

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 14.

TIMBER PERMIT (TP) : TP 1- 07 WAWOI GUAVI
TP HOLDER : WAWOI GUAVI TIMBER COMPANY LTD
LOGGER AND MARKETER (L&M) : WAWOI GUAVI TIMBER COMPANY LTD
L&M PARENT COMPANY (If Different) : RIMBUNAN HIJAU (PNG) LTD
DATE OF FIELD REVIEW : APRIL 2004

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	Yes
Timber Permit Holder	(*)	
Landowner Company	Yes	No
PNG Forest Authority	Yes	No
Dept Environment & Conservation	Yes	Yes
Provincial Administration	Yes	No

(*) In this case the Logging 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 PNG Forest Authority Port Moresby, PNGFA field officers, the Department of Environment and Conservation, Wawoi Guavi Timber Company (WGTC) Ltd, the Local Level Governments, and the landowners of the Wawoi Guavi timber project area.

CONTENTS

1. Legal Basis, Parties and Contractual Relationships
2. Sustainability of Log Production
3. Field Work
4. Review Team Observations
5. Landowner Voiced Concerns
6. Provincial Administration District Office
7. Observations Regarding Silviculture
8. Compliance Monitoring by Other Government Departments/Authorities
9. Broad Recommendations for TP 1-07
10. Broader Forestry Sector issues for PNG

- Appendix 1: Selection of Pertinent Photographs
- 2: Draft Report From Department of Labour and Industrial Relations
 - 3: Draft Report From Department For Community Development and WGTC's Response

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 Environmental Contaminants Act 1978 and the Water Resources Act 1982 (as amended). The relevant documents enabling and prescribing TP 1-07 Wawoi Guavi are set out in Tables 1, 2 and 3.

The logging project is governed by the Timber Permit issued to Wawoi Guavi Timber Company Ltd. Under the original Timber Permit the company is required:

- To harvest and export logs, and to establish and operate a saw mill (Cl. 4).
- To assist with sawn timber, machinery works, and construction of church, community hall, aid post, class rooms, teachers houses, accommodation for aid post personnel, upgrading of the airstrip sporting facilities and other village development projects like fisheries and crocodile farming (cl. 4.5 and 4.6).
- To pay reforestation levy of K0.50 per m3 to the PNGFA.
- To pay royalties as prescribed (cl. 13).
- To pay premium of K1.00 per m3 to the land owner company for the life of the project.
- To lodge with the Managing Director a performance bond for K231,000 or such sum as the Managing Director requires by notice in writing by 60 days of the permit date.

There have been several amendments to the benefits that landowners receive from the logging operation since the above-mentioned Timber Permit was issued. One such amendment the “Premium and other Benefits Agreement dated 13 November 1998” with W.G. Development Ltd the Logging Company provided increased rates of premium payments and additional benefits to those stated above.

The most recent amendment, “Agreement to Amend Timber Permit No.1-7 by Mutual Agreement between the PNGFA and WGTC LTD”, (April 30 2004) contains the following relevant clauses;

Log Harvesting: Clause 4.1.1 as amended;

Permit Year	Maximum (m3)	Minimum (m3)
1-10	350,000	100,000
11-13	350,000	100,000
14-20	250,000	100,000

Log Export: Clause 4.2.1 as amended;

Permit Year	Maximum Export Volume (m3)
1-10	300,000
11-13	250,000
14-20	150,000

Sawmilling: Clause 4.3 as amended (the term Sawmilling changes to processing);

The Permit Holder shall process not less than the volume as specified and in accordance with the following table:

Permit Year	Kamusie - Sawmill	Panakawa - Veneer Mill
	Sawmill	
1	25,000	Not applicable
2	30,000	"
3	35,000	"
4	40,000	"
5-8	50,000	"
9-10	30,000	70,000
11-20	30,000	70,000

Premiums;

- To pay landowners a premium of K6/m3 of logs harvested throughout the Permit Period to be distributed as follows:
 - Permit Holder shall pay each designated Landowner Company (six companies named in the schedule 8 a-f, of the Mutual Agreement) K1/m3 based on log harvest volume.
 - 60% of the K1.00 shall be paid directly to landowners of designated areas through clan agents.
 - 40% of the K1.00 shall be paid to each landowner company for administrative costs.
- To pay Reforestation Levy of K1/m3 of log harvested; Clause 4.7 as amended.
- To pay royalties of K10/m3 of log harvested.
- The Permit Holder to pay K120,000 annually to Waterways Landowners as ex-gratia payments.
- Permit Holder to pay Community and Infrastructure Development Levy (Clause 4.5 as amended) of K1.25/m3 of logs harvested into a Trust Account to be operated and managed by a Project Funds Committee.

TABLE 1: KEY DOCUMENTS

DOCUMENT	PARTIES	DATE OF ISSUANCE/ SIGNING/ APPROVAL	DATE OF EXPIRY	DOCUMENT LOCATION
TRP Agreement	Landowners and the State	14 August 1981 Blk 1 10 Dec 1985 Blk 2 and 17 August 1989 Blk 3	All TRPs would expire after 40 years	Held at PNGFA
Timber Permit	Wawoi Guavi Timber Company Ltd	10 April 2002 and extended by Ogio on 4 February 2002	9 April 2012	Held by PNGFA
Environmental Plan (EP), Wawoi Guavi Consolidated Timber Project	Approved by Minister for Environment & Conservation (E&C)	13 th October 1993	TP period	DEC Archives Note: Under the Environment Act 2000 (in force from 1/1/04) the EP is deemed to be an Environment Permit.
EP Approval Conditions	Set by Minister for E&C	13 th October 1993	TP period	DEC Archives
5 Year Logging Plan	Approved by PNGFA Managing Director	28 th Nov. 2000	27 th Nov. 2005	Held by PNGFA, Kamusie
3 Year Forest Working Plan	Approved by PNGFA A/Managing Director (T. Warra)	23 rd April 2004	22 nd April 2007 ¹	Held by PNGFA, Kamusie

¹ New ALP approved during the Review Team's visit, 23 April 2004.

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
Contingency Areas ²	Approved by PNGFA Managing Director	22 nd August 2001	27 th Nov. 2005	Held by PNGFA, Kamusie
Agreement regarding Log Export Premium payments	Logging Company and Landowner Company	13 November 1998	No expiry date	Held at PNGFA
Quarry Agreement	Kamusie landowners and WGTC Limited	4 September 1998	Quarry lifespan (no estimated date)	WGTC Limited, Kamusie
Agreement for Logging Sub-Camp (Block 3 East)	Tirimavi Limited landowners/ their Authorised Agent and WGTC Limited	13 November 2003	Operation period	WGTC Limited, Kamusie

² Contingency areas (logged –over) to compensate for the supply deficiency from the regular planned areas.

Agreement for use of Kamusie as industrial base camp.	Logging company and Landowners at Kamusi under Godae Holdings Ltd	21 October 1999	31 December 2012	Godae Holdings Ltd-Kamusie Base Camp. WGTC office, Port Moresby.
Agreement for use of Bamu and Wawoi Rivers	Logging Company and Waterway Landowners along the Wawoi and Bamu Rivers	01/01/2003	9 April 2012, or if logging ceases.	Waterway Landowners-Kamusie Base Camp.
Agreement for use of land at Panakawa for the factory and Jetty	The Independent State of Papua New Guinea and relevant landowners of Diwami, Matakai, Bibisa, Sipoi and Gagaro villages.	25 th /10/97 (50 years lease)	24 th /10/2047	Landowners at Panakawa
Settlement Agreement/ Deed of Release for use of land at Panakawa for Veneer Mill and Jetty.	Rimbunan Hijau Timber Processing Ltd and clan agents from Diwami, Bibisa, Sipai, Gagoro and Matakaia villages.	15 th /10/2001 (50 years lease)	14 th /10/2051	Landowners at Panakawa

TABLE 3: WATER EXTRACTION AND WASTE DISCHARGE PERMITS

PERMIT No.	DATE OF ISSUE	EXPIRY	COMMENT
WD-48	27/7/04	At project end	Water discharge for Kamusie Industrial site and Base Camp
WD-49	27/7/04	At project end	Water discharge for Kapolasi Camp
WD-50	27/7/04	At project end	Water discharge for Kubeai Camp and Turama Sub-Camp
WD-51	27/7/04	At project end	Water discharge for Shuttle Station/Camp
WD-52	27/7/04	At project end	Water discharge for rainfall runoff during logging operations – entire project area
WE-48	27/7/04	At project end	Water extraction for Kamusie Industrial site and Base Camp
WE-49	27/7/04	At project end	Water extraction for Kapolasi Camp
WE-50	27/7/04	At project end	Water extraction for Kubeai Camp and Turama Sub-Camp
WE-51	27/7/04	At project end	Water extraction for Shuttle Station/Camp

2. SUSTAINABILITY OF LOG PRODUCTION

This logging project was set up under the old Forestry Act. However when the original 10 year Timber Permit was granted in 1992, the National Forest Policy 1991 was already in place, and hence it cannot be said that the granting of the permit was in accordance with the forest policy. The rights to harvest logs were acquired by the State in August 1981 (Block 1), December 1985 (Block 2), August 1989 (Block 3) and the Timber Permit allowed the resource to be cut over a period of 10 years (April 1992 to April 2002). Minister Ogio extended the permit in February 2002 for a further 10 years (April 2002 to April 2012).

Although the company pays a reforestation levy of K1.00 per cubic metre of log harvest (recently raised from K0.50/m³), there has been no reforestation carried out to date using these funds. Reforestation is the responsibility of the PNG Forest Authority.

The most recent estimate of the volume of commercial timber remaining in TP 1-07 is approximately 862,600 cubic metres³. The recent Agreement to Amend Timber Permit No. TP 1-07 by Mutual Agreement between PNGFA and the Permit Holder provides for an annual allowable cut of 350,000 cubic metres per annum for three years, which will reduce in permit year 14 (2005-2006) to 250,000 m³ per annum. Consequently the forest resource will be exhausted by permit year 15 (2006-2007).

Wawoi Guavi Timber Company's (WGTC) estimate of the remaining resource is 1.15 million m³, and that the resource will be cut out in year 17 (2008-2009).

3. FIELD WORK

The field inspection for TP 1-07 was undertaken during the period 14 April to 24 April 2004. As well as meetings with the logging company managers and staff, and with landowners, the field inspection involved the following:

- An inspection of two set-ups prepared for logging but not yet approved (Set-up Nos. SO3/04 60 and 61).
- An inspection of set-ups approved but not yet logged (Set-up Nos. SO3-04/179,C103).
- An inspection of a set-up closed after logging (Set-up SO3/04/56).
- An inspection of current logging operations (Set-up Nos. S03/04/42 and C99).
- An inspection of roads and bridges along the Kamusie to Musula, Kamusie to Wawoi Falls and Kamusie to Panakawa. These roads are the principle roads that lead to where most landowners reside.
- An inspection of the log ponds and barge loading facilities, at Kamusie and Panakawa.

³ PNGFA resource inventory late 2003.

- An inspection of the Panakawa and Kamusie Timber Processing facilities.
- An inspection of the waterways through which logs are rafted and barged, stations 1 to 5.
- An inspection of logging camps.
- Visits to a number of villages; see chapter 5.

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, 2 and 3. 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.

It was noted by the Independent Review Team (2002/2003) on the 6 extension projects that Court proceedings have been taken out by certain landowners of Block 3 in the Waigani National Court challenging the validity of the Timber Rights Purchase Agreements and the Timber Permit under OS 121 of 2002. This is still pending.

With regard to TP 1-07 Wawoi Guavi, the Review Team's observations were that:

- Even though due process appear to have been followed, the 10 year extension of a Timber Permit originally granted under the old Forestry Act using s78 of the current Act is legally questionable, as pursuant to s137(1) 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. This was the legal opinion of the Independent Review Team that reviewed the 6 extension projects (December 2002 – March 2003). The Solicitor-General has now produced his opinion that the extensions are legal, and a clarifying amendment to the Act is being planned.
- The Minister for Forests approved the "Agreement to Amend Timber Permit 1-7 by Mutual Agreement between the PNGFA and WGTC Ltd" on 18th May 2004. Whilst amending the AAC, the agreement does not place the project on a sustainable basis.

4.2 LOGGING COMPANY

The logging company, Wawoi Guavi Timber Company Ltd (WGTC), is responsible for observing the requirements of the Timber Permit.

The observations of the Review Team are that:

(a) Planning and Control of Logging

- Planning and control of logging is centralised at the Kamusie base camp.
- The current operation is divided into four logging areas and WGTC has engaged a sub-contractor, Pacific Wood Contractor Ltd (PWC), to fell, extract and haul the logs in one of the logging areas⁴.
- WGTC has 9 survey crews preparing set-ups for logging. Eight of these teams are led by expatriates and one survey team leader is a Papua New Guinean. According to information received at interviews (Field Team Leader and the PNG national team leader and the expatriate who is currently a/OIC survey division), none of the survey crew, neither the expatriates nor the PNG national, has any qualifications in forestry, or has received any formal training in the application of the Planning, Monitoring and Control Procedures for Natural Forest Logging in PNG. WGTC notes that the PMCP is “just a guideline”.
- Set-ups are prepared using the Logging Code of Practice manual prepared by the PNGFA and DEC, however there is a lack of training in, and comprehension of, the PMC Procedures for Natural Forest Logging Under Timber Permit and the LCOP, for example minimum buffer zones for class 1 and 2 streams⁵.
- The Review Team noted that at the time of the field visit, there were only two new logbooks for set-ups which had been submitted to the Project Supervisor for approval. Many set-ups had been approved and were in varying stages of logging, and many set-ups were pending approval for closure. When the two new set-ups that were awaiting approval were inspected, it was found that they had been logged in February 2004, in breach of the PMCP requirements.

It was clear that there were insufficient PNGFA officers based at the site to properly implement the PMCP requirements, and under these circumstances breaches can only be expected.

Other Key requirements not being met were observed to be:

- Excessive soil pushed into watercourses by bulldozers as a result of road or skid track construction. WGTC notes that it avoids this as much as possible.
- Log clusters used as crossing.
- Logging within buffer zones of Class 1 and 2 of rivers/streams (photo 3)⁶.
- Lack of correct buffer zone marking for Class 1 and 2 streams/rivers.
- Logging debris not removed from stream or watercourses.
- Skidders were not following marked skid tracks/lines causing excessive damage to vegetation.

⁴ Review Team’s field observations and discussion with Project Supervisor and PWC staff.

⁵ Confirmed verbally, and by field inspections.

⁶ WGTC notes that where this occurs it is typically at the insistence of the landowners (who may be part of the felling/skidding crew). There are examples of the landowners complaining to the PNGFA that merchantable trees have been left unlogged, when in fact the trees were inside buffer zones.

- Lack of vine cutting during set-up preparation and prior to applying for set-up approval. WGTC notes that vines are not cut if felling the tree will not affect residuals.
- Log landings not ripped⁷.
- Lack of culverts in some areas of the road therefore ponding or pools of stagnant water were observed. In some instances these areas are tidal.
- Excessive erosion occurring in a number of places where soil is exposed either through roadside clearance, log landings or road re-route (photo 5). WGTC acknowledges this. Road re-routing is avoided as much as possible.

(b) The Log Ponds

Three main log ponds (Kamusie, Block 3 river dump and Panakawa) visited were generally clean when the Review Team arrived. The team also visited the Km 56 Shuttle Station or the transit log station, and the Base Camp.

Key requirements not being met were:

- Vegetative clearance is excessive. WGTC notes that it has cleared to the limit approved by the PNGFA.
- Lack of buffer zone along rivers/streams.
- Lack of adequate toilet facilities for employees working on site. WGTC notes that the toilets at the shuttle station are new, and that it will construct an additional toilet at Block 3 East Log Pond.
- Inappropriate fuel bund constructed at Kamusie camp. Lack of concrete floor to stop accidental spillage seeping through the soil and into Guavi River (see photo 14). Spillage prevention measures are being formulated by WGTC.
- Old tugboats pulled up along the Guavi River bank have fuel/oil leaking from the engines. This during rainy period this will be washed into the river. WGTC note that precautionary measures have been taken.
- Intensive ship/boat maintenance activity occurring along the Guavi River bank at Kamusie posing a very serious threat to the local users down the river. WGTC notes that a new dry land repair facility is under construction.
- Lack of fuel containment bund (56 Km Camp). Fuel spillage noted during field visit. WGTC notes that a permanent fuel storage facility at this new camp site is yet to be constructed.
- Run-off from the veneer mill and its associated facilities drained directly into the Wawoi River. During the team's visit it was observed that the run-offs were heavily polluted with wastes fuel/oil from veneer mill activities. WGTC notes that it has a proper waste dumping site 2 km from the river, and that high precautions are taken.

⁷ A recommendation to change this requirement is made in the Review Team's final report.

(c) The Logging Camps

The logging camps visited were Kamusie, Km 56 Shuttle Station and the Logging Sub-Camp at Block 3 East. The Panakawa Veneer Mill establishment and its camp were also inspected.

Key requirements not being met were:

- Pit-toilets constructed for most of the national employees. Toilets located near waterways or drains that lead into the Guavi River. A convenient route for pathogenic organisms to enter the river system. A potential threat to the downstream users of the river. WGTC notes that toilets located near waterways will be closed. New toilets are about to be constructed at Kamusie Camp.
- Straits Marine accommodation (15-20m. from Guavi River) toilet system was faulty resulting in effluent being channelled into the Guavi River. WGTC notes that corrective measures are in progress.
- Although water supply is provided there are inadequate sanitation facilities national employees. WGTC notes that there is little effort by workers to maintain sanitary conditions.
- Waste fuel/oil from the workshop area observed channelled into a drain that eventually runs into a creek.
- Lack of bund containment for the fuel tanks, power generator shed, and other places where fuel/ diesel were stored and used. The company is taking action.
- Camp wastes (e.g. empty food cans/ tinned meat) not disposed in an appropriate area at Km 56 Shuttle Station.
- Lack of buffer zone for both classes of river and stream.
- Extensive clearance of forest for gardening by employees⁸.

(d) Landowner Financial Benefits

At most meetings landowners expressed support for the company (WGTC) to continue logging as there was no other form of development for them. However landowners claimed that access to information with regards to cash benefits they are entitled to is being denied to them by clan agents and/or landowner companies.

Some landowners claim to have no access to information on volumes harvested soon after the scaling is carried out and they have no independent verification from PNGFA field supervisors as to whether the Timber Royalty payments made represent what has been scaled. However, WGTC notes that the information is made available, and that there are examples of landowners monitoring production from their areas.

Another matter brought to the attention of the Review Team is the common practice of "landowners" living in Port Moresby and other centres like Daru and Kiunga who regularly borrow money against timber royalty and premiums from lending agencies at 60% to 100% interest rates without approval from clan agents. A senior officer from

⁸ Both the PNGFA and the company have made efforts to control this. However, a number of the gardening employees are also landowners. In some cases non-landowning employees are given permission to garden on a produce sharing basis.

Rimbunan Hijau confirmed that this practice has been going on for sometime and the company finds itself wasting so much time having to deal with lending agencies and unauthorised agents confronting the company officers to collect the debts.

In addition to the above certain landowner company executives who spend most of their time in Port Moresby also regularly make commitments against timber royalty or export premiums without the approval of the board of directors of the company.

Financial benefits received by landowners include the following:

- K10/m³ Timber Royalty of log harvest.
- Log export premiums etc. (see section 1 of this report).
- Land lease payments for land at Panakawa - K12, 600.00/annum (400 hectares).
- Land lease for airstrip at Panakawa - K3, 000.00/annum.
- Land Lease at Kamusie - K2, 600.00/annum (173 hectares).
- Annual cash payment for access to waterways and cash payments for anchorage along the Bamu River (Stations 1 to 5) - K120, 000.00/annum.

(e) Landowner Infrastructural Benefits

While landowners welcomed the construction of roads and bridges they were not at all happy with the fact that these infrastructures are sustainable only as long as the company is using them to extract logs from the area. There are roads that are starting to break up that the company no longer uses. Landowners were concerned that there is no consultation between the company and the provincial government to identify which roads and bridges should be made more permanent for future development of the area. Landowners made a strong plea to the National Government to contribute part of the export tax money into developing sustainable infrastructures and social development in the project area.

- Company data indicates that some 2100 km of roads have been constructed for logging purposes, plus a further 580 km of village access roads. Roads are not gravelled and are not trafficable in wet conditions. The main reason is the lack of a local source of gravel.
- All bridges and culverts (clause 4.4.3 Timber Permit) except one were constructed out of logs. Company data indicates that 162 bridges and 134 culverts have been constructed.

Under the Amendment to Timber Permit 1-7 by Mutual Agreement there is K1.25/m³ for a Community and Infrastructure Development levy. It is of serious concern to landowners that this amount will be inadequate to complete the community projects listed in Schedule 7 of the Mutual Agreement.

(f) Royalty Payments

Besides timber royalty, landowners where there is no logging taking place have been receiving ex-gratia payments for access to the waterways (1989 to April 2004) while those who own the land where Kamusie and Panakawa camps are located collected lump sum payments upon signing the land lease agreements. Details of financial benefits are shown below.

The following table indicates amounts of timber royalty received by landowners to date and what the national and provincial governments have collected in terms of withholding tax and provincial government tax. Note that the provincial government share was abolished in 1996.

TIMBER ROYALTY COLLECTION AND PAYMENT REPORT 1992 TO SEPTEMBER 2003.

Year	Volume M3	Royalty Collected	Paid to L/owners	Nat. tax	Gov. share	Prov. Gov. share	Balance Due to be paid
1992		36,197	34,387				1,810
1993	344,077	1,084,936	773,017	40,685	271,234		00.00
1994	349,896	1,154,811	812,946	42,787	285,244		13,834
1995	392,310	912,578	648,029	35,189	190,001		3,359
1996	336,842	2,354,962	2,229,551	115,056			10,354
1997	734,048	3,817,707	3,486,727	183,512			147,468
1998	213,370	2,411,146	2,024,532	106,554			280,060
1999	274,291	2,742,318	2,605,202	137,116			
2000	276,455	2,764,547	2,626,320	138,227			
2001	305,643	3,056,435	2,903,604	152,821			10
2002	433,289	4,332,891	4,116,246	146,113			70,531
2003	232,300	2,323,156	2,206,854	116,150			152
Total	3,892,521	26,991,684	24,467,415	1,214,210	476,479		527,578

Source: PNGFA Head Quarters - Division of Finance.

Year	Balance due	Due to L/owners	Due to Nat. Gov.	Due to Prov. Gov.
1992	1,810		1,810	
1994	13,834	9,857	519	3,459
1995	3,359	3,359		
1996	10,354	7,662	2,692	
1997	147,468	140,094	7,373	
1998	280,060	266,057	14,003	
2001	10.00	10		
2002	70,531		70,531	
2003	152	144	8	
Total	527,578	427,183	96,936	3,459

Company records show that the total royalty payment for the period shown in the above table was K24,988,000.

It should also be noted that other cash payments made to landowners and export tax to the National Government include the following (Source: Wawoi Guavi Timber Co Ltd);

- Premiums and levies paid to landowners – K9,767,000 (1993 to 2003).
- Export Tax paid to National Government - K119,371,000 (1993 to 2003).
- Industrial Land lease at Kamusie - K26, 000.00 for 10 years (173 hectares).
- Industrial Land lease at Panakawa - K126, 000 for 10 years (400 hectares).
- Land lease for airstrip at Panakawa - K30, 000 for the first 10 years.

Company data also shows payment of corporate tax of K11,741,000 for the period 1993 to 1998, and no further payments since 1998.

(g) Environmental Monitoring and Management Programme

- Except for Panakawa Timber Processing Plant, the Review Team found no evidence of the existence of an Environmental Monitoring and Management Programme for this logging project.
- The Environmental Plan Approval Conditions pertaining to environmental management are as follows:

EP Condition	Number	Project	Compliance/ Comments
The company shall employ an Environmental Management officer.....	5	WG TRP	One employed. Three (3) trained surveyors performing the job in Kamusie.
	10	Panakawa	None. Administration Officer performing the task on site
Submission of detailed progress report of the EMMP activities (6 monthly)	17	WG TRP	No evidence of continual compliance sighted since EP was approved.
Submission of detailed progress report of the EMMP activities (annually)	4	Panakawa	No evidence of continual compliance sighted since EP was approved.

It is WGTC’s understanding that the Environment Act 2000 has abolished the requirement for an EMMP. The company is currently preparing a Waste Management Plan for it’s Panakawa mill.

(h) Other Compliance Issues Observations

- The Forestry Regulations require the lodgement of a Performance Bond, and delivery of an original copy to the PNGFA Managing Director. WGTC has provided evidence that a performance bond was set up on 25 February 2004 for the sum of K231,000.

(i) Company Search

A company search shows that Wawoi Guavi Timber Company Ltd (Previously registered as Wawoi Guavi Timber Company Pty. Ltd.) has current IPA registration. It has a share capital of 2,498,072 issued shares held by Rimbunan Hijau (PNG) Ltd (1,248,985), Hiew King Tiong (1) of Malaysia, Maru Kumul of PNG (15 shares), William Lay of PNG (25 shares), John Reid K.P. Nominees Pty. Ltd (15 shares), Western District Village Development Corporation Ltd (20 shares) and Straits Contracting (PNG) Ltd (1,249,011 shares). Its Directors are Francis Kiew Chiong Tiong, James Sze Yuan Lau, Hiew King Tiong, Thai King Tiong, Ivan Su Chiu Lu, Ik King Tiong, Alvin David Toms, Gerald Alain Denis Keet, Archie Enriquez, Martin Richard Pedlar, Patrick Kay, Adel El-Bashary, Hester Kuhon, Aino Kaiba, Sirini G uaga, Roderick Stuart Patterson, Timothy John Glenn Mathew May, John Reid and Chiong Ong Tiong. Its last annual return was lodged in 20th August 2003.

The company is currently registered as a Forest Industry Participant under the Forestry Act 1991 (first listed on 24th August 1993 Registration Number FI - 053).

A company search shows that Pacific Wood Contractors Ltd (previously registered as Pacific Wood Contractors (PNG) Pty Ltd) has current IPA registration (company number C1-9340, Certificate No. 000710). Its registered office is Robert Wong and Associates Cuthbertson House Port Moresby. It has a share capital of 200,000 issued shares held by Noadswood Pty Ltd (199,997), John Grant Fuller (1) and Robert William Kelly (1) and Yew Chi Min (1).

A company search also shows that Straits Marine (PNG) Ltd (previously registered as Negliw No21 Pty Ltd) has current registration with IPA (Company No 1-10998); registered office section 479, allotment 1, Kennedy Road Hohola. Its total share capital is 386,850; Hiew King Tiong (2) and Rimbunan Hijau (PNG) Ltd (386,848).

4.3 PNG FOREST AUTHORITY (PNGFA)

The PNGFA is responsible for ensuring that the requirements of the project 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.

The observations of the Review Team are that:

- The PNGFA office is located at the WGTC complex at Kamusie Base Camp. There is a Forestry Station located away from the company complex, which has five houses in reasonable condition. There is a Project Supervisor and one Monitoring Officer for the project and one 10 seater Toyota Troup Carrier which is in reasonable working order but the registration expired in May 2003.
- The officers advised the Review Team that they found it impossible to implement all the necessary monitoring and control procedures required for the project, as

the Annual Allowable cut is 350,000 cubic metres⁹. They therefore select a few set-ups in each application batch to monitor for approval and closure and have approved and closed set-ups without field verification.

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 Environmental Plan has been archived.
- DEC does not have regular compliance monitoring visits. It seems that they only respond to requests and on a compromised position in terms of travel costs.
- DEC has not visited the project site for monitoring purposes since March 2001 when a trip was taken upon a request from WGTC Ltd to investigate a complaint pertaining to cultural sites by landowners¹⁰.
- DEC does not undertake field inspection to verify the estimated volumes of water proposed in the WUP Application for anticipated abstraction and discharge of wastes.
- Non-compliance of the Environmental Plan Approval Conditions observed:

E.P Cond. No.	Condition	Remarks
2	In any case of environmental non-compliance or environmental damage, the company shall take immediate remedial measures and notify the Secretary DEC soon thereafter.	No evidence observed of compliance or immediate remedial measures taken as highlighted above.
3.	Any proposed variation from the approved Environmental Plan will require the prior written approval of the Secretary who shall determine the required assessment and approval procedures and advise the company accordingly.	Non-compliance evident. A classic example being the establishment of logging camps and log ponds. (PNGFA permission is however obtained).
12	All sanitary/sewage waste will be treated using a septic tank system or chemical toilets. Discharge of the untreated wastes to a stream or river is prohibited.	Not all employees have proper septic tank system. Additional facilities are under construction.

⁹ An internal PNGFA report (1995) recommends that a project of this AAC requires 8/9 monitoring officers.

¹⁰ DEC findings were that the landowners were not genuine in claiming the existence of cultural sites, and that the landowners were using cultural sites as a means to try and get financial payments from the logging company (compensation).

4.5 LANDOWNER COMPANY

Under the "Agreement to Amend Timber Permit No. TP1-7 By Mutual Agreement" there are 6 landowner companies and named agents registered representing various blocks in the project area. However since the above agreement was drafted, landowners at Kamusie who are included in the Mubami Timber Resources have registered their own company, Godae Holdings Ltd. Landowners from Panakawa have also since formed another landowner company called Panakawa Resources Ltd. Potentially, this will create conflict and disputes amongst clan members when it comes to the distribution of premiums. The company search conducted on Wawoi Guavi Development Ltd indicates that this landowner company is not registered with IPA and yet it is listed in Schedule 8D in the "Agreement to Amend TP 1-7 by Mutual Agreement".

Landowner Company	Block Being Represented	IPA Registration	Registered Office	Last Annual Return	Forest Industry Participant/ First Listed
Tirimavi Ltd	3B East	1-41381, 12 th Jan. 2002 Current	Section 10,11 Allot.26 Gerehu	No Annual Return lodged	FI 01305 16 th July 2001
Kasua Dev. Corporation Ltd	2B & 3B	1-23222, 8 th Feb.1985 Current	Suite1, Shiam Kattapuram & Associates, TLI House Badili	11 th January 2002	No record of registration
Mubami Timber Resources Ltd	1A, 1B, 2,2A &3A	1-42919 6 th /06/01 current	Sect.479 Allot.1 Kennedy Road Gordons	No Annual Return lodged	FI 01299 13 th June 2001
Wawoi Guwavi Development Ltd	1A, 1B & 2A	Not registered with IPA, but listed as one of the six LOCs in the mutually agreed revision to TP 1-07	No record	Nil	No Record of registration
Temesene Development Ltd	3	1-43456, 6 th Aug. 2001 Current	Suite4, Level 1, Malangan House Environ. Law Centre Ltd	No Annual Return lodged	No record of registration

Bua Enterprises	2A & 3A	1-20843 10 th Sept. 1993 Current	Wawoi Guavi Timber Co. Ltd. Sect.479, Allot.1 Kennedy Road	No Annual Return lodged	FI 424 28 th March 1995
Godae Holdings Ltd	Land at Kamusie Camp	1-47202 4 th Sept.2002	Sect.139, Allot.13 Gari Street Hohola	No Annual Return lodged	
Panakawa Resource Ltd					No record of registration

5. LANDOWNER VOICED CONCERNS

The visit to Wawoi Guavi TP 1-7 and the meetings that followed were well attended by landowners and their representatives. Some meetings took up to five hours because interpreters were required to translate from pidgin or English to the local dialects. Besides the village meetings the Review Team had daily visits by landowners and employees after hours to express their concerns.

Most meetings began with an assertion that the landowners supported WGTC but welcomed the opportunity to air their grievances to the Review Team.

The use of physical force by the Police Task Force to intimidate employees and landowners was one of the major issues raised by all members of the community. The people most certainly welcomed the presence of police in the area but not in the manner they were behaving and under total control of the company. The concerns raised by landowners in this report are not new. Previous investigations and correspondence by a former PNGFA project supervisor on the issue was circulated to relevant authorities including the Police Commissioner, Managing Director PNGFA and General Manager of Rimbunan Hijau PNG Ltd with the expectation that something would be done about the use and actions of the police force at Kamusie and Panakawa. This has not eventuated.

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

- Werio village
- Kubai village
- Sogai village
- Parieme village
- Musula village
- Awaro village
- Duwena village
- Wariho village
- Upper and Lower Bamu River (includes representatives from Stations 1 to 5).
- Wawoi Falls (included landowners from 3 different language groups).

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:

- Landowners were concerned that the Port Moresby based "landowners" and those who frequently travel to Port Moresby continue to borrow money from money lending agencies at very high interest rates¹¹ and are making commitments against royalty and export premium without the knowledge and approval of clan agents.

WGTC notes that landowner direct debits to the company include cash advances, airfares, building materials, fuel and petrol. The company reports difficulty in collecting landowner debts.

- Landowners and employees expressed serious concern that the company's engagement of the police Task Force at Kamusie to control and restrict the movements of people in the evening by declaring night curfew.

WGTC explains that the locally based police force are unable to prevent or control landowner threats to company property. The Royal PNG Constabulary is short of funds, and the only way to arrange an increased police presence is for the company to cover the costs of the Southern Regional Task Force.

- Landowners at Wawoi Falls complained about the Operations Manager of Wawoi Guavi Timber Company Ltd (Mr Ling) discharging a firearm and threatening the community in the presence of the Police Task Force. WGTC notes that there is rampant stealing of company property in the bush (especially fuel). It refutes the discharge of a firearm by the Operations Manager.
- Landowners and employees expressed appreciation of the presence of the police at Kamusie to uphold general law and order but not in the manner in which the police have been used by WGTC Ltd in the past. Landowners and employees at Kamusie are concerned that the Operations Manager and Personnel Officer employed by WGTC Ltd are currently undergoing training as police reservists and are due to become officers in June. They see this as a serious conflict of interest and feel threatened.

The company is of the view that if these persons can maintain law and order, then the presence of the Task Force will no longer be required.

- Landowners questioned whether the Police Task Force had the authority to conduct court sessions, determine penalties and enforce curfews in the area.
- Landowners questioned why expatriates were allowed to gamble heavily on "cock fights" (see photo 9) whilst local people were fined for gambling on playing cards. The company notes that police permission was sought and given. As of June 2004 all cockfighting has been banned.

¹¹ The Review Team has evidence of this.

- Landowners claimed that bags of illicit drugs that were taken from the traders by police were often not presented in court or the amount presented did not add up to what was initially confiscated.
- Young people from the project area were concerned that the company was bringing in expatriate workers to perform jobs that can be done by qualified Papua New Guineans. They claimed that the company has not demonstrated any effort to train locals for these jobs. Foreigners driving jinkers, dozers and serving behind canteens and trade stores in the bush is clear evidence of these concerns (see photo 11 and Department of Labour Report Appendix 2).

The company notes that it prefers qualified and motivated Papua New Guineans as they are significantly cheaper to employ.

- Landowners expressed concern about the increase in the number of fatherless children left behind by foreign workers after temporary “marriages” with local women. They would like to see the company establish some form of policy as in the mining industry where there are strict rules about these relationships.
- Landowners expressed concern that the National Government has been collecting log export tax from the project over the last 10 years and had provided nothing for the area in terms of government services, infrastructure and sustainable development. They also claimed that Members of Parliament, both provincial and national have done nothing to improve services to areas that have contributed revenue to the national and provincial budgets through log export taxes. They claim that education and health services remain stagnant and sustainable business and agriculture development for the area do not exist.

The company notes that it built 8 houses for Government employees in the early 1990s, but that these have not yet been occupied.

- Landowners expressed serious concern that the infrastructures such as roads, bridges and community buildings are not sustainable because of the following:
 - None of the trunk roads under section 4, clause 4.4.2 in the Timber Permit are gravelled and trafficable by all wheel drive vehicles during the rainy seasons. And that the roads are only trafficable as long as the company uses it to extract logs from the area.
 - Except for one bridge, none of the bridges are permanent and that there are no permanent culverts installed under section 4, clause 4.4.3 in the Timber Permit.
 - The quality of building materials used to construct classrooms, teachers' houses and other residential houses are inferior, for example the roofing iron, which shows signs of rust after a few years.
- Landowners were concerned that relevant authorities have failed to monitor the performance of the company to ensure that it implemented the terms and conditions of the Timber Permit; lack of monitoring on the way the actual logging is being carried out; and lack of quality of the infrastructures built in the project areas. It is correct that there are not enough PNGFA officers on-site to properly

monitor and control the logging operations, and that visits from other Government Departments and Authorities are rare.

- Landowners were concerned about the lack of agriculture, fisheries and business development projects in the area. However, this is as much due to the lack of real markets from this isolated location, and the apparent lack of willingness of the landowners themselves to make an effort.
- The landowners in every meeting expressed disappointment about the lack of government services and financial contributions made by the national and indirectly the provincial governments despite the annual income of about K10 million collected from the project area.
- Landowners expressed concern about the lack of government presence in the area. Residential buildings and a clinic constructed by the company for government agencies to use, remain empty.
- Landowners expressed concern about the slowness in implementing the Reforestation Program in the project area. Questions were asked as to why the Reforestation Levy is not paid to landowner companies so they can implement the reforestation program. [At the same time landowners were sceptical of the landowner company's ability to deliver any outcome given the performance to date]¹².
- Landowners were concerned about the destruction caused to burial grounds and sacred sites despite protests made to the company. Project supervisors also failed to assist landowners prevent the logging company from logging within prohibited areas. Landowners claimed that in most cases the company used the Police Task Force to discourage landowners protesting against the company's approach to logging within prohibited areas.

The company notes that it liaises with the Landowner Companies, and the respective clan elders and agents. Landowners also sign the Cultural Site Identification Form for each set-up.

- Landowners asked why they do not get any levy from processed timber. They would like serious consideration for this levy to be included in the Timber Permit.
- Landowners at Panakawa and Kamusie were unhappy with the rates being paid for the land on which the camps, airstrips, veneer mill and the sawmills are located. Landowners at Panakawa claimed that the K126,000.00 paid to them for a total of 400 hectares over 10 years is insufficient. Landowners at Kamusie were paid a lump sum of K26,000.00 over 10 years for 173 hectares.
- Landowners at camp 56 and other bush camps wanted to know why the company is not paying any lease for their land. They claimed that any agreement they signed for the land to be used freely by the company was signed under duress in the presence of the Police Task Force.

¹² See discussion and Recommendation on Reforestation Levies, later in this report.

The company notes that there has been no duress, and that landowners have signed willingly. The Kamusie Police Station Commander or the PNGFA Project Supervisor generally witnesses the signing to add legitimacy.

- Concerns were raised about the company's involvement in vanilla farming. Landowners questioned whether this was a registered activity under the company's Timber Permit. Landowners wanted to know why the Member for Middle Fly provided the vanilla cuttings to the company and not to his constituents.

The company notes that it has prepared a vanilla experimental plot to be used for landowner training at the company's cost. Landowners in other areas have already benefited in this way.

- Landowners at Panakawa, Kamusie and Camp 65 were concerned that the company is not paying a fair price for the huge areas of land it uses for its activities. They would like to see a re-classification of Panakawa and Kamusi as industrial land with a higher rate of payment than what is currently being paid.
- The waterway landowners expressed concern that there is evidence of an increase in the build up of sandbanks along the Bamu River. So much so that the tugs and barges can no longer navigate in the middle of the Bamu River but along the riverbanks where it is deeper. They claimed that fifteen to twenty years ago, barges were navigating through the middle of the river. They also expressed concern about the increase in erosion along the riverbanks especially where the 5 stations are located (see photos 20, 21).

Shifting sandbanks, however, are a natural phenomenon of slow flowing rivers.

- Landowners expressed concern that the company has not removed the dumb barges that were abandoned along the Bamu River (e.g. photo 18). These remain navigational hazard for boat operators.

WGTC notes that efforts to move the barges have been unsuccessful to date.

Spin-off opportunities

- There are no significant spin-off activities that landowners are participating in except for 2 trade-stores that are owned and operated by people not related to the project area. The only landowner who had a legitimate licence to operate a liquor shop had his beer and spirits confiscated by the Police Task Force and the manager of Wawoi Guavi Timber Company at Kamusie. His liquor shop remains closed. There are no spin-off businesses directly linked to the sawmill, logging and veneer mill.

With regard to the liquor store, the company explains that it bans the use and sale of liquor to all employees and outsiders within the industrial site.

6. PROVINCIAL GOVERNMENT DISTRICT OFFICE

The Review Team spent a great deal of time and effort in trying to communicate with the Western Province Provincial Government and Administration. A brief meeting was held in Port Moresby with two administration officers early 2004, but since then there has been no further communication despite many phone calls initiated by the Field Team Leader and the Landowner Specialist.

The absence of Provincial and National Government at Kamusie Camp is evident from the empty houses at the government compound, which was constructed by WGTC Ltd. A permanent clinic also constructed by the company was empty for years until families of company employees moved in. Several residential houses remain empty while teachers are occupying others

Two LLG members were party to meetings at Panakawa and Kamusie and teachers at Kamusie also provided valuable comments.

Relevant comments offered by the LLG representatives and teachers were as follows:

- Kamusie Primary School was built purposely to serve the children of company employees and villages within the vicinity of the Kamusie Camp. Current intake consists of 75 % of employees' children and 25% from the surrounding villages. The company constructed all the buildings, including classrooms and teachers' houses.
- At a meeting with the four teachers currently stationed at Kamusie a number of concerns that directly affect the performance of teachers and the causes of teachers leaving and not wanting to come to Kamusie were raised. The same issues were raised in a letter to the Teaching Commissioner copies sent to a number of prominent leaders. To date no response has been received and the issues remain unresolved.

The issues raised by teachers and supported by the community at meetings include the following:

- The Kamusie school has become a multi-grade school due to the fact that there are only four teachers in the school; seven teachers short of the normal requirement. The four teachers have no choice but to run the classes that exist. Grade 5 students have not had any classes up to the Review Team's visit. Given this situation an application was made for the teachers to be paid according to the conditions of a multi-grade system. The application has been refused because this is not an approved multi-grade school.
- The major disincentive for teachers coming to this school is the fact that teachers at times can go without salaries for up to 2 months. All arrangements to get the teachers pay cheques every fortnight without having to send teachers to Balimo and back have not been resolved.
- Teaching materials that are essential part of children's education have not been delivered due to transport difficulties and prohibitive costs that the school cannot

afford. The company has provided some assistance in this area in 2003. It also provides free transport for cargo intended for the community schools.

- Lack of communication makes it difficult for teachers to contact the Education Division in the province and to organise urgent school supplies. They requested a VHF radio to be installed for this purpose and for other emergencies.

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 Review Team noted that there is noticeable damage to the residual stand as a result of selective logging. This is similar to that caused in logging operations in most other areas of PNG visited by the Review Team.

The company is of the view that given only about three trees per hectare are harvested, that damage is minimal.

- The Natural Forest Management Branch of the PNGFA has recently (27 March – 6 April 2004) conducted awareness on the technique of "Reforestation Naturally" and there are plans to use the Reforestation Levy to pay landowners to treat recently logged areas in the coming wet season.
- Re-entry into recently logged set-ups is destroying natural regeneration, which includes important timber species such as *Anisoptera thurifera* (mersawa).

WGTC notes that these areas were very lightly logged in the late 1980s, and that re-entry was approved by the PNGFA.

8. BROAD RECOMMENDATIONS FOR TP 1-07 WAWOI GUAVI

Wawoi Guavi Timber Company Ltd, a subsidiary of Rimbunan Hijau (PNG) Ltd, has contributed significantly to the development of the Wawoi Guavi Timber Permit area during its logging operations, its sawmill operations and more recently its Veneer Mill. The company has provided considerable inputs of cash to the landowners and also provided (and continues to provide) employment for many people both from Papua New Guinea and overseas.

The company with its associates Straits Marine and Pacific Wood Contractors is welcomed by the people as the only source of "development" in their area, particularly with the notable absence of either a provincial or national government presence. The nearest government station is Balimo, which can only be reached by plane or by a long river trip.

The timber resources of the Wawoi Guavi Timber Permit are expected to be cut out by the end of 2007 or 2008. A considerable amount of money has been paid into the PNGFA Reforestation Trust Account and with the shortly to be realised increase to K1.00 per m3 there will have been over a million kina paid into the Reforestation Trust account from this Project.

Given the above findings of the Review Team it is recommended:

- That any police being paid by the PNG government who are stationed at Kamusie, Panakawa or elsewhere in the Wawoi Guavi TP area and who are provided with allowances by the company, be replaced by trustworthy Royal Papua New Guinea Constabulary police who are provided with relevant allowances by the PNG government so that the government of Papua New Guinea regains control of law and order.
- That this be considered a matter of national security and expedited as soon as practicable in order to ensure the safety of genuine landowners who are at risk until the situation is satisfactorily resolved. The company notes correctly that it is entitled to the same service from the law enforcement agencies as the landowners.
- That the current Review into The Royal Papua New Guinea Constabulary conduct investigations in the conduct of the Police Task Force, Reserve Police and Community Police stationed at Panakawa and Kamusie with regards to human rights abuse raised by landowners and company employees. WGTC supports this recommendation.
- That WGTC Ltd recruits qualified and experienced national forestry graduates to carry out the set-up preparation in strict accordance with the Planning Monitoring and Control Procedures for Natural Forest Logging Operations under Timber Permit and the PNG Logging Code of Practice.
- That the PNGFA increase the number of monitoring officers for this project either on a permanent or rotation basis so that monitoring strictly adheres to the procedures mentioned in the paragraph above.
- That Clan Agents, Landowner Company representatives, Wawoi Guavi Timber Company Ltd and PNGFA institute a mechanism to control the abuse and cash advances made against export premiums and timber royalty. The company notes that it is prepared to explore the establishment of a trust account for this purpose.
- That relevant stakeholders ensure that outstanding infrastructures and community projects will be established within the period remaining for the logging operation, that is by end of 2007.
- That the national and provincial government consider placing relevant government officers at Kamusie and Panakawa to plan and implement community projects and provide government services in the project area.
- That the Department of Transport carries out an investigation along the waterways of the Wawoi, Guavi and Bamu rivers and recommends ways in

which the company can improve its management of the river systems, including the shipbuilding activities at Kamusie before the situation deteriorates (photos 12, 13, 15, 18, 20, and 21).

- The WGTC, the Teaching Commissioner and the District Education Division cooperate to resolve the issues affecting the performance and continuous operation of Kamusie Primary School.
- That PNGFA accelerate its plans to implement its proposed Reforestation Program in the area.
- That the National Government set aside a portion of the export levies to assist the Provincial Government to participate meaningfully in the development of the area by co-funding the infrastructures and socio economic projects.
- That the Department of Environment and Conservation (DEC):
 - Process the pending WUP Applications (as shown in Table 3B) lodged by WGTC Ltd since 07 September 2000.
 - Check its records to ascertain if money is owed to the State from operating without WUP to-date and take appropriate action.
 - Take appropriate action against WGTC Ltd for failing to comply with the EP Approval Condition in not employing a trained Environmental Management Officer on site, and operating the Panakawa Veneer Mill without an Environmental Plan.
 - Request WGTC Ltd a separate Plan for the ship building/ maintenance facilities along the Guavi River bank at Kamusie.
 - Initiate water quality studies on the Wawoi and Guavi River systems to determine the extent of pollution caused logging, processing plants and other related activities.
 - Visit the Project area immediately to confirm or otherwise the observations made by the Review Team and take appropriate action.
- That WGTC Ltd recognise that any proposed activity not stated in the Environmental Plan is considered a variation and therefore shall require DEC's assessment and approval. This is a condition explicitly stated in the EP Approval Conditions.
- That Rimbunan Hijau Timber Processing Ltd takes immediate action to restrict wastes fuel/oil from draining into the Wawoi and Guavi Rivers.

9. BROADER FORESTRY SECTOR ISSUES FOR PAPUA NEW GUINEA

The following is a list of issues identified by the Review Team during its work on TP 1-07 Wawoi Guavi, which are of broader concern than this specific project. These will be addressed as forestry and conservation sector issues in the Observations and Recommendations Report to be produced by the Review Team towards the completion of the Review.

- The Reception given to the other government departments, particularly the Departments of Labour and Industrial Relations and Foreign Affairs (including loud applause), at the first landowner/workers meeting held at the market at Kamusie is a clear indication of the need for active participation by national and provincial government departments and statutory bodies on site in logging operations.
- The devaluation the Kina, since the K10 royalty per m³ was introduced in 1996 has resulted in the real value of royalty to landowners being reduced to around K4.00/m³ at present day Kina values.

APPENDIX 1: SELECTION OF PERTINENT PHOTOGRAPHS

**APPENDIX 2: DRAFT REPORT FROM THE DEPARTMENT OF LABOUR
AND INDUSTRIAL RELATIONS**



DEPARTMENT OF LABOUR AND INDUSTRIAL RELATIONS

Private Sector Training and Monitoring Division

2nd Floor, Credit House, Curthbertson Street
P.O. Box 5644, BOROKO, National Capital District, Papua New Guinea
Telephone: 6753202033, Facsimile: 6753201062

INSPECTION REPORT

INTRODUCTION

The Department of Labour and Industrial Relations (DLIR) is a member of the review team on ongoing logging projects in Papua New Guinea. The Department (DLIR) is mandated by the Employment of Non Citizens Act, Chapter 374, National Training Policy, section 6.101 and 6.102 and the Gazetted guidelines for Three Year Training Plan and Work Permits. Our operational and administrative performance is guided by the three-year training plan format and guidelines 2000 and the work permit guidelines 2000.

The inspection is part of the review of current logging projects undertaken under the auspices of the Department of National Planning and Rural Development and facilitated by the Forest Review Team. The Department of Labour and Industrial Relations is a member of the review team that undertook the inspections on Wawoi Guavi Timbers Limited logging operations at Kamusie in the Western Province.

The Department of labour and Industrial Relations (DLIR) conducted the inspection to:

- Verify and ensure that the non-citizens currently employed by Wawoi Guavi Timbers do have valid work permits and are physically performing in the position occupations approved under the company's three-year training plan submission
- Determine if the company is actively conducting and implementing their training program
- Address general training and training related issues
- Determine the level of safety practices and implementation of safety and hygiene policies.

- Address general employment issues and concerns.

This report is for the respective stakeholders and relevant state agencies including the logging project review team leader and the Top management Team of the Department of Labour and Industrial Relations to peruse and take appropriate actions consistent with the recommendations for the company to comply and take corrective measures to conform to respective legislative requirements/ agreements and obligations.

1. Background to Inspection

The issuance of work permits for engagement of non-citizens is in essence, importation of skills and skilled personal to impart those skills to PNG citizen employees to acquire through various modes of training. This is accomplished through the process of training and localization after the Department formally approves the positions and issue work permits to respective non-citizens.

Wawoi Guavi Timbers training plan and work permits for non-citizens expired at the end of March 2004. A review training plan submission for renewal of positions were submitted to the Department and the positions were approved on the 2nd March 2004. A copy of the approval letter is attached in attachment 'A' for your ease of reference. Wawoi Guavi Timbers applied for 70 non-citizen positions. However, only 59 of the 70 positions were approved. The Department also identified 28 positions from this approval for immediate localization and advised the company that these 28 positions will not be considered for renewal when this current term of approval expires in March 2007.

This inspection on Wawoi Guavi Timbers is absolutely necessary and important to enable the DLIR to make a physical assessment on so many alleged violation of position occupation and work permits by non-citizen employees. It is also important to assist the Department make informed decisions on their company's non citizen manpower requirements in relation to position occupation and training implementation and localization.

The inspection on Wawoi Guavi Timbers was undertaken from Saturday 17th to Wednesday 21st April 2004. We began with an organized public meeting with the landowners and others at the market building on Sunday 18th April commencing at 9.30 in the morning. We then travelled to Panakawa veneer processing factory and met with the operations manager and his management staff at approximately 2.30 pm. At 7.00 pm, we held a meeting with representatives of citizen employees and the management in the company conference facilities at Panakawa.

On Monday 19th April 2004, we made physical inspection of the veneer processing factory and the employees living quarters. Our inspections on the veneer plant and the living quarters was to verify information obtained during our meeting on Sunday 18th April and to make a physical assessment of the issues raised during the meeting. Our discussions with the management at Panakawa featured mainly on the various aspects of training and localization, company safety and hygiene efforts and non-citizen position occupation.

We requested for supporting documents on non-citizen employment status, position occupation and safety aspects of their operations, but were only provided with non-

citizen employee listing. On Tuesday 20th April 2004, we met and held discussions with the operations manager for Wawoi Guavi Timbers, Mr. Ling Kuck Poh, the personal manager, Mr. Michael Pythias and Mr. Gabriel Samol from the RH head office in Port Moresby. We inspected the sawmill, the workshop facilities and residential areas in the afternoon.

The Information contained in this report was obtained through discussions with the operations manager, Mr. Ling Kuck Poh, the personal manager, Mr. Michael Pythias, Mr. Samol and other resource personal from the company, various land owning group representatives, the employees, concerned citizens and other reliable sources. We also obtained information through visual observation, photographs (not available) and documents made available to us for this purpose. The consultation with the company management was held in their office at the company office at Kamusie and included discussions on their position approval and current position occupation.

2. Brief Statement of Main Findings

The findings from the inspection covers broad range of issues including:

- ◆ *Employer information*
- ◆ *Counterpart training and position localization*
- ◆ *Position occupation by non citizens*
- ◆ *Implementation of company safety policy*
- ◆ *Workers compensation, wages and leave fare entitlements*
- ◆ *Living conditions and hygiene issues.*

B. METHODS

At the time of this inspection, the company's training plan review submission was already approved by the DLIR and their work permits were being finalized.

The non-citizen position occupation and on the job physical performance formed the basis of our discussions.

We discussed issues with the company management through organized meetings, held informal sessions with various other stakeholders and concerned citizens during the day as well as in the nights at Kamusie.

The company's operations manager and personal manager were requested to provide information in the company office at Kamusie, while employees and other sources provided information at different times and at different venue including the camp operation sites.

Questions relating to non-citizen position occupation and issues relating to citizen counterpart training arrangement was the focus of our discussion with reference to the renewal of work permits and non citizen physical performance.

The questions asked to them differed depending on the subject and issue at hand. The consultation session with the company management lasted more than 3 hours, as it

required thorough consultation on the company's genuineness on citizen and counterpart training implementation.

C. FINDINGS

The findings in this report on Wawoi Guavi Timbers is confined to issues that fall under the jurisdiction of and is administered by the Department of labour and Industrial Relations. Likewise, these findings are from information obtained from the company and concerned citizens as indicated and has no element of bias and fabrication in it.

The various attachments are evidence of information that can be used for referral and cross-references.

1. Employer Information

Company Name	-	Wawoi Guavi Timber Company
Address	-	P.O. Box 1617, Port Moresby, NCD.
Head Office Location	-	Rimbunan Hijau head office, Gordon, NCD.
Contact Person	-	Mr. Ling Kuck Poh
Designation	-	Operations Manager
Telephone Number	-	8571318
Business Industry	-	Forestry/ Logging
Year Commenced	-	1989
Date of Inspection	-	Saturday 17 th to Wednesday 21 st April 2004

2. Company Training Plan Review Submission

Wawoi Guavi Timbers training plan review submission was submitted and approved on the 2nd of March 2004. 59 positions from the 70 positions requested were approved. This now paves the way for the company to apply for work permits for those approved 59 positions. The company's current Training plan and position approval may be further assessed and re-evaluated in accordance with the findings of the inspection and recommendations in this report.

Information obtained and verified during the inspection indicates that there are more non-citizens employed than the number of positions approved. There are also a lot of inconsistencies and mismatch in the figures provided by the company as opposed to the positions applied for and approved by the Department of Labour and Industrial Relations. There is sufficient evidence that all these non-citizen employees are not physically employed with Wawoi Guavi stipulated in the Employment of Non Citizen ACT.

A list of non-citizens provided to us by the operations manager, Mr. Ling Kuck Poh indicates the following composition of non-citizens employed by Wawoi Guavi Timbers.

Wawoi Guavi Timbers	-	31
Niugini Lumber Merchants (NLM)	-	13
Straits Marine	-	18
Frontier Holdings	-	14

Putput Logging	-	4
Rimbunan Hijau (RH)	-	9
Timbers PNG	-	5
Monarch	-	7
Forest management	-	4
San Hin	-	1
ISF	-	1
Fonsen Logging	-	2
Rivergoi 6	-	1
IFR	-	1
Timberland Holding	-	1
Total		112

The above indicates (attachment B 1,2 &3) that the company has total disrespect for the Employment of Non Citizen ACT that Governs the application and administration of the training plans and issuance of work permits. The transfer of non-citizen employees from one employer to another without the written approval of the DLIR is a breach of the Employment of Non Citizen ACT, Section 5B, Subsection 3(a), Section 7, Subsection 3(a), Work permits guidelines, clauses 5.1, 6.1 and 6.2. These provisions also apply to subsidiary companies as well. The violations of the above legislative requirements by Rimbunan Hijau group of companies for which the above listed companies are subsidiaries is no exception as their management has constant dialogue and consultations with the Department on these issues.

The above figures effectively means that only 31 non-citizens are legally employed by Wawoi Guavi Timbers while an exception can be given to the 18 employees of Straits marine subject to the relevance of the responsibilities. The rest of them should NOT be employed at Wawoi Guavi Timbers. Their work permits must be cancelled and they are deported from Papua New Guinea. Even the operation manager's work permit is issued under Niugini Lumber Merchants and he is physically employed at Wawoi Guavi Timbers.

The inspection was timely and undertaken as part of the review of ongoing logging projects to address non-citizen employment and general employment related issues in the forestry/ logging industry. Similarly, the inspection was also done to assess the progress on the implementation of general training and counterpart training arrangements for position localization by citizen employees who had been identified as understudies to respective positions and who have been employed for many years.

3. Position Occupation by Non Citizens

The non-citizens employed by Wawoi Guavi Timbers occupy positions ranging from low level and supervisory to management. The company's top-level management positions and certain middle and supervisory level positions are genuine, while most other positions are exaggerated to obtain approval to employ non citizens. Certain non-citizens have been visually identified performing duties that should be done by citizen employees. Thus, raising questions on the genuineness of training implementation by the company. The 49 non-citizens from other companies employed by Wawoi Guavi Timbers also raises questions on the company's efforts and credibility in training and

transfer of skills to Papua New Guineans as a pre requisite for renewal of work permits. The exaggeration of position titles and occupation to obtain position approval demonstrates disrespect for the spirit of training and process of training implementation provided for under the gazetted three year training plan and work permit guidelines.

We acknowledge and appreciate the positive aspects of training undertaken by the company in providing employment and teaching new skills to citizen employees especially the landowners and people of Western Province. However, this has not been fully realised through delocalisation and continued occupation of positions by non-citizens under false pretence through unapproved transfer from one company to another.

We visually saw citizen employees skilfully and competently performing and demonstrating their skills on various machines and equipment including the following:

- Bandsaw machine operators and mechanics
- Jinker drivers
- Loaders and bulldozers operators
- Saw doctors
- Heavy duty and light vehicle Mechanics
- Chainsaw operators and mechanics
- Millwright workers, machine installation and maintenance workers
- Log haulers
- Truck drivers
- Skidding supervisors

At the time of this inspection, the following irregularities were detected in relation to position occupation illegal employment by Non-citizens and are a violation of provisions of the Employment of Non Citizen ACT and position exaggeration by Wawoi Guavi Timbers.

Names	Company	Approved position	Duties performed
Ling Kuok Poh	Niugini Lumber Merchants	Operations Manager	Operations Manager
Lu Yue Zhen	Timber PNG	Store Supt	Storekeeper
Mateh Jinggah	Wawoi Guavi Timbers	Skidding Supt	Dozer Operator
Samak Sli	Timber PNG	Skidding Supt	Dozer Operator
Ling Gou Chang	Wawoi Guavi Timbers	Oriental Chef	Storekeeper – C 56
Juan Tabih	RH PNG Limited	Forester	Dozer Operator

The above cases are classic example of work permit abuse by the company arising from their management's ignorance and disrespect for the law.

Circumstances could not allow us to physically check all non-citizens individually.

Non-citizens of Asian nationalities have been visually sighted working in all the canteens operated by the company in all the logging camps and at Kamusie camp.

We were also reliably informed that many non-citizens had fled the Kamusie camp by tug boats before the review teams arrival and true to their words, there was only a handful of non citizens seen physically working in the workshops and logging operation sites. This behaviour is outrageous and should be condemned at all cost.

4. Citizen Employees Training Implementation

At the time of this inspection, documented listing of citizen employees were made available to us with citizen employees totalling more than 500 (attachment C – E).

Our consultations with the citizen employees at various work locations including the sawmill and logging camps reveal that issues on training, training implementation and localization is non-existent at Wawoi Guavi Timbers. The citizen workforce is not aware of any information or consultation on training or counterpart training arrangements, let alone any formal training arrangements.

The number of citizen employees (500) compared to the 112 non-citizens is not impressive in so far as training implementation is concerned. While only one (1) citizen employee is occupying a management position as the personnel manager, the bulk of citizen employees occupy mainly the middle level, semi skilled and casual occupations. This scenario has created confusion and doubt on the company's genuineness on the counterpart training arrangements and training in general.

There is also information on unskilled and unqualified non-citizens being employed by the company, only to be trained by skilled and competent citizen employees. If there is any truth in this information, then they have made a mockery of the whole system and regulations governing the principle of training. Citizen employees cannot openly verify this information for fear of reprisals and dismissal from employment. However, popular concern has it that this matter has some level of significance and can be proven.

The high turnover rate for the company's citizen labour force is another issue worth mentioning as it creates an atmosphere of uncertainty for employees to perform to capacity whilst the company also cannot make counterpart appointments due to the unstable employment environment arising from the turnover situation. This situation contributes to a general lack of organised training by the company to identify potential persons for counterpart training arrangements to localize designated positions.

So many issues were raised in relation to training and localization, indicating a general dissatisfaction on the current training arrangements within the company. There are so many skilled people who need to be recognized for their skills through the apprenticeship training and trade-testing concept.

The lack of interest in apprenticeship training may be attributed to the following factors:

- Lack of dialogue between the company and DLIR through the National Apprenticeship and Trade Testing Board Secretariat (NATTB).
- Lack of understanding by the company on the usefulness and benefits of the apprenticeship concept of training.
- Lack of awareness on the new concept of trade testing by the NATTB to recognize people with trade skills.

In respect of the above, the National Apprenticeship and Trade Testing Board Secretariat needs to play a more active role to disseminate proper information to new clients including employers in the forestry/ logging sector.

5. Position Localization

As a consequence of lack of organized training by the company and the high rate of turnover, there is no evidence of position localization by citizen employees and most importantly the resource owners, considering the length of time the company has operated in the area. The landowners also echoed the lack of training implementation and position localization and an aggressive collaborative effort is needed by respective stakeholders to address this matter before they labour is continued to be exploited.

6. Implementation of Company Safety Policy

The level of safety practices and implementation at Wawoi Guavi Timbers is appalling and cannot be measured against any standard. Wawoi Guavi Timbers safe work practices is non-existent and this concerns were raised openly in the presence of the operations manager and Mr. Samol from Rimbunan Hijau's head office in Port Moresby. The above company representatives acknowledged these concerns, but they gave no indication on their initiatives or plans to remedy this appalling situation that is evident everywhere in the company's operations.

Ironically, workplace safety and hygiene is a component of training that should be practiced and implemented to compliment quality work output and increased productivity in any formally organized institution and operations. We were told of so many negative issues on the company's ignorance to personal and workplace safety and hygiene, let alone the visual observation on employees working without safety boots, glasses and earmuffs.

Physical observations on the various job sites reveal absolutely no regard for safety and safe work practices. Reliable information from discussions reveal that the company has done very little to facilitate and promote safety at the workplace, leaving the employees vulnerable to accidents and injuries. Discussions also revealed that the company does not have a company safety policy to manage and implement various aspects of safety and hygiene.

At the time of this inspection, the company was not able to provide documented evidence of their efforts in purchasing safety apparels and equipment to assist their employees. ***We noted that "safety first signs" were erected or painted in the sawmill and the various workshops. However this is not a true reflection of what they claim to promote.*** The safety signs only portray a false image with no meaningful implementation of safety policies. This behaviour by the company is totally unacceptable and must be penalised by the department under the appropriate provisions of the Occupational Safety and Hygiene Act.

Some of the safety issues identified include but is not limited to the following:

- Almost all the employees, both citizens and non-citizens were working without safety boots, earmuffs, glasses helmets etc under very hazardous and appalling working conditions.
- Inadequate safety signs/ posters or markers in the entire operational locations.
- Workshop is not line marked

- No safety or training coordinator within the company to oversee the various aspects of safety and safe work practice
- No safety practices applied while working in the logging camps
- Where and if safety apparels are supplied, there is no strict adherence supervision by the respective supervisors.

7. Concerns

Concerns were raised on various issues to be addressed by respective stakeholders and agencies but the concerns in my report relate to only labour and employment related matters.

7.1 Concerns Raised by Wawoi Guavi Timbers Management

The concerns by Wawoi Guavi Timbers included the following:

- a) Lack of consultation, support and coordination from the respective Government Departments and agencies on non citizen employment and safety and employment welfare issues
- b) No consultation with NATTB on apprenticeship and trade testing matters
- c) Lack of periodic inspection to improve coordination

7.2 Concerns by Wawoi Guavi Timbers Employees and Others

Concerns raised by the employees included the following:

- Labour turnover
- Unfair dismissal
- Wages disparity and irregularities
- Leave entitlements and deduction for food rations
- Living conditions and hygiene

a. Concerns on workers compensation

In the absence of a provincial Labour Office in that province, all matters relating to workers compensation application and payment was referred to the company's personal manager for registration before he can liaise with the workers compensation office in Port Moresby. There were concerns raised on the personal managers mishandling and ineffectiveness in negotiating with the workers compensation office in Port Moresby.

b. Leave entitlements

No leave tickets and entitlements are paid to citizen employees hired by the company from outside of Western Province. These included employees from East and West New Britain, Morobe, Manus and East Sepik Provinces.

The employees are left to spend their entire leave period in the camps while awaiting the resumption of duties. This situation is made worse by the fact that what they earn in salaries is totally insufficient to cater for their travel and living expenses and is in breach of the terms and conditions of employment.

c. Unauthorized excessive salary deductions

The company has also deviated away from its core business of harvesting and processing timber and has set up consumable retail canteens in all logging camps. The employees are forced into receiving food rations from the company canteens without being told or making any form of agreement on the prices of goods received. When the employees receive their pay slips, they realise that the deductions on the goods are exorbitantly higher than the normal prices of goods. There are no prices of goods displayed in the canteen for the employee's convenience to budget their salaries before receiving the goods from the canteen.

This is absolute cheating and dishonesty by the company, and this issue must be immediately addressed collectively by the DLIR, IPA and IRC and penalise the company for their actions.

d. CPI Increases

Numerous matters were raised on the non-payment of consumer price index awards and increases. This matter was raised in all the areas visited within the company operations. Citizens who were employed some eight or ten years ago are still being paid on the same wage rate and have not seen any increases despite the various CPI awards over the years.

This matter has been brought to the attention of the company personal manager on numerous occasions, but to no avail. This matter needs to be aggressively pursued by the DLIR to eliminate wage discrimination and have the company penalised for their discriminatory behaviour.

e. NASFUND

There are two categories of employees within the Wawoi Guavi Timbers operations. One category is employed on a fixed wage and the other is paid on a piece meal arrangement. The employees paid on piece meal arrangement are paid on the volume of logs cut, hauled and transported. They include the sawyers, haulers, loader operators and jinker drivers. The company for unknown reasons does not deduct this category of employees NASFUND contribution. We discussed this matter and have sighted payslips to verify this matter. This matter must be brought to the attention of authorities at NASFUND to have the company justify their actions.

f. Unfair Dismissals and Turnover

There are a lot of claims on unfair dismissal of employees by the company management resulting in a big turnover of citizen employees. This is a concern amongst employees especially the landowners of the project area who deserve to be given a fair treatment.

Employees also raised concern on the discriminatory behaviour and approach displaced by the sawmill manager, Mr. Jackie Huong Hwa Chin, resulting in swearing, abuse and unfair termination.

g. Living Conditions and hygiene

A tour of the living quarters and the employees living conditions is appalling with overcrowding and is totally unsafe, given an epidemic developing in the camps. A room about 6 X 4 metres accommodates 6 single employees, while a room approximately 4X 3 metres accommodates an entire family of average 5 people and this is an example of the conditions the employees are being accommodated.

There is claim of the drinking water being contaminated with oil and dust blown from the sawmill blower. There is truth in dust being blown from the sawmill blower at Kamusie camp to the living quarters of employees. Proper scientific test needs to be conducted to verify and ascertain the level of contaminants in the area.

D. CONCLUSION

The participation by the Department of Labour and Industrial Relations in the review of ongoing logging projects is worthwhile and important. While DLIR is faced with resource problems, collaborative opportunities like this review is important to implement policies to ensure compliance of regulations and policies.

The lack of follow up action on the concerns raised by the employer and employees portrays a negative image on the responsibilities and commitment of the Department of Labour and Industrial Relations.

Wawoi Guavi Timbers corporate responsibilities to training, training implementation and training and localization are very minimal. Likewise, their responsibilities towards their employee's welfare, safety and hygiene and employment conditions are appalling and cannot be measured against any standard. The company's treatment towards citizen employees in many aspects of their employment reflects labour exploitation and slavery, and should be condemned at all levels.

Discrimination of citizen employees must be eliminated at all cost and non citizens applying discriminatory behaviour be deported out of this country.

The company is not adhering to facilitating their corporate responsibilities with other Government Agencies as well and makes a mockery of the whole system governing their operations. In doing so, Wawoi Guavi Timbers has violated provisions of the Employment of Non-Citizen Act, Section 5B, Subsection 3(a), Section 7, Subsection 3(a). Work permits guidelines, clauses 5.1, 6.1 and 6.2

E. RECOMMENDATIONS

1. The Department of Labour and Industrial Relations to direct Wawoi Guavi Timbers to make a company presentation on the findings in this report and comply with any directives given by the Department.
2. Wawoi Guavi Timbers position approval is reviewed consistent with above recommendation and corrective measures be taken.

3. The Department of Labour and Industrial Relations to cancel and revoke the work permits of 63 non-citizens from other subsidiaries currently employed with Wawoi Guavi Timbers and have them deported.
4. the work permit of Mr. Jackie, Huong, Hwa Chin is immediately cancelled and he be deported immediately.
5. The Department of Labour and Industrial Relations to direct respective divisional heads to conduct routine inspection visits to the company operational sites.

**APPENDIX 3: DRAFT REPORT FROM THE DEPARTMENT FOR
COMMUNITY DEVELOPMENT, AND RESPONSES FROM WGTC LTD**



DEPARTMENT FOR COMMUNITY DEVELOPMENT

P.O.BOX 7354 BOROKO, NATIONAL CAPITAL DISTRICT PH: 325 4566 FAX: 325 0133

GENDER AND DEVELOPMENT DIVISION

DRAFT INDIVIDUAL PROJECT REVIEW REPORT

COMPANY: RIMBUNAN HIJAU

LOGGING SITES: WAWOI GUAVI & PANAKAWA
(MIDDLE FLY -WESTERN PROVINCE)

DATE OF FIELD TRIP: 17 – 21 APRIL 2004

INTRODUCTION

The Department for Community Development is a member of the Inter Agency Forestry Review Team put together by the Government of PNG to review existing logging operations in the country. The DfCD is a social sector Department which is mandated by the Government to advocate for Social Welfare Development in the country. The operation of the Department is governed by the following legislations and Policies; National Women's Policy (1990) PNG National Council Of Women Act (1979) PNG Platform for Action: A Decade of Action for Women towards National Unity and Sustainability (1995-2005), Convention on the Elimination of All Forms of Discrimination Against Women/CEDAW (1995) Social Development Policy (1993) Child Welfare Act Chapter 276 (1976), Convention on the Rights of Children /CRC (1993), the Civil Registration Act and the Marriage Act of PNG.

Large Project Developments such as mining, petroleum, and logging affect women and children disproportionately. The well being of children and women provide the most sensitive indicators of the human impact of development yet they tend to be neglected in the planning and development process of these projects and issues that directly affect them are generally accorded low priority.

This report will highlight the social impact of the logging operation within the vicinity of the operation (logging population), forest resource owners, employees and their families and the community at large. This individual review report will be circulated to all the major stakeholders of the logging operations before the final Project Review Report is finalised by the Review Team.

PROJECT REVIEW FIELD TRIP

The field trip to Wawoi Guavi & Panakawa took place from the 17 – 21st of April 2004. Situated in the Middle Fly District of Western Province, this logging operation is very isolated and it takes almost half a day to get to the nearest airstrip at Kamusie on a twin otter airplane. The Wawoi Guavi Project has been a difficult one for the Review Team to access because one landowner company (Mubami Resources Ltd) did not want the Review Team go to Wawoi Guavi Project therefore, they took out a court injunction on the Review Team which was later squashed by the Court.

DATA COLLECTION METHOD

Data contained in this report was collected or obtained through meetings/discussions with landowners, forest resource owners and the community at large. Several meetings were organized and held with all the major stakeholders. At these forums, women were mainly asked to talk about their stories based on their lived experiences in relation to the Forest Logging Companies. Issues were picked from the stories told, which were clarified with short questions and answers particular when it was necessary to establish the negative and positive impacts of the logging operation on the lives of people.

FINDINGS

- Wawoi Guavi TRP is very isolated from the District Head quarter, Balimo and the rest of government seats in Western Province. The services provided there is by the Company, Rimbunan Hijau. In fact, people call RH the government in Kamusie.
- The area has a very low population density. People have led a nomadic lifestyle until logging companies moved into the area. There is very little visible activity of local people working and cultivating the land either for subsistence farming or cash cropping.
- Several convenient marriages have been started by the expatriate workers and local women. The women are left to bring up their children on their own after the men leave.
- The Kamusie Health Centre is fully operated by RH. It is currently staffed by a Medical Doctor, 1 Nursing Officer (NO), 2 Community Health Workers (CHW); 1 Clinic Aid and 2 cleaners.

Medicine is supplied by the Company (RH) and the Government. RH has secured assistance from International NGOs like Rotary to supply medicine. However, according to the Doctor at the Health Centre, medicines supplied by

Rotary so far have been expired and it has become a worry because the medicine cannot be used six months after the expiry date.

- Employment condition of health workers needs to be improved. There are no proper toilets and drinking water in their houses.
- Services provided include;
 - i) inpatient Care,
 - ii) dental services,
 - iii) TB clinic,
 - iv) minor laboratory providing pregnancy and malarial tests,
 - v) antenatal clinic, general wards and a labour ward with birthing facilities and
 - vi) the clinic performs minor surgery and caters for referrals from other logging Camps.

The Health Centre provides services to employees of the Company and the community at large (a population of 2000+).

Findings at the Panakawa Veneer Mill

- Working condition of employees is very poor. There are no showers at the workplace for females working on night shifts. Health safety measures are not observed at the work place. At the time of our visit to the Veneer Mill, workers had no boots on, no mouth guard, no ear-plugs, no helmet etc.
- Salaries of employees is 63 toea per hour and working hours is 7 am – 7 pm. No overtime if employees work beyond 7 pm.
- Accommodation condition is very poor. Seven people (single) live in one room (4x4). Similarly, two families share a 4x4 room with a single switch to the light/fan and only a curtain separating them (very poor marriage accommodation).
- Private business is restricted to expatriate workers only, no nationals are allowed to do business at project sites. Expatriate employees are given opportunity to have their turns in stocking the store at the site with their goods to sell.
- There is communication problem between nationals and expatriates (have very limited English knowledge).
- Alleged discrimination practices at Panakawa Veneer Mill, where expatriates of Malaysian origin are allowed to conduct themselves freely than the others which include Papua New Guineans, Indonesians, Filipinos etc. Double standard in terms of sexual relations, an example to demonstrate this, is on two separate occasions, two Malaysians were caught having sex with local female workers in containers at different times. The women were later terminated while the two men remained working. Another case involves employees of Indonesian origin who

had an affair at the camp and the woman fell pregnant. Both had their employment contracts terminated.

- There is allegation of Indonesians (women) recruited as sex workers. Those who fall pregnant, are sent back home.
- There is allegation by national female & male workers that the former boss (the only national) of the Personnel Department was involved in organizing some national female workers to provide sexual favours to the expatriates (Malaysians) at the camp. He physically abused females who refused to entertain his request. NB. This issue became controversial early this year. Malaysians who have been involved in this practice are said to have put ball bearings into their private parts to boost their sexual desires, however, this has had very severe effects on the females they have had sexual contacts with.
- Landowners and employees stated that the Task Force Police were there to protect the Company and their supporters and not citizens of PNG. (Allegation of getting bribery from RH)
- Employees both from Panakawa and Kamusie reported that there were many foreigners in Wawoi Guavi who are illegally in the country. They enter through the Border (Sandaun) and are airlifted to Kamusie and Panakawa by Tropicair (RH private air services)

Income Generation Activities

There is no income generation activity by the landowners. The area is so rich with marine resources, yet landowners are not involved in harvesting these resources to sell at the markets.

Recommendation:

- i) There is an urgent need for the Government to address the situation of landowners, workers and the community at large in the Wawoi Guavi TRP.
- ii) There is an urgent need for the Government to establish it's authority in the area. The absence of Government makes RH think and act as if it is the government there.
- iii) The issues relating to Logging operation must go beyond the boundaries of the National Forest Authority (NFA). The Department for Community Development must have an input in the Project Agreement. At that moment, social issues are addressed in terms of Infrastructure development (schools, aid posts, etc). The social Impact Studies of these logging operations must be part and parcel of the whole package from the very beginning (negotiation phase). This will enable the developer and organizations like DfCD to develop appropriate strategies to minimize the negative impacts of these big developments.
- iv) A certain percentage of the revenue from the Forestry resources must be put aside and be used for the purpose of on site monitoring. These resources will

assist other relevant government agencies to monitor the activities of the logging operations. Monitoring at logging sites is not only the responsibility of the Forestry Authority.

- v) The negative impacts, of big developments is felt by people (men, women, girls, boys, children) first. It is the responsibility of the DfCD to ensure that problems, which result from large developments like logging are controlled or minimized to a level where people are able to continue enjoying what life can offer them. With all the many large developments in the country, there is a need for the DfCD better resourced and equipped to be able to effectively monitor logging operations in the country. The DfCD needs upgraded communication system, which includes having a computerised system where data on social issues could be processed and kept for planning and programming purposes in the affected areas. There is also a need for the DfCD to get access to the Internet.
- vi) Women must be included in all major decision-making from the very beginning of the project negotiation. Women are the closest gender to the environment. The land is their livelihood. Men must never be allowed to proxy for women, they will not be able to represent women's issues as well as women.

COMMENTS AND REACTIONS TO THE DRAFT REPORT OF THE DEPARTMENT FOR COMMUNITY DEVELOPMENT FROM THE WAWOI GUAVI TIMBER COMPANY LTD

Findings:

- RH Government in Kamusie – This speaks about the absence of Government Agencies in the area and that the people in the area call Kamusie as being run by RH Government. The Company neither claims nor endorses this responsibility as this will create bad impression to the Company as an investor. This view is totally unacceptable as it will affect the image of both the investor and the Government of Papua New Guinea.
- Land Cultivation and Subsistence Farming – There are villages involved in land cultivation specifically Kasigi (Wawoi Falls), Kapolasi and Sogae but other people are just roaming around with only few interested in land cultivation.
- Marriages of Local Women – The Company has its policy restricting expatriate employees to engage in local marriages. Despite of the restriction, the human needs prevails and they engage in marrying local women.
- Kamusie Health Center – The Company provides free services to the community and also attends to patients from outside the TRP area. The Company also facilitates the operation of Aid posts at Sogae Village, Kapolasi Village and four sub-camps.
- Living Condition – The Company undertakes the installation of the facilities to improve the living condition of the local people such as additional reservoir, water pipelines, toilets etc.

Findings at the Panakawa Veneer Mill:

- Salaries and Overtime – As far as PNG minimum wage is concerned, the Company has complied with rural wages requirement starting with K0.63 for normal working hours 0700 hrs – 1600 hrs (in between there is one hour lunch break) and overtime pay after every normal working hour i.e. after 1600 hrs. Besides, the Company provides three (3) free basic meals, electricity and treated water as well as medication in the work place.
- Accommodation Condition – The Company has its own basic standard of working accommodation and they are provided free for all the workers in the work place.

The original designated quarters have the Married and Single quarters. The single quarters each is designed to accommodate 6 persons while as the married quarter is designed to cater to two families with proper partition.

Due to “wantok” system, most of the workers like to gather themselves into one room despite of the existing Company policy prohibiting such practice. Some of them were even found bringing in non-employee family members.

- Private Business – The Company has a trade store intended mainly to cater for the National and expatriate workers needs such as food and other daily consumable goods. The Company has its own policy that prohibits all employees to engage in any individual business.

The Company has designated proper market area for the villagers to sell their local products located within the industrial site.

- Communication – Panakawa Veneer Mill is a manufacturing timber factory which mainly requires skilled and experienced employees with knowledge in common language as secondary requirement only. Communication is not a problem among foreign and local employees and is not hindering the transfer of skill program by the Company.
- Allegations of Discrimination – Workers of various nationalities are permitted to conduct themselves freely in the project site except in some places where it is restricted to authorised persons only.

There is no double standard in applying policy relating to sexual relations. The two Malaysians involved in sexual relations were eventually terminated. Another case involved the two Indonesians, who were also terminated.

The sexual allegation against one National supervisor, who was already terminated, was proven unfounded after the court in Port Moresby cleared him of the accusation.

The Company has a standing policy that prohibits female National Workers getting involved in sexual affairs within the factory.

- Task Force and Police – The main intention of the Company in engaging the task force is to keep peace and order in the mill site. Being the host, the Company is obliged to provide them their basic necessities during their stay in the area, such as food, accommodation and incidental allowance.
- Illegal Foreign Workers – All foreign workers in the mill site were legally hired.