

Ministry of Natural Resources

Visayas Avenue, Diliman, Quezon City, Metro Manila

11 August 1986

MINISTRY ADMINISTRATIVE ORDER)
NO. 38 :
Series of 1986)

Guidelines in Bidding of Areas for
Timber License Agreements

In the interest of the service, to ensure that the most qualified and capable entities are granted the privilege to utilize the timber in the forestlands, and to enable the government to realize a reasonable share of the profits to be derived in the disposition of the timber in such areas, the following guidelines are hereby prescribed:

- 1) The identification of new areas of at least 20,000 hectares as timber license areas shall be based on a statistically sound forest cover estimate to be indicated on a map of appropriate scale. Said map shall indicate the existing vegetative cover of the subject area, all adjoining licenses or concessions, communal forests or pastures, forest reserves, watershed reservations, national parks, military and civil reservations and blocks of alienable or disposable areas, and other pertinent information needed for this purpose.
- 2) No bidding shall be allowed unless such bidding has been advertised in a newspaper of general circulation for three (3) consecutive days at least one (1) month from date of bidding.
- 3) The minimum bid price shall be based on the following formula:
$$(A_V \times V_V + A_R \times V_R) \times E \times \text{reasonable \% of expected net profit}$$

where,

A_V = area of virgin or old growth stand in subject area;

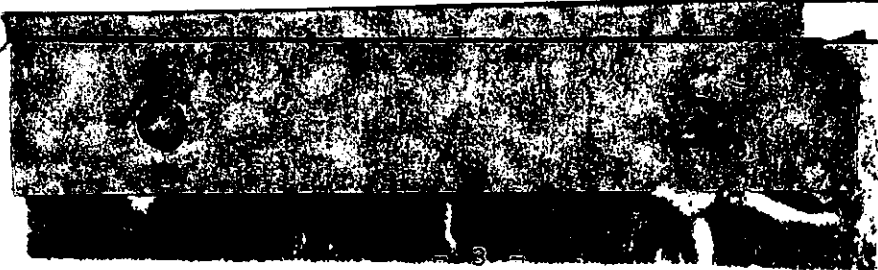
A_R = area of residual or young growth stand in subject area;

"The Filipino is worth dying for" – Ninoy Aquino

- V_V = estimated timber yield in virgin stand;
- V_R = estimated timber yield in residual stand;
- E = expected net profit per cubic meter of timber.

Using such formula, the MNR shall prescribe the minimum bid price for all areas to be bidded using pertinent data within its files which shall include satellite and/or aerial photographic data, ground timber valuation and utilization reports of adjoining timber licenses, among others.

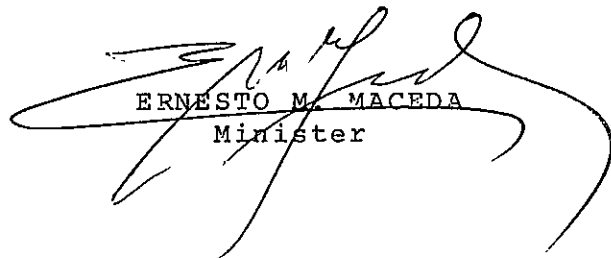
- 4) All bidders should satisfy the pre-qualification requirements set forth by the rules and regulations governing the bidding of timber concessions. They shall pay the corresponding application fee and other charges based on existing forest laws and regulations and MNR S.O. No. 28, series of 1986 before their bids could be considered. The application fee of losing bidders shall be returned.
- 5) The winning bidder shall pay the full amount for the privilege to operate a timber license upon awarding or pay at least twenty five (25%) percent of his bid upon award of license, with the remaining balance payable within four (4) years from the date of award at the rate of 25% of the bid price each year after the award.
- 6) The Ministry shall prescribe an area within the awarded forestland for initial operation pending the submission of a timber management plan. The prescribed area shall be operated under the silvicultural system prescribed for the forest type in the site, and shall not exceed four (4) percent of the total forested area of the timber license, including both old and young growth stands. Such initial operation shall be undertaken under close supervision of the Ministry.
- 7) The disposition of expired or cancelled timber license areas shall follow the above-prescribed guidelines, or such other guidelines as may be promulgated by the undersigned.
- 8) All new licenses granted under this procedure shall be required to have at least one band saw-mill or any processing plant eighteen (18) months after the grant of the timber license. The licensee shall be required to enter into a timber supply contract with any legitimate wood processor within six (6) months after the grant of the license.



9) Except as hereinbelow prescribed, all granted timber licenses shall be subject to existing forest laws, rules, and regulations.

All provisions of existing forest laws, rules, and regulations inconsistent with any of the guidelines herein prescribed are hereby revoked.

This order takes effect immediately and shall remain in force until further amended.


ERNESTO M. MACEDA
Minister