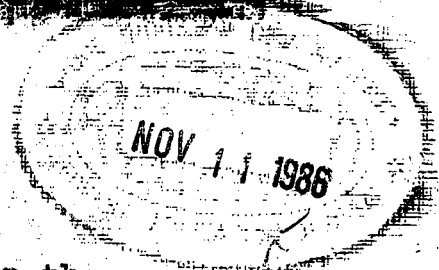


MINISTRY OF NATURAL RESOURCES

MINISTRY ADMINISTRATIVE ORDER)
NO. 50
Series of 1986



SUBJECT: Integrated regulations on the establishment and operations of wood processing plants.

Pursuant to Republic Act No. 460 and the pertinent provisions of Presidential Decree No. 705, as amended, the following regulations governing the issuance of permits to establish and operate wood processing plants are hereby promulgated.

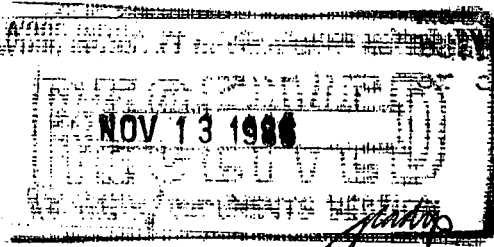
CHAPTER I

BASIC POLICY AND DEFINITION OF TERMS

SECTION 1. Basic policy - It is the policy of the state to rationalize the wood industry by regulating, among others, the establishment, location and operation of wood processing plants in the country.

SECTION 2. Definition of terms - For the purpose of this Order, the following terms shall mean:

- 2.1 Minister - shall refer to the Minister of Natural Resources appointed by the President;
- 2.2 Agency - refers to the Ministry of Natural Resources including the various Bureaus under it;
- 2.3 Wood processing plant - a mechanical device, machine, combination of machines or set-up used for the treatment of poles and piles or conversion of logs and other wood raw materials into lumber, veneer, plywood, wall board, blockboard, paperboard, pulp, paper, or other finished wood products;



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- 2.4 Plywood plant - a primary wood processing plant used to convert logs into panels made of alternating cross veneer layers, held together by an adhesive. Basic machineries include peeling/slicing machinery, dryers, cold/hot press, and finishing machines.
- 2.5 Veneer plant - a primary wood processing plant used to convert logs into standard-size sheets either by peeling or slicing.
- 2.6 Blockboard/Fiberboard/Particleboard and other Wood Based Panel Plants - are processing plants producing panels of 4 ft. by 8 ft./5 by 10 ft./2 by 4 ft. sizes from wood in the form of low-quality logs, lumber strips, logging and processing wastes using natural or chemical binders, pressure and heat.
- 2.7 Sawmill - a wood processing plant used for the conversion of logs/timber into lumber, which includes band or circular resaws with carriage that are operated as independent units for resawing/ripping of lumber, slabs and other wood wastes into desired dimensions and forms and are not accessories to the head rig.
- 2.8 Resawmill - a sawmill, regardless of capacity, without a log carriage or rails used in ripping resizing large pieces of rough lumber.
- 2.9 Wood treating plant - a mechanical or other set-up used to impregnate or coat wood with chemicals in pressure or immersion tanks to increase the service life of wood.
- 2.10 Annual log requirement - the volume of log input needed to sustain the operation of a sawmill at full or attainable capacity for a period of one year.
- 2.11 Attainable capacity - the average volume of output that the mill can normally produce in one shift of 8 hours and estimated at 80% of the daily rate capacity, or as determined by the Agency.

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- 2.12 Daily rated capacity - the maximum volume of output that a mill can produce in one shift of 8 hours based on the actual performance of the machinery/equipment, sometimes referred to as true rated capacity.
- 2.13 Daily registered capacity - the maximum volume of output that a mill can produce in one shift of 8 hours based on the machinery/equipment manufacturer's specifications.
- 2.14 Flitch - a portion of a log hewn or sawn on two or more sides with a thickness of over 15 centimeters (6 inches) and intended for remanufacture into lumber or veneer.
- 2.15 Log - a merchantable piece of wood having a minimum length of 1.5 meters and an average diameter of at least 15 centimeters.
- 2.16 Log core - the central portion of a log left in the process of producing veneer sheets with the use of a rotary lathe.
- 2.17 Log end - a form of wood waste generated in the process of bucking logs into desired lengths.
- 2.18 Logging waste - wood residues generated in the course of normal logging operations. This includes tree tops, branches, stumps, trimmings, and knocked down trees not within the definition of merchantable logs.
- 2.19 Log carriage - a movable platform, manually or mechanically operated, on which a log or timber to be fed to the head rig/head saw or to a pony rig is loaded and controlled.
- 2.20 Rough lumber - the product of a log manufactured by sawing with a thickness of not more than 15 centimeters (6 inches) and has not been subjected to further pre-finishing operations.
- 2.21 Processing waste - wood residues generated in the process of converting wood materials into goods for consumption or commerce.

This includes sawdust, slabs, edgings, log cores, trimmings, clippings, product rejects, shavings and sander dust.

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- 2.22 Sawkerf - the width of wood removed by the sawteeth while sawing.
- 2.23 Sawmill, mini - a stationary sawmill equipped with a log carriage or a portable mill equipped with rails where the head rig moves for sawing, with a daily rated capacity of less than 10,000 board feet.
- 2.24 Sawmill, portable - a type of sawmill, regardless of capacity which can be dismantled, transported and reassembled with relative ease. This type of mill can either be circular or band.
- 2.25 Sawmill, regular - a sawmill equipped with a log carriage or with rails on which the head rig runs with a daily rated capacity of at least 10,000 board feet.
- 2.26 Timber, manufactured - all timber other than round and squared timber. It includes logs longitudinally sawn into pieces even if only to facilitate transporting and hauling. It also includes, besides all sawn products, all timber hewn or otherwise worked to approximate its finished form, such as house posts, ship keels, mine props, crossties, railroad sleepers, trolley poles, table tops, and other similar commodities.
- 2.27 Timber, squared - timber squared with an axe or other similar mechanical or hand tools in the forest and which, from the size of the pieces and the character of the wood, is obviously unfit for use in that form.
- 2.28 Woodwastes - the collective term for logging and processing wastes.

CHAPTER II

APPLICATION

SEC. 3. Who may apply - Owners and operators of existing wood processing plants, whether with back-up concessions or covered by a feasible tie-up scheme pursuant to Section 30 of PD 705, as amended, or citizens of the Philippines, or corporations or associations at least sixty percentum of the capital of which is owned by such citizens, or qualified Government Agencies and entities as determined by the Minister, may apply for and be granted a Wood Processing Plant Permit; Provided, that, owners of two or more wood processing plants which are independently operated in separate locations shall

file individual applications for each wood processing plants.

SEC. 4. Where to file the application - All applications shall be filed with the Field Office of the BFD/MNR who has jurisdiction over the area where the wood processing plant is located.

SEC. 5. When application is considered filed - Application is considered filed on the date of receipt of the latest communication containing information necessary for action on the application.

SEC. 6. Application requirements - The following documents/supporting papers shall be submitted together with the duly accomplished application form in order that the application can be given due course:

6.1 Common

In case of private corporation, partnership or association, the following shall be submitted:

- 6.1.1 Articles of Incorporation, Partnership or Association as the case may be, duly certified by the Securities and Exchange Commission;
- 6.1.2 Authorization issued by the Corporation, Partnership or Association in favor of the person signing the application;
- 6.1.3 Application fee;
- 6.1.4 Forestry bond;
- 6.1.5 Locational clearance from the Ministry of Human Settlements;
- 6.1.6 Pollution clearance from the National Pollution Control Commission;
- 6.1.7 Initial Environmental Examination (for new application);
- 6.1.8 Evidence of ownership of machineries (for new application);
- 6.1.9 Business Plan (for new application);

6.1.10 Project Feasibility Study (for new application); and

6.1.11 Authority to establish (for new application).

Provided, that, in case of government-controlled corporation/agencies, authorization issued by the corporation/agency in favor of the person signing the application shall be submitted in addition to requirements 6.1.3, 6.1.4, 6.1.5, 6.1.6, 6.1.7, 6.1.9, and 6.1.12; Provided, further, that requirements 6.1.5, 6.1.6, 6.1.7 and 6.1.9 shall not be required for resaw and portable mills.

6.2 Specific

6.2.1 New Permits to Operate

6.2.1.1 For new application of regular sawmill.

6.2.1.1.1 An Equity Participation Agreement with an existing licensee or any feasible scheme(s) subject to the approval by the Minister, if applicant is not a timber licensee.

6.2.1.2 Mini-sawmill

If applicant is not a timber license/permit holder or has no approved feasible scheme, a supply contract with a tree plantation owner or timber licensee/permittee in the case of logging/processing wastes to be approved by the Minister or his authorized representative.

6.2.1.3 Resawmill

6.2.1.3.1 Lumber Supply Contract with a legitimate sawmill operator duly approved by the Minister or his authorized representative.

6.2.1.3.2 Copy of Certificate of Registration as Lumber Dealer.



6.2.1.4 Plywood/Veneer Plant

Copy of timber license if applicant is a timber concession holder or an approved EPA with an existing timber licensee or other schemes for existing plants. Henceforth, new application for plywood and veneer plants shall be limited to timber concession holders only.

6.2.1.5 Particle board, Fiberboard, Block-board Plants and other Wood Based Panel Plants.

An approved feasible tie-up scheme with an existing timber licensee if applicant is not a timber licensee.

6.2.1.6 Pulp & Paper Mills

A copy of timber licenses or tree plantation permit if applicant is a timber licensee or an approved feasible tie-up scheme with existing timber license/ and/or other sources.

6.2.1.7 Wood Treating Plant

Proof of supply of raw materials from existing legitimate timber concession.

6.2.2 Renewal

6.2.2.1 For renewal of permit to operate a wood processing plant.

In lieu of an Equity Participation Agreement, where required, the applicant may submit a long term Marketing Agreement with undertaking or proof that 40% of its production is exported and/or a long term Timber Processing Agreement.

SEC. 7. False Statement - The making of false statement in the application or material omission or alteration of facts in said application shall be sufficient cause for the disapproval of such application. Any permit granted on the basis of an application found later to contain false statement or material omissions or alterations may be cancelled,

without prejudice on the part of the Government to prosecute the guilty party under the Revised Penal Code.

CHAPTER III

FEEES AND BONDS

SEC. 8. Schedule of fees and bonds - The following fees and bonds shall be collected of each application:

8.1 Application fee

8.1.1 Regular and Mini-sawmill - - P250.00

8.1.2 Resawmill - - - - - 100.00

8.2 Annual permit fee - Annual permit fees shall be collected based on the following schedules:

8.2.1 Regular, Mini-sawmill & Resawmill


| <u>Daily Rated Capacity</u> | <u>Annual Permit Fee</u> |
|--|--------------------------|
| Below 10,000 bd.ft. (Below 24 cubic meters) | P 750.00 |
| 10,000 - 19,999 bd.ft. (above 24 m/3 but not more than 47 m/3) | 900.00 |
| 20,000 bd.ft. & above (above 48 cubic meters) | 1,000.00 |

8.2.2 Veneer/Plywood plants

| <u>Annual Log Requirement (in cubic meters)</u> | <u>Annual Permit Fee</u> |
|---|--------------------------|
| Less than 4,000 | P 500.00 |
| 4,000 - 7,999 | 650.00 |
| 8,000 - 11,999 | 800.00 |
| 12,000 - 15,999 | 1,000.00 |
| 16,000 - 19,999 | 1,200.00 |
| 20,000 - 29,999 | 1,400.00 |
| 30,000 - 39,999 | 1,600.00 |
| 40,000 - 49,999 | 2,000.00 |
| 50,000 - 99,999 | 2,500.00 |
| 100,000 & above | 3,000.00 |

8.2.3 Wood Based Panel Plants.

All Wood based panel plants operated independently from the primary wood Processing plant shall pay an annual permit of P1,000.00



8.2.4 Wood Treating Plant

All wood treating plants operated as independent units shall pay an annual fee of ₱1,000.00

- 8.3 Bond - The cash bond required for Wood Processing Plant Permit shall be ₱212.00 per cubic meter or fraction thereof or ₱500.00 per thousand board feet or fraction thereof; based on registered capacity which in no case shall not be less than ₱5,000.00; Provided, that, a surety bond executed by an accredited bonding establishment acceptable to the MNR may be posted to cover the required cash bond, the amount of which shall be increased by 25%.
- 8.4 Forfeiture of Bond - The bond filed pursuant to the provisions of this Order shall be forfeited for any of the following reasons:
- 8.4.1 Non-compliance with any of the terms and conditions embodied in the permit;
 - 8.4.2 For violation of pertinent forestry laws and regulations; and
 - 8.4.3 For misleading or fraudulent statement made in the application, or omission for pertinent facts from said application.
- 8.5 Refund of Cash Bond - Cash bond may be refunded upon request of permittee and the permit is surrendered to the Minister provided that no violation has been committed against the terms and conditions of the permit, against forest laws, and regulations, or if the permit has expired without any violation committed by the permittee.

CHAPTER IV

ISSUANCE AND TENURE OF PERMITS


SEC. 9. Wood Processing Plants that may be issued operating permit.

1. Sawmill - Only a sawmill whose headsaw has a sawkerf not exceeding three (3) millimeters may be issued a permit to operate; Provided, that, this limitation shall not apply to sawmills

established or proposed to be established in remote areas, or those needed to service the handicraft and small scale industries; Provided, further, that owners or operators thereof shall seek exemption from the Minister, Provided; finally, that remote areas shall be construed as localities where there are no regular sawmills within economic distance as determined by the Minister or his authorized representative.

2. Mini-sawmill - Shall be issued upon submission of proofs of existence and availability of logging wastes and/or presence of a tree plantation within economic distance of mill site.
3. Resaw permit - Shall be issued to holders of lumber dealers permit provided that said resaw is without carriage and shall be used solely in resawing heavy lumber or resizing lumber to further specifications/dimensions desired in the market.
4. Plywood/Veneer plants - Operating permits shall be limited to holders of timber concessions, provided that for plants already existing before the effectivity of this Order shall be given operating permits upon submission of proofs of sustained supply of raw materials.
5. Blockboard/Fiberboard/Particleboard and other Wood Based Panel Plants - Separate operating permits shall be issued to other wood based panel operated as independent units and are not part of an integrated plywood/veneer plant provided proof of a sustained supply of raw material is submitted.
6. Wood treating plants - Operating permits shall be issued upon submission of proofs of sustained supply of raw materials to warrant its operation.

SEC. 10. Tenure - Wood Processing Plant Permit issued to holders of existing timber license agreements, timber licenses, or permits in consonance with these regulations shall be co-terminus with their timber license agreements, timber licenses or permit. On the other hand, Wood Processing Plant Permits issued to non-timber license holders but with approved Equity Participation Agreement or any feasible scheme pursuant to Section 30, of PD 705, as amended, may be granted a permit not exceeding two (2) years. Permits that may be issued to operators other than the above shall have a duration of not more than one (1) year.



SEC. 11. Authority to establish new, acquire or to expand existing Wood Processing Plants - Authority to establish new Wood Processing Plants may be issued by the Minister upon the recommendation of the Director after ascertaining that the proposed project is in accordance with the wood industry rationalization program; Provided, however, that the authority to acquire or to expand existing wood processing plants was issued by the Minister.


SEC. 12. Permit to operate - A Wood Processing Plant Permit may be issued only after the application has been evaluated and the Minister is satisfied that the issuance of such permit will not be prejudicial to public interest.

CHAPTER V

CONDITIONS OF PERMIT


SEC. 13. Common provisions -

- 13.1 The permittee shall display on the premises of his mill in a prominent place exposed to public view his wood processing plant permit.
- 13.2 The permittee shall strive to maintain regular operation and to attain at least 80% of the mill's rated capacity.
- 13.3 Stoppage of operation lasting more than two days due to breakage or repair of any part of equipment and other causes like labor strikes, typhoon and similar calamities, shall be reported immediately to the Minister through proper channels.
- 13.4 The permittee shall maintain a Registry Book showing the log/lumber or other raw materials purchased in chronological order with the following information: a) species; b) volume of cubic meters; c) number of Official Receipt under which the forest charges and other fees were paid. The Registry Book and other records of sales and disposals of lumber and wood products shall at all times be made ready for inspection by forest officers.
- 13.5 A monthly production report shall be submitted to the Minister through proper channels.

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- 13.6 The permittee shall issue commercial sales invoice for every sale of lumber/wood products made.
- 13.7 The permittee shall be held liable for the payment of forest charges and other required government charges including surcharges, due on any logs, manufactured or squared timber or lumber products processed in their mills without proper documentation based on existing forest laws and regulations or lumber manufactured in excess of the utilization of the mill without prejudice on the part of the government to impose additional penalties commensurate thereto.
- 13.8 No additional machinery/equipment to increase the plant capacity and/or recovery shall be installed unless priorly authorized by the Minister.
- 13.9 Mill wastes shall as much as possible be utilized or disposed of in accordance with National Pollution Control Commission rules and regulations.
- 13.10 The permittee shall adopt measures to safeguard the health of his employees and workers following national guidelines.

SEC. 14. Specific provisions -

- 14.1 Sawmills - Sawmills with TLA, short term timber permit or approved feasible scheme.
- 14.1.1 In the case of sawmill operators with TLA's, their permit shall be co-terminus with the TLA subject to the conditions that they pay regularly the annual permit fee and update the surety bond accordingly.
- 14.1.2 In the case of sawmill with feasible scheme, the permittee shall comply with the conditions set in the approved Equity Participation Agreement scheme within the prescribed period otherwise the permit shall be rendered null and void.



14.2 Mini-sawmill without TLA, timber license/permit or feasible scheme.

14.2.1 Shall be allowed to process logs coming from tree plantations and woodwastes only.

14.3 Resaw

14.3.1 Only rough lumber and heavy slabs shall be allowed to be milled.

14.3.2 The use of a log carriage, either mechanically or manually operated is strictly prohibited.

14.4 Plywood/Veneer plants - Plywood/veneer plants with back-up timber concessions shall be issued permits co-terminus with their timber license provided that annual permit fees and bonds shall be updated annually provided that processing plants without timber concessions but were existing before the effectivity of this Order shall have operating permits co-terminus with the duration of their agreement with their respective supplier.

14.5 Blockboard/Fiberboard/Particleboard and other Wood Based Panel Plants - Wood based panel plants that are not part of an integrated primary wood processing plant and are operated independently shall be issued permits co-terminus with the duration and tenure of their supply from a legitimate timber licensee.

14.6 Wood treating plants - Shall be issued permits co-terminus with the tenure/duration of their supply with a legitimate timber license holder.

CHAPTER VI

PENAL PROVISIONS

SEC. 15. Penal provisions - Any owner or operator of a Wood Processing Plant who is found to have violated any of the provisions of this Order or the terms and conditions of the permit, shall be penalized in accordance with existing applicable laws, rules and regulations.

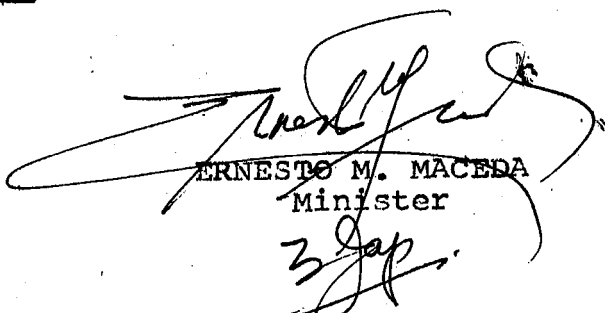
CHAPTER VII

IMPLEMENTING CIRCULAR, REPEALING
CLAUSE AND EFFECTIVITY

SEC. 16. Issuance of Implementing Circulars and Instructions - The Director, Bureau of Forest Development is hereby authorized to issue circulars and instructions as may be necessary for the effective implementation of this Order.

SEC. 17. Repealing Clause - All existing Orders, Circulars, Memoranda, Instructions or Provisions which are inconsistent herewith are hereby repealed or amended accordingly.

SEC. 18. Effectivity - This Order shall take effect immediately.


ERNESTO M. MACEDA
Minister

RECOMMENDED BY:


CRISOSTOMO L. GORPIN
OIC, Administrator
WIDA