

**PAPUA NEW GUINEA
REVIEW OF CURRENT LOGGING PROJECTS**

**CARRIED OUT UNDER THE AUSPICES OF THE DEPARTMENT OF NATIONAL
PLANNING AND MONITORING**

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FINALISED INDIVIDUAL PROJECT REVIEW REPORT No 1.

TIMBER PERMIT (TP) : TP 3-27 IVA INIKA

TP HOLDER : IMI DEVELOPMENT LTD

LOGGER AND MARKETER (L&M) : KERAWARA LTD

L&M PARENT COMPANY (If Different) :

DATE OF FIELD REVIEW : JULY 2003

DATE OF FINAL REPORT : NOVEMBER 2003

This Final Individual Project Review Report (IPRR) has been prepared by the Review Team after undertaking a review of documents, a field assessment, and receiving feedback to a Draft IPRR distributed to stakeholders for corrections and comment. Responses were received from the following:

STAKEHOLDER	COPY DRAFT IPRR PROVIDED	RESPONSES RECEIVED
Logging Company	Yes	No
Timber Permit Holder	Yes	No
Landowner Company	(*)	
PNG Forest Authority	Yes	Yes
Dept Environment & Conservation	Yes	Yes
Provincial Administration	Yes	No

(*) In this case the Landowner Company is the Permit holder.

Disclaimer: It should be noted that this documents sets out the findings and views of the Review Team, and does not represent an official Government position.

FOREWORD

The Terms of Reference for this Review of Existing Logging Projects provide a broad mandate to examine the operation of logging companies within their legal and contractual obligations, and the framework within which forestry activities are planned, monitored and controlled by the relevant Government Departments/Authorities. The Review is focused on future improvements in the actions of stakeholders, and not on the pursuit of instances of poor or non-performance. Of key concern are the future achievement of sustainable timber production within a stable regulatory framework; effective environmental guidelines for logging and associated roading; adequate attention to and mechanisms for forest conservation; and sound long term benefits for the forest resource owners.

Given this broad mandate, and the extensive requirements set out in the legal and contractual documents governing each logging project, the Review Team has by necessity focussed on identifying and exploring meaningful issues. This Final IPRR focuses on project specific areas of concern, and will be used as input for the Review Team's draft Observations and Recommendations Report.

ACKNOWLEDGEMENTS

The Review Team acknowledges the support and cooperation given by the PNG Forest Authority (head office, regional office, and field based staff), the Department of Environment and Conservation (DEC), Kerawara Ltd, Imi Development Ltd, the landowners of the Iva Inika Timber Permit area, and the Central Province Government and Administration.

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1. LEGAL BASIS, PARTIES AND CONTRACTUAL RELATIONSHIPS

The key legislation governing logging projects are the Forestry Act 1991 (as amended), the Environmental Planning Act 1978, the Water Resources Act 1978, and the Environmental Contaminants Act 1978 (as amended). The relevant documents enabling and prescribing TP 3-27 Iva Inika are set out in Tables 1 and 2.

The logging project is governed by the Timber Permit issued to Imi Development Ltd, a landowner company. The landowner company is currently a party to a Logging and Marketing Agreement (LMA) which passes the rights to undertake logging and marketing to Kerawara Ltd.

The LMA requires the landowner company, Imi Development Ltd (LMA clause 10.2(a)):

- To assist the Contractor in the preparation of the integrated Land-Use and Resource Development Plan;
- To implement reforestation in accordance with the Permit;
- To implement agricultural projects using the Agriculture Levy in accordance with the Permit (this is to be done jointly with the Central Provincial Government).
- To implement infrastructure projects using the Infrastructure Levy in accordance with the Permit (this is also to be done jointly with the Central Provincial Government).

The LMA requires the logging company, Kerawara Ltd (LMA clause 10.2(b)):

- To pay all royalties, log export duties, reforestation levies, agricultural levies and infrastructure development levies payable pursuant to the Permit; and
- To comply with all other obligations of the Permit Holder pursuant to the Permit.

This last requirement includes the obligation under the Timber Permit to build specified roads and bridges, and to deliver a specified list of landowner infrastructural benefits.

The LMA also adds a requirement for Kerawara Ltd to provide Imi Development Ltd with public liability insurance cover, and to lodge a Performance Guarantee with the Permit Holder.

As the log pond is outside of the forest area covered by the Timber Permit, Kerawara Ltd has entered into various additional agreements as follows:

- With Kala Log Pond Ltd for the use of land for the log pond; and
- With Hall Sound Bay Ltd for the use of Hall Sound by log export boats.

There is also an informal agreement to pay landowners living along the Lolobata access road “dust money”.

TABLE 1 : KEY DOCUMENTS

DOCUMENT	PARTIES	DATE OF ISSUANCE/ SIGNING/ APPROVAL	DATE OF EXPIRY	DOCUMENT LOCATION
TRP Agreement	Landowners and the State	1 January 1972	31 December 2012	Held at PNGFA
Timber Permit	Issued to Imi Development Ltd (Landowner Company) by then Minister for Forests, Karl Stack	3 December 1988	Original expired December 1998. Extended by Peter Arul, Minister for Forests for 5 years until 2 December 2003. A further extension has been applied for.	Held by PNGFA – one fire damaged copy
Logging and Marketing Agreement	Imi Development Ltd and Kerawara Ltd	15 June 1999	June 2004 for marketing. June 2009 for logging.	Current LMA not held by PNGFA. Copy obtained from Kerawara Ltd.
Environmental Plan (EP)	Approved by Minister for Environment & Conservation (E&C)	8 January 1992	Permit Period	DEC Archives. EP Proposal by Imi Development Ltd on computer print paper
EP Approval Conditions	Set by Minister for E&C	8 January 1992	Permit Period	DEC running file
5 Year Logging Plan	Approved by PNGFA Managing Director	Non Existent ¹	Non Existent	
Annual Logging Plan	Approved by PNGFA Managing Director	16/04/03	16/04/04	Held by PNGFA

¹ There is no current five-year plan – see Chapter 4.3

PNGFA's Planning, Monitoring and Control Procedures	Issued by Managing Director.	November 1995	No expiry date	Standard document available from PNGFA
PNG Logging Code of Practice (Including 24 Key Standards)	Endorsed by NEC. Observance required by Regulation	April 1996	No expiry date	Standard document available from PNGFA

TABLE 2 : ADDITIONAL (OR SUPPLEMENTARY) AGREEMENTS

DOCUMENT	PARTIES	DATE OF ISSUANCE/ SIGNING	DATE OF EXPIRY	DOCUMENT LOCATION
Agreement for use of Hall Sound by log export ships	Kerawara Ltd and Hall Sound Bay Company Ltd	Undated	No expiry Date	Copy obtained from Kerawara Ltd
Agreement for use of land for the log pond	Kerawara Ltd and Kala Log Pond Ltd	February 2003	February 2008	Copy obtained from Kerawara Ltd

2. SUSTAINABILITY OF LOG PRODUCTION

This logging project was set up under the old Forestry Act when the sustainability of log production and the forest industry was not yet a Government policy objective. The rights to harvest logs were acquired by the State in January 1972, and the original Timber Permit allowed the resource to be cut over a period of 10 years (December 1988 to December 1998).

Due to disputes between the Landowner Company and the logging company log harvesting ceased on a number of occasions while a new logging contractor was being sought. As a result the forest resource was not cut out in the 10 years allowed for under the Timber Permit. A 5 years extension of the term of the Permit (to December 2003) was granted by Minister Peter Arul on 7 May 1999, about 5 months after the expiry of the previous Permit. A further extension has been applied for and discussion with the relevant PNGFA officers indicated that this is likely to be granted. However, PNGFA records checked by the Review Team shows nothing of the application being lodged or processed. A legal opinion exists that the extension of permits originally issued under the old Forestry Act is not permitted².

3. FIELD WORK

The field inspection for TP 3-27 was undertaken during the period 7th to 11th July 2003. As well as meetings with the logging company managers and staff, and with landowners, the field inspection involved the following:

- A transect run through a set-up prepared for logging but not yet approved (Set-up S03-13).
- A transect run through two set-ups (S03-5&4) which have been logged, and for which a verbal request for clearance by the Kerawara Camp Manager has been made.
- An inspection of current logging operations.
- Transects run through areas logged 1995, 1996 and 1997.
- An inspection of roads and bridges currently being used, and no longer being used.
- An inspection of the log pond and barge loading facilities.
- An inspection of the logging base camp.

² Review of Wavoi Guavi Blocks 1,2 and 3 (Consolidated) and Vailala Blocks 2 and 3. Undated document produced around March 2003. This opinion has more recently (November 2003) been endorsed by the Government Legal Drafting Consultant. An opinion has been sought from the Attorney General.

4. REVIEW TEAM OBSERVATIONS

4.1 LEGAL DOCUMENTS AND DUE PROCESS

The Review Team examined the legal documents underpinning the logging project as listed in Tables 1 and 2. Particular attention was paid to the observance of due process with regard to the application for, processing of and issuance of the various legal instruments.

With regard to TP 3-27 Iva Inika, the Review Team's observations were that:

- Even though due process appears to have been followed, the 5 year extension of the Timber Permit granted under s. 78 of the current Act is legally questionable as the project can only operate for the term for which it was originally granted under the old Act until it expires or is terminated according to law pursuant to s. 137(1) of the current Act.
- Environmental Guidelines pursuant to s5 of the Environmental Planning Act 1978 require forestry projects to hold current approved Environmental Plans (EP) prior to commencing operations. In addition forestry projects are not allowed to operate without an approved Environment Plan under s77(2)(c)(iii) of the Forestry Act 1991. DEC records show that the EP for the Iva Inika project was approved on 08 January 1992 for the original permit period. Upon expiry of the permit the permit holder was required to apply to the Minister of Environment and Conservation for extension. It appears that there was no application for an extension, and therefore the company appears to be operating without a current and valid EP.
- The Timber Permit requires the holder of the permit to obtain the consent of the PNGFA Managing Director prior to entering into a management agreement with another company (cl.23), and the permission of the Minister for Forests to assign any benefits or obligations of the permit (cl. 22). The Team was unable to confirm if the required approvals have been applied for or given for the operations in Iva Inika of Kerawara Ltd and/or Hugo Saw Milling Ltd.

4.2 LOGGING COMPANY

The logging company (Kerawara Ltd), under the terms and conditions of the Logging and Marketing Agreement, is generally responsible for observing the requirements of the Timber Permit.

The observations of the Review Team are that:

(a) Planning and Control of Logging

- That the company has employed a forest surveyor (a Bulolo Forestry College graduate), and that a fair effort is being made to meet the requirements of the

Planning Monitoring and Control Procedures with regard to laying out individual set-ups in the field prior to seeking approval to log. Key requirements not being met were observed to be:

- Buffer zones were not always of the required minimum width (eg set-up SO3-13).
- Skid tracks were not being pre-marked in the field (SO3-13).
- Decommissioned skid tracks had piles of soil across them instead of a simple small water bar or cross drain (Key Standard 21).
- Failure to remove log debris in streams (eg. Eno Creek crossing).
- Forest roads not decommissioned (eg. road to Coupe 01 logged in 1995)³.

(b) The Log Pond

- The log pond was generally well set up and managed, with minimum clearance of shoreline. Key requirements not being met were:
 - Lack of a containing bund around the fuel tank (plates 1,6 Appendix 1).
 - Lack of correct procedures for disposal of waste oil (plate 7).
 - Domestic waste being tipped over a bank instead of being disposed of in a pit (plate 8).
 - Sanitary wastes from the living quarters were not being treated using a septic tank system. Instead the wastes were channelled into a hole filled with stones and sealed off with soil⁴.
 - No proper methods are employed for disposing waste or unwanted oil. Waste oil is spilled or poured around the working area.

(c) The Logging Camp

- Under the LMA the logging company is required to provide accommodation for employees. While the company provides accommodation for single employees, married employees are expected to build their own accommodation. This appears to be inconsistent with spirit of the agreement.
- National employees claim that the conditions in the camp are such that they are totally reliant on the company's canteen for their daily food supplies. It is their perception that they have to pay much higher prices than they would if their food could be sourced elsewhere. Given that most of these employees are from other provinces, they expect the company to subsidise the cost of basic food items such as rice, tin fish and canned meat. Employees rely heavily on these food items due to unavailability of locally grown produce. The PNGFA notes that this situation is exacerbated by the fact that landowners do not allow non-local company employees to make gardens or go fishing.

³ In some instances roads are not decommissioned at the request of landowners who wish to continue using the road.

⁴ Living quarters for the employees are located adjacent to the mangrove areas and on a hill. This poses a health problem to the local people who frequent the mangrove areas for fishing or searching for mud crabs.

- The logging camp is the main field operation establishment, housing the bulk of the field workforce. The current camp-site is not suitable because it is too close to a permanent stream which is also used by the local people. Key requirements not being observed were:
 - o Lack of bund to contain accidental spillage around fuel tank (plate 6).
 - o Lack of bund around the power generator, which is located close by and provides power to the living quarters.
 - o Drums of fuel and oil not confined to a single location to enable bunding.
 - o No proper method employed for disposing wastes or unwanted oil. Waste oil is indiscriminately spilled or poured around the working area.
 - o Sanitary waste from the living quarters is not treated using a septic tank system. Instead it is channelled into a hole filled with stones and sealed off with soil⁵.

(d) Landowner Financial Benefits

The following non-royalty financial benefits are set out in the TP and LMA. Supplementary Agreements have been signed with landowners outside the Iva Inika TRP to allow for transit of logs to the log pond, the use of land for a log pond, and for use of the sea for log export.

- Export Premium from the export of logs. The final calculation is based on the actual volume of logs exported. Under the LMA Kerawara Ltd pays K10/m³ to the Imi Development Ltd.
- There are various levies included in the Timber Permit, these are:
 - o An agriculture levy of K2.00/m³ based on volume of logs exported payable into a trust account.
 - o A reforestation levy of K1.00/m³ based on volume of logs harvested payable to the PNGFA.
 - o An infrastructure levy of K1.00/m³ based on volume of logs harvested payable into a trust account.
- There are two Supplementary Agreements between Kerawara Ltd and Kala Log Pond Ltd and Hall Sound Bay Ltd for the lease of the Kala Log Pond (K5000.00 per month), and access road (K1.50 per cubic metre) and for the use of the Harbour (K1.30 per cubic metre). These agreements are outside the TRP area and not included in the LMA.
- There is an informal agreement between Kerawara Ltd and the Village chiefs of Nikura village for "dust money" (K2.00/truck load) for every loaded jinker truck passing through the village.

⁵ The sanitary pit is on a hill with a creek (about 50 m) running below. This poses a health problem for the local people who live near the camp area and use the creek for domestic purposes.

(e) Landowner Infrastructural Benefits

There is a requirement in the Timber Permit for an Infrastructure Development Trust Fund to be set up by the Permit Holder and the Central Provincial Government. Funds are to be used to implement properly approved projects as specified in the rules governing the trust fund. There was no evidence that any lasting infrastructure had been built using the trust fund.

In addition the following were to be constructed as specified in the Timber Permit. Responsibility for doing so is passed to the logging company under the LMA:

- Ten permanent bridges or concrete causeways which are specifically identified in the Timber Permit. There were no permanent bridges or concrete causeways sighted during the field visit. The General Manager of Kerawara Ltd confirmed that no such infrastructure has been constructed because the road from the Hiritano Highway Junction to Iva Inika is on private land, and therefore needs acquisition as State land before permanent bridges can be constructed.
- The Timber Permit stipulates that the road from the Hiritano Highway to the TRP area should be “all weather road suitable for 2-wheel drive vehicles”. Again Kerawara's reason for not upgrading the road to an “all weather standard” is that the road is on private land.
- The Timber Permit requires that a central water supply for villages within the Iva Inika TRP area be installed, 2-L40 houses to be constructed (one for the police and the other for PNGFA), a rural lock-up, Kubuna Aid Post and an ambulance with a supply of medical drugs and a truck for Kubuna community. The review Team can confirm the construction of the police house and lock-up at Iva Inika but was unable to visit Kubuna and is therefore not able to confirm the existence of the other items. However it can confirm the construction of a new Aid Post at Iva Inika.
- The Review Team can confirm the existence of a newly constructed double classroom at Iva Inika.

(f) Royalty Payments

A Royalty payment of K10/m³ is based on records of logs scaled in the logging operation. Landowners are provided with copies of the volume of harvested logs scaled in each set up.

In accordance with the terms and conditions of the TRP agreement, royalty payments are supposed to be paid through the respective clan agents in the village by officers of the PNGFA. This has not been the case. Individuals from the project area have been coming to the PNGFA Area Office to demand royalty payments directly. The PNGFA note that payment from the Area Office has been necessary due to law and order

problems, and the inherent danger in sending PNGFA employees out of the main centres with large amounts of cash⁶.

This practice however, has resulted in claims of unfair distribution of royalty payments and abuse by those collecting the payments. Women in particular have accused those responsible for failing to meet their responsibilities and obligations to the families and clans.

(g) Environmental Monitoring and Management Program

An approval condition of the Environmental Plan is that the logging company prepares and implements an Environmental Monitoring and Management Program. There is no evidence that this condition has been complied with.

Observations of the Review Team are that:

- Many of the requirements of the Environmental Plan are covered by the 24 Key Standards set out in the PNGFA's Planning, Monitoring and Control procedures.
- Environmental approval condition number 7 states, "The company shall establish an Environmental Management office at the base camp which must be equipped with the necessary facilities to carry out the Environmental Monitoring & Management Program and as described in the Environmental Plan and this decision". This condition to date has not been observed.
- There is a general lack of safety gear and first aid kit for company employees e.g. ear-muffs, safety boots, aprons (workshop) safety helmets etc. for tree fellers.

(h) Other Compliance Issues Observations

- The Review Team was approached by a landowner with concerns over logging by Kerawara Ltd in an area outside of but contiguous with the Iva Inika TRP. Direct dealings and agreements by any logging company with any landowners for timber harvesting rights are not provided for under the Forestry Act 1991 (as amended). The landowner has indicated that he has commenced legal proceedings against Kerawara Ltd. Subsequent checks confirmed the landowner's concerns.
- The Forestry Regulations require the lodgement of a Performance Bond, and delivery of an original copy to the PNGFA Managing Director. There is no evidence within the PNGFA files that Kerawara Ltd has complied with this requirement.
- Logging camp and log pond personnel included a significant proportion of expatriates. In some cases they were undertaking jobs restricted to PNG Citizens by the Department of Labour and Industrial Relations, for example driving logging trucks. The General Manager of Kerawara Ltd told the Review Team that it was

⁶ The PNGFA has noted that attempts to have landowners open bank accounts have been pursued, but that the requirements of the commercial banks for opening a bank account mean that few landowners are able to do so. In addition there are no rural bank branches from which they can draw funds.

difficult to recruit indigenous workers or if they were recruited they did not last long in the area, and that they were inefficient compared with the expatriates.

The PNGFA notes that the high cost of travel to home villages, and the lack of recreational opportunities, are major issues which contribute to skilled nationals leaving logging camps and to recruitment difficulties.

- SGS Shipment Summary records list Mango as being exported (SGS Ref No. – 7397, Vessel – Paulina, Voyage 3). This species is listed in Schedule 4 (Excluded Forest Produce) of the Timber Permit. Schedule 4 also lists “Breadfruit – *Artocarpus* spp” as an excluded species. The standard commercial name for *Artocarpus* is “Kapiak” and a number of logs have been exported. There are a number of *Artocarpus* species in the Project area, and only one of these is considered an important food source (*Artocarpus atilis*).

The PNGFA notes that whilst these species are defined as excluded forest produce in the Timber Permit, the understanding is that it refers to those trees clearly marked by the landowners in the field. Also there are a number of *Artocarpus* species, not all of which bear edible fruit.

(i) Company Search

A company search shows that Kerawara Ltd has current IPA registration. It has a share capital of 1,000,000 issued shares held by Kong Fah Chong. Its Directors are Kong Fah Chong, Ray Cheong and William Garey. Its last annual return was lodged in January 2002 for the year 2001.

The company is currently registered as a Forest Industry Participant under the Forestry Act 1991 (first listed in March 1994 – Registration Number FI 127).

4.3 PNG FOREST AUTHORITY (PNGFA)

The PNGFA is responsible for ensuring that the requirements of the Planning, Monitoring and Control Procedures are followed. This includes the 5 Year Logging Plan, the Annual Logging Plan, and the approval and clearance of individual logging set-ups. The approval and clearance of set-ups requires the completion of a set-up logbook by the PNGFA Project Supervisor.

Observations of the Review Team are that:

- The Supervisor Inspections (Regional) has shown a keen interest in the performance of his monitoring officers and has developed an appraisal Pro-Forma to assess the effectiveness of his staff.
- The Project Supervisor is responsible, along with two Monitoring Officers, for four projects in total. The Project Supervisor is acting in his position, and the Monitoring Officers are casual employees.

- Neither the Project Supervisor nor his Monitoring Officers has received any training in the procedures for Planning, Monitoring and Control of Natural forest Logging Operations Under Timber Permit.
- The acting Project Supervisor is housed at the Kuriva Forestry Station, some 70 kilometres from the project site. He has no independent means of transport⁷. A PNGFA residence has been placed at the logging camp, but this was vandalised during a period of no operations and is now used to house Kerawara employees. As a consequence the PNGFA field staff have had to develop a close relationship with logging company field managers with respect to being provided with accommodation, meals, etc.
- The acting Project Supervisor was fulfilling procedural requirements for set-up approvals and clearances, however:
 - Whilst buffer zones are being marked satisfactorily in most cases in the field prior to logging, the Review Team found instances (eg. S03-13) where PNGFA set-up pre-approval field inspection has not identified areas where the buffer zone is too narrow.
 - Set-ups have been approved despite checklists for set-up release applications noting that there are deficiencies such as the lack of pre-marking skid tracks prior to logging.
- Instances were found where the logging company had verbally sought set-up clearance, but where a significant number of commercial trees had either not been marked for felling or marked and not been felled (SO3-3, 5 & 4).
- The PNGFA set-up pre-clearance field inspection did not adequately examine the proper decommissioning of forest roads and landing sites.
- Due to other commitments, this visit was the first time that the Regional Supervisor Inspection had visited the site to monitor Project Supervisor performance, or to inspect the set-up log books, since the recommencement of operations, in January 2003.
- There is no current approved 5 Year Plan. The PNGFA is of the opinion that it is not necessary at this point in time as there are only about 20 set-ups left to log before the forest resource is exhausted.

4.4 DEPARTMENT OF ENVIRONMENT AND CONSERVATION (DEC)

DEC is responsible for monitoring logging company compliance with the Environmental Plan and the Environmental Plan Approval Conditions.

The observations of the Review Team are that:

- Whilst the project is active, the logging company's compliance with the Environmental Plan is not actively monitored.

⁷ A vehicle was allocated by the PNGFA but the previous Project Supervisor submerged it. The PNGFA claim that lack of funds has resulted in the vehicle being not replaced to date.

- DEC has not visited the project site for monitoring purposes for more than a year. Their last visit was in 06/09/02 following a request from the Delena villagers to investigate pollution complaints at the Kala Log Pond, which is distant from the logging operations.

4.5 LANDOWNER COMPANIES

The Landowner Company holding the Timber Permit is Imi Development Ltd. In theory this company represents the forest resource owners, and on their behalf is expected to:

- Collect the premium on log exports;
- Co-manage (with the Central Provincial Government) the Trust Fund for the Agricultural Development Levy; and
- Co-manage (with the Central Provincial Government) the Trust Fund for the Infrastructure Levy.

The landowners advise that over the last 10 years there have been at least five significant changes of Landowner Company officers. At each instance the Landowner Company has been left with debts to the logging company. The exact kina value of landowner benefits delivered by Imi Development Ltd during this time are not clear due to lack of proper record keeping. Landowner Company officials admitted that they have no official financial records of funds expended from the export premiums. The Agriculture and Infrastructure Development Levies from the current operation (2003) have not been spent due to the fact that the instruments required for the release of the above funds have not been established. According to the Timber Permit and the LMA this is the responsibility of the Central Provincial Government and Imi Development Ltd.

A particular concern raised by Imi Development Ltd officials is the lack of regular consultation between the company officials and Kerawara Ltd on the financial status of the Landowner Company and records of log shipments in the last 6 months. A major contributing factor is that the Landowner Company has no office to work from and the frequent changes of office bearers has affected continuity in the flow of information and good record keeping.

Other Landowner Companies receiving payments are Kala Log Pond Ltd and Hall Sound Bay Ltd. These are not covered in the Timber Permit or the Logging and Marketing Agreement.

Company searches show that:

- Imi Development Ltd has current IPA registration. Its registered office is care of the logging company (Kerawara Ltd); the list of Directors does not appear to be current; and the last annual return (for the year January to December 2001) was filed in April 2003.

The company is currently listed as a Forest Industry Participant under the Forestry Act 1991 (first listed in March 1995 – Registration No FI 559).

- Kala Log Pond Ltd has current IPA registration. It was incorporated in October 2002 with five shares. It has yet to provide an annual return and a set of annual accounts.

The company is not currently listed as a Forest Industry Participant under the Forestry Act 1991.

- Hall Sound Bay Ltd has current IPA registration. Its registered Office is Level 3, Magoro Moto Building, Port Moresby. Its directors are John Oa, Thomas Wiria, Oa Willie, James Moaba, Aloysius Miria, and Alan Ai Ahu, all of Yule Island Village, Kairuku. The shareholders are James Moaba (1) and Paul Naime (1) of Yule Island. No annual return has been lodged since its registration in August 1995.

The company is not currently listed as a Forest Industry Participant under the Forestry Act 1991.

5. LANDOWNER VOICED CONCERNS

Landowners were consulted mostly in groups but also as individuals. Groups consulted included:

- Landowners Iva village.
- Landowners Inika village.
- Women (both villages – combined meeting) included landowners from Iva and Inika.
- Landowner Company Executives .
- Landowners from Nikura Village (this village receives the "dust money").
- Landowner Representatives from Poukama Village (log pond landowners).
- Landowners outside the Timber Permit area.

The observations of the Review Team with respect to the relationship between the landowners, their forests, the logging company, and concerns expressed by the landowners are:

- There are many matters relating to the project, the Timber Permit, other contracts, the responsibilities of the Landowner Company, and the landowners rights and responsibilities that the general landowners do not fully understand. It is of serious concern to the Review Team that there is no ready source of independent advice to, or support for, landowners.

The PNGFA is of the opinion that the situation could be improved by the appointment of a Provincial Forest Officer for Central province as exists in all other provinces.

- Regular consultation between landowners and the Imi Development Ltd has been lacking. Landowners (especially women) claimed that successive company officials purposely failed to inform and consult with landowners because of the

widespread mis-use of the premium payments. It remains a problem even today as the project approaches the end of its term.

- Imi Development Ltd has failed to meet its responsibility to consult with Kerawara Ltd and access Kerawara Ltd's accounts and records relating to the marketing of logs. A commitment by the Landowner Company officials would have enabled it to regularly brief landowners on the value of logs exported and Log Export Premium receipts.
- Women in particular voiced their concern regarding the mis-use and abuse of royalty monies by men and the lack of development taking place in the community from funds allocated to the Landowner Company. They were particularly concerned about the lack of proper acquittals of funds from export premium, and the lack of support from both entities for women's activities in the community.
- Both Imi Development Ltd and national employees of Kerawara Ltd expressed concern over employment of expatriates as Jinker drivers and mechanics. The General Manager of Kerawara justified the employment of expatriates on the grounds that Papua New Guineans who were initially recruited for the job were not prepared to work in the bush for long periods and are not as efficient. He assured the Review Team that expatriates currently working on the project have the required work permits.
- That there are eight reserve police on site, paid by Kerawara Ltd, who refer to the General Manager of Kerawara Ltd as their boss. Discussions with Inspector Raphun who is in charge of all Police Reservists in NCD and the Central Province revealed that there are no regular police attached to this unit. The engagement of police reservists at project sites is formal, and they are there to monitor drug trafficking from the Highland, Goilala, Lae and Popondetta and to ensure law and order in the community. Drug trafficking in the area has gone down as a result of the police presence in the area. Nevertheless the Review Team noted concerns from villagers about the police presence and suggests that community awareness of their role be carried out.
- There is wide concern regarding the continued maintenance of the main access road from the Hiritano Highway to the villages after the forest resource is depleted (expected within about six months). Of particular concern is a major log bridge, (over the Mabola river) and the perceived need to replace this with a more permanent structure.
- Landowners at Poukama, Iva and Inika villages claim that Kerawara Ltd has not responded to their request for landowners to be given the opportunity to purchase mobile sawmills to enable the landowners to utilise reject logs (plate 2). The General Manager of Kerawara disputed the claim by saying that a mobile sawmill purchased for that purpose was withdrawn due to disputes between the various landowners as to the ownership of such an operation.
- The General Manager of Kerawara Ltd further confirmed that six villages along the coast have been sub-contracted to provide stevedoring work at the Kala Log

Pond. He also claimed that landowners have chosen not to take up spin-off activities because they prefer to collect Royalty and Premium payments rather than be employed.

6. PROVINCIAL GOVERNMENT DISTRICT OFFICE

A representative of the relevant District Office of the relevant Provincial Government was located after considerable effort by the Review Team, and invited to join the team in the field (as required under the Review Terms of Reference). Due to other work commitments (PEC meetings) the LLG representative was only able to be present for the briefing session with the landowners at Iva Inika on the first day of the field visit. Further meetings were held with the a/Deputy Administrator, in the presence of the Local Level Government representative for Woitape (Chairman Forestry and Commerce Division). Relevant comments offered by the District Office representative were as follows:

- The provincial government is keen, even at this late stage in the operation, to get involved with and to support the landowners in the Iva Inika TRP area to ensure that some meaningful long-term developments result from the project.

7. OBSERVATIONS REGARDING SILVICULTURE

The quality of the logging operation (in particular observation of the 24 Key Standards) has a significant impact on the ability of the forest to produce a second yield of logs (from the current residual trees), and to produce logs in the longer term (from regeneration after logging). The Review Team observations in this regard are:

- The general standard of logging is good. However there is no evidence of silvicultural operations carried out after logging since the commencement of the operation, despite reforestation clauses (300 ha/year from year 3 onwards) being included in the Timber Permit.
- All previously logged areas are regenerating but the regeneration of commercial species observed was sparse and shaded by non-commercial species (see Plates 4 & 5 Appendix 1).
- Where there are residual commercial trees these are generally growing well but the Team did not have time to assess the numbers of residual trees per hectare.
- The coupe currently being logged has some large gaps in the canopy and will require treatment using the technique of “Reforestation Naturally”.

8. BROAD RECOMMENDATIONS FOR TP 3-27 IVA INIKA

Although it is claimed that an application to extend the term of the Timber Permit has been lodged, the field-work indicated that at the current rate of harvesting the loggable forest resource will be exhausted within about 6 months, i.e. before the completion of this Review of Existing Logging Projects. Consequently there is little to be gained by

investing significant effort and resources into putting in place improvements to the way in which this project is monitored and controlled. However, lessons learned are useful in helping to ensure that new projects within the Central Province, e.g. Cloudy Bay are developed in a more sustainable manner.

Given the above situation the Review Team recommendations are limited to the following:

- That the PNGFA review it's vehicle resources with a view to providing the Project Supervisor with improved access to transport for field duties.
- That the Project Supervisor and his Monitoring Officers attend a course in Planning Monitoring and Control Procedures as a matter of urgency.
- That the PNGFA Project Supervisor be more rigorous in both his pre-approval field inspections and his pre-clearance field inspections for individual logging set-ups with particular attention to buffer zones, skid tracks and unfelled merchantable trees.
- That before the forest resources are exhausted the PNGFA requires the logging company to put in place the Performance Bond required by the Forestry Act 1991 and its Regulations.
- That Imi Development Ltd and the Central Provincial Government immediately sort out the current situation regarding the Agricultural Levy and Infrastructure Levy Trust Funds, and if necessary, that a financial audit be undertaken to ensure the levies have been paid in full and properly acquitted⁸.
- That the PNGFA Division of Forest Management should follow up on an earlier "awareness" visit to Iva Inika with a view to treating the area currently being logged using the technique of "Reforestation Naturally", during the next wet season.
- That there is dialogue between the PNG Police Constabulary and the people of Iva, Inika and Poukama villages to explain the presence and role of police reservists at the base camp and log-pond.

⁸ Figures based on log exports (Source SGS) indicate that there is a **minimum** of K 138,000 paid into the PNGFA reforestation levy account for Iva Inika to date, (the reforestation levy and infrastructure levy are paid on a per cubic metre harvested basis); and for this year's logging operations January until May, 2003, a minimum of K50,000 for the agricultural development fund and K 25,000 for the infrastructural development fund.

9. BROADER FORESTRY SECTOR ISSUES FOR PNG FOREST AUTHORITY AND DEPARTMENT OF ENVIRONMENT AND CONSERVATION CONSIDERATION

The following is a list of issues identified by the Review Team during its work on TP 3-27 Iva Inika, which are of broader concern than this specific project. These will be addressed as forestry and conservation sector issues in the Draft Observations and Recommendations Report to be produced by the Review Team towards the completion of the Review.

- Field monitoring officers of the key agencies responsible for monitoring logging operations (PNGFA and DEC) appear to be under-resourced in terms of numbers of available officers⁹, vehicles and funds to enable them to travel to remote areas.
- Fellers and skidder operators are paid on production, which does not always facilitate careful felling and skidding.
- There are misunderstandings between the logging company and the landowners, due in part to language differences.
- Lack of any form of independent advice to landowners on a wide range of issues related to forestry, logging and its impacts. With no-one to turn to, they feel that disrupting the logging operations is the only way open to them to try and get grievances heard.
- The Register of Forest Industry Participants under the Forestry Act 1991 is not maintained by way of annual renewals.
- Landowner Company co-managed Trust Accounts are either not set up or not managed in a way that ensures that the people of the project area receive meaningful long-term development benefits.
- The lack of an independent agent to advise landowners.
- PNGFA document security and incompleteness of relevant documents held at PNGFA headquarters.
- Lack of information dissemination on the requirements of Timber Permit, Key Standards and the Environmental Plan and its approval conditions. The Review Team observed that Logging Company employees and landowners appear to know of the existence of these documents, but generally have not read or understood the contents.
- Lack of information sharing between Landowner Company and landowners at large e.g. with village councils.

⁹ PNGFA report that now logging in the New Guinea Islands has declined significantly, they have spare officers. However most are married and there is no accommodation available in the Southern Region for them to move into.

- Lack of operator knowledge of Key Standards (especially fellers and machine operators).
- Commercial trees (ie above 50 cm dbh) left standing and undamaged after a set-up has been logged and the logging machinery transferred to a new set-up are not assessed and apparently the logging company is not being charged royalty for these trees.
- Fires following logging operations, particularly during periods of intense drought are a cause for concern throughout Papua New Guinea.

APPENDIX 1: SELECTION OF PERTINENT PHOTOGRAPHS