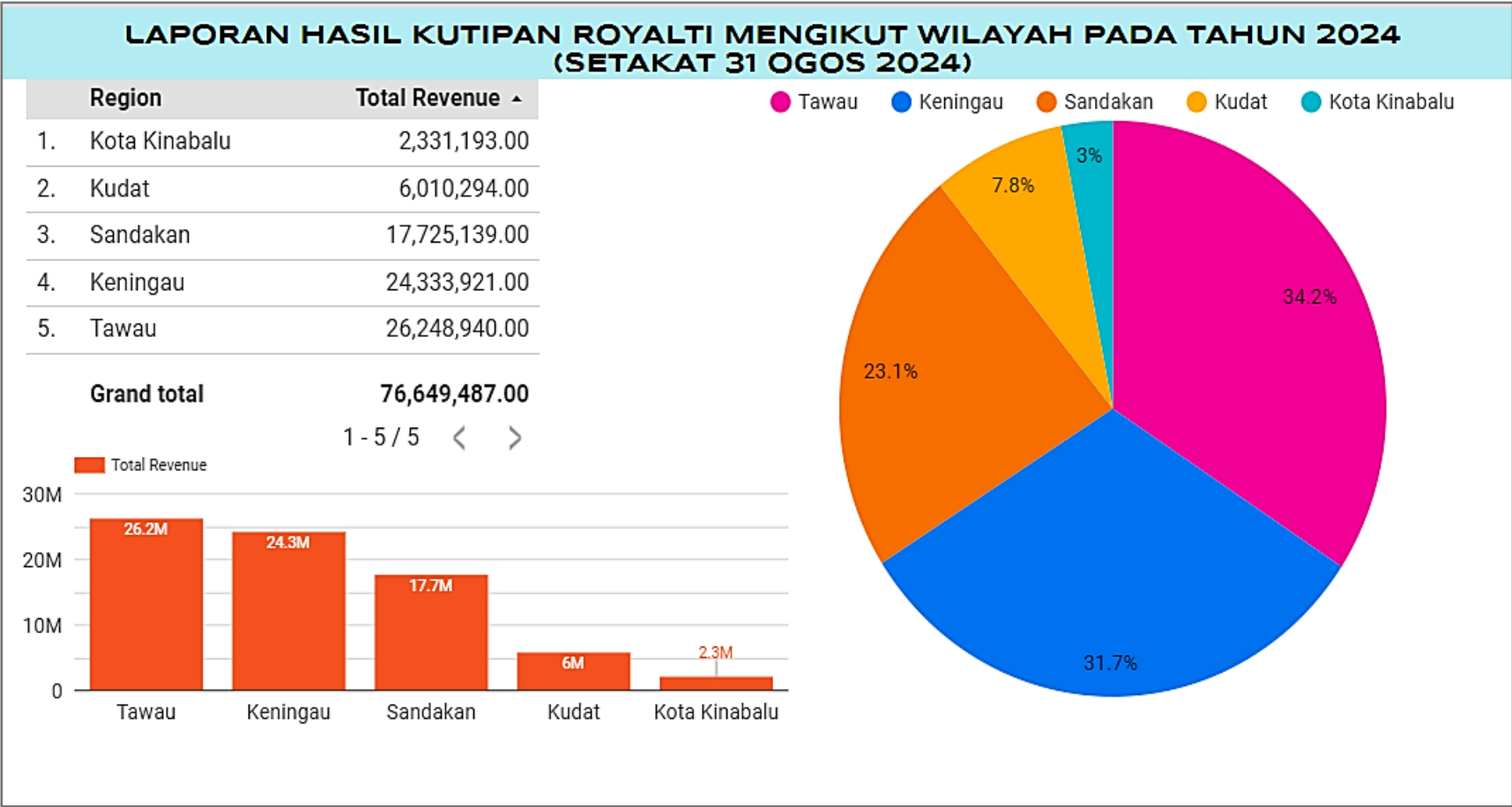


Figure 7: Revenue Collected by Region as at 31 August 2024 (Data Table & Charts)



CONCLUSION

The implementation of the SPPR system indicates a significant step in modernizing the timber industry's log inspection and royalty assessment processes, increasing transparency, efficiency, and compliance with international regulations such as the EUDR. As part of its ongoing commitment to digital transformation, the Sabah Forestry Department is planning to develop an additional system, such as the Removal Pass System, to further streamline the timber traceability process.

Currently, after a TDP permit is issued, licensees manually apply for a removal pass to transport logs to mills or sea ports. This process is handled through physical documents and manual recording. The new Removal Pass System will digitize this process, allowing for real-time access to log transportation information via mobile or desktop platforms. It will also provide log tracking capabilities using digital maps, enabling the department and stakeholders to monitor the movement of logs from source to destination. Furthermore, the Removal Pass System will integrate seamlessly with the SPPR, allowing for traceability of all logs recorded in the SPPR system. This integration will create a comprehensive, fully digital ecosystem, enhancing the efficiency and transparency in Sabah's timber industry.

ANNEX

Figure 8: Site visits and hands-on training for the application of the new system.



Figure 9: Photos of SPPR Launching Ceremony on 26 October 2023 at The Pacific Sutera Hotel, Kota Kinabalu.

