COMMISSION OF INQUIRY INTO ASPECTS OF FORESTRY INDUSTRY COUNCIL

INTERIM REPORT NO.6

LOG MARKETING

VOLUME 2B Appendices 2-4

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(HONG KONG) LTD

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APPENDIX 2

SUMITOMO FORESTRY COMPANY (HONG KONG) LIMITED

CORPORATE BACKGROUND

Sumitomo Forestry Company (Hong Kong) Limited (SFC HK) is a wholly owned subsidiary of the Japanese corporation Sumitomo Forestry Co. Ltd (SFC). SFC, though a company listed on the Osaka Securities Exchange, is to a large extent closely held by, and forms part of, the The Sumitomo Group has a Sumitomo Group. long history dating back almost 400 years. It seems, as a result of post war attempts to fragment the large Japanese trading houses, that the association between members of the Group informal. rationalised on an "industry" or "field enterprise" basis but formally linked through significant cross shareholdings which still bind the group together.

An outline supplied to the Commission of the 20 key and 30 satellite companies comprising the Sumitomo Group is at Schedule 1. SFC covers the forestry and related "fields of enterprise" within the Sumitomo Group and is thus one of the "key" companies within the Group. Sumitomo Corporation, another "key" company, also deals in log imports but operates quite independently of SFC. Though it has a long history, SFC was only incorporated as a public company (after World War II) on 20 February 1948.

Among its 20 major shareholders are eight of the other "key" companies and one satellite company in the Sumitomo Group who between them own 32.36% of the capital of SFC. A comprehensive overview of SFC supplied to the Commission is at Schedule 2.

SFCHK was incorporated in Hong Kong in August 1973, and is wholly owned by SFC. Its function is shortly described in the overview as "purchases and sales of forest products and financing".

SFCHK was registered as a foreign company in Papua New Guinea on 16 December 1983.

It had earlier obtained pre registration with DOF (in April 1983) and was later granted (in January 1984) NIDA registration to carry out limited activities in PNG associated with quality control of log shipments, research and development activities and consultancy advice within the timber industry.

SFCHK established an office in Port Moresby in July 1983 and since that time has had a physical presence in PNG.

LOG MARKET POSITION OF SFC AND SUMITOMO GROUP

According to Ashenden (1983) Sumitomo Group was at that time involved in the Papua New Guinea log trade through three (3) companies - SFC (described as Sumitomo Ringyo), Sumitomo Corporation (described as Sumitomo Shoji) and Sumitomo Overseas Forestry Development (described as Sumisho Kaigai Shinrin Kaihatsu). Ashenden describes each as follows:

(a) "Sumitomo Ringyo (Sumitomo Forestry) (S.F.C.)

(i) An integrated forestry company. One of the largest distributors of Japanese domestic logs and active also in building materials and housing. Staff of 574 and total turnover around 220,000 million yen.

- (ii) Ranks with the large trading companies for volumes of imported milling logs, being number 11 in total and number 10 for South Seas.
- (iii) Has 10 branches and sales offices throughout Japan which act as wholesalers for logs imported by the head office. One of the largest primary marketers of PNG logs in the Osaka region. Branches sell to mills if possible or to secondary wholesalers.
 - (iv) Main PNG suppliers are Kumusi and Ulabo.
 - (v) Some involvement with Solomon Island logs through Jardine and others but dropped the Solomons trade in the first half of 1983 in favour of PNG.
 - (vi) Cross-trades with Kokusaku-Mokuzai for PNG and Solomon logs.
- (vii) Part of the Sumitomo group of companies but acts completely independently from Sumitomo Shoji."

(Ashenden Report (1983) Vol.2 p 86).

(b) "Sumitomo Shoji (Sumisho) (Sumitomo Corporation)

- (i) Fifth largest general trading company in Japan, with 6,500 employees and a turnover of 11,350,000 million yen.
- (ii) Imports logs in its own name and also through its subsidiary Sumitomo Overseas Forestry Development. (SOFD) Ranks 10 for total milling log imports from all sources and 8 for South Seas logs (if Sumisho and S.O.F.D. figures are combined).
- (iii) Major volume imported in own name is from Sabah.
 - (iv) Imports PNG logs through S.O.F.D., Osaka, arranged by Gaisho. Tokyo office took one ship from Nam Yang in 1982.
 - (v) The Sumitomo Shoji Nagoya office is an active dealer in Irian logs, some of which they buy using Sanyo Denki Boeki as importer (to avoid intra company rules).

- (vi) Part of the same Sumitomo group of companies as Sumitomo Forestry but acts completely independently of Sumitomo Forestry.
- (vii) Sells PNG logs mainly to wholesalers in Imari and Shimizu and to the Sumirin ply-mill in Komatsujima."

(c) "Sumisho Kaigai Shinrin Kaihatsu (Sumitomo Overseas Forestry Development) (S.O.F.D)

- (i) Subsidiary of Sumitomo Shoji in the same offices, used by them for product checking at production areas, and importing mechanics.
- (ii) Sumisho negotiates the purchases and S.O.F.D. attends to the physical and procedural matters. The business is at Sumisho risk and account.
- (iii) Marketing in Japan is by Sumitomo Shoji."

 (Ashenden Report (1983) Vol.2 p 91).

On 1982 figures cited by Ashenden, SFC imported a total of 984, 154 m3 of logs of which 466,834 (or 47.44%) was from the South Seas Log Market. Of that total 68,083 m3 was imported from PNG constituting 11.75% of PNG's total exports but only 14.58% of SFC's South Seas log imports and only 6.92% of SFC's total log imports. In 1982 SFC was Japans second largest importer of PNG logs. On the same 1982 figures Sumitomo Corporation (and its subsidiary SOFD combined) imported a total of 1,217,707 m3 of logs of which 625,211 (or 51.34%) was from the South Seas Log Market. Of that total 35,456 m3 was imported from PNG constituting 6.1% of PNG's total log exports but only 5.67% of these companies South Seas Log imports and only 2.91% of their total log imports. (Ashenden Report (1983) Vol.2 p 87).

Since it established a physical presence in PNG exports to SFC and SFCHK have been at the rate of 230,438 m3 in 1984, 161,982 m3 in 1985, 132,258 m3 in 1986 and 185,729 m3 in 1987. (Schedule 3).

According to its overview (Schedule 2) SFC budgetted to sell 4,467,000 m3 of timber products in 1987 of which 2,670,000 m3 consisted of log imports and of which log imports 1,218,000 m3 (or 59.77%) was budgetted to come from the South Seas Log Market.

In actual terms SFC purchased 185,729 m3 of logs in 1987 from PNG which only constitutes 15.25% of its budgetted sales of South Seas Log Market logs, 6.96% of its budgetted log import sales and 4.16% of its budgetted timber products sales.

In 1987 SFC was one of the largest buyers of PNG logs. Composite figures for Sumitomo Corporation and SOFD for 1987 are not available. The above figures indicate the significance of SFC in the Papua New Guinea log export market and the insignificance of Papua New Guinea log imports in SFC's activities in Japan.

SFCHK AND LOCAL OPERATIONS

Mr. Robert John Ford, an employee of the New Zealand company R.C. McDonald Limited, who described himself being "on secondment" to SFCHK appeared before the Commission and gave evidence. He described his role for SFCHK as being concerned with liason with logging operations which have Australasian management, co-ordinating shipping and loading arrangements within PNG and conveying relevant information to SFC in Tokyo. At the time Mr Ford gave evidence Mr Itoh the man in charge of SFCHK's Port Moresby Office was on leave in Japan. Mr Ford described PNG office staff as consisting of Mr. Itoh, himself and a national receptionist/typist in the Boroko office with field staff consisting three specialised Japanese log checkers and two national log checkers under training.

The Japanese log checkers apparently change from time to time and Mr Ford said some are employed directly by SFC and some are employees of All Nippon Checkers (a large registered Japanese checking company) who are under contract to S.F.C.

According to Mr. Ford SFC as at April 1988, bought in the main from five PNG producers :-

Kumusi Timber Company Pty Limited (Kumusi)
Ulabo Timber Company Pty Limited (Ulabo)
Bougainville Forest Enterprises Pty Limited (BFE)
Tonolei Development Corporation Pty Limited (TDC)
Santa Investments Pte Limited (as agent for Sopathin Development Corporation Pty Limited).

Ashenden reported that SFC obtained its 1982 supplies from Kumusi and Ulabo and the relationship with those two companies is obviously a long term one which continued until at least early 1988. Records disclose that up until it ceased operations in April 1986 ANG Timbers was supplier to SFC and that the and regular major relationship with BFE was on foot in January 1985 and continued at least until early 1988.

Information supplied by SFCHK Port Moresby Office and those companies discloses that :-

(a) TDC was a non exclusive seller to SFC from about May 1986 to at least early 1988.

- (b) Timbersales, as agent for Central Pomio Logging Company Pty Limited, sold non exclusively to SFC in May/June and October/December 1986.
- (c) Santa Investments, as agent for Sopathin, sold exclusively to SFC during all of 1987 and that this arrangement continued until at least early 1988.

When he returned from leave Mr. Joji Itoh, the General Manager of the SFCHK office in Port Moresby appeared before Itoh provided a written statement the Commission. Mr. outlining SFCHK's presence in Papua New Guinea (Schedule 4 from which annexure "A" is omitted as that annexure forms Schedules 1 and 2). Mr Itoh also furnished a reply to the Commission's marketing questionairre (Schedule marketing tables for 1986 and 1987 (Schedule 6). has been an employee of SFC since he graduated in Economics from University in 1969. He has been based in Manila (3 years), Japan (2 years) Djakarta (3 years), Tokyo (2 years) Seattle (3 years), Tokyo (3 years) and came to take charge of the Port Moresby Office in August, 1986.

Mr. Itoh was an impressive witness. His evidence was along these lines. Generally the function of the Port Moresby office log is quality control of exports. Consistently with Ashenden's (1983) description of the Japanese market SFC separates species for sale in Japan and direct's specific species to specific users (eq. quality pencil cedar logs to a small furniture factory). About 50% of SFC's imports from PNG are sold to customers and about 50% to the secondary wholesaling network for further sorting. About 50% of SFC's purchases from PNG are directed through SFCHK and the balance through SFC itself in Japan (but all instructions to Port Moresby come through the Tokyo Office). Many of SFC's customers are small buyers with 20-30 employees. In many instances they do not speak English and do not purchase in large enough quantities to enable direct purchases from PNG.

Normally SFC loads for three different Japanese discharge ports and separates in PNG to cater for species preferences in those discharge ports.

SFC is a regular and constant buyer even in depressed market condition's, providing both steady buying for producers and a stable long term supply for its customers.

illustrate this point Mr Itoh introduced into evidence a combined line and bar graph (Schedule 7). SFC is not directly engaged in production in PNG but as a trader buying logs which it then resells. SFC is not a trading company and has been looking for production involvement in PNG particularly (as in Indonesia and New Zealand) joint venture role in a processing and reafforestation project which is long term (at least 20 years). interest in being operationally involved in mere harvesting from natural forest. Mr Itoh was cross examined and his evidence was along the following lines. In general terms. SFC staff in PNG are in constant and close contact with their five regular producers. They are constantly obtaining and checking proposed shipment details, checking species composition and size breakdowns and checking the producers ability to have his contracted quantities at a loading point when the vessel arrives. The information

gathered is conveyed regularly to SFC Tokyo. SFC handles the purchase from Tokyo direct with the PNG producer (though PNG staff sometimes act as messengers in the negotiation process between SFC Tokyo and the PNG producer). SFC Tokyo arranges the resale and advises vessel details, times and loading rotations to PNG staff and gives specific directions as to stowage and discharge rotations to Sometimes there staff. are written sale and purchase agreements between SFC and PNG producers but those agreements are kept in Tokyo. After sale arrangements are concluded, an SFC checker goes to the producers loading area and checks the species and grading of logs and rejects the logs that are unsuitable. Japanese buyers are interested in species and log size - not grading according to Sealpa The size terminology used is Regular (60cm.dbh and rules. above), Small (50cm.dbh to 59cm.dbh) and Supersmall (40cm.dbh to 49cm.dbh).

Only a very small percentage of PNG logs is sold within the Sumitomo Group and is only sold to Hamada Plywood Manufacturing Co. Ltd. The substantial bulk of imports from PNG (not sold to secondary wholsalers) are sold :-

- direct to a plywood factory (a)
- split into 5 or 6 parcels and sold to sawmills (b)
- to small domestic mills in small parcels. (c)

Mr Itoh said he knew nothing of the invoicing of sales to Hamada Plywood and nothing of the profit margins sought on resale saying "Its not my business. If they make money no comments - if they lose they complain loudly."

Of the claims (listed in annexure "C" to Schedule 4) Mr Itoh agreed the amounts set out were the original claims but did not know the outcome of the negotiation of those claims. On two of these claims Mr Itoh produced photographic evidence indicating there was a valid basis for a claim.

Regarding the graph (Schedule 7) the following occured:

- Prior to September 1986 there is a wide but varying Q: discrepancy between the index of Tokyo domestic wholesale prices for plywood use logs (blackline) on the one hand and the PNG MEP price for Taun logs (pinkline) and your average FOB (heavy blackline) on the other hand. From September/October 1986 when FIC was becoming actively involved in marketing this wide discrepancy narrows and the relationship between the Tokyo domestic index (blackline) the PNG MEP price (pinkline) and your FOB price (heavy blackline) all tend to closely approximate each other through to This seems to show SFC's average FOB September 1988. prices tended to be closer to the Tokyo index prices and the MEP for Taun during the period of FIC being involved in marketing. Do you agree?.
- A: No. Because PNG logs were becoming more popular and because there was a big rise in the domestic market in Japan in 1987. 1.2 million houses per year rose to 1.67 million in 1987. There was a low interest rate of 4% to 5%. That is a more important reason than FIC involvement.
- Q: Why would this bring the indicators together?.
- A: Economics.

Mr Itoh was questioned on the shipment to India on M.V. Diamente in February/March 1988 and that aspect is dealt with below.

On the future Mr Itoh made very interesting observations which bear noting.

There is a world trend towards reafforestation and afforestation plantations. Large volumes of timber have been produced from USA, Canada, Chile, New Zealand, PNG, Malaysia, Sarawak, USSR, Laos Thailand, Indonesia and the Phillipines.

The importance of Papua New Guinea will rise within the next five or so years as its neighbours' resources diminish. Once Papua New Guinea and Sarawak begin to decline buyers will turn to Brazil.

At present most of Japanese softwood imports come from USA, USSR and Canada and most hardwood from Sabah, Sarawak, PNG and Solomon Islands. Tropical hardwood is easy to peel because (generally) it does not have growth rings. In Japan PNG timbers are used for ply, peeling and packaging and most PNG logs are destined for Japan.

USA and Canada are regarded as reliable suppliers as they have a more stable government and a reliable regularity of supply.

In PNG we (SFC) buy from suppliers but they are small, generally with short term concessions and they can finish at any time.

Reliable and regular supply is critical and SFC would like to become involved in a processing enterprise which would ensure steady supply to penetrate into the Australian, New Zealand and Japanese markets. In order to do this research is necessary. If a 30 year or so project was available SFC would be confident of obtaining financial assistance from the Japanese Government as SFC is a large, sound company with a good name.

In SFC's opinion afforestation projects are best because they make a contribution to the country. Nissho Iwai are trying to do this to some extent with Stettin Bay Lumber Company.

For such a project a natural forest area of in the order of 100,000 to 200,000 ha is required as is a project term of at least 20-30 years and a well conceived plan for afforestation.

Sawmilling is an appropriate processing operation as would be plywood. If the main processing activity involves low level processing such as ply the recovery factor is only about 50% of log input. In that event it is necessary to have secondary processing such as medium density fibreboard which would take the recovery factor up to utilising nearly 100% of log input.

INDIAN SHIPMENT

SFCHK Port Moresby Office was asked specifically about a shipment of Kwila logs to India in February/March 1988 on MV. Diamente and the background to and detail of that shipment bears description.

Vanimo Forest Products Limited (VFP) operates in the Vanimo area of West Sepik (Sandaun) Province. One of the main species in that area is Kwila. VFP had penetrated the Indian market in association with the Indian company Centaur Exports in early to mid 1986 with a monopolistic marketing strategy centred on Kwila. This is described in the

Commission's Interim Report No.3 and described in detail in Volume 3 Appendix 36 to that Interim Report. VFP says the result of these effort was very high prices for Kwila logs. In February 1988 VFP lodged a complaint with DOF and copied it to the Commission.

It said that VFP's latest sale to India of Kwila (in February 1988) had been at an FOB price of USD175.00 per m3 with freight of USD 52.00 per m3 making a total CNF price of USD 227.00 per m3.

It complained that it had recently learned that a further shipment of Kwila logs had arrived in India for the Indian buyer (Mr Ahmed Hajee Mohuideen) who was the direct competitor of Centaur Exports; that these Kwila logs had been exported out of PNG at an FOB price of USD 68.00 per m3 (compared to VFP's USD175.00 per m3) and had arrived in India at a CNF price of USD 185.00 per m3 (compared to VFP's USD 227.00 per m3).

The difference in the FOB price paid into PNG was a massive USD 107.00 per m3 and in the CNF price paid by the Indian buyer was a massive USD 42.00 per m3.

VFP complained that the export price of the Kwila was well below MEP prices; that there must have been a massive "offshore" price markup and that this occurrence had lead VFP's purchaser (Centaur Exports) to cancel a shipment of 2250m3 of Kwila scheduled for shipment in March 1988 (because they could not sell the February shipment and had lost customers to Mohuideen) and to insist that it would only pay a price of USD185.00 per m3 CNF for future shipments.

VFP pointed out this occurrence had seriously damaged its market and that the Kwila logs had been exported at far below their true market value.

This shipment was traced and ascertained to have been from Kumusi and made through SFCHK. Accordingly SFCHK was asked to explain what had occurred.

The explanation was made by Mr Itoh in his statement (Schedule 4 page 6) and Mr Itoh produced copies of :

- (a) The two sales invoices from Kumusi to SFCHK
- (b) The sales invoice from SFCHK to the Singaporean intermediary Laurel Trading Co Pte Ltd
- (c) The sales agreement between SFCHK and Laurel Trading.

(See annexure B to Schedule 4).

SFC bought from Kumusi and sold to Laurel Trading on an FOB basis. These documents show details of the markup on resale by SFC on this part shipment of about 2200m3 of logs as follows:

SPECIES	VOL (m3)	PNG PRICE TOTAL	(USD) Unit	SINGAPORE TOTAL	PRICE UNIT
KWILA	798.589	54,304.05	68	99,025.04	124
DILLENIA	800.276	54,418.77	68	56,019.32	70
RED MIX	600.260	40,817.68	68	36,015.60	60
	2199.125	149,540.50	68	191,059.96	AV86.88

The SFCHK markup on only 798.589 m3 of Kwila logs was a massive USD44,720.99 or USD56.00 per m3 and on the full part shipment from Kumusi was USD41,519.46 or USD18.88 per m3.

It is clear SFC's buyer Laurel Trading was also another intermediary or "middleman" because the true Indian buyer was Mohuideen or one of his companies. The Laurel Trading additional margin for Kwila was USD 61.00 per m3 (CNF sale price of USD185.00 per m3 less FOB purchase price USD124.00 per m3) from which Laurel Trading would have to bear ocean freight. The freight rate is not known. In his evidence Mr Itoh said he was aware of previous sales by Ron Gibbs (VFP) to India: that he had not contacted Mr Gibbs over the shipment as he was not popular with Mr Gibbs and that he did not know what enquiries SFC Tokyo had made. said the MV Diamente shipment from PNG was a shared shipment between Kumusi and Ulabo; that Ulabo loaded Hopea (a species not popular in Japan but which India agreed to take) and red mix; that the vesel was a large vesel (10,000m3 capacity) which took additional loading in Sarawak; that the trip to India was a long 20 day trip and that a large vessel was needed as a small vessel was uneconomic.

The Port Moresby Office of SFCHK produced its file for this shipment which dicloses that Ulabo loaded 2937.641 m3 on this vessel which was invoiced to Sumitomo Forestry (Singapore) Pte Limited at a price of USD 164,646.71 (which averaged USD56.05 per m3). What occurred on resale of this part shipment is not known. In general terms the fact that the vessel was a large one would normally indicate that a good freight rate would have been negotiated and that Laurel Trading would have achieved a lesser freight rate than that (USD52.00 per m3) obtained by VFP. It is thus likely that the further markup by Laurel Trading on the Kwila logs exported from Kumusi would have been in the order of USD10.00 per m3.

Regarded from a Papua New Guinean point of view it is logs of a valuable species scandalous that (Kwila) exported from PNG at a price (USD68.00 per m3) which is about half that paid by the end buyer, each on an FOB basis, and that the difference is reposed in overseas countries (USD56.00 per m3 to SFCHK in Hong Kong and USD 10.00 per m3 to Laurel Trading in Singapore). From SFC's point of view of course that is the object of its trading activity - to buy at the lowest prices and sell at the highest prices and to make a profit. One could fairly conclude that on this shipment, according to Mr Itohs evidence, there would have been "no comments" rather than loud complaints from SFC Tokyo.

OTHER SHIPMENTS

After Messrs. Itoh and Ford gave their evidence to the Commission the files of SFCHK Port Moresby Office for shipments from 1985 to early 1988 (contained in six (6) cartons) were delivered to the Commission.

Time has not permitted thorough examination of all files but they have been examined superficially and four shipment files for which end invoices have been obtained from a reliable source in Korea were subjected to detailed examination.

Generally the files confirm the role of the Port Moresby Office as described by Messrs. Itoh and Ford. Analysis of the specific files is Scheduled as follows:-

- (a) M.V. CORAL QUEEN March 1986 Schedule 8 (b) M.V. TASMAN CLIPPER - April 1986 Schedule 9
- (c) M.V. CORAL QUEEN April 1986 Schedule 10
- (d) M.V. TROPICAL DAMSEL- May 1986 Schedule 11

In general terms the specific study shows SFC's pattern of selling better quality or better accepted species to the Japanese market and less acceptable species or poorer quality to the Korean market. The attention given to detail in loading a vessel is apparent as is the planning and detailed regular reporting between SFC Tokyo and the SFCHK Port Moresby Office.

It seems clear that at least during the March to May 1986 period the relevance to SFC Tokyo of Minimum Export Prices (MEP) was greater than the answer to the Commission's questionairre indicated. At this time SFC was fixing prices at or with direct reference to MEP prices.

In some instances documents relating to shipping and copies of contracts between SFCHK and its buyer are on Port Moresby Office files as are communications concerning freight rates. This does not accord with answers in the questionairre or with the evidence of Mr Itoh suggesting the Port Moresby Office did not know end buyer prices. It is equally clear these shipping and resale arrangements were made by SFC in Tokyo.

In each of the four shipments examined in detail the amount of the markup by SFC on resale would depend upon freight rates and the rate is ascertainable on only one of the shipments. An estimate can be made of applicable freight on a single charter basis but there is reason to suspect that single charter freight rates may not be relevant.

When one studies the marketing tables (Schedule 6) it is clear that whilst SFC used a number of vessels on a "one off" basis it also used a number of vessel's in regular rotation cycles (sometimes referred to as a piston based cycle:-

MV TROPICAL DAMSEL - January, February, May/June, July, October, November (1986) and February, March/April, May, June, July/August, October/November and December (1987) - a total of 13 voyages.

MV CORAL QUEEN - January, March, April/May, May/June, July, October (1986) and January, July and September/October (1987) - a total of 9 voyages.

MV FORTUNE CARRIER - July, November (1986) and January, March and April (1987) - five voyages.

MV TASMAN CLIPPER - January/February, March/April, May (1986) and November (1987) - four voyages.

MV SOUTHERN ARROW - December 1986) and February, April and May/June (1987) - four voyages.

MV SEA TREASURE - August and September (1987) - two voyages.

MV SANTA ROSA - September and December (1987) - two voyages.

South Seas Log Market is Whilst it is known that the serviced by a fixed number of vessels it is clear the Sumitomo Group includes shipping interests. Sumitomo's log shipments are not limited to PNG and it is quite possible a number of vessels were on long term charter to Sumitomo and Such an for PNG carques. at times made available unusual the otherwise consistent with arrangement is

provision in copies of documents on SFCHK Port Moresby office files indicating that a vessel is fixed yet the freight rate remains to be agreed. The significance lies in the fact that if SFC was using vessels on long term charter rather than on "one off" charters freight rates would be substantially reduced and "margins" by SFC on resales of logs would be increased.

MATTERS OF CONCERN

The detailed examination of the four shipments for which end invoices were available disclosed three disturbing matters:-

(a) Log Grading

SFCHK communications between Port Moresby and Tokyo offices demonstrate a real concern with grading and in particular a concern to downgrade logs usually from the more valuable peeler classes to the less valuable sawlog classes. SFC quite clearly deals with its resale customers, as Mr Itoh said, on the old system of Regular, Small and Supersmall classifications according to diameter.

PNG adopted the Sealpa log grading rules whereby logs are graded into peeler classes (SSP, SPI and SP2) and sawlog classes (SSI, SS2 and SS3). The MEP system fixes MEP prices by reference to Sealpa grades. There is clear documentary evidence of deliberate downgrading by SFCHK checkers in PNG.

This is clear in Schedules 9, 10 and 11.

It is even more explicit in the shipment from Kumusi on MV FORTUNE CARRIER in August 1986 when DOF and FIC were directing attention to downgrading. The report from Port Moresby to Tokyo on that shipment is in Japanese (Schedule 12) but roughtly translated reads:-

"Grade

There is very strong pressure from forestry. They are not co operative about a shipper degrading. Degrading on this shipment is 153 pieces down 1 or 2 grades.

The content is mainly from peeler to sawlog.

SPI SS1 SP2 SS1 SS1 SS2 almost nothing."

Quite clearly 153 logs out of a total 1218 logs were deliberately downgraded largely from peeler class to sawlog class. This documentary evidence is consistent with my observations on my two visits to the Oro Bay loading area of Kumusi where (in the absence of any forestry inspector) the Sumitomo checker appeared in absolute final control of log grading, trimming logs and regrading and in rejecting logs he did not want. The practice of down grading is important as it gives an erroneous impression of log quality, means the MEP price for a log is lower than it truly should be and where sales are at MEP prices means a falsely low MEP price is used. When the export duty was based on MEP prices then export duty would be evaded by this practice.

In accordance with my terms of reference I must report that SFCHK has been involved in the practice of deliberately down grading logs.

(b) Arrangements with producers

In his evidence Mr Itoh spoke of SFC being in joint Pine Nelson with New Zealand companies in venture times Itoh also said that at Industries. Mr agreements for Ulabo (managed by Groomes - a New Zealand company) were made in New Zealand where Mr G.R. (Ray) Scoble (who came to PNG with Fletcher Consulting Services Pty Limited in relation to the establishment of Kumusi) was the agent for SFC.

Kumusi, like Ulabo, continued to be a continuous seller to SFC. It is understood Groomes also has a management involvement with BFE another continuous seller to SFC. Mr Ford who is "on secondment" in SFCHK's office in Port Moresby is also employed by a New Zealand consultancy firm.

Time has not permitted full investigation of the relationship (if any) between these companies and/or persons and financial arrangements, (if any), between SFC and its regular producers. So far as Kumusi is concerned it does seem that there are, or were financial arrangements between SFC and Kumusi/Ambogo Sawmills. Documentary evidence was found in the SFCHK Port Moresby Office file for the shipment on MV Tasman Clipper in May 1986 (Schedule 13) where it seems Ambogo was repaying money to SFCHK on an instalment basis.

In Commission hearings regarding Kumusi one of the Receiver/Managers of Kumusi Mr Telfer gave evidence of SFC providing assistance (whether to Kumusi or its contractor Ambogo Sawmills he did not specify) in the form of financing the purchase of a number of Nissan trucks.

In relation to Kumusi's marketing Mr Telfer said that Fletcher had always sold to SFC through Fletcher Organisation (Vanuatu) Pty Limited but that after appointment he contacted other companies to obtain offers. He said that SFC has purchased at between 6% to 18% above MEP levels and that as a result of his action during 1986 sales were made through a Hong Kong company (Thatcher International) to Nichimen Corporation in Japan. He said that thereafter SFC began "dealing on a full arms length basis" and that he kept offering to DOF Marketing Section to ensure the right price was paid on sales to SFC.

This evidence (which I have not had time to put fairly to SFC) suggests that where SFC was involved financially with Kumusi/Ambogo it was paying the PNG producer at less than proper arms length prices and that with Kumusi at least it was forced to raise prices when an element of competition was introduced.

It is unfortunate that time has not permitted this aspect to be further examined and to test whether like financial arrangements underlie SFC's relationship with its other regular suppliers and, if such arrangements do exist, what effect they have on price.

(c) Possible "Offshore" Salary Payments

In a number of instances the Commission has found that "expatriate" employees engaged in the timber industry have been paid part of their salary in PNG and part of their salary either in their country of origin or in a preferred tax area. In some instances this second part of the salary payment has not been disclosed in PNG for Group Tax purposes.

The arrangement concerning the employee Mr Ono noted in Schedule 11 raises the possibility that SFCHK may have engaged inthis "part payment" practice and I have no information as to whether if it did do so, proper disclosure was made to the PNG Taxation Office.

I therefore recommend that this aspect be referred to the Chief Collector of Taxes for further investigation.

CONCLUDING COMMENTS

The structure and a functions of SFC's operations regarding the export marketing of PNG logs as well as SFC's attitude to future involvement in the timber industry in this country both raise matters of interest and concern.

Present Role

SFC's present involvement is as a trader though that clearly, from its record and history, is not its role of choice. It is a large and significant trader.

As a trader SFC is actuated, quite naturally, by the profit motive - its commercial aims are to purchase at the lowest obtainable price, to resell at the highest obtainable price, to maximise its profits and to minimise the erosion of its profits by tax and like imposts.

SFC portrays itself as a mere buyer of PNG logs. It has a local presence to maintain close contact with its regular suppliers and ensures that it buys quality logs subjected to rigorous quality control procedures. It knows the Japanese market structure and preferences and is well positioned in the Japanese market, with an established distribution network and established customers. By virtue of its local presence it is able to carry out in PNG a part of the "sorting" process of mixed species logs, normally takes place in Japan, and to arrange loading in PNG quite specifically to facilitate discharge at destination or a sequence of destinations.

SFC contends, with a degree of justification, that it provides a service. It provides PNG producers with one regular buyer who is a reliable ship supplier and it services its Japanese customers with a regular supply of good quality logs in accordance with their preferences in terms of species and size. The residue of a shipment is disposed of in the secondary wholesale market in Japan or by shipment to Korea or Taiwan.

The second side of SFC's activity, which it does not stress as much, is that it does not itself use the logs which it buys - it resells those logs to others and its business is to resell at a profit. It can fairly be said that almost every element of SFC's buying activity directed to its selling activity. Contact with PNG is quaged to ensure reliability of supply. Quality control is guaged to ensure a good quality product which will attract a high price on resale. A degree of sorting done before loading saves expensive resorting Japan and careful loading and stowage facilitates orderly and appropriate discharge at destination. The service performed for Japanese customers is not a "free" service - it is reflected in the price that they pay.

It is this second side of SFC's business which causes concern. When a product is purchased and resold without any intermediate processing or change in form, and the buyer/reseller is engaged in that trade as a business, the concern always is - in the eyes of the producer country - whether the profit that the trader makes is reasonable for what he does, or whether it is excessive

In short, the producer country is concerned to know whether it is receiving a fair proportion of the end buyer price which is obtainable for its produce.

SFC's response to this concern is quite clear. The only business of SFC carried on in Papua New Guinea (the office is that of SFCHK) is as a buyer of logs. SFC pays the prevailing price for the logs which it buys and that is all PNG should be concerned with.

The local presence of SFCHK has been carefully and cleverly conceived. Purchases and resales of PNG logs are transacted through SFC Tokyo Office (or in some cases in New Zealand) but never in PNG. In this way SFCHK does not carry on business in PNG for tax purposes and its activities do not attract any tax liability in PNG. SFCHK thus asserted that the Commission was not entitled, under its Term of Reference No 9, to examine SFC's marketing activities (see Schedule 4 page 9).

I do not consider that I am so constrained. However I could not compel production of resale invoices by SFC and SFCHK as they are located outside PNG and, despite requests, they were not produced. With that constraint, investigation was limited but what was investigated gave cause for concern.

In the case of Kumusi I obtained clear evidance from Mr. Telfer of a financial arrangement which appears to have "tied" Kumusi to sell to SFC. When competition was introduced by Mr Telfer in the form of sales to Nichimen Corporation (transacted through Hong Kong), and then by making offers to the DOF Marketing Section, SFC, ceased to be a major buyer from Kumusi for a period, and then returned. When it did return it was obliged to pay markedly higher prices. Even in this circumstance SFC managed in February 1988 to add an extremely high margin to a part shipment of logs from Kumusi to India at a rate of USD56.00 per m3 for Kwila logs and at an average of USD18.88 over the full Kumusi part shipment.

Mr. Scoble, who was involved with Fletchers in the establishment of Kumusi, is SFC's agent in New Zealand so that SFC's relationships with Kumusi and Mr Scoble are clearly of long standing. SFCHK Port Moresby Ofice files confirm, as Mr Itoh said in evidence, that Mr. Scoble is sometimes involved in concluding with Groomes, (the managers of Ulabo), SFC purchases from Ulabo. They also show Mr Scoble involved in SFC purchases from BFE in which Groomes has, I understand, a management role.

In the early part of 1986 shipping files disclose SFC was purchasing from Ulabo at exact MEP prices, despite the fact that Ulabo shipments contained significant quantities of Rosewood.

All these matters suggested that a wider examination of these relationships was required but time has not permitted that examination to be undertaken.

There are clear grounds to suspect SFC was buying below true value from Kumusi and perhaps from other producers.

Its margins on resale are not fairly indicated by the Korean end invoices obtained and analysed in Schedules 8 to 11 because, it seems clear, SFC's main effort and quality logs (by species and grade) were directed to the Japanese market and not to the Korean market.

There is clear, conclusive evidence that, by virtue of its purchasing power, the "on the ground" dominance of its checkers and the absence of forestry inspectors, SFC has been systematically involved in deliberately undergrading logs which it purchases. In the main this effort has been directed to downgrading high value peeler class logs into

sawgrade classes. This gives an erroneous impression of quality, falsely lowers MEP prices and, when export duty was being assessed on MEP prices it involved evasion of export duty.

Generally these practices could be minimised by strict monitoring of prices paid by SFC to producers for export license purposes and by regular inspection and check grading of export log shipments by forestry inspectors. I found the SFC checker at Kumusi to be dominant, overbearing and arrogant and I recommend that check grading be conducted only by experienced senior inspectors.

Whether the type of trading activity carried out by SFC should be permitted is a matter for policy determination. SFC is a well connected, established and large buyer. doubtless makes profits which are reposed in Hong Kong or Japan and is structured so as not to attract tax liabilty in In the Japanese market with its intricate, complex structure, (so well described by Ashenden (1983)) unlikely that access to buyers of PNG logs serviced by SFC than through SFC. Whilst SFC's could be obtained other right to recoup costs and make a reasonable profit is a fact life it may be that some structure could be of commercial achieved, in the interests of PNG producers, where end prices were known and the reasonableness of the profit could be ascertained and, in the interests of PNG, that some part of that profit would be liable to PNG taxes.

Possible Future Role

SFC is clearly a large, efficient, profitable and well reputed company with a very long history of involvement in forestry in Japan which stretches back almost 400 years. It is one of the largest landowners in Japan with extensive domestic forest holdings (of over 40,000 ha containing 3,732 million m3 of timber).

SFC says these forest holdings are managed on a perpetual yield basis.

SFC obviously believes that the future of forestry lies in processing from aforestation plantations producing a regular reliable supply on a sustained yield basis. Mr. Itoh says, quite frankly, that SFC has no interest in participating in short term ten (10) year operations in PNG which involve extraction of export logs from the natural forest until they "cut out".

On SFC's record of overseas operational involvement, this attitude is reflected in what it does. In Indonesia it is in joint venture with local companies in a plywood manufacturing operation. In New Zealand it is in joint venture with local companies in producing medium density fibreboard from Radiata Pine chips. Both joint venture projects are clearly long term, based on substantial equity capital and are of significant proportions.

SFC's attitude to PNG is quite clear and ominous. Clearly what Mr Itoh was saying is that if PNG is as careless as its neighbours have been in the past over exploitation of timber resources, then the PNG resource will be "cut out", as happened in Sabah and Sarawak, and SFC will then turn to Brazil for its tropical hardwood supplies.

If, on the other hand, PNG adopts current world trends and encourages long term projects involving aforestation plantations managed on sustained yield basis and if these are used to supply local processing operations rather than "quick return" export logs, then SFC would be interested in commencing operations in PNG. In any such long term project SFC is confident of substantial financial support from the Japanese Government.

Mr Itoh expressed extreme disappointment that, when SFC sent out its Senior Vice President to discuss this matter he was unable to arrange an appointment with the Secretary for Forests.

At present the major restriction on commencing such projects is finding suitable land and making it available with secure title for (say) a hundred years. In order to take the pressure off the natural forests I believe that a great deal of creative effort should be put into solving this land problem and working out project arrangements which would be mutually beneficial to suitable companies like SFC and to local landowners.

THE SUMITOMO GROUP

The Sumitomo Group is an informal association of independent industrial, financial and commercial companies, linked by a common ancestry that dates back nearly four centuries. Today individual corporate entities in the Sumitomo Group are engaged in a broad variety of business as shown in the lists. Each company has established a solid foothold and represents its field of enterprise in the Japanese economy. There are 20 key companies and more than 30 satellite companies.

The following is a list of 20 principal companies:

Sumitomo Forestry Co., Ltd.

Sumitomo Chemical Company, Limited

Sumitomo Heavy Industries, Ltd.

The Sumitomo Bank, Limited

Sumitomo Metal Industries, Ltd.

Sumitomo Metal Mining Co., Ltd.

Sumitomo Corporation

The Sumitomo Trust and Banking Company, Ltd.

Sumitomo Life Insurance Company

Sumitomo Coal Mining Co., Ltd.

The Sumitomo Warehouse Co., Ltd.

Sumitomo Electric Industries, Ltd.

The Sumitomo Marine & Fire Insurance Co., Ltd. :

Nippon Sheet Glass Company, Limited

NEC Corporation

Sumitomo Realty & Development Co., Ltd.

Sumitomo Cement Co., Ltd.

Sumitomo Light Metal Industries, Ltd.

Sumitomo Construction Co., Ltd.

Sumitomo Bakelite Company, Limited

The following is an excerpt list out of 30 satellite companies:

Sumitomo 3M Limited

Sumitomo Pharmaceuticals Co., Ltd.

Sumitomo Rubber Industries, Ltd.

Tokai Rubber Industries, Ltd.

Sumitomo Aluminium Sales Co., Ltd.

Sumitomo Special Metals Co., Ltd.

Nippon Stainless Steel Co., Ltd.

Osaka Titanium Co., Ltd.

Sumitomo Precision Products Co., Ltd.

Asahi Breweries, Ltd.

Sumitomo Petroleum Development Co., Ltd.

Sumitomo Ocean Development & Engineering Co., Ltd.

Mitsui O.S.K. Lines, Ltd.

Daiichi Chuo Kisen Kaisha

Sumitomo Atomic Energy Industries, Ltd.

Sumitomo Mutual Electric Power Co., Ltd.

Sumitomo Chemical Engineering Co., Ltd.

Nissin Electric Co., Ltd.

Anritse Electric Co., Ltd.

Meidensha Electric Manufacturing Co., Ltd.

Nikken Sekkei Ltd.

Shinto Paint Co., Ltd.

Narumi China Corpoation

INTRODUCTION

SUMITOMO FORESTRY CO., LTD. is a Japanese incorporated public limited company engaged in a diversified range of activities as an integrated forest products entity, including proprietary forest management, timber imports and overseas development activities, domestic timber sales, housing construction and sales, and marketing of building materials.

The Company owns and manages 4 forestlands located throughout Japan covering some 40,000 hectares, about one-thousandth of the total land area of Japan. In fact, we are the third largest private landowner in Japan.

Domestic operations of Sumitomo Forestry are undertaken by 9 branches and 16 offices to cover the whole market of the wood industry. Overseas establishments of the Company include 3 subsidiaries, 2 joint ventures and 13 offices in seven countries. The registered head office is in Osaka, the second largest city, and practical head office activities are carried out in Tokyo. Shares of the Company are listed on the Osaka Securities Exchange.

The Company is one of 20 key companies of the Sumitomo Group. The Sumitomo Group is an association of independent industrial, financial and commercial enterprises, and each individual company holds a leading position in its respective field of business. The historical origin of the Company dates back to 1691 when the Sumitomo Family began to manage forests in the area surrounding a certain copper mine operated by the same Sumitomo Family in Shikoku Island, a southwestern island close to Osaka.

On the basis of almost 300-year long experience of forest management, our modern business history is characterised in an initial import of timber products in 1956, trading of various kinds of building materials in 1962 and participation in the construction and sales business of residential houses in 1970. Sumitomo Forestry's first joint venture overseas was set up in 1970 in Indonesia. Since then our operations and activities have steadily been developed so as to fully meet ever-changing circumstances both in Japan and worldwide.

The Company's paramount business coverage is attained in close collaborations with various subsidiaries and affiliated companies in the field of sawmilling, plywood production, house construction and sales, housing brokerage business, landscaping and outdoor architecture, DIY business, building material manufacture, production of biological products and golf link management.

In the course of our versatile overseas engagements with forestry entrepreneurs, Papua New Guinea maintains a position of one of the most affluent and potential resource countries. Sumitomo Forestry is, therefore, interested in cooperating with Papua New Guinean entities for their productive development and enhancement of the forest industry.

THE COMPANY

NAME : Sumitomo Forestry Co., Ltd.

INCORPORATION : 20 February, 1948.

CONTACTS

NATURE : Public company limited by shares

REGISTERED OFFICE: 7th Floor, Sumitomo Building #2,

22, Kitahama 5-chome, Osaka 541, Japan.

POSTAL ADDRESS : 3rd Floor, Nissin Building,

14-1, Nihonbashi-Koamicho, Chuo-ku,

Tokyo 103, Japan.

AUTHORISED CAPITAL: 200 million shares [50 yen par value]

PAIDUP CAPITAL : 102,255,489 shares : 8,765 million yen [US\$57 million @153.60]

: Telephone 00813-669-0921 & 1241 Telex J24637 SMITFOR

Facsimile 00813-669-4890 & 4580

Cable "SMITFOREST" Tokyo, Japan.

PURPOSES 1 Management, sale and purchase of forest and timberlands.

2 Manufacture, processing, sale and purchase of timber and forest products.

3 Manufacture, processing, sale and purchase of building materials and materials relating to building such as, housing appliances, furniture and interior materials.

- 4 Management of farms and manufacture, processing, sale and purchase of farm products.
- 5 Production, sale and purchase of garden plants and trees, and manufacturing, sale and purchase of materials for gardening.
- 6 Administration, management, sale, lease and purchase of real estates.
- 7 Engineering, construction, supervision, gardening and planning, and contracting

of housing works.

- 8 Manufacturing and sale of soil conditioner and fertilizer.
- 9 Any and all business related to and/or incidental to the above.

BOARD OF DIRECTORS : Chairman

: Chairman Hiroshi Yamazaki

President Kazuo Onishi

Managing Director Yutaka Shimura

Managing Director Teiji Tanaka

Managing Director Mitsuhiko Kurata

Managing Director Harumasa Numata

Director Reishiro Hidaka

Director Hiroto Yamaquchi

Director Sumitaka Hara

Director Mototake Yamazaki

Director Toshikazu Koma

STATUTORY AUDITORS

: Kazumaru Watanabe

Kenichiro Koga

Taketoshi Sugita

DOMESTIC ACTIVITIES

TIMBERLAND MANAGEMENT

The principal business of Sumitomo Forestry is the management of company-owned forests. Our forests have two categories of natural forests and planted forests, with the former supplying relatively low-value timber and the latter, consisting of nearly 53% of the total area under management, mostly supplying high-value timber.

In 1898, the Company introduced a long-term forest management program in order to achieve perpetual yields. Extensive and well-nurtured reforestation will result in greatly increased yields in the years to come as the trees reach their maturity.

The CAD-based forest management system is in operation for improvement of the accuracy and efficiency of timberland operations. We also offer forest management consulting services with this system to outside customers. R&D activities will be continued in terms of forest harvesting technology, wood processing technology, environmental improvement and computer-aided forest management.

Our forests by location are as follows:

Region	Area(ha.)	Volume(0	00m3) Species
Shikoku	14,796	1,833	Japanese cypress, Japanese cedar, others
Kyushu	8,210	490	Japanese cedar, Japa- nese cypress, others
Hokkaido	15,321	1,242	Japanese larch, pine, Todo fir
Wakayama	2,260	167	Japanese cedar, Japa- nese cypress

(4,858,700 acre)

Total

40,587 ha. 3,732,000 m3

Harvesting and reforestation activities last year were:

Harvest of Natural Forests 41,000 m³

Harvest of Planted Forests 48,000 m³

Reforestation 274 ha.

Annual Gross Increment approx. 190,000 m³

HOUSING CONSTRUCTION AND SALES

In 1970, the Company began to construct and sell high quality, custom-built residential houses using the traditional Japanese "Post and Beam" system of construction. The "Post and Beam" system places the roof load on square posts situated at the corners of the house and on cross-beams running from the posts. It has been the most widely used construction system in Japan for over 1,000 years. By this method, the beauty of exposed natural wood in houses can particularly be appreciated.

Housing construction and sales activities of Sumitomo Forestry have been performed under a close collaboration with our wholly owned subsidiary, Sumitomo Forestry Homes Co., Ltd. which has the paid-up capital of 400 million yen (US\$2.6 million @153.60) and 1,533 employees.

The Company is now the third largest builder of custom-built residential houses using the "Post and Beam" method. These houses are aimed particularly at customers in higher income brackets.

Recently Sumitomo Forestry has acquired a certain company, Napco Homes Co., Ltd., famed for its construction of "Two-by-Four" houses and supply of structure materials to "Two-by-Four" house builders. This is to meet newly up-rising demand for U.S. style houses in Japan and to strengthen our total strategy in housing business.

CAD system is in use to comply with diversified demands of our customers of various kinds.

Effective 1st October, 1987 Sumitomo Forestry Homes Co., Ltd. is scheduled to be merged with ourselves for smooth attainment of integrated strategies.

The outcome of housing business of the Company is as shown below:

Year	Units	Net Sales (million yen)	Net Sales	Exch.Rate
		(million yen)	(thousand US\$).
1983	2,102	44,568	189,651	235.00
1984	2,228	46,218	188,410	245.30
1985	2,484	52,990	244,119	217.07
1986	3,133	64,331	418,822	153.60
1987	4,180	83,000	535,484	155.00
			Ý*	

<Figures in 1987 are the budgeted figures>

DOMESTIC MARKETING ACTIVITIES

This category can be classified into two fields of activities. One of them is timber sales and another is building material sales.

The Company is one of the leading wholesalers of timber products in terms of domestic, self-imported and third-party imported timber products, including logs, sawn timber and chips.

In 1962, Sumitomo Forestry started distribution and marketing of regular plywood. The business has now been expanded into a comprehensive distributorship for building materials. These include diverse finished products, such as aluminium sashes, kitchen and bathroom cabinets and fixtures, and interior and exterior products.

Medium Density Fibreboard (MDF) products, manufactured by a New Zealand joint venture enterprise, Nelson Pine Industries, were placed in the Japanese market by the Company from February this year.

Budgeted sales of timber products for 1987 is as follows:

<u>Categories</u>	Volume	Sales	· Sales
	(000 m3)	(million yen)	(million US\$)
Domestic Logs	162	3,247	. 21
U. S. Logs	1,154	24,613	158
Southsea Logs	1,218	25,660	166
Other Logs	298	4,299	28
Domestic Sawn Timber	564	30,178	195
Imported Sawn Timber	248	7,932	51
Domestic Chips	823	7,291	47
Total	4,467	103,220	666

Budgeted sales of building materials for 1987 is as follows:

Categories	Volume	Sales	Sales
•	(000 m3)	(million yen)	(million US\$)
Regular Plywood	603	35,004	226
Processed Plywood		20,478	132
Fibreboard		2,922	19
Ceramics		10,512	68
Metals		14,664	` 95
Housing Fixtures		8,946	58
Others	-	6,192	40
Imports (mainly plywood) 222	11,574	75
Total	w- 45-40	110,292	713

<Exchange Rate: US\$1=155.00 yen>

OVERSEAS ACTIVITIES

Sumitomo Forestry began to import various species of timber from the Philippines in 1956 and from the United States Pacific West Coast in 1958. Thereafter, during the course of timber supplying countries being diversified, we also engaged in a number of collaboration and cooperation for development of the forest industries of various countries.

Collaboration includes dispatches of forestry and processing specialists for technical assistance and provisions of various financial accommodations for operational funding purpose.

Presently we are importing timber products including logs, sawn timber, veneer, plywood and MDF from such producer countries as:

United States Canada

Chile New Zealand

Malaysia Indonesia

Papua New Guinea Solomon Islands

Laos

The Company has two joint venture enterprises in operation: P. T. Kutai Timber Indonesia engaging in Lauan plywood manufacturing in Indonesia, and Nelson Pine Industries in New Zealand engaged in MDF production by use of Radiata Pine chips.

In 1970, P. T. Kutai Timber Indonesia was incorporated for the initial purpose of forest development and exploitation project for which our joint venture partner, P. T. Kaltimex Jaya, obtained the timber harvesting rights from the Indonesian Government. For the project, Sumitomo Forestry sent forestry engineers and specialists to help efficiently develop the forests in terms of planning and performance of harvesting operations, selections and maintenances of logging equipments and machineries, and various other fields of timber harvesting project.

We were also a constant and exclusive buyer of logs produced out of the forests, and log transactions between P. T. Kutai Timber Indonesia and Sumitomo Forestry contributed a lot to develop the joint venture into a pioneer plywood company in Indonesia.

In the timber harvesting rights, the Indonesian Government made it an obligatory condition to start processing of timber during a five year period. In parallel with successful exploitation of the forests, therefore, P. T. Kutai Timber Indonesia built a plywood manufacturing plant in 1974, a pioneer enterprise at that time. Plywood panels of P. T. Kutai Timber Indonesia are nowadays exported to Europe, the Middle East, Southeast Asian countries, the United States and Japan.

Outlines of our two joint ventures are as delineated below:

<P. T. Kutai Timber Indonesia>

Establishment : 1 May, 1970

Paid-up Capital : US\$5,000,000

Shareholding : Sumitomo Forestry 39%
P. T. Kaltimex Jaya 36%

P. T. Astra International 20% Mr. A. Rustam Effendi 5%

Timber Harvesting : May, 1970

Plywood Production : December, 1974

Production Capacity: 600,000 panels/month

(4 mm x 4' x 8')

Plant Location : Probolinggo, East Java.

Employees : 910

Product Distribution: Domestic 22.5%

U.S.A. 41.5% Japan 23.1% Others 8.3% Processed 4.6%

<Nelson Pine Industries>

Establishment : 2 October, 1984

Paid-up Capital : NZ\$18,000,000

(US\$10,000,000 US\$1=NZ\$1.8)

Shareholding : Sumitomo Forestry 30% Newmans Group Ltd. 35%

Odlins Ltd. 35%

MDF Production : September, 1986

Production Capacity: 90,000 m³/year

Plant Location : Nelson, Richmond, South Island.

Employees : 70

Product Distribution: New Zealand, Australia, Japan,

U. K., Southeast Asian Count-

ries.

Overseas R&D activities of the Company cover the followings:

[Papua New Guinea]

Forest Development.

Sawmilling & Plywood Manufacture of PNG Logs.

[Indonesia]

Cultivation of Mushroom for Health & Medical Use.

Sawmilling of Rubberplants.

Production of Various Processed Plywood.

[Laos]

Forest Development.

Sawmilling of Laotian Pine Logs.

[Solomon Islands]

Forest Development.

SUBSIDIARY COMPANIES

The following companies are subsidiaries of Sumitomo Forestry, both domestic and abroad, majority shares of which are owned by ourselves and activities of which are as delineated hereunder:

[DOMESTIC]

Sumitomo Forestry Homes Construction of residential Co., Ltd. houses. Sumitomo Forestry Landscaping Landscaping architecture Co., Ltd. gardening business. Sumirin Lumber Industries Sawmilling and production of Co., Ltd. laminated lumber. Sumirin Enterprises, Ltd. Insurance & travel agency and leasing business. Sumirin Home Loan Co., Ltd. Financing for house construction. Osaka Forestry Co., Ltd. Management of forestlands and sales of harvested timber. Shikoku Forestry Co., Ltd. Management of forestlands and sales of harvested timber. Fuji Trading Co., Ltd. Sales of building materials. Sumirin Housing Service Mediation agent for house Co., Ltd. sales and purchases. Kawanokita Development Co., Ltd. Ownership and management of golf link. Hamada Plywood Manufacturing Production and marketing of Co., Ltd. various types of plywood. Sarawak Timber Trading Co., Ltd. Import and sales of Sarawak round logs. Napco Homes Co., Ltd. Construction of residential

houses in "2x4" method.

[OVERSEAS]

Sumitomo Forestry Co. (HK) Ltd. Purchases & sales of forest (Hong Kong) products and financing.

Sumirin NZ Limited Investment to a joint venture (New Zealand) for MDF manufacturing.

SFC Investment and Trading Co., Investment to overseas stocks
Ltd. (Singapore) and securities.

AFFILIATED COMPANIES

The following companies are affiliated companies of Sumitomo Forestry, both domestic and abroad, minority shares of which are owned by ourselves and activities of which are as delineated hereunder:

[DOMESTIC]

Sumirin Plywood Industries, Ltd. Production and marketing of various types of plywood.

Sumikyo Sash Co., Ltd. Production and marketing of aluminium sash.

Tom House Home Center Co., Ltd. Sales of DIY. & other related commodities.

Fuji Incombustible Building Production of incombustible Materials Co., Ltd. building materials.

Sachiura Timber Industry Manufacturing of wood chips.
Co., Ltd.

Sumirin Agro-Products Co., Ltd. Cultivation and marketing of biological products.

[OVERSEAS]

P. T. Kutai Timber Indonesia Production and marketing of (Indonesia) various types of plywood.

Nelson Pine Industries Production and marketing of (New Zealand) Medium Density Fiberboards.

MAJOR SHAREHOLDERS

As a public company listed on the Osaka Securities Exchange, shares of Sumitomo Forestry are held by a wide variety of shareholders, numbering some twelve thousand. Due to issues of convertible bonds both in Switzerland and Luxembourg, a certain portion of shares are owned by non-residents.

The following is a list of major shareholders as of the end of March, 1987:

	-	
Sumitomo Metal Mining Co., Ltd.		8.26%
Sumitomo Life Insurance Company		7.62%
The Sumitomo Bank, Limited		4.28%
The Sumitomo Trust & Banking Comp		4.01%
The Iyo Bank, Limited		3.12%
The Central Agro-Forestry Funds		3.11%
Nihon Life Insurance Company		3.07%
The Bank of Tokyo, Limited		3.02%
Sumitomo Corporation		2.93%
The 114th Bank, Limited		1.97%
The Sumitomo Marine & Fire Insura	ance Co., Ltd	1.77%
Osaka Securities Finance Co., Ltd	d	1.67%
NEC Corporation		1.60%
The Chase Manhattan Bank, N. A.		1.37%
Eisen Real Estate Co., Ltd.		1.03%
Sumitomo Chemical Co., Ltd.		1.01%
Sumitomo Mutual Electric Power Co	o., Ltd	0.88%
Sankyo Aluminium Industries Co.,		
The Royal Bank of Scotland, Limit		
The Awa Bank, Limited		
•	*	

FINANCIAL STATUS

The financial status of Sumitomo Forestry is detailed in the latter portions of Annual Reports (1985/1986) attached herein. As consolidated and non-consolidated figures are available, your due references to these Annual Reports are appreciatively invited.

The non-consolidated financial excerpts are as shown below:

	[1986]	[1985]	[1986]	[1985]
	(Millio	n Yen)	(Thousa	nd US\$)
Sales and Income			·	
Net sales	245,818	238,303	1,600,384	1,551,454
Income before taxes	1,663	1,497	10,833	9,750
Net income	758	772	4,938	5,027
Financial Position				
Total assets	126,685	130,124	824,774	847,164
Long-term liabilities	10,874	12,250	.70,801	79,758
Shareholders' equity	28,655	27,319	186,560	177,862
		· · · · · · · · · · · · · · · · · · ·	·	(nee)
Per Share		Yen)		(US\$)
Net income	7.42	7.69	0.05	0.05
Cash dividends	5.00	5.00	0.03	0.03

<Exchange Rate: US\$1.00=153.60 yen>

SFC's SHIPMENT VOLUME AND FOB AMOUNT BY EACH MONTH

YEAR	MONTH	VOLUME	AVERAGE	FOB AMOUNT	
1984	JAN.	23,734		US\$1,242,087-	
	FEB.	12,621		663,388-	
	MAR.	29,833	22,062	1,689,864-	
	APR.	7,647		430,790-	
	MAY	17,455	70.740	1,119,492-	
	JUN.	5,323	10,142	367,697-	
	JUL.	18,664		1,320,239-	
	AUG.	13,116	5 B 00 F	870,178-	
	SEP.	20,225	17,335	1,303,524-	
	OCT.	25,297		1,476,930-	
	NOV.	28,137	07. 00h	1,660,356-	
	DEC.	28,386	27,094	1,641,217-	21
	TOTAL	230,438		13,785,762-	59
1985	JAN.	10 017		782,906-	
1302	FEB.	13,217 21,239		1,228,692-	
	MAR.	15,335	16,597	875,114-	
	APR.	20,501	10,557	1,025,880-	
	MAY	7,538		331,308-	
	JUN.	22,816	16,952	1,033,136-	
	JUL.	7,652	10,302	363,316-	
	AUG.	7,002		-	
	SEP.	15,602	7,751	707,400-	
	OCT.	15,319	,,,,,	620,342-	
	NOV.	2,745		126,265-	
	DEC.	20,018	12,694	822,166-	
	DEC.	20,010	12,00	022,200	3.1
	TOTAL	161,982		7,916,525-	¥Ϋ́
1986	JAN.	13,654		639,653-	
	FEB.	10,319		473,542-	
	MAR.	12,169	12,048	596,036-	
	APR.	8,947	•	441,058-	
	MAY	7,905		413,692-	
	JUN.	12,685	9,846	701,477-	
	JUL.	22,439		1,278,306-	
	AUG.	8,077		441,780-	
	SEP.	3 , 397	11,305	174,936-	
	OCT.	10,924		618,013-	
	NOV.	19,484		1,130,199-	
	DEC.	2,256	10,888	138,174-	.~
	TOTAL	132,258		7,046,866-	15,72

1987	JAN.	6,136	•	USD\$ 402,641-
	FEB.	20,628		1,389.100-
	MAR.	11,006	12,623	786,541-
	APR.	16,486		1,091,295-
	MAY	16,518		1,116,594-
	JUN.	16,330	16,445	1,085,411-
	JUL.	13,061		900,719-
	AUG.	12,893		974,369-
	SEP.	22,432	16,129	1,991,967-
	OCT.	24,733		2,365,825-
	NOV.	17,893		1,763,572-
	DEC.	7,611	16,776	699,936-
	TOTAL	185,729		14,567.970-
				18 mg

SCHEDULE 4

COMMISSION OF INQUIRY INTO FORESTRY INDUSTRY SUMITOMO FORESTRY COMPANY (HONG KONG) LIMITED

STATEMENT BY MR JOJI ITOH, GENERAL MANAGER, PAPUA NEW GUINEA

SUMITOMO FORESTRY COMPANY LIMITED (SFC)

The background to the parent Company (SFC) is set out in the statement which is the annexure "A" to this statement as well as the Annual Reports which have been made available to the Commission.

SFC through its Tokyo office purchases logs from PNG mainly for the Japanese market. The volume of logs for the period 1 January 1987 to 31 December 1987 was 185,729 M³ at an average shipment price of approximately USD78.44/M³, for a total value of USD14,567,970.

Because of the particular requirements of the PNG market a liason office is needed.

The liason office has been established in Port Moresby through a subsidiary SUMITOMO FORESTRY COMPANY (HONG KONG) LIMITED (SFCHK).

SFCHK is a wholly owned Hong Kong subsidiary of SFC which is based in Tokyo.

SFC-TOKYO

Buying operations

SFC imports logs from PNG mainly for sale to the Japanese market. Some logs are sold to customers in other countries. Also SFCHK imports logs from PNG to service its customers. SFCHK is closely controlled from Tokyo.

The buying operations of SFC take place in Tokyo and are carried out by SFC staff in the Tokyo office.

The order for any particular shipment of logs is always accepted by SFC and the liason office in Port Moresby has no authority to enter into any contracts. Indeed the liason office does not have any involvement in the acceptance of the purchase order which is accepted directly by SFC from Tokyo. The Letter of Credit is established by SFC from Tokyo usually in its own name. Copies of the PNG supplier invoices are not routinely kept in the BNG office and nor are copies of the relevant

Bills of Lading or the relevant Letters of Credit. The only documents and information required in the PNG office relate to the physical properties of the shipment and the shipping details. These matters are referred to below.

In relation to the importing of logs by SFCHK the same procedure is followed with Tokyo office as the point of contact for the Port Moresby liason office.

Marketing operations

SFC carries out the marketing of PNG logs in Japan and other markets, again this activity is carried out by SFC staff in the Tokyo office.

Central control of operations

SFC through its Tokyo Office maintains central control of operations and gives general directions to SFCHK and liason offices such as Port Moresby.

This direction includes advice and instructions on day to day activities, personnel matters and general matters, and provides indications of current market trends in Japan, Korea and other markets.

SUMITOMO FORESTRY COMPANY (HONG KONG) LIMITED (SFHK)

SFHK was incorporated by Sumitomo Forestry Company Limited, Tokyo, Japan (SFC) in August 1973 under the laws of Hong Kong. A major purpose for Hong Kong incorporation was to establish an SFC office to connect overseas supplier/exporters with overseas purchaser/importers through an intermediary channel of SFHK in the course of the SFC forest products trade.

Hong Kong was selected because of its location and also of its relatively free trade area with financial and taxation advantages. SFC and SFCHK records in HONG KONG are available for scrutiny by the Japanese Taxation Authority.

SFHK's role in the total international trade of SFC is to assist in the business of purchase and sales of forest products such as logs, sawn timber, plywood and other products.

Its initial business coverage was to assist in the import from the Philippines, Indonesia and Malaysia (Sabah/Sarawak) and export to various. Southeast Asian countries such as Japan, Taiwan, South Korea. Later, the coverage expanded to include import from Papua New Guinea, Solomon Islands and Vanuatu, and export to China and India.

SFC directed SFHK to open a liason office in Port Moresby, Papua New Guinea in July 1983. An office was opened in Singapore in October 1985. In October 1987 the Singapore office was converted to Sumitomo Forestry Singapore Pte. Limited, another wholly owned subsidiary of SFC, to meet its expanded business.

A Summary of the details of SFCHK is as follows:

Name: Sumitomo Forestry Company (Hong

Kong) Limited

Incorporation: August 1973

Nature: Private or proprietary company

limited by shares

Registered Office: 1609-1611 Connaught Centre,

1 Connaught Place, Hong Kong

Postal Address: 1904-1905 Hutchison House,

10 Harcourt Road, Hong Kong

Authorised Capital: HK\$5,000,000 (50,000 shares of

HK\$100 each)

Paid-up Capital: HK\$4,178,000 (41,780 shares of

HK\$100 each) converted at

HK\$8.727 to K1.00 is K478,744.12

Shareholder: Sumitomo Forestry Company

Limited, Tokyo (100%)

Directors: Mr Teiji Tanaka (Managing

Director)

Mr Junnosuke Inoue (Director)

PORT MORESBY OFFICE OF SFCHK

Port Moresby liason office has three main activities, which are as follows:.

1. Assist in negotiation for various shipments in respect of volume, species, quality, price and vessel schedules.

SFC-Tokyo generally charters a vessel when negotiations are completed. SFC quite often has several vessels loading at the same time in various ports, or are actually in transit from PNG to Japan or other markets. It is essential to have staff in PNG for tight control of vessel schedules and quality control, for customer

satisfaction in overseas markets. An average daily rate of dumurrage is 4502,500.00, and therefore tight control of vessel schedules and shipping movements is essential.

2. Inspection for quality control.

Before the vessel arrives, a log inspector is despatched by the Port Moresby office to the loading point for quality control purposes. Logs are inspected so that the cargo loaded maintains a high standard of quality to meet the current market requirements. SFC policy and the agreement with the suppliers is that once the logs are SFC's responsibility and loaded, it becomes therefore no future quality claims are made to or passed onto the supplier. During the period January 1987 to 31 December 1987, despite this quality control, 15 quality claims approximately totalling US\$500,000.00 were made against SFC. "C" for details. On several Annexure occasions Mr Itoh has travelled to the premises of and Japan other countries to in customers investigate and assist in the negotiation of a quality control claim.

Attending shipment during loading.

An inspector is always present during loading to ensure that the number of **PIECES** loaded is correct, and that loading orders are separated and loaded in the correct order. The logs loaded by a single supplier may be separated into more than one cargo, because generally a full vessel may unload at several discharge ports depending upon location of SFC customers.

Obviously to maintain good control of the above points, SFC needs several people on the ground in PNG who have had good experience of Japanese and other markets, and their relative changing quality requirements.

Apart from the above main activities, PNG staff are involved in:-

- Assisting current and potential customers on visits to PNG.
- Daily contact with suppliers for information on changes in production, species mix and quality.

As part of its role as a liason office, Port Moresby office provides a consultancy service to its PNG suppliers.

Examples of this service in the last two years are:

- to suppliers on production advice General 1. international current relation t.o for South Seas logs. White species conditions deteriorate over a relatively short period of It is important to suppliers that they are early warning of a decrease in demand in the given market because due to possible sales delays, the harvested logs, particularly white species may become unsaleable on the export market.
- 2. Advice given to Ulabo Timber Company Pty Ltd regarding use of fertilizers in their nursery. This included translating fertilizer name and details from Japanese to English. Advice was also given in respect of fertilizer trials for new plantings of various species of trees used for afforestation.
- Information provided to Ulabo Timber Company Pty Ltd on conversion of wood waste to electrical or other methods of power. Information and advice was also given in relation to the use of gasifiers for the operation of portable sawmills, which reduces the engines to use diesel or gasoline.
- 4. Advice to a nationally owned sawmill based at Gamadoudu-Milne Bay on availability and contacts for the purchase of wood planners and lathes for the manufacture of knobs and handles etc
- 5. Advice on contacts in Japan for machinery and parts, both new and second hand. This advice has been particularly given to Bougainville Forest Enterprises and Buin Earthmovers.
- 6. Advice and assistance in acquiring computer hardware and software particularly suited to the forest industry.
- 7. Information was also supplied to ANG Timbers for availability of sawmill equipment from Japan including technical specifications and suitability.

SHIPMENT PROCEDURE

The following procedure is followed during all SFC shipments from PNG.

 Port Moresby office receives an offer from the supplier which includes volume available, species mix, approximate price, and preferred date of shipment. Port Moresby office then forwards this information to SFC Tokyo office.

- 2. SFC Tokyo office replies to Port Moresby office after contacting branch offices and final consumers in Japan. Tokyo provides price offer, and negotiation starts direct with supplier through Port Moresby Office.
- 3. When the price and other terms at which the logs are offered by the supplier are known this information is passed to SFC Tokyo office. SFC then decides on the shipment and if acceptable, the Tokyo office then accepts the shipment. The relevant Letter of Credit is established and vessel charter is arranged by SFC from its Tokyo office.
- 4. The shipping details are communicated to the Port Moresby office. Port Moresby office staff go to the loading port for quality control of cargo and supervision of vessel loading.
- 5. Port Moresby office inform SFC Tokyo office when loading is completed, giving the exact pieces and volume of each species loaded for each cargo, loading order and time vessel sailed for next port of loading, or if fully loaded, departure time for ports of discharge.

SHIPMENT TO INDIA (February 1988)

Historically, SFC has shipped PNG logs to markets in Japan, Korea and Taiwan.

Last year, the Sales Manager (Mr. Nose) of SFC Tokyo office visited India for the first time to investigate the Indian market and to meet potential buyers.

Due to lack of experience and knowledge of the Indian market, SFC were obliged initially to sell logs through a Singaporean/Indian Trading Company - Laurel Trading Company Pte Limited, Head Office, Singapore.

As a result of this visit, SFC made their first shipment of PNG logs for the Indian market via the vessel MV. DIAMENTE in February 1988. The logs were shipped from Oro Bay on 29 February 1988. The details of the shipment are contained in the documents which are annexure "B" to this statement.

SFC has attempted to enter the Indian market to expand the markets for PNG logs, especially the markets for the lesser known species.

PNG OPERATIONS

PNG logs are difficult to sell in comparison to logs purchased by SFC from other countries. This is because of the large number of species. Each supplier has its own particular species mix and quality. Even species in different areas differ greatly in size and quality. An example of this is the species Taun. The quality of this is variable between Bougainville and Central Privince. Taun is also variable within the island of Bougainville itself. In comparison logs from other countries are of a consistent species and quality. The consumer is able to gear its operations to the particular species and quality.

SFC was the pioneering company for the entry of PNG logs into the Japanese market, and SFC still holds a major share of the market for PNG logs. The philosophy of SFC in buying logs from PNG is to purchase logs consistently from regular suppliers. This has advantages for regular and even trade over a longer period of time, providing a stable and continuous market for the PNG suppliers and continuity of the sales and supply to customers, despite This is of particular frequent market fluctuations. assistance to those PNG suppliers with a large mix of species in their production, especially when that mix includes a low volume of high value species, which makes vulnerable to the fluctuations of a volatile market. is important for PNG to have a regular and consistent PNG has a diverse range of species with each market. operation having its own particular mix and quality. The consumers in the market place, once started on a supply logs from a particular supplier with a particular species mix and quality of logs, must be regularly supplied from the same supplier in PNG to provide a better continuity in the market. If a particular consumer can see a continuity of supply in the future, they will often make necessary changes in machinery and methods so that processing this diverse range of species can be made more economical and efficient, resulting in a better market creation and penetration for PNG sourced products.

It was the intention to achieve this stability in the marketing of PNG logs when SFC first commenced the import of PNG logs. It was also decided that a local liason office would be required to achieve this situation.

LOG QUALITY

Generally all purchases are based on logs being fresh cut, free from fungus or insect damage.

Generally, SFC cargos are sold on a quality basis, so the customers know they can rely on SFC quality. On the PNG

supplier side, the suppliers are safe from quality claims once the logs have been loaded on the vessel, because quality control is done by SFC before logs are loaded, and as soon as loading is completed, the logs are the responsibility of SFC (Tokyo).

In spite of tight quality control in PNG, some claims on quality do arise. Occasionally, when the logs arrive in Japan the customer may not be happy with the quality because of fungus, splitting or the logs containing metal (ie. shrapnel) and a quality claim may result.

Generally, the quality of red species (eg. Watergum, Planchonia, Dellinia etc.) do not deteriorate over a period of 2-3 months. One exception to this is Taun, where fungal attack can happen within days of the logs being harvested. This fungal attack can seriously affect the aesthetic and strength qualities of the wood. Fungus is an inherent defect in Taun standing trees.

White species (eg. Celtis, Milky Pine, Ficus etc.) tend to deteriorate very quickly by infestation by insect and rot, particularly during the rainy season. Generally the quality starts to deteriorate within 4-6 weeks.

SFC FUTURE OPERATIONS IN PNG

SFC intends to progress in the PNG timber business by securing a stable and continuous import trade with PNG suppliers, some of which can be regarded as major suppliers.

SFC is also actively looking in other directions for progression in the PNG timber industry, by studying the feasibility of new forest development, and is eager to co-operate with PNG timber industry people in wood processing and aforestation. Because SFC has been involved in the world timber industry for many years, the company has wide experience and expertise in areas such as logging, aforestation, processing and the marketing of a wide range of timber products.

TAXATION

The activities of SFC or SFCHK do not produce PNG sourced income because SFC and SFCHK import logs from PNG. In relation to the liason office, as mentioned above, these activities are restricted to quality control, shipment logistics and liason between suppliers and Tokyo office.

No logs are purchased in PNG and none are sold from PNG.

TRANSFER PRICING

In terms of the Terms of Reference of the Commission of Inquiry, specifically Term of Reference number 9, SFC either by itself or it's subsidiary SFCHK does not understate income as no income is generated in PNG and no question of "transfer pricing" is involved.

IMPORT PRICES

The prices negotiated and paid for the importation of logs from PNG are negotiated in accordance with the prevailing terms of the international and applicable domestic markets.

Dated

DIT ITOH, GENERAL MANAGER.



KUMUSI TIMBER COMPANY PTY LIMITED

P. O. BOX 392, POPONDETTA, PAPUA NEW GUINEA. C/O TELEX: NE 29195 AMBOGO, POPONDETTA. TELEPHONE: 297229.

COMMERCIAL INVOICE

_	VOORT LIC	ENCE NO	n· SS	8804 2	INVOICE NO		
					L/C NO.	: 68017	СВ620083
5	SPECIFICAT	ION OF		PUA NEW GUINEA ROUND LOGS	······································		
SHIPPED PER : DIAMANTE					•		
9	SHIPPER		:KU	MUSI TIMBER COMPANY PTY LTD.,			
			. P.	O. BOX 392, POPONDETTA, PAPUA NE	W GUINEA.		
(CONSIGNE	о то	:su	MITOMO FORESTRY CO. (HONG KONG)	LIMITED.		
			:RC	OM 1904-1905, HUTCHISON HOUSE, 1	0 HARCOUR'I	ROAD, HON	G KONG.
ļ	DESTINATIO	N	:MA	NGALORE, INDIA	_FROM _ORO	BAY, PAP	UA NEW GUII
	GROUP/ SPECIES	PIECES	GRADE	DESCRIPTION	VOLUME (M3)	PRICE/ M3 (US\$)	TOTAL AMOUNT (US\$)
	•			PAPUA NEW GUINEA ROUND LOGS (EXPORTABLE GRADES FREE FROM FUNGUS WORM DAMAGES AND MARINE BORER)			
		21		KWILA	72.528	68.00	4 93 1 . 90
		1 24		DILLENIA	591.097		40194.60
		55		RED MIXED POINTERN S	180.689		12286.85
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		200			844.314		57413. 35
•	UNITED	STATES	DOLLARS:	FIFTY-SEVEN THOUSANDS FOUR HUN THIRTY - FIVE ONLY.	DREDS AND T	HIRTEEN A	ND CENT'S
	Kumusi		Company	Pty Ltd., gements)			
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KUMUSI TIMBER COMPANY PTY LIMITED

P. O. BOX 392, POPONDETTA, PAPUA NEW GUINEA. C/O TELEX: NE 29195 AMBOGO, POPONDETTA. TELEPHONE: 297229

COMMERCIAL INVOICE

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				L/C NO.	: <u>680</u> L	CB20083
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SHIPPER			JSI TIMBER OCMPANY PTY LTD.,			
			BOX 392, POPONDETTA, PAPUA NEW		······································	
CONSIGNE	D TO		TOMO FORESTRY COMPANY (HONG KONG		······································	•
			1 1904-1905, HUTCHISON HOUSE, 10 GALORE, INDIA			
DESTINATI	ON	:	SALURE, INDIA	_ FROMO	RO BAY, P	APUA NEW GUI
GROUP/ SPECIES	PIECES	GRADE	DESCRIPTION	VOLUME (M3)	PRICE/ M3 (US\$)	TOTAL AMOUNT (US\$)
			PAPUA NEW GUINEA ROUND LOGS			
-			(EXPORTABLE GRADES FREE FROM FUNGUS WORMS DAMAGES AND MARINE BORER)			
	198		KWILA	726.061	68.00	4 93 72 . 15
	4 3		CILLENIA	209.179	68.00	14 224 .17
	134		RED MIXED	419.571	68.00	28530.83
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SUMITOMO FORESTRY COMPANY (HONG KONG) LIMITED

ROOM 1904-1905, HUTCHISON HOUSE. 10, HARCOURT ROAD,

Cable Address: SMITFOREST Hong Kong

Telex: 75212 SMITF HX

HONG KONG.

Tel. No. 5-2571

Fax.: 5-868150

INVOICE

DATE

: March 23, 1988 : Sumitomo Forestry Company (Hong Kong) Limited

INVOICE NO SFHK-0-091A

CONSIGNOR

CONSIGNEE

: Laurel Trading Co. (Pte.) Ltd.,
3 Shenton Way, No. 25-03 Shenton House, Singapore 0106

SHIPPED FROM

: Oro Bay, Papua New Guinea

SHIPPED TO

: Mangalore, India

LETTER OF CREDIT: DC SGHS00597 dated Feb., 9, 1988 VESSEL : M.S. "Diamante" Voy. 2

TERMS Purchase Order No. : FOB Oro Bay, Papua New Guinea Voy. No.

Description	Pieces	Volume	Price	Amount
ROUND LOGS PAPUA NE	W GUINEA ORIGIN	(as per orde	r no. PNGKT	-88-01)
(EXPORTABLE GRADES	FREE FROM FUNGUS	WORM DAMAGES	AND MARINE	BORER)
KÄITV	PCS 219	M3 79 8.589	@US\$/M3 124.00	F08/US\$ 99,025.04
DILLENIA	167	800.276	70.00	56,019,32
RED MIXED	189	600.260	60.00	36,015.60

Shipping mark

SPECIES GRADE SERIAL NOS.

7ુ-

SUMITOMO FORESTRY COMPANY (HONG KONG) LIMITED

ROOM 1904-1905, HUTCHISON HOUSE, 10. HARCOURT ROAD. HONG KONG.

Tol. No. 5.275412 8.275798 5-275824

Cable Address; SMITFOREST Hong Kong. Telex: 78212 SMITF HX

> Date: 5 Pebruary 1988 No PNGKT-88-01

SALES CONTRACT

Mesers. Laurel Trading Co. Pte Ltd., as Buyer, confirms the purchase of. and Sumitomo Forestry Co. (Hong Kong) Ltd., as Seller, confirms the sales of, the following goods under the terms and conditions as set forth hereunder:

CONSIGNOR

: Sumitomo Forestry Co. (Hong Kong) Ltd

CONSIGNER

: Laurel Trading Co. Pte Ltd

SHIPPED FROM

Oro Bay, Papua New Guinea

SHIPPED TO

: Mangalore, India

LETTER OF CREDIT

By irrevocable at sight letter of credit.

VESSEL

t To be nominated by buyer, subject to shipper's

confirmation on chartering terms.

TERMS

: F.O.B. Oro Bay, Papua New Guinea

LOADING DATE

17-22 February 1988 per the vessel MV. DIAMENTE

DESCRIPTION

s Round Logs of Papus New Guinea origin with the exportable grades.

All logs to be free from fungus worm damages and

marine borer.

Diameter : Regular 60cm and larger

Small 50-59cm

Super 8mall 40-49cm

Length : 6 meter and longer

UNIT PRICE & VOLUME

	Volume	POB .	
DILLENIA	Approx 800113	US\$ 70/M3	
KWILA	Approx.800M3	US\$124/M3	
RED MIXED	Approx 600M3	US\$ 60/M3	

MEASUREMENT & GRADING : Logs to be inspected by Sumitomo Forestry Co (HK) Ltd Representative and to be scaled by straight brereton scaling in accordance with the scaling and volume rules of the Papua New Guinea Authority.

> Logs quality and scaling inspection should be finalised at the port of loading.

..../2

3/5-

SUMITOMO FORESTRY COMPANY (HONG KONG) LIMITED

Cable Address: SMITFOREST Hong Kong. Telex: 75212 SMITF 11X ROOM 1904-1908, HUTCHISON HOUSE, 10, HARCOURT ROAD, HONG KONG.

Tel. No. 5-275412 5-275793 5-275824

No: PNGKT-88-01

-2-

OBSERVATION

: Buyers reserve the right to observe the log before loading.

INSURANCE

: To be covered by Buyer.

L/C CLAUSES & CONDITIONS: L/C must contain clauses & conditions as follows:

- 1) Third party documents except invoice and draft are acceptable.
- 2) Third party L/C number shown on the documents are acceptable.
- 3) Charter party B/L are acceptable.
- 4) "ON DECK CARGO" are acceptable.
- 5) The inclusion of the "About" or "Approx" immediately preceding the quantity of the commodity.

REMARKS: 1) Loading rate according to chartered party's actual "WWDSHEXUU"

2) If shipping Co./Master advise ETA within 48 hours before vessel arrives, them laytime will commence 48 hours after vessel's arrival.

Confirmed by THE BUYER AURE RAPPY TO PIE LTD.,

THE SELLER

For and on behalf of SURITORO PORTER LONG LIBITED

CLAIMED AMOUNT AND DETAILS

SAILING (OFTE VISSEL	CLAIMED AMOUNT (JAPANESE ¥)	ELACHARGING PORTS	DETAILS
1987 FEB.	3 TEOPICAL DAM	SEL 1,117,450-	KANAZAWA/HATSUKAICHI CSAKA/TOVAHASHI	DUE TO 14 PIECES SHORTAGE
MAR.	4 PAZ ESTRELLA	543,587	MANAMATA/IMARI/ IDYAHASHE	DUE TO 10 PIECES SHORTAGE
APR.	8 FORTUNE CARR	ZER 3,600,000	IMARI	DUE TO CONTAINING METAL OF SHRAPMEL
APR.	28 SCUTTERN ARR		HATSUKAICHI/TOHOUASHI OSAKA/OHUNATO	
JUN.	17 TROPICAL DEM	SEL 1,561,935	KANAZAWA/WAKAMATSU HIROSHIMA/OSAKA	DUE TO 24 PIECES SHORTAGE
JUL.	1 CORAIL QUEEN	6,120,000	IMARI	DUE TO CONTAINING METAL OF SHRAPNEL
AUG.		3,850,000	MENAMATA	DUE TO CONTAINING METAL OF SHRAPNEL
SEP.	1 TEINITARIA	3,084,480	OPUNATO	DUE TO DETERICRATION BY INFECTION AND ROT
SEP.	6 SANTE ROSA	500,000	WAKAMATSU/HATSUKAICHI	DUE TO 5 PIECES SHORTAGE
SEP.	16 SEA TREASURE	3,267,000	IMARI	DUE TO CONTAINING METAL OF SHRAPNEL
SEP.	19 PERLAS 1	1,026,000	IMARI/AKITA	DUE TO 19 PIECES SHORTAGE
OCT.	8 HATIRASAN	5,999,317	HATSUKAICHI/OSAKA/ TOYAHASHI/OMAEZAKI	DUE TO DETERIORATION BY INFESTION AND ROT
NOV.	29 TASMAN CLIPP!	ER 4,250,000	- INCHON	DUE TO DETERIORATION BY INFECTION AND ROT
NOV.	3) NEW LEADING	8,686,000	ONAHAMA/OMAEZAKI/ TOKYO	DUE TO DETERIORATION BY INFECTION AND ROT
DBC.	21 TROPICAL DAM	SEL 38,336,000	HMISUKAICHI/OSAKA/ SHINGU/IMARI	DUE TO DETERIORATION BY INFESTION AND ROT
TOTAL		82,196,031	•	

This is the annexure marked "C" referred to in the Statement by Mr. Joji Itoh.

B. Marketing Table

Please prepare and attach a Marketing Table covering all your log shipments in 1986 and 1987 in accordance with the attached instructions.

A specimen Marketing Table is supplied for producers.

A handwritten table is acceptable if typing would lead to delays. You will be expected to be able to produce documents substantiating the content of this table if summonsed by the Commissioner to do so.

C. Log Sales Procedures

Explain in short simple terms the procedure by which you negotiate sales of your logs.

No logs are purchased in PNG and no logs are sold from PNG. Offshore sales of logs imported from PNG take place in Japan, or country of customer in accordance with normal international and domestic marketing practices. Usually there is an established market or list of customers for PNG logs.

D. Fair Market Price

By what means or method do you decide whether the price obtained is a fair market price for a shipment or part shipment?

Price of logs imported from PNG is determined by prevailing market in Japan or country of customer.

E. Sale to End Users

Do you sell direct to end users or consumers? /No.*
If not why?

In most cases the PNG logs are sold to Japanese customers or customers in other countries which then process them for their domestic market. Also sales are made to wholesalers. For the Indian market which the company is seeking to develop one sale has been made to a Singapore based company - Laurel Trading Pte Limited, for onsale to India. This was because of lack of knowledge and experience of the Indian market..

F. Relationship with Purchasers

Do you have a relationship with any person or company which was a purchaser of logs from you in 1986 or 1987? Yes/ . If yes, supply full details of such relationship; eg:

^{*}When answering Yes/No questions in this questionnaire cross our whichever word in inapplicable.

- Member of the same company group;
- Purchaser or his company group supplies financial assistance (giving details);
- Long term sales and purchase agreement.

Yes, in some cases subsidiary or associated company. In most cases no connection.

G. Agents

(a) Do you sell through agents? No. If yes, why?

SFC (Tokyo) use an agent for the Korean market. Reason: Korea is a tight society, so definite advantages to use a Korean National for contacts, different customs and language difficulties.

(b) Supply the names and country of all agents used in 1986 or 1987.

SFC Tokyo used:

Chunsan RH Co. Limited, Room 608, Hatchan Building, 831 Yeoksam - Doug, Kangnan-Ku, SEOUL, Korea.

(c) Are any of your agents based in preferred tax areas (eg. Singapore, Hong Kong)? Yes/No. If yes, give details:

N/A.

(d) What rate of commission is each of your agents paid and who pays such commission?

SFC Tokyo pays to Chunsan RH Co. Limited = US\$ 0.50 per cubic metre.

(e) Do you or any person or company with which you have a relationship have any arrangement in the nature of commission sharing with any such agent? Yes/No. If yes please give full details.

N/A.

H. Sale to middle man

- (a) Do you sell to any person or company which resells logs supplied by you? Yes.
- (b) If yes, why do you sell to such person or company?

If "middle man" includes wholesalers or retailers, yes. Also for Indian market see answer to question D.

(c) Does such person or company resell at a higher price than you obtain? Yes/No.

Do not know.

(d) What is the range of additional or higher prices obtained in 1986 and 1987?

Do not know.

(e) Do you or any person or company with which you have a relationship have any arrangement whereby the higher price obtained is shared or participated in whether in whole or part. No. If yes supply full details.

I. Shipping

(a) Who arranges shipping (ie. becomes party to a Charter Party or Fixture Note) for logs sold by you?

N/A.

(b) Do you independently ascertain the freight rates available for each shipment? Yes/No. If yes by what means do you do so?

N/A.

- (c) What is the range of freight rates paid for shipments by you:
 - (i) To Japan in 1986 ... N/A
 - (ii) To Japan in 1987 ... N/A
 - (iii) To South Korea in 1986 ... N/A.
 - (iv) To South Korea in 1987 ... N/A.
 - (v) To Taiwan in 1986 ... N/A.
 - (vi) To Taiwan in 1987 ... N/A.
 - (vii) To India in 1986 ... N/A.
 - (viii) To India in 1987 ... N/A.

- (d) Do you or does any person or company with which you have a relationship:
 - (i) Own or operate any vessel used by you to ship logs? No.
 - (ii) Share or participate in freight paid for shipment of logs by you? No.
 - (iii) Charter any vessel used by you to ship logs? No.
 - (iv) Share or participate in charterers fees paid for shipment of logs by you? No.
 - (v) Act as broker for any vessel used by you to ship logs? No.
 - (vi) Share or participate in brokerage paid for shipment of logs by you? No.

If yes to any of the above supply full details on a separate sheet.

$J. \underline{M.E.P.}$

(a) Explain in short simple terms the relevance to you of M.E.P. in relation to your log sales.

SFC is aware of MEP and its fluctuations from time to time, but negotiation is always based on current international and applicable domestic market prices.

- (b) Did you, in 1986 or 1987 sell logs below the prevailing M.E.P.? Yes/No. If yes:
 - (i) Did you obtain dispensation.Yes/No.
 - (ii) What were the reasons for not obtaining M.E.P. price?

Not applicable.

K. Letters of Credit

Are letters of credit for your sale of logs to overseas buyers routinely established in the name of, and with the bankers of, the PNG producer company? Yes/No. If not then why?

Not applicable.

L. Offshore Payments

(a) Is any part of the FOB sale proceeds for sales of your logs not remitted to Papua New Guinea? Yes/No.

Not applicable.

- (b) If so, specify:
 - (i) The part payment left offshore and the manner in which it is calculated.
 - (ii) The country in which the part payment is left.
 - (iii) The person or company to which the offshore payment is made.
 - (iv) The purpose of leaving the payment offshore.
- Is any person or company to which any such moneys are paid outside Papua New Guinea a person or company with which you have a corporate or similar relationship? Yes/No. If yes, explain the relationship.

Not applicable.

(d) Has the approval of the Bank of Papua New Guinea been obtained in respect of such non remittances? Yes/No.

Not applicable.

STATUTORY DECLARATION

I, JOJI ITOH of P O Box 6782 Boroko....

(Name: please print) (Address)

do solemnly and sincerely declare that:-

of the Port Moresby office of SUMITOMO FORESTRY COMPANY (HONG KONG) LIMITED (Name of Company)

The information disclosed in the answers to the questionnaire and any attached pages is true to the best of my knowledge and belief.

And I make this solemn declaration by virtue of the Oaths, Affirmations and Statutory Declarations Act 1962 conscientiously believing the statements contained therein to be true in every particular.

Declared at Boxf Morecay)
on the 20th day of
April 1988.

Before me:

Justice of the Peace/ Commissioner for Oaths and

Affirmations.

SUMITOMO FORESTRY COMPANY (HONG KONG) LIMITED

MARKETING TABLE FOR LOGS IMPORTED FROM PNG

- 1986
- 1987
- 1988

SFC's SHIPMENT VOLUME AND FOB AMOUNT BY EACH MONTH

m-i-	86/1					(USD)
Ship No.	PRODUCER	VESSEL	DATE	PIECES	VOLUME	FOB
ا فقا الله ويوري الله ملاهد في			1986		·	
4			•			
1	Ulabo Timber Co.	Tropical Damsel	Jan.	404	1458 . 769	62,379.93
2	Kumusi Timber Co.	Coral Queen	Jan.	1087	4549.157	23,1411.52
2	A.N.G. Timbers	costat daga.	Jan.	1054	3051.279	12,9679.53
3	B.F.E.	Tasman Clipper	Jan.	383	1780.210	86,168.58
3	Ulabo		Jan.	722	2815.035	13,0013.34
	A.N.G.		Feb.	1077	2815.213	12,0620.60
4	Ulabo	Tropical Damsel	Feb.	1745	4537.170	20,9286.46
7	A.N.G.		Feb.	1086	2967.073	14,3635.04
5	B.F.E. (Dios)	Coral Queen	Mar.	856	3052.230	16,3294.31
J	B.F.E.		Mar.	451	1897.275	95,247.52
	Ulabo		Mar.	910	2463.740	10,6547.46
6	Kumusi	Tasman Clipper	Mar.	684	3012.099	15,3146.93
U	A.N.G.		Mar.	561	1743.491	77,799.62
	Vlabo		Apr.	630	1735.725	68,603.66
	B.F.E.		Apr.	364	1079.055	56,455.75
7	B.F.E. (Dios)	Coral Queen	Apr.	888	3128.967	18,1480.09
•	A.N.G.	•	Apr.	288	818.201	34,953.82
	Ulabo		Apr.	86	202.186	17,230.78
	Ulabo		Apr.	674	1983.286	82,333.96
	B.F.E.		May	123	639.639	30,847.60
8	Kumusi	Tasman Clipper	May	237	867.681	51,370.31
J	Kumusi	••	May	629	2467.770	12,3000.27
9	Ulabo		May	791	1894.479	13,3381.88
J	C.P.L.C. (Pomio)	Tropical Damsel	•	¹645	2035.654	10,7889.66
	Ulabo		Jun	888	2583.638	13,6801.91
•	Tonolei Dev.(TDC)		Jun	606	2543.698	13,9903.39
	TOMOTET DEAT (TDC)					

•

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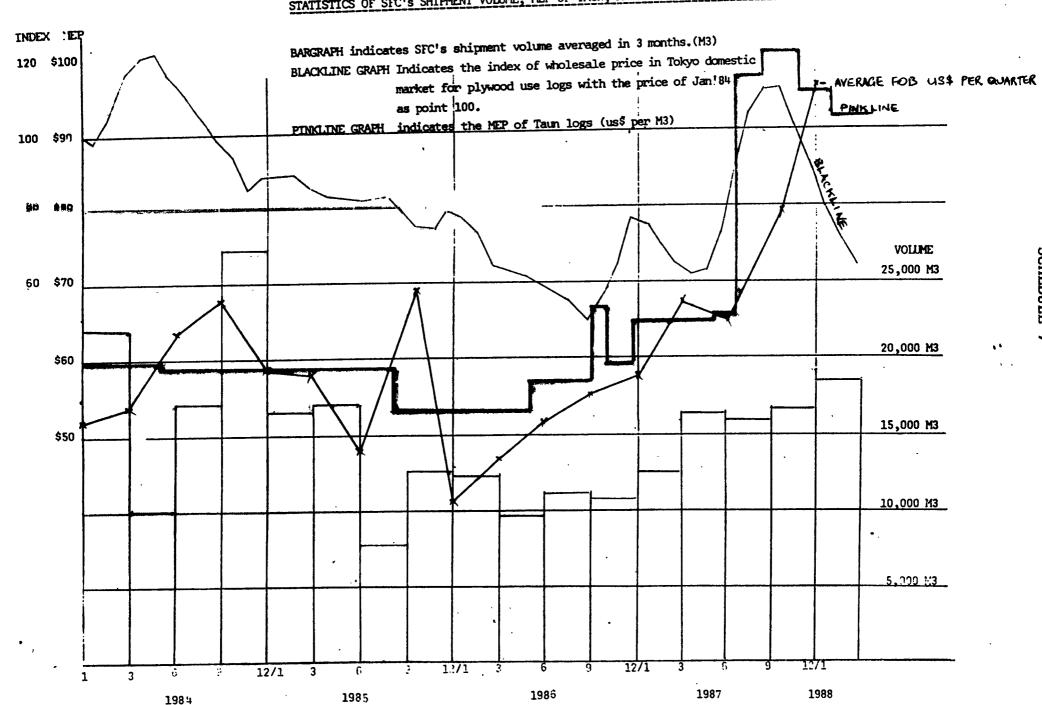
Ship	86/2					(USD)
No.	PRODUCER	VESSEL	DATE	PIECES	VOLUME	FOB
10	Kumusi	Coral Queen	May	337	1306.476	79,213.43
20	Ulabo	((Jun	635	1498.890	71,228.22
	B.F.E. (Dios)		Jun	868	3276.919	19,6615.14
	B.F.E. (Kieta)		Jun	401	1475.484	77,714.67
11	B.F.E. (Dios)	Fortune Carrier	Jul	661	2827.748	16,9664.88
	Ulabo		Jul	788	2033.725	98,047.21
12	T.D.C.	Tropical Damsel	Jul	1047	5263.417	29,4629.89
13	B.F.E. (Kieta)	Coral Queen	Jul	300	893.898	49,083.41
	B.F.E. (Dios)	·	Jul	1443	5413.427	32,4805.62
	Ulabo		Jul	384	1017.988	52,590.22
14	Kumusi	Fortune Carrier	Jul	1218	4988.982	28,9484.41
15	Ulabo	Sun Island	Aug	976	2552.724	12,7628.91
	B.F.E. (Dios)		Aug	807	3031,172	17,8839.15
16	Ulabo	Macarena	Aug	881	2493.439	13,5312.04
	B.F.E. (Kieta)		Sep	558	1807.169	88,966.80
	B.F.E. (Dios)		Sep	421	1589.718	85,969.11
17	Ulabo	Coral Queen	0ct	1127	3202.579	17,5012.35
18	C.P.L.C. (Pomio)	Tropical Damsel	0ct	607	2021.596	11,5230.97
	Vlabo	-	0ct	593	1606.075	86,210.88
	B.F.E. (Dios)		0ct	1114	4094.225	24,1559.27
19	Ulabo	Eastern Grace	Nov	857	2502.581	13,2770.39
10	B.F.E. (Dios)		Nov	1215	4410.031	26,0191.83
20	C.P.L.C. (Pomio)	Fortune Carrier	Nov	683	2512.022	14,3702.67
20	Vlabo		Nov	851	2461.250	14,2042.87
21	T.D.C.	Tropical Damsel	Nov	1684	7598.223	45,1491.60
22	C.P.L.C. (Pomio)	Southern Arrow	Dec	678	2256.228	13,8174.09
~~						

Ship	87/1					(USD)	
No.	PRODUCER	VESSEL	DATE	PIECES	VOLUME	FOB	
		1 to 0 to	1987				
1	Ulabo	Fortune Carrier	Jan	672	2008.480	118,500.32	
2	B.F.E. (Mabiri)	Coral Queen	Jan	742	2118.245	133,449.44	
2	B.F.E. (Dios)	•	Jan	552	2009.216	150,691.20	
	Ulabo		Feb	1201	3600.586	243,039.55	
3	Kumusi	Tropical Damsel	Feb	1713	7691.852	460,578.55	
4	Ulabo	Paz Estrella	Feb	1114	3514.323	237,216.80	
4	B.F.E. (Dios)		Mar	1069	3977.181	318,174.48	
5	Ulabo	Fortune Carrier	Mar	925	2995.219	202,177.28	
•	B.F.E. (Mabiri)		Mar	648	2024.637	129,576.77	
6	T.D.C.	Southern Arrow	Feb	1271	5821.626	448,265.20	
7	Sopathin	Tropical Damsel	Mar	517	2009.005	136,612.34	
•	T.D.C.	<u>-</u>	Apr	1196	5652.807	407,002.10	
8	B.F.E. (Mabiri)	Fortune Carrier	Apr	445	1577.546	97,739.69	
0	B.F.E. (Dios)		Apr	905	3437.901	248,138.04	
9	Ulabo	Southern Arrow	Apr	1022	3749.574	198,727.42	
3	Kumusi		Apr	482	2048.446	144,687.82	
10	T.D.C	Tropical Damsel	May	1271	5799.230	400,146.87	
10		33.4	May	582	2000.108	140,007.56	
2.2	Sopathin B.F.E. (Mabiri)	Hakkaisan Maru	May	793	2118.152	116,862.73	
11	B.F.E. (Dios)	•	May	1220	4510.833	313,273.98	
40		Southern Arrow	May	617	2090.036	146,302.52	
12	Sopathin	50200000	Jun	1049	3998.751	250,709.25	
	Kumusi	Tropical Damsel	Jun	542	2080.077	118,564.38	
13	Ulabo	110p-111	Jun	1554	5830.983	428,340.17	
	Kumusi	Dinok	Jun	687	2013.692	138,944.75	
14	Sopathin	DHOC	Jul	890	3296.148	230,202.39	
	Kumusi						

Ship	87/2	•		•		(USD)	
No.	PRODUCER	· VESSEL	DATE	PIECES	VOLUME	FOB	، د د سالت به در بر بنوه و سوست،
15	B.F.E. (Mabiri)	Coral Queen	Jul	• 554	2046.428	118,692.82	
10	B.F.E. (Dios)	4.0-a.	Jul.	1449	5718.010	401,806.14	
16	Kumusi	Eastern Glory	Jun	648	2406.850	148,852.36	
17	Sopathin	Tropical Damsel	Jul	589	2000.233	150,017.48	
Δ,	Kumusi	22 Op 2000	Aug	1364	5597.221	396,753.16	
18	B.F.E. (Mabiri)	Sea Treasure	Aug	666	3041.781	237,258.91	
10	B.F.E. (Dios)		Aug	815	3026.338	242,107.04	•
	Ulabo		Aug	407	1228.128	98,250.24	
19	Sopathin	Trinitaria	Sep	1677	5801.031	481,485.57	
20	Kumusi	Santa Rosa	Sep	1566	6001.655	557.927.97	
21	B.F.E. (Dios)	Sea Treasure	Sep	1365	5216.304	495,548.88	
	B.F.E. (Mabiri)		Sep	564	2398.240	215,841.60	
22	Vlabo	Coral Queen	Sep	1011	3014.533	241,162.64	
	Sopathin	•	0 ct	1287	4306.802	353,157.76	
23	Kumusi	Hanrasan	0ct	942	3500.265	360,527.29	
20	Vlabo		Oct	1939	5394.648	536,044.12	
24	Sopathin	Perlas I	0ct	943	3361.720	277,711.67	
25	Kumusi	Sun Goddess	Oct	1317	5051.047	520,257.85	
26	Kumusi	Tropical Damsel	0ct	789	3118.888	318,126.57	
20	Sopathin	-	Nov	1277	4387.077	330,187.28	
27	B.F.E. (Dios)	Tasman Clipper	Nov	1335	4995.136	534,479.55	
21	B.F.E. (Mabiri)	,	Nov	692	2641.487	282,639.10	
28	Kumusi	New Leading	Nov	1688	5869.204	616.266.49	
		Grow	Dec	624	1998.111	152,567.83	
29	Sopathin		Dec/Jan	1098	2883.186	207,589.39	
0.5	Sopathin	Tropical Damsel	Dec	2413	7611.313	699,935.82	
. 30	Ulabo	Santa Rosa	Dec	1802	6006.470	462,498.20	
31	Kumusi						•

Ship	88/1					(03D)	
No.	PRODUCER	VESSEL	DATE	PIECES	VOLUME	FOB	
140.	LVODOCTIV			, ,			
			1988				
1	T.D.C.	Larix	Jan	431	2046.085	153,456.38	
	Sopathin		Jan	1022	3424.306	205,458.36	
2	B.F.E. (Mabiri)	Coral Queen	Jan	191	900.123	76,510.45	
_	B.F.E. (Dios)	•	Jan	1887	6741.308	573,011.16	
2	Kumusi	Tropical Damsel	Feb	1668	6006.562	372,406.86	
3		Tropical Miller	Feb	487	1596.895	103,798.17	
	Ulabo	D	Feb	906	2937.641	164,646.71	
4	Ulabo	Diamente				149,540.50	_
	Kumusi		Feb	575	2199.125	•	•
5	T.D.C.	Santa Rosa	Feb	702	3456.395	259,229.25	
6	Kumusi	Tropical Damsel	Feb	979	3612.908	242,064.84	
,	B.F.E. (Dios)	•	Mar	981	3989.766	295,242.68	•

SCHEDULE 7
STATISTICS OF SFC's SHIPMENT VOLUME, MEP OF TAUN, AND JAPANESE WHOLESALE MARKET INDEX



SCHEDULE 8

SUMITOMO FORESTRY

MV CORAL QUEEN - MARCH 1986

There were 3 part shipments and PNG invoice details were:-

- (1) BFE (DIOS) 856pcs 3052.230m3 at FOB USD163,294.31
- (2) BFE (KIETA)451pcs 1897.275m3 at FOB USD101,504.20
- (3) ULABO 910pcs 2463.740m3 at FOB USD106,547.46 2217 7413.245 USD371,345.97

The price for part shipment (2) was amended to USD95.247.52

The FOB price then averaged USD49.25 per m3
Part shipment (3) from Ulabo was split between Japan and Korea:-

Japan 254pcs 673.192m3 at FOB USD32,436.06 Korea 656pcs 1790.549m3 at FOB USD74,111.40 910 2463.740 106,547.46

The bulk of the shipment (which had a heavy loading of Taun) was destined for Japan with only 1790.549m3 going to Korea. The FOB unit price for the Horean part was USD41.39 per m3. The end invoice for the Korean part was obtained and is C&Fshowing:-

656pcs 1790.549m3 at USD58.00 totals CNF USD103,851.84

The differential on this Korean part shipment was USD29,740.44or USD16.61 per m3 which would hardly cover freight if the charter was a single charter.

Clearly the Korean part was the rump of a Japanese shipment which clearly contained a large percentage of Taun and 60 Rosewood logs which are featured in the stowage plan.

Attachment 1 is the loading details telex and which illustrates this aspect

Attachment 2 is the detailed loading plan which shows the attention to detail which characterises SFC's activities.

GARDS WALTERSO . SMITFOR NE22373 12258 APR '01 1986 1342 GOOD AFTERNOON GA 743369+ RCML NZ3369 SMITFOR NE22373 TELEX TO RCML ATTENTION MR G.R.SCOBLE PNG SHIPMENTS....AFTER TROPICAL DAMSEL FEB '86) CORAL QUEEN -1) DIOS INVOICE -2) BFE KIETA

... SAILED & MARCH '86

VOLUME 1- 856 PCS - 3052.230 M3 USD163294.31

SAILED & MARCH '86

451 PCS - 1897.275 M3 INVOICE :- 489494504-20 USD 95247.52

BAILE 14 MARCH '86 -3) ULABO

JAPAN 254 PC8 673.192 H3 D 32436.86

10741**11.40**

910/2463.74/\$ 106547-46

TASHAN CLIPPER MYC / MIS / ULABO / KIETA.. NOH LOADING. RVTG.

REGARDS B.WALTERS

BORI DELAY IN ABOVE TO THU... BUT POH OFFICE NOW QUITE UNDERHANNED AND UNDERLADIED? BW

MITFOR NE223730 RCML NZ3369K6BHHHHHH TIME 003.3 MINS

Rahan () 精 杯正汀

BJE/Ramazon/utc W/c C Queen Stowage.

(活のUTC ON/DECKの伊河的 151年は本船のサイヤモチェムをいます.

②アルロのアスをかいる本ですか、実践は6体です。 科學的合作 Tally = Rose wood 2/4 a Rosewood. 200 - Rosevend trovea to. 7/6 prs white Pant 15/pcx 相相的 UTC 似的知何 ute white Paint BFE 3/8/1.44/. 744 伊难 White į. Paint Ramazon 206/10/8.023 Yellow Paint 系旋向 Ramazon \$50/2.004.207

- 重注)① Romation Ten Sinkeraficker: "S", 黄色North Fluxing.
 - 图 BFE 小名海内水 Byraun 部内西村中東色へ入了

一様でけ、様保京にあます。

① 1番か21年。Rose wood A却の面和に の 東ハの汗の様深あり、 To3年のRword は 印は立い。 REF 47 10TH APRIL 1986.

FOR: MR.G.R.SCOBLE.

CC : MR.H.NOSE.

RE: ULABO PRICE FOR CORAL QUEEN.

PLEASE NEGOTIATE AS FOLLOWS:-

VOLUME: ABOUT 2000 M3 REG / SM ONLUY, PLUS 0 - 5 % S.SM.

PRICE: REG / SM AT NEP

---- S.SM AT SS3 PRICE OF MEP

REMARK: ROSEWOOD + S.SM EXCEEDING 5% OR MORE SHOULD BE KEPT FOR

--- COMING MAY SHIPMENT.

MITOMO FORESTRY CO., LTD.

NISSIN BUILDING NO.144, NIHONBABHI-KOAMICHO CHUC-KU, TOKYO 103, JAPAN

D3(888)C0 03(88)820881

Apr. 4, 1986.

CONTRACT SALES

SUMITOMO FORESTRY CO., LID., as Seller agree to sell and TAE SUNG LUMBER IND O., LTD., as Buyer, agree to purchase the following commodities under the terms and conditions as set forth hereunder:-

OUANTITY

: 3,000-3,500M3

approximate volume per Shipper follows. A.N.G. Timber Pty, Ltd. Ulabo Timber Co., Pty, Ltd. 2,000M3

Bougainville Forest Enterprise Pty, Ltd.

3,000-3,500M3

SPECIES

A.N.G. (Hopea and Others)

Ulabo (Mix)

(Taun and Others) BFE

Hopea inclusive 500-600M3

SIZE

50-60% (60cm and up) : Regular 40-45% (50-59cm) Small

Super Small 0-5% (40-49cm)

PRICE

: P.N.G. Logs US\$68/M3 CaF Inchon

In accordance with the Seller and to be GRADING/SCALING:

scaled by straight Brereton Scaling in accordance with the P.N.G. Scaling Rules and Volume table.

Volume to be loading port final.

Seller's inspection final under Seller's full INSPECTION

responsibility

per M/S "CORAL QUEEN" or sub SHIPMENT

ETA Loading port Apr. 15, 1986.

INADING FORT : Kupiano, Milne Bay and Kieta

DES/DEM

: Despatch or Demurrage at Discharging Port is Buyers account. Demurrage at US\$2,600 per Day of Pro Rata

for any part of a day. Half Despatch

LAYDAYS

Discharging Rate at 2,000M3 per day (WWD SHEX UU)

PAYMENT

By the Buyer's Commercial Irrevocable letter of Credit in favor of the Seller. Letter of Credit should arrive at the Lloyds Bank International Limited Tokyo.

Demediately after the date of This Contract

(Special Clause for L/C)

(1) B/L marked on deck cargo acceptable.

(2) Charter Party, Third Party and Stale B/L acceptable.

(3) B/L other Documents excluding invoice and draft made by Third Party acceptable.

(5) All Banking Charges outside Korea and for Beneficiary account.

The Seller provide the Buyer with an extra set copy OTHERS shipping document, original supplier of the contracted logs is A.N.G. Timbers Ltd., Ulabo Timber Co., Pty, Ltd. Bougainville Forest Enterprises Pty, Ltd. Sumitomo Forestry Co., Ltd. Confirmed by the Buyer M. Murakami General Manager Lumber (Overseas) Division TAE SUNG A CORAL QUEEN APR BUILLA FOC FAX SECT OF. TUX 12 276 CHEEKAL 1586 並れてれた。 P. 发色杨裕 苯cet DIA PORTION & 25 SSM + (2" & : A: 57 The Deut Try Fzy. HOPEA 1273 Keeまでは 1年1日1九 1ます。 C7 をといる 写水水のれたの一村、一枝中間条の差が 小橋 競給にまいたか分板不動のものは 最終的には上海作る満たし横のもないよう よろしくお願いくます(ピンタンイサルと

To be "TAE SUNG LUMBER IND CO., LITD.



ULABO TIMBER COMPANY PIT LIMITED

Head Office: P.O. BOX 75, ALOTAU. TEL: 61 1263 TELEX: NE61110 Rebaul Office: P.O. BOX 1679 RABAUL TEL: 92 2473 TELEX: NE 92837

INVOICE NO. EXPL 56/B

DATE: 29/04/86

SOLD TO:

SUMITOMO FORESTRY CO. LIMITED.,

14-1 NIHONBASHI-KOAMICHO,

CHUO-KU, TOKYO. JAPAN.

BASIS:

FREE ON BOARD AT GAMADOUDOU PNG

ORIGIN:

IT IS CERTIFIED THAT THE MERCHANDISE IS OF

PAPUA NEW GUINEA

INSURANCE:

BUYERS CARE

PAPUA NEW GUINEA ROUND LOGS

PIECES:

674 ·

VOLUME:

1983.286 M3

INVOICE AMOUNT:

UNITED STATES DOLLARS \$82333.96

DRAWN UNDER L.C. NO: NP386002300

FOR ULABO TIMBER COMPANY P.L.

(ROBERT TATE (SHIPPER)

Ulabo Yimber Company Ply J. P.O. Bex 95 Alofos

Internation of the latest of		ATTACH	MENT 5				1
•	SL	JMMARY OF	FORES	ST F T M	PRODUCE EP	FOR E	XPORT
ISHIF	PPER	: UTC. R: UTC.		11TY	PE OF PRODUC	E - ROUND LO	DGS
16460		N. C. 10.		HPO	RT OF LOADIN	G GAMADOUI	oou
(로봇트)	OFT	LICENCE NO: \$86061			RT OF DISCHA		
1E 12 P.	OFT	PERMIT NO 131		1 1HH	ME OF VESSEL	COPAL O	JEEN
TEMP	OFT	ENTRY NO		LISA	ILING DATE	28/04. 18(
						-	
IGR	CIUP I	SPECIES	IGRADE IF	IECES (VOLUME(M3) I	MEP./M3(\$US)	I MEF VALUE
			SP2				
1	1		SF2 SS1		1.777 26.476		1 136.75
1			1 882 1	10 1	23.8761	74.00 56.98	.1959.2: 1360.4:
1			1 882 1	20 1	5.4131	47.36	1 256.3
		(IPENCIL CEDAR	1 SP1 1	1 1	5.4131 3.8511	97.30	1 313.4
1		IPENUIL DECIME	1 991 1	4 1	14.214	61.40 74.00	1051.8
1		1	1 882 1	2 1	7.2071	14.00 52 00	410.6
<u> </u>		1	1 553 1	4 1	10.148	30.36 47 36	1 480.6
l .		IPLANCHONELLA	1 882 1	1 1	3.1381	56.80	1 178.2
		IKMITU	1 881 1	7 1	20.2871	59.00	1 1196.9:
		ILMITH.	1 552 1	14	34.6681		1 1656.70
		1	1 853 1	10	22.605	41.30	933.5
'-							
1		GROUP TOTAL	1 1	6 6 1	173.6601		l 9934.8
 1	2	ITERMINALIA	I SP1 I	2 (3.9231	58 .8 6	1 230.90
	-	1	SS1	7 1	26.148! 13.110! 5.791! 3.541!	54 .0 0	1411.99
i		1	I SS2 I	4	13.110	44.28	1 580.5
i		1	1 \$53 1	2	5.7911	37 .26	1 215.77
1		IMERSAWA	I SSF I	1 1	3.541	62.10	1 219.8
1		1	I SF1 I	17 (52.8081	5 8. 8 6	1 3108.27
i		1	1 SP2 1	12	43.0571	57.24	1 2464.5
l		1	SS1	64	**	54.00	1 11462.74
1		ľ	1 SS2 !	63		44.28	7000.40
1		1	1 S S3 1	5 (37.26	1 509.43
t		ITAUN	I SP2 I	1		57.24	1 124.0
		. •	SS1 66 2	.5 '9		54.00	672.89
ı			853	3 (44.28 37.26 े	831.44 220.3
1		I ICANARIUM	1 8 P2 1	1		57.24	1 150.30
		i i i i i i i i i i i i i i i i i i i	1 881 1	1		54. 0 0	1 206.5
		,	1 5 52 1	Ž į		44.28	319.2
1	i L	1	1 853 1	1		37.26	95.5
	•	ICALOPHYLLUM	I SSP I	1	3.1401	62.10	1 194.9
,	i 3	1	I SP1 I	2		58.86	1 317.43
	, ,	•	I SP2 I	1	2.4001	57.24	137.3
· ·	• 1	ŧ	S S1	1	2.8861	54.00	1 155.84
	ì	i	1 \$\$2 1	2	7.6741	44.28	1 339.80
		IAMOORA	I SP1 I	1	3.5841	5 8.86	1 210.9
	i	1	1 SS1 1	1	5.4481	54.00	1 294.1:
		ILABULA	S S1	2	5.4141	54.00	1 292.39
*	1	_	I SS 2	4	7.7801	44.28	1 344.49
ì	i	1	1 8S 3 1	2	4.6371	37.26	172.7
	1	IBURCKELLA	6 81	1	3.2471	54.00	1 175.33
	1.	r	I \$\$2 I	2	9.2741	44.28	1 410.6
-							

,GROUP	SPECIES	IGRADE I	PIECES	IVOLUME(M3) I	MEP/M3(\$US)	MEP VALUE I
	I GROUP TOTAL		220	1 648.8391		32871.02
1 3	IERIMA	I SSP I	1		46.02	240.591
1 5	1	I SF2 I	2	8.1341	40.95	333.081
1	t .	1 881 1	2	7.4431	39.00	290.271
i i	1	1 552 1		13.6791	31.98	437.451
1	•	1 883 1		! €.2521		175.551
ì	1. 日間の内に内心は	1 SF2		3.7671		154.251
i	1	1 881 1		; 3.763; ; 3.117;		146.75 99.68
ı	1	1 882 1 883		5.7031	31.30 28 08	160.14
1	j	1 333 1 88P		9.1741		422.181
l	1006166699	SP1		3.0251		133.31
ł	i	I SP2 I		9.7381		398.77
1	1	SS1		1 57.5981		1 2246.321
1	i 1	1 882 1	23	74.0401	31.98	2367.791
1		1 883 1		1 39.3071		1103.741
1	IDILLENIA			4.2251		194.43
1	1	1 881 1		1.861		72.571
1	}	1 882 1		1 11.3051) 361.53 l
i	IF IOUT CEETA	1 552 1				413.43 60.69
, 	THAPD CELTIS	1 551				63.68 90.82
i	1	1 882 1				133.12
i	1	1883	1 4	1 4.(41)	28.08 40.95	, 100.12. 229.36
l	IMALAS	SF2 SS1		1 4 9071	39.00	
1	l	1 551			31.98	
l.	l	1 883			28 .0 8	
	GROUP TOTAL	I	1 103	1 306.8821		1 10662.80
	, 	1 661		9 1621	37.00	338.99
1 4		1 SP1		1 4.6731	42.18	197.10
1	idasox			1 4.2571	38.85	165.38
!	1			1 30.9931	37.00	1 1146.74
1	1	- 1 SS2	1 8	25.103		780.20
1 4	•	I S S3		1 6.2951		1 170.02
1	- IVITEX	I 8 §2		1 2.5991		80.77
i	ŧ	1 \$53		1.3161		35.54
i	IBUCHANANIA	1 S S1		3.5171	L	1 133.82
-1	ISTERCULIA	1 S S2		1 2.9091 1 6.2511		168.83
1	1	I SS3 I SS1		3.507		1 129.75
1	IFIRMIANA	1 5 52	,	8.523		264.89
ŧ	I DILE	I S S1		14.792		547.30
l l	IMILKY PINE	I S S2				410.90
ļ	1	1 S S3				326.55
l	IPLANCHONIA	I SSP				1 165.11
1	1	I SP1	1 7	24.960		1052.81
f 1	i	I SP2				1 1333.91
i i	i	I S S1				7641.72
1	i	1 S S2			•	1 6438.75
, !	•	1 \$53				1 1261.85
i	ICRYPTOCARYA	I S S1	ı 6	16.428	37.00	607. 80

ROUP I	SPECIES	IGRADE	IPIECES	FIVOLUME (M3) I	MEP/M3(\$US)	MEF VALU
1		1 882		- · · · · · ·	31.08	987.:
1				4.4691	27.01	120.
1	GARCINIA	1 551	1 1	1.9921	37.00 l	73.
1		1 852	1 2	5.9701	31.08	185.
1		1 883	_	1.2471	27, 61 (33.
Í	HARPULLIA	1 881	1 1	1.809	37 . 00	66.
1	ı	1 883	1	1.6411	27.01	1 44.
1	(PODOCARPUS	1 882	1	3.2071	31 .0 8	99.
1	ı	1 883	1	2.5131	27.01	67.
1	INAUCLEA	I SP2	1	2.9121	38. 85	113.
1	1	l 98i	1 2	6.4351	37.00	238.1
i	l	1 882	1 4	10.399	31.08	323.
1	l	1 883	1 4	6.9461	27.01	187.
!	HERITIERA	1 882	1 1	2.4151	31.08	75.
	IMANILTOA	1 S S 3	1	2.3381	27.01 I	63.
	IENDIANDRA	1 688	! 1	3.1431	44.03	138.
ĺ	ł	I SP1	1 1	7.5901	42.18	
	1	1 881	I E	19.2121	42.18 / 37.00 /	320. 710
	! !	1 882		2.8831		710.
,	1	1 883	- -	3.314;	31.08	89.0
	: TRISTANIA	1 881			27.01	89.
	1 [[[]] [] [] [] [] [] [] []	1 882	1 2		37.00 I	218.
		552 883		5.6681	31.08 I	176.
	ITHESPESIA	553 SS1		7.1051 1 3.5511	27.01	191.
	IBULOLO ASH	SS1 SS1			37.00 I	131.
	IYELLOW HARDWOOD	551 SS2	-	2.1991	37.00	81.
	YELLUW MAKDWOOD		1 2	3.9301	31.08	122.
	1	SS 3		6.2151	27.01	167.
	ISPONDIAS	I SS1	1 1	3.1441	37 .0 0	116.
	1	1 552	1	3.1411	31.08	97.
		SS3	1 1	1.6291	27.01	43.
	GROUP TOTAL		1 285	1 853.9051		28865.:
	ITOTALS BY GRADE		l 8			1575.
	1	I SP1	1 33		1	5884.
	1	I SP2		1 120.7721		5740.
	1	I SS1	1 227			34073.
	1	I S S2	256	740.1101	5 1	27505.
	ŧ	1 \$ S3	1 116	1 241.2361	1	7553.
	i	1	0	.0001	· i	1000.
	i	1	1 8	.0001		• 1
	İ		1 0	.0001	i	. !
	IGRAND TOTAL		1 674	(1983.286)		84 82333.5

I CERTIFY THAT THE ABOVE FIGURES ARE TRUE HAD LURKED THAT FIGURES APPEARING ON THE BILL OF LADING AND EXPORT ENTRY.

(MEP) K77308.88 I CERTIFY THAT THE ABOVE FIGURES ARE TRUE AND CORRECT AND CORRESPOND WITH THE

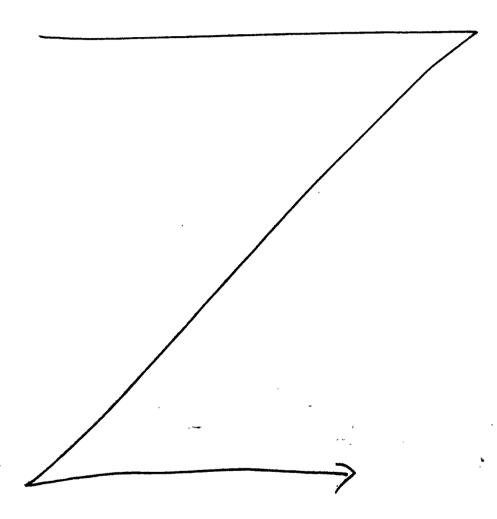
SIGNED (SHIPPER)

FORESTRY CLEARANCE STAMP

SL	JMMARY OF	FORES		PRODUCE F	OR E	XPORT
	R: UTC. LICENCE NO: 886061 PERMIT NO: 131		li LIPO LINA	PE OF PRODUCE: RT OF LOADING: RT OF DISCHARGE: ME OF VESSEL: ILING DATE	GAMADOU	DOU PORTS JEEN
IGROUP I	SPECIE8	IGRADE IPI	ECESI	VOLUME(M3) MEP	/M3(\$US)	! MEP VALUE !
	WALNUT 	SS S R SS R	2 15 6 2 5 4	36.765 N /t/ 18.324 t 3.855 t 14.552 h//5√	.00 .00 .00 .00	00. 00. 00. 00. 00. 00. 00.
•	IPLANCHONELLH KWILA 	1 S S 1	5 12	3.138177 7.7251 26.940131/77 42.8951	.00	.00. .00. .00. .00.
	I GROUP TOTAL	<u> </u>	66	173.660	tivite white make Million Make place white white-	.001
1 2 1 1 1 1 1 1 1 1 1	ITERMINALIA 	R	2	18.0971,5/69 28.9891 2.5501)762/48 192.9491 287.9467 3.2031 27.279115/39	.00 .00 .00 .00 .00	.00 .00
	ICALOPHYLLUM IAMOORA ILABULA I	S	2 2 5 2	6.515 7.147 4.366 7 17.127 9.032 1.388 10.141 6.302 1	. 99 . 99 . 99 . 99 . 99 . 99 . 99	
-	GROUP TOTAL	1	220			.00
1 3	IERIMA I HAMBEROI I HAMTERGUM I IDILLENIA I ILIGHT CELTIS	S	2 8 1 4 16 24 26 3 3	1 36.269 10/40 1 3.117 1 13.233 1 31.474 1 64.048 tt/\93 1 97.360 1 8.342 1 9.049	. 00 . 00 . 00 . 00 . 00 . 00 . 00 . 00	

GROUP I	SPECIES	IGRADE	IPIECES!	IVOLUME(M3) I	MEP/M3(\$US)∣	MEP VALU
		I R	1 2 1		.00	
ļ	IHARD CELTIS	SS	1 2 1		.00 !	• 1
,	l .	18	1 2 1		.00 1	•
1	<u>IMALAS</u>	SS c	1 2 1		.00 1	• !
!	l	18	1 3 1	7.7431	.00 l	•
		R	1 3 1	6.9821	.00 l	
	GROUP TOTAL		1 103	1 306.8821	-	
	IHOPEA	I R	1 2 1		.00 1	
	IDASOX	SS	1 3		4/71 .00 1	
	1	18	1 11			
	1	R	1 10	1 35.6351	.00 l	
	IVITEX	1 88	1 1	1.3161	.00 l	
	1	18	1 2	2.5991	.00	
	IBUCHANANIA	I R	1 1	3.6171	.00 1	
	ISTERCULIA	I SS	1 4	6.251	.00 l	
	1	18	1 1	1 2.9091	.00 1	
	JEIRMIANA	IR Lee	1 2	1 12.0301	.00 l	
	MILKY PINE	SS	1 4	8.860 22.712	.ପଥ ଜନ୍ମ	
	1	15	1 9	23.7121	.00 l	
		IR Icc	1 16	7.5311 1 26.3211	.00 00	
	IPLANCHONIA	SS S		26.321 153.485	۱ ۱۹۵۰ ز./دی) ۱ ۱۹۵۰ زی/دی	! !
		1 5 1 R	1 59	1 153.48570 1 343.6571	। ଅଷ୍ଟ ୧୯୬ <i>ୀୟ</i> । ଅଷ୍ଟ	! .
		K SS		1 343.6571 1 2.9251	.ଷର .ଷର	: ! .
	ICPYPTOCARYA	188	1 13	1 2.9251		! . ! .
	1	I S I R	1 13	1 34.2371	.00 .00	: ! .
	 	188	•	1 1.2471		
	IGARCINIA	55 S	i 1	1.2471	.00 l	! .
	· · · · · · · · · · · · · · · · · · ·	15 158	1 1	1 1.641	.00 l .00 l	
	HARPULLIA	1 8 5	1 a	1.8091	. 00. 1 00.	' . ! .
	IPODOCARPUS	158	1 4	1.803	.00	
	PUDUCMETUS	1 S	1 1	3.2071	.00	
	INALICI FA	155	1 4	1 6.9461	.00	· .
	INMOULEN	15		10.3991	.00	
	1.	IR	-	9.347	.00	
	IHERITIERA	IR -	1 1	1 2.4151	.00 `	,
	IMANILTOA	I SS	1 1	2.3381	.00 ⁻⁾	
	IENDIANDRA	1 55	1 1	1.561	.00	
	(Elioteliaelvi)	1 S	1 2	5.4451	.00	
	† •	İR		1 29.1361	.00	i .
	TRISTANIA	i ss	1 2	3.5331	.00	
	1	1 8	1 3	8.6731	.00	· 1
	1	i R	1 2	6.4691	.00	
	ITHESPESIA	i R	1 . 1	3.551	.00	i .
•	IBULOLO ASH	İŝ	1	2.1991	.00	
) •	IYELLOW HARDWOOD	I SS	1 3	1 4.3451	.00	i .
ı	The behind PM 1 11 11 12 12 12 12 12	1 8	1 2	3.9301	.00	
) _ i	1	İŘ	i 1	1.8701	.00	1
l I	SFONDIAS	I SS	1 1	1.6291	.00	1
i 1	10000110	18	1 1	3.1441		i
1	1	I R	i 1	3.1411	.00	1
	GROUP TOTAL	1	1 285	1 853.9051	aga gabras denas alter dilak hijigi digas sebas sebas telas dilak disab adalah sebas se	1

ئىد GROL،	JP! SPECIES	IGRAD	E IF	IECES	 3 IV	OLUME(M3) I	MEP/M3(\$US) MEP	VALUE
 	ITOTALS BY GRADE ! !	88 8 R	•		ì	142.217 729.706 1111.363		.00 .00 .00
1	IGRAND TOTAL]		674	1	1983.2861	. !	.00



ANG FULLOWS !-

BUT ALL HOPEA
REG SMALL OMY

SUMMARY OF I	FOREST AT	PRODUCE F MEP	OR EXPORT
SHIPPER: UTC. PRODUCER: UTC.	1	•	
		IPORT OF LOADING:	
EXPORT LICENCE NO: \$86061		IPORT OF DISCHARGE: INAME OF VESSEL:	
EXPORT PERMIT NO: 131 EXPORT ENTRY NO:		ISAILING DATE:	
IGROUP! SPECIES	IGRADE IPIEC	ESIVOLUME(M3) MEP	VM3(\$US) MEP VALUE
I 1 IROSEWOOD	1 881 2	5 72.535 1	43.00 10372.50
1	1882 3	1 73.932	57.20 4228.91
i	1883 3	0 55.719	47.19 2629.37
I I GROUP TOTAL	1 1 8	6 202.186	1 17230.781
ITOTALS BY GRADE	I SSP I	 3 .000	1 .001
1 1		1 0001	1 .001
i	1 SF2 1 1		1 .001
1 1		5 72.535	10372.50
i	1 882 1 3	1 73.932	4228.91
1	1883 3	0 55.719	1 2629.371
i I	1 1	9 .000	1 .001
1 1		0 .000	1 .001
1 1		0001	l .001
I IGRAND TOTAL	.1 1 8	6 l [.] 202.1861	1 17230.781

I CERTIFY THAT THE ABOVE FIGURES ARE TRUE AND CORRECT AND CORRESPOND WITH THE FIGURES APPEARING ON THE BILL OF LADING AND EXPORT ENTRY.

SIGNED (SHIPPER)

FORESTRY CLEARANCE STAMP

```
02? 743369+
03? +
CONNECTING NOW
01- SMITFOR J22191
02- RCML NZ3369
ALL AVAILABLE PARTIES CONNECTED - GA
SMITFOR NE22373
REF 57
         APRIL 14TH 1986.
TO SECL / RCML
ULABO.
RE PRICE OFFERS.
SEC POM WISH TO INDICATE THAT THE REQUEST FOR ULABO TO GRADE S.SMALL
LOGS AS SS3 COULD HAVE REPURCUSSIONS WITH FORESTRY DEPT.
ALL SHIPMENT DETAILS ARE NOW BEING COMPUTER CHECKED BY
F.I.C. AND REPORTS ARE MADE TO GOVERNMENT.
STRICTLY SPEAKING A SUPER-SMALL LOG IS DIAMETER 40 CMS TO 49 CMS
AND SHOULD BE GRADES AS SS2.
RE SEALPA RULES.
       50 CMS AND LARGER // 2.5 METRES PLUS
 881
       40 CMS AND LARGER // 2.0 METRES PLUS
 882
       30 CMS AND LARGER //
                             2.0 METRES PLUS
 223
 DIAMETER SIZES :-
  -----------
                                                             .*.
 REGULAR 60 CMS PLUS
          30 -39 CH8
 SHALL
         40 -49 CMS
 B.SMALL
 IF SEC REASON TO CALL 8.SMALL LOGS AS 883 FOR PRICE PURPOSES, THEN
 ME SUGGEST NEGOTIATIONS SHOULD BE ON PRICE ONLY AND NOT SIZE
 ADJUSTING TO GRADING BULES.
 REGARDS .
 BRIAN WALTERS.
 BMITFOR NE223730
 RCML NZ3369
 SMITFOR J22191
- 993993
 TIME DO3.4 HINS
```

01? 7222191+

02-

TIME DOJ.4 MINS

After that it became much better about grade but the special feature is there is still peeler grade but more SS3 is there.

I guess that if I teach them to grade less as peelers the problem will be less".

This clearly confirms that what is apparent was quite deliberate. There were a number of high grade (peeler)logs and not many SS3 logs on intial grading. The Sumitomo inspector regraded the logs onto the ship deliberately downgrading peeler logs to reduce their number and deliberately downgrading sawlogs to SS3 grades. He directed grading according to his standard to reduce the number of peelers and increase the number of logs graded SS3.

SCHEDULE 10

SUMITOMO FORESTRY

M.V CORAL QUEEN - APRIL 1986

There were four part shipments two of which were split PNG invioce were:-

- (1) BFE (DIOS)
 888pcs 3128.967m3 at FOB USD181,480.09 for Japan.
- (2) ANG TIMBERS:-
 - (a) 288pcs 818.201m3 at FOB USD34,953.82 for Japan
 - (b) <u>181</u>pcs <u>575.046</u>m3 at FOB <u>USD24,151.94</u> for Korea 469 1393.247 USD59.105.76
- (3) ULABO:-
 - (a) 86pcs 202.186m3 at FOB USD17,230.78 for Japan (all rosewood)
 - (b) <u>0.74</u>pcs <u>1983.286</u>m3 at FOB <u>USD82.333.96</u> for Korea 760pcs 2185.472m3 at <u>USD99.564.74</u>
- (4) BFE(KIETA)

The average FOB price over the full shipment was USD50.49 per m3

The shipments to Korea were thus as follows:-

- 2b 181pcs 575.046m3 at FOB USD24,151.94
- 3b 674pcs 1983.286m3 at FOB USD82,333.96
- 4 <u>123</u>pcs <u>639.639</u>m3 at FOB <u>USD30.847.60</u> 978 3197.971 <u>USD137,333.50</u>

The cargo seems to have good quality going to Japan (including the ULABO Rosewood at exact MEP prices) with the residue plus Hopea going to Korea.

The FOB unit price for Korean shipments averaged USD42.94 per m3.

Korean end invoices were obtained, are C&F and show:-

181pcs 575.046m3 at USD68.00 totals USD 39,103.13 674pcs 1983.286m3 at USD68.00 totals USD134,863.45 123pcs 639.639m3 at USD68.00 totals USD 43,495.45 978 3197.971 68.00 217,462.03 The price differential is USD80,128.53 or USD25.06 per m3 which exceeds by about USD4 to USD5 per m3 freight rates applicable at the time on a single charter basis. The markup; on this basis, is in the order of 10% of the PNG FOB price.

In the file for this shipment are some revelatory communications.

- (a) SFC Japan obviously sought to have Ulabo undergrade logs which were supersmall (diameter 40-49cms) by grading them SS3 under the Sealpa rules instead of 232. It was counselled against this not because it was wrong but because of fear of being caught (Attachment 1)
- (b) SFC directed its price negotiator (as a result of this advice) to negotiate prices with Ulabo at exact MEP prices and on supersmall logs to negotiate at the MEP applicable to SS3 logs (Attachment 2).
- (c) SFC contracted to sell logs bound for Korea to Taesung Lumber at USD68.00 per m3 C&F including supersmall logs (diameter 40-49 cms) and a copy of this contract is in the Port Moresby Office file (Attachment 3)

In fact the whole cargo from Ulabo (including Rosewood) was sold at exact MEP prices (Attachment 4) so it would seem that logically logs must have been undergraded as SFC had suggested.

In the file for this shipment separate lists and summaries shows Sealpa gradings (Attachments 5 and 7 respectively) and the second old system gradings (Attachments 6 and 8 respectively). A comparison shows exactly what occurred and it seems clear there was deliberate undergrading.

The detail of the report and loading plan arranged by staff in PNG is illustrated in Attachment 9 and there is clear reference to grading and a new grader.

Roughly translated it reads "I changed high grade into open file and I regraded each of them onto the ship.

I instructed the new grader not to make the same mistake (again) and I ordered Mado to watch it always.

After that it became much better about grade but the special feature is there is still peeler grade but more

SCHEDULE 9

SUMITOMO FORESTRY

M.V. TASMAN CLIPPER - APRIL 1986

There were four part shipments all to the Korean buyer Eagon Industrial Co. Ltd. PNG invoice details were:-

(1) KUMUSI 684pts 3012.099m3 at FOB USD153,146.93 (2) ANG TIMBERS 561pts 1743.49tm3 at FOB USD 77,799.62 (3) ULABO 630pts 1735.725m3 at FOB USD 68,603.66 (4) BFE 364pts 1079.055m3 at FOB USD 56,455.75 2239 7570.370 USD356.005.96

The FOB price averaged USD47.03 per m3.

The Korean end invoices were obtained and are CNF and show:-

684pcs 3012.099m3 at CNF USD207,834.83 561pcs 1743.491m3 at CNF USD120,300.88 630pcs 1735.725m3 at CNF USD119,765.03 364pcs 1079.055m3 at CNF USD 74,454.80 2239 7570.370 USD522,355.54

The price differential is USD168,349.58 or USD21.97 per m3.

On the Port Moresby Office file is assmile from Tokyo to PNG Office which deals with this shipment and which roughly translated says freight is USD17.50 per m3 but is being negotiated with the shipping company and could become USD18.00 per m3. It also directs that the "check" to be made be severe. (Attachment 1) Depending on what the ultimate freight rate was the markup over and above freight is at a unit rate of USD3.97 to USD4.47 per m3 or at a rate of 8.44% to 9.50% of the FOB price.

Sumitomo was clearly dealing with Ulabo at MEP prices. It was saving Rosewood for the next shipment on MV Coral Queen. Ulabo was instructed to use the "old MEP" for this shipment (Attachment 2)

In the Sumitomo Port Moresby files are separate lists and summaries of this shipment — the first shows Sealpa grading (Attachment 3) and the second old system gradings (Attachment 4). It will be observed that though a total 243 logs were graded supersmall (under the old system) not one single log was graded SS3 (under the Sealpa system). This is is marked contrast to the shipment from the same producer in the same month on M.V. CORAL QUEEN (Schedule 10) and further proves undergrading on that shipment.

The sale by Ulabo was at below then current MEP prices - compare invoice (Attachment 5) and summary (Attachment 3).

The grading situation is again illustrated, in a manner which causes concern by the part shipment from Kumusi Timber Company.

For its part shipment Kumusi sent an invoice (Attachment 6) and another dummy invoice showing MEP figures (Attachment 7). The first invoice shows an adjustment which seems explained by a telex (Attachment 8) which indicates Sumitomo paid less than the invoice price and expected a refund of the difference.

The explanation can be gained from a handwriten document on Sumitomo's file coupled with the log list also on that file. The result is tabulated in Attachment 9.

In accordance with his instructions for a "severe" check the Sumitomo inspector downgraded Kumusi logs as follows:-

Group 2 Red Species

5 of 19 logs graded SP1 were downgraded to SS1 2 of 35 logs graded SP2 were downgradead one each to SS1 and SS2

Two SS1 logs were downgraded are each to SS2 and SS3 and one SS2 log was downgraded to SS3.

Group 2 White Species

3 of 9 logs graded SP1 were downgraded two to SS1 and one to SS2

3 of 5 logs graded SP2 were downgraded two to SS1 and one to SS2

5 of 13 logs graded SS1 were downgraded to SS2.

Group 3 Red Species

The only one SSP log was downgraded to SP2 4 of 21 logs graded SP1 were downgraded three to SS1 and one to SS2 3 of 15 logs graded SP2 were downgraded to SS1

Group 3 White Species

8 of 24 logs graded SP1 were downgraded, one to SP2, five to SS1 and two to SS2.

The intent and result in quite clear - to downgrade the peeler class logs and to downgrade them into sawlog classes. In many instances the logs have been downgraded by two classes and that is something which is very difficult to explain in an acceptable manner.

Of real concern is the possibility raised by this file that a log exporter can sell and invoice for logs sold from PNG and then be asked to return part of the sale proceeds to the buyer.

The existence of such a practice raises the prospect of very serious abuses.

From Tokyo.

FAX FOR P.N.G

Re: T. Clipper Kirea (EAGOR) to Contruct.

7500 - 7100 M3 Volume Rex / SM /S.SMAII 60 % 3000 M3 K. T. C 30 1800 M3 ULABO 43 37 1500 M3 42 A.N.G. 10. 35 B.F.E /200

尚 KT.C white species は Discolor であると なっと 可ります。
Priceは Teliez 行えた とうりで スレイトは 17.50

にて、船会社と支持中でからいになるかと思われます。

以上 400 そのさん 等 存品 さびしく そっと 下さい。

there tack.

Ĭ,

SMITFOR NE22373 STAND BY FOR BROADCAST CALL

24/MARCH '86 TLX TO UTC

C.C:MR.B.WALTERS

REF:023/86

REFICHANGED T/CLIPPER'S LOADING ROTATION

- 1-WE CHANGED 2ND LOADER TO ANS TIMBER INSTEAD OF UTC. UTG IS 3RD LOADER, SO ETA HILNE BAY AROUND 28-29/MARCH.
- 2-FOR THIS SHIPMNT, PLS DO NOT LOAD ROSEWOOD. R/WOOD LOAD FOR NEXT SHPMNT.

AND PLS UNDERSTAND N COMFIRM THE PRICE OF THESE R/WOOD IS AVAILABLE OF MARCH CONTRACT FOB.

3-REFERENCE OF MEP FOR THIS SHIPMNT, PLS USE THE OLD MEP. BECAUSE OUR CONTRACT IS ON OLD MEP AND,

THE OLD MEP IS AVAILABLE FOR THIS SHIPMNT BECAUSE L/C OPENED BEFORE 19/MAR AND VESSEL ARRIVED PNG BEFORE 31/MARCH.

RGRDS ABEMATSU

SMITTOR NE928349 SMITFOR NE22373 ULABO NE61110888

MAR 24 1986 0752 0 SMITFOR NE22373 STAND BY FOR BROADCAST CALL

	e: UTC. ER: UTC.		11	PE OF PRODUCE:		
			I IPORT OF LOADING:			
			I IFORT OF DISCHARGE: KORE			
	PERMIT NO:		LINH	ME OF VESSEL:	TASMAN C	LIPPEK
EXPORT	ENTRY NO:		1150	ME OF VESSEL: ILING DATE: 	03/04/86	
IGROUP		IGRADE I	PIECESI	VOLUME(M3) ME	P/MŠ(\$US)∣ 	MEP VALUE I
1 1		1 SS1 1		55.7331		4099.711
t	ļ	I SS2				1997.801
1	·, <u> </u>	SS1				1821.05
1	•	I \$\$2		11.8491		671.121
1	IPLANCHONELLA	I SS1 I		20.5571		1463,451
t	1	1 5 52 1	2 1	2.5091	56.95	142.881
	I GROUP TOTAL		60 1	150.6761		10196.011
1 2	ITERMINALIA	I SS1 I	12 1	46.2121	53.37	2466.331
i		1 882 1	15	26.5991	43.23 I	1149.871
i	IMERSAWA	I SP1 I	1 1	2.5421	58.71	149.241
i	1	1 SP2 1	4 1	10.7411	56.04	601.921
1	i	I 581 I	1 7 1	20.1551	5 3.37	1075.671
i	İ	1 882 1	1 7 1	11.965	43.23 I	517.241
i	ITAUN	SS1	1 8 1	21.3611	53.37	1140.031
1		1 SS2 1	18	29.4791	43.23	1274.371
i	IKWILA	I \$\$1	I 5 I	12.5341	53.37	668.931
i	i	1 882 1	l 7 I	14.0921	43.23	609.191
1	ICANARIUM	I \$\$1	5 (14.9671	53.37	798.781
t	1	1 SS2	9 1		43.23	816.781
ı	ICALOPHYLLUM	I SP2	1 1		56.04	286.191
1	1	I S S1		8.7841	53.37	468.801
1	1	I \$\$2		2.0521	43.23	88.701
1	IAMOORA	I SP1	1 1	4.188	58.71	245.871
1	1	I \$\$1	l 5 i	21.4071	53.37	1142.491
1	1	1 SS2	1 2	3.9391	43.23	170.281
1	ILABULA	I S S1	1 6	19.7281	53.37	1052.881
ı	1	I \$\$2	1 3	5.628	43.23	243.291
1	I GROUP TOTAL		120	1 300.3741	; (14966.851
1 3	IHOPEA	I S S2	i 1	2.1171	30.74	65.071
	IERIMA	I SP1			48.98	362.951
i	1	I SP2		2.7181	38.79	105.431
i	i	I \$\$1	1 9		36.59	1750.861
i	i	1 \$\$2	1 4	8.7921	30.74	270.261
ł	IDYSOX			1 71.2331	36.59	2606.411
i	1	1 S S2		28.2141	30.74	867.291
i	IVITEX	1 \$52		6.9101	30.74	212.411
i	IBUCHANANIA		i i	4.7111	40.98	193.051
i	1	1 551	1 3	8.5021	36.59	311.081
1	i		1 3	9.1471	30.74	281.171
1	ISTERCULIA		1 1	1.359	36.59	49.721
1		I SS2		13.7901	30.74	423.901
•	•		. •			

AT MEP

ROUP I	SPECIES	IGRADE II	PIECES	VOLUME(M3)	MEP/M3(\$US)	MEP VALUE I
		SS1	1 !	6.2321	36.59	228.021
	1	1 882 1	2 1	7.2471	30.74	222.771
, 1	MILKY PINE	1 SS1 1	7	25.2411	36.59	923.561
	1	I SS2 1	4 1	9.5491	30.74	293.531
ı	IAMBEROI	1 881 1	5 1	13.7881	36.59	504.501
		1 882 1	1 1	2.3891	30.74	73.431
	IPLANCHONIA	1 SS1 1	107	372.0911	36.59	13614.801
	1	1 852 1	41	90.191	30.74	2772.47 [
	I IWATERGUM	I SP2 I	1 3 1	6.8641	,38.79 l	266.25
	graph and the sections of	1 881 1	1 26 I	91.3471	36.59	3342.381
ı	1	1 882 1	1 42 1	96.6391	30.74	2970.68
ı	I ICRYPTOCARYA	SP1	1 1	2.8061	40.98 I	114.981
•	IUKTE LOUDKIN	I SP2 I	, 1 , 1 1	3.2791	38.79	127.191
l	1	1 552 1	1 13 1	42.3161	36.59	1548.341
]	T.	1 882 1	1 17 1	37.8591	30.74	1163.781
ł		SS2 SS1	1 4 1	9.7621	36.59	357.191
I	IGARCINIA	SS1 SS2	1 6 1	1 42.1521	30.74	373.551
I		SS2 SS1	1 4 1	1 12.1371	36.59	444.091
I	IHARPULLIA		1 4 1	1 12.1371	30.74	58.651
t		SS2 SS2		1.9081	30.74 30.74	58.121
1	IPODOCARPUS	1 552	1 10	1.891 26.222	36.59	959.461
ŧ	INAUCLEA	1 551		1 26.2221	36.39 30.74	479.691
1	1	1 882	1 7 1	15.605 3.412	30.74 36.59	1 124.841
1	IHERITIERA	SS1	1 1	3.412 4.758	36.59 30.74	146.261
1	1	1 552	1 2		30.74 36.59	79.61
1	IPROTIUM	1 881	1 1	2.176		1 165.441
1	1	1 552	1 3	5.3821	30.74 36.59	165.441
1	IMANILTOA	1 551	1 3	9.1231	36.59	
1	1	1 \$\$2	1 2	4.104	30.74	1 126.151
i	IPIMELEODENDRON	1 551	1 2	6.3281	36.59	231.541
t	1	I SS2	1 1	1.7961	30.74	55.201
1	ILIGHT CELTIS	1 552	1 2	4.0721	30.74	125.17
Ī	IENDIANDRA	I SP2	1 1	1 2.0811	38.79	80.721
i	· · · · · · · · · · · · · · · · · · ·	1 551	1 11	1 46.2261	36.59	1 1691.401
i	1	1 552	1 6	1 13.6361	30.74	1 419.171
	ITRISTANIA	1 551	1 1	1 2.7821	36.59	1 101.791
7 1	1	I SS2	• —	1 3.8731	30.74	1 119.05
i	ILITSEA	1 551	1 3	9.4331	36.59	345.151
1	1	1 552		1 - 4.9081	30.74	150.871
•	HARD ALSTONIA	1 552		3.1801	30.74	97.751
1 .	IBULOLO ASH	-SS2	i 4	7.8111	30.74	1 240.111
1	IBOTOTO HOU	1 551	1 2	1 - 6.2671	36 . 59	229.30
•	1	1 882		1 1.6371	30.74	50.321
T 1	IYELLOW HARDWOOD	1 551	i i	1 2.2171		81.121
1	4	4 552	-	9.6791		297.531
1	a ではている a to a to a to a to a to a to a to a t	1 551	1 2	6.9061		252.691
1	THALAS			10.5001		322.761
1	I ISPONDIAS	I SS1		10.6721		390.481
 I	1 GROUP TOTAL		1 450	1 1284.6751		44655.26
	الله الله الله الله الله الله الله الله					
1	ITOTALS BY GRADE	I SSP				100.
1		I SP1		1 23.1041	I	1 1066.09
۱ 1	1	I SP2		1 30.7901	١ .	1 1467.701
1	, 1	1 551		.	•	1 46700.261
		, 55 I	, <i>5</i> 28	033.01(

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Ì	1	1	1	0	1	. 000 1	1 .001
1	IGRAND TOTAL	1		630	1	1735.725	69818.12
I CERTIFY THAT THE ABOVE FIGURES ARE TRUE AND CORRECT AND CORRESPOND WITH THE FIGURES APPEARING ON THE BILL OF LADING AND EXPORT ENTRY.							

IGRADE IPIECES IVOLUME (M3) | MEP/M3(\$US) | MEP VALUE | |

FORESTRY CLEARANCE STAMP

SPECIES

IGNED (SHIPPER)

IGROUP !

GROUP I	SPECIES	IGRADE I	IPIECES I	VOLUME(M3) I	MEP/M3(\$US) I	MEP VALUE I
		1 R	1 7 1	24.7421	.00 1	.001
11	VITEX	I SS	1 3 1		.00	.001
1	·	18	1 1 1	2.2061	.00	.001
11	BUCHANANIA	I SS	1 2 1		.00	.001
1		IS IR	1 2 1	5.0121 13.1821	.00 1 .00 1	.001
1		i SS	, 3. 1 8 1		.00 I	.001 .001
}	STERCULIA	1 8	. 11	1.3591	୍ଷତ । ବୃଷ୍	.001
; ;	FIRMIANA	i šs	1 1	2.7691		.001
; , (FIRMINA	I R	1 2 1		.00	.001
	MILKY PINE	1 SS	1 3 1	5.6121	.00	.001
		I S	1 5 1		.00 1	.001
i		1 R	1 3 1		.00	.001
i 1	IAMBEROI	I SS	1 1		.00	
į (l	18	1 2 1		.00	.001
1	1	I R	1 3 (.00	.001
1	IPLANCHONIA	ISS IS	1 27 1 58	49.3381 150.8171	.00 I .00 I	199.
1	1	IR	63		.00	100. 100.
l.	L CATEGORIN	1 88	1 36		.00 1	.001
1	INATERGUM	1 8	1 25		.00	.001
1	1	1 R	1 10		.00	.001
1	ICRYPTOCARYA	1 88	1 15		.00	.001
	1	1 S	1 9		.00	.001
	i	I R	1 8	30.0221	.00	.001
1	IGARCINIA	I SS	1 6	12.1521	.00	.001
	1	IS	1 4	9.7621	.00	.001
ì	IHARPULLIA	ı, ss	1 1	1.9081	.00	.001
i	t	IS	1 3		.00	.001
1	•	1 R	1 1	3.0391	.00	.001
1	IPODOCARPUS	! S S	1 1		.00	.001
1	INAUCLEA	ISS IS	1 7		.00 1	.001
ł	!	I R	1 3		.00 l	.001
1	IHERITIERA	iss	1 2	4.7581	.00	.001
!	MEKTITEKN	I R	1 1	3.4121	.00	.001
1	IPROTIUM	I SS	1 2	3.6741	.00	.001
'	1	15	1 2	3.8841	.00	.001
	IMANILTOA	I SS	1 2	4.1041	.00 i	.001
l i	1	I \$ -	1 1	1 2.3281	.00 [1	.001
i	1	I R	1 2	6.7951	.00	.001
1	(FIMELEODENDRON	f SS	1 1	1.7961	.00 ' '1	.001
1	1	15	1 2	6.3281	.00	.001
1	ILIGHT CELTIS	I SS	1 2	4.0721	.00	.001
1	IENDIANDRA	1 55 1 5	1 5	1 10.5101	.00	.001
!	· ·	IR	1 4	1 10.6961 1 40.7371	.00 I	.001
1	I ITRISTANIA	SS	1 1	1 .0241	.00	.001
	1 [[KTS]LHITU	1 5	1 2	6.6311	.00	100.
	ILITSEA	l SS	1 3	1 4.9081	.00	.001
i	1	1 5	1 3	9.4331	.00	.001
3	IHARD ALSTONIA	l ss	1 2	3.1801	.00	.001
i	IBULOLO ASH	1 55	1 4	7.8111	.00	.001
i	IQUANDONG	1 55	1	1.6371	.00	.001
1	•	1 S	1 1	1.9961	.00	.001

	R: UTC.		HTY	PE OF PRODUCE	ROUND LO	38
RODUC	ER: UTC.		11			
!			I IPO	RT OF LOADING	GAMADOUD	ou
	LICENCE NO: S86061		11110	RT OF DISCHAR	GE: KOREAN P	
	PERMIT NO: ENTRY NO:		HMI	ME OF VESSEL:	TASMAN CI	_IPPER
TEXPORT	ENIRT NO		l ISH	ICING CHIE:	03/04/86	
					·	
100000	i epentee	IGEADE	IPTECES I	COLUMEZMOS I		
108006	SPECIES		11 1ECES	VOLUME (M3)	MERZM3(\$US)	MEP VALUE I
1	INALNUT	1 88	1 17 1	25.1951	66 .	
, ,	1	18	1 12 1	26.071	- •	.001
i	t	I R	1 11 1	39.7391	.00 .00	.001
ì	IPENCIL CEDAR	1 88	1 4 1	9.0241	.00	.001
i	1	1 8	1 4 1	11.0291	.00	00
ì	1	I R	1 4 1	16.5521	.00 1	.001
i	IPLANCHONELLA	1 88			.00	. 00 I
1	1	1 S		7.1721	.00	.001
1	1	LR	1 3 1	13.385	.00	. 00 / . 00 /
						.001
1	GROUP TOTAL	1	1 60 1	150.6761	1	.001
1 2	ITERMINALIA		1 14 1	20.837	.00	.001
ł	1	IS	7 1	18.4431	.00	.001
ı	1	I R	1 61	33.531	.00 1	.001
1	IMERSANA	I SS	1 61	9.0771	.00 1	.001
1	I	IS	1 61	14.435	.00	.001
1	1	I R	7 1	21.891	.00	.001
i	ITAUN	I SS	1 17 1	25.584	.00 (.001
1	1	IS	7 1	17.4271	.00 1	.001
I	I	I R	1 21	7.8291	.00 1	.001
ì	IKWILA	I SS	1 61	J1.4791	.00	.001
1	1	IS	1 4 1	10.9561	.00	.001
1	1	I R	1 21	4.1911	.00	.001
•	ICANARIUM	I SS	9 1	18.894	.00	.001
1	!	1 5	1 41	11.2851	.00 1	.001
t	1	I R	1 1 1	3.6821	.00	.001
	ICALOPHYLLUM	I SS	1 1 1	2.0521	.00	.001
	1.	IS	1 2 1	4.7841	.00	. 9 0 I
1			1 21	9.107	.00	.001
!	IAMOORA	1 85	! 21	3.9391	.00 .1	. 0 0 I
•	•	f S	1 1	2.0671	.00	.001
1	1	I R	5 1	23.5281	.00 1	.001
<u>[</u>	ILABULA	I SS	2 1	3.4611	.00 1	.001
	1	1 8	5 1	14.1561	.00	.001
1 .	•	I R	2 1	7.73 9 I	.00	.001
	I GROUP TOTAL	 !	100 1			
	, GROUP TOTAL	! =====	120	300.3741	ı	.001
1 3	IHOPEA	I SS	1 1	7 (17)		
i	IERIMA	ISS I	3 1	2.117 7.260	.00 !	.001
i	1	1 S	4 1		.00	.00 (
i	i	IR	9 1	9.1351	.00	.001
i	IDYSOX	ISS :	14 1	51.8231	.00	.001
ì		18	19	24.979 49.726	.00	.001
				72.160 	.00 1	. 0 0 I

AT

MEP

1	1 R	t	1 1	4.2711	.00	1	.00
IYELLON HARDWOOD	I SS	1	4 1	6.7731	.00	1	. 00
1	IS	ı	2	5.1231	. 00	1	. 90
, IMALAS	1 88	1	5 1	10.500	.00	1	. 0
1	18	1	1 I	1.4491	.00	ŧ	.0
,	1 R	t	1 1	5.4571	.00	1	.0
 SFONDIAS	1.5	1	1 F	1.8631	.00	ı	.0
	I R	1	2 1	8.8091	.00		.0
I GROUP TOTAL			450 I	1284.675		ı	.0
ITOTALS BY GRADE	 SS	 I	243 I	447.6961		1	
TOTTIES ET	1 S	•	214	559.7621		1	0
	LR	i	173	728.2671		i 	. 6
IGRAND TOTAL	1	1	630 1	1735.725		 I	.0

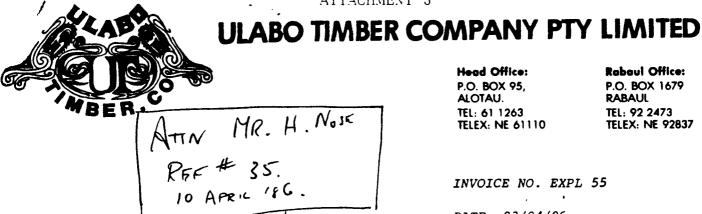
REMARNS:WE ALSO HAVE GRADE SHEETS LOG TALLY SHEETS
IF YOU REQUIRE PLS ADVISE.

RECAPOS

BRIAN WALTES

SEC - POM.

END



Head Office: P.O. BOX 95, ALOTAU. TEL: 61 1263 TELEX: NE 61110 Robaul Office: P.O. BOX 1679 RABAUL TEL: 92 2473 **TELEX: NE 92837**

INVOICE NO. EXPL 55

DATE: 03/04/86

SOLD TO:

SUMITOMO FORESTRY CO. LIMITED.,

14-1 NIHONBASHI-KOAMICHO,

CHUO-KU, TOKYO, JAPAN.

BASIS:

FREE ON BOARD AT GAMADOUDOU PNG

ORIGIN:

IT IS CERTIFIED THAT THE MERCHANDISE IS OF

PAPUA NEW GUINEA

INSURANCE:

BUYERS CARE

PAPUA NEW GUINEA ROUND LOGS

PIECES:

630

VOLUME:

1735.725 M3

INVOICE AMOUNT: UNITED STATES DOLLARS \$68,603.66

DRAWN UNDER L.C. NO: NP 386002300

FOR ULABO TIMBER COMPANY PTY LIMITED

R.TATE

(SHIPPER)



P. O. BOX 392, POPONDETTA, PAPUA NEW GUINEA. TELEX: NE 29101 CABLES: KUMTIM, POPONDETTA

TELEPHONE: 297322, 297352, 297376.

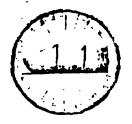
25th March, 1986

Sumitomo Forestry Company Ltd., Nissin Building, No. 14-1, Nihonbashi-Koamicho, Chuo-Ku, Tokyo 103, Japan. Ref

COMMERCIAL INVOICE

Shipped under Export Licence No. S85057 Papua New Guinea Round Logs

GROUP/SPECIES	GRADE	PIECES	VOLUME(M3)	PRICE/M3	TOTAL	AMOUNT(US\$)
GROUP ONE(RED	SPECIES)				
			2 0/5	W0406 00	***	010.04
PC	SP2	1	3.965	US\$86.32	US\$	342.26
	SS1	2	7.186	US\$82.39	US\$	592.05
	SS2	2	5.733	US\$63.78	US\$	365.65
PL.	SP2	1	4.054	US\$83.53	US\$	338.63
ru.	SSI	1	1.901	US\$79.73	US\$	151.57 -
	SS2	2	8.972	US\$63.78	US\$	572.23 -
GROUP TWO(REI)	SPECIES	<u>s)</u>			, ; •	•
	SPI	19	84.455	US\$65.74	US\$	5,552,07
	SP2	35	151.938	US\$62.75		•
	SSI	179	835.981	US\$59.77		49,966.58
	SS2	202	881.530	US\$48.50		42,754.21
	552	202	501.550			76,137.21
GROUP THREE(R	ED SPEC	IES)		.; 4		•••
OKOU!			•	*,	10 to 10	4 ()
•	SSP	1	4.407	US\$48.47	LUS\$	÷ 213.61 ·
	SP1	21	90.908	US\$45.94	US\$	4,176.31
•	SP2	15 -	- 72 .69 2	US\$43.46	逐 US\$	3,159.19
	SS1	56	271.579	US\$40.99	La USS	11,132.02 - >
	SS2	21	68.914	US\$34.19	US\$	2,356.17.
· .				<i>(</i> ~~		
GROUP CRECUH!	ITE SPEC		.			
¥	SP2	1	8.365	US\$77.07	US\$	644.69
W	SSI	· 2	8,550	US\$73.56	USS	628.94
	SS2	ī	2.680	US\$56.95	JA US\$	152.63
	332	•	2.000	00450.75	糖	1 152.05
GROUP TWO (WH	TE SPEC	CIS)			. •	
•	SPI	9	32.888	US\$58.70	US\$	1,930.53 °
	SP2		18.030		US\$	1,010.22
	SSI	13	47.215	US\$53.37		2,519.86
	SS2	_	13.372	US\$43.30	US\$	579.01



P. O. BOX 392, POPONDETTA, PAPUA NEW GUINEA. TELEX: NE 29101 CABLES: KUMTIM, POPONDETTA

TELEPHONE: 297322, 297352, 297376.

Ref

GROUP/SPECIES GRADE PIECES VOLUME(M3) PRICE/M3 TOTAL AMOUNT(US\$)

CROUP THREE(WILTE SPECIES)

US\$153,146.93
30.53 US\$ 1,845.97
+ 1,0,0,34
106 60
38.80 US\$ 3.103.73
41.02 US\$ 4,464.53
43.28 US\$ 181.82

TOTAL:-

UNITED STATES DOLLARS: ONE HUNDRED AND FIFTY-THREE THOUSAND ONE HUNDRED AND FORTY-SIX AND CENTS NINETY-THREE ONLY.

151851.04

a) 50.41

SHIPPER

: KUMUSI TIMBER COMPANY PTY. LTD.

VESSEL

: M.V. TASMAN CLIPPER

LOADING PORT

: ORO BAY, PAPUA NEW GUINEA

DESTINATION

: KOREAN PORT(S)

LETTER OF CREDIT

: NP386002350

FOR AND ON BEHALF OF KUMUSI TIMBER COMPANY PTY. LTD. (UNDER SCHEME OF ARRANGEMENT) RECEIVERS & MANAGERS APPOINTED

FOR AND ON BEHALF OF SUMITOMO FORESTRY CO. LTD.

Holice as the service of the service

UNDER A SULLINE OF MANAROEMERI



P O. BOX 392, POPONDETTA, PAPUA NEW GUINEA. TELEX: NE 29101 CABLES: KUMTIM, POPONDETTA

TELEPHONE: 297322, 297362, 297378.

25th March, 1986

Sumitomo Forestry Company Ltd., Nissin Building. No. 14-1, Nihonbashi-Koamicho, Chuo-Ku, Tokyo, Japan.

Ref

MARH APRIC

COMMERCIAL INVOICE

Shipped under export licence no. \$85057

Papua New Guinea Round Logs

GROUP/SPECIES	GRADE	PIECES	VOLUME(M3)	PRICE/M3	TOTAL AMOUNT (US\$)
GROUP ONE					
PC	SP2	1	3.965	US\$77.07	US\$ 305.58
• •	SSI	2	7,186	US\$73.56	US\$ 528.60
	552	2 2	5.733	U\$\$56.95	US\$ 326,49
P 1.	SP2	1	4.054	US\$74.58	US\$ 302, 35
• • •	SS1	1	1,901	US\$71.19	US\$ 135,33
	SS2	1 2	8,972	US\$56.95	US\$ 510.96
w	5 P 2	.1 2 1	·8,365	US\$77.07	US\$ 644.69
••	SS1	2	8.550	US\$73.56	US\$ 628.94
	SS2	1	2,680	US\$56.95	US\$ 152.63
GROUP TWO	SP1	28	117.343	US\$58.70	US\$ 6,888.03
	SP2	40	169.968	U8\$56.03	US\$ 9,523.31
•	SSI	190	873.087	U\$\$53.37	US\$ 46,596 .65
	SS2	208	905.011	US\$43.30	US\$ 39,186.98
CROUP THREE	SSP	2	8,608	US\$43.28	US\$ 372.55
	SPl	45	199.746	US\$41.02	US\$ 8,193.58
	5 P2	30	152,685	US\$38.80	US\$ 5,924.18
	\$ \$1	87	404.867	US\$36,60	US\$ 14,818.13
	SS2	4}	129.378	US\$30.53	US\$ 3,949,91
TOTAL:- 4-		664	3,012.099		US\$138,988.89

\$ US 46.15 pm M3. Deserter

UNITED STATES DOLLARS: ONE HUNDRED AND THIRTY-EIGHT THOUSAND NINE HUNDRED AND EIGHTY-EIGHT AND CENTS EIGHTY-NINE ONLY.



: KUMUSI TIMBER COMPANY PTY. LTD.

P D HOX 392 POPONDETTA, PAPUA NEW GUINEA. TILEX: NE 20101 CABLES KUMTIM, POPUNDETTA

7. [PPHONE: 20/322, 29/362, 29/376.

PRICE WATERHOUSE 1011 (Cittate 110 (certifal) 202100 i: (: 9.25a.m.

Will : Sumitomo Forestry Co

11. 1. 11. 12. 2 11: 11: 269853

SHIPPER

VESSEL.

.: M.V. TASMAN CLIPPER

: ORO BAY, PAPUA NEW GUINEA

LOADING PORT DESTINATION

: KUREAN PORT(S)

LETTER OF CREDIT : NP386002350

TOR AND ON BEHALF OF FUNCIST CIMBER COMPANY PTY. LTD. CUNDER SCHOOL OF ARRANCEMENT) RECEIVERS & MANAGERS APPOINTED

FOR AND ON BEHALF OF SUMITOMO FORESTRY CO. LID.

William to the state of the second will be the total and the

PC- 5-16.884 PL 4 14.927 W 4- 19.595 13-51.406 92 466- 2065. tog 68.5 SSP - 2 - 8.608 SPI - 73- 317.089 63 205 - 895.284 5/2 - 73 - 339.037 551 - 282 - 1295. 591 3012.099 SS2 # 1051.774 684 3012.099 614

9 8MITFOR NE22373 D6626 APR D2 1986 1009 GOOD MORNING

GA 7222191+ SMITFOR J22191 SMITFOR NE22373

REF 16 2ND APRIL 1986.

TASMAN CLIPPER - KTC REFUND.

STILL NO CONTACT WITH MR. LAI.
HOWEVER, MR.TING (AMBOGO BOY SCOUT) HAS CALCULATED AMOUNT AT US\$1293.89.
WILL ADVISE WHEN IN CONTACT WITH MR.LAI.

WLABO.

SOR TATE ADVISES INMEDIATELY CHANGING PRODUCTION AREA AND ESTIMATES FUTURE SPECIE HIX TO INCLUDE HIGHER PERCENTAGE OF MERSAWA (POSSIBLY 25%)

REGARDS: BRIAN MALTERS.

SMITFOR NE223736 SMITFOR J22191 SERBES TIME 001,4 MINS

ATTACHMENT 9

MV TASMAN CLIPPER

GRADING ADJUSTMENT WITH KUMUSI

DILLENIA	(Group	3	Red)
----------	--------	---	------

LOG NO	DIA	LENGTH	VOL	ORIG GR	REGRADE	OR PR	REVISED
4825	90	11.70	7.414	SP2	SS1	43.46	40.99
5245	72	9.60	3.909	SP1	SS1	45.94	40.99
5415	79	10.60	5.196	SP1	SS1	45.94	40.99
5423	71	8.40	4.197	7 SP1	SS2	45.94	34.19
5468	64	13.70	4.407	7 SSP	SP2	48.47	43.46
5624	52	10.00	2.124	SP2	SS1	43.46	40.99
5628	61	17.60	5.144	SP2	SS1	43.46	40.99
5629	60	10. 0	2.827	7 SP1	SS1	45.94	40.99

The aggregate original price was USD1592.65 and the regraded price USD1425.93.

CHYSOC:	TON	(Group	3 White)			
5278	7 5	14. 9	6.5 83	SP1	SS 2	41.02	30.35
FLIDER	<u>SIA</u>						
5060	80	13. 2	6.635	SF1	SS1	41.02	36.60
5282	76	9.80	4.446	SP1	SS2	41.02	30.35
5294	70	13. 0	5.003	SP1	SS1	41.02	36.60
5330	66	13. 3	4.550	SP1	SSI	41.02	36.60
5359	82	17. 0	8.978	SP1	SP2	41.02	38.30
5378	65	12. 6	4.181	SP1	SS1	41.02	36.60
5395	78	12. 1	5.782	SF1	SS1	41.02	36.60

The aggregate original price was USD1893.39 and the regraded price USD1685.71.

TAUN	(Grou	up 2 Red)				
5234 5240 5252	77 91 84	6. 5 7. 6	4.936 4.118 4.212	SS1 SP1	SS3 SS3 SS1	59.77 65.74	
5255	90	6. 8	4.326	SP1	SS1	65.74	59.77
5652	6 2	12. 0	⇒.623	SP2	551	62.75	59.77

The aggregate original price was USD2715.23 and the regraded price USD2340.21

BURCKELLA (Group 2 Red)

5440 79 9.4 4.608 5447 52 9.00 1.911 5456 83 9.9 5.357 5492 80 13.3 5.680 5626 60 17.9 5.061	SP1	552 551 552 551 551	62.75 65.74 59.77 65.74 65.74	59.77 48.50 59.77
--	-----	---------------------------------	---	-------------------------

The aggregate original price was USD2715.23 and the regraded price USD2340.21

MERSAWA	(Gr	roup 2	2 W	hite)		 -	man pers. Pris herry	40 DO
5176	81	6.	3	3.230	551	SS2	5 3.37	43.30
	64	11.	ε	3.703	SP2	SS2	56.03	43.30
5295	76	10.	5	4.763	SP1	581	58.70	53.37
5442		13.	7	3.374	SP1	SS1	58.70	53.37
5445	56	10.	ź	3.314	SSI	S S2	53.37	43.30
5458	64 62	14.	5	4.378	SP2	SS1	56.03	53.37
5472		9.	5	2.761	SP1	SS2	58.70	43.30
5481	61	13.	8	3.773	SP2	SSI	M6.03	53.37
5502	59	6.	9	1.699	551	882	53.37	43.30
5528	56		-		SSI	882	53.37	43.30
5618	50	10.	Ō	1.964			53.37	43.30
5627	72	16.	1	6.555	551	582	U(0) = 0 /	40.0V

The aggregate original price was USD2198.49 and the regraded price was USD1874.98. In total the difference was -

Original price	Regraded price
1592.65	1425.93
1893.39	1635.71
2715.23	2340.21
2198.49	<u>1874.98</u>
USD 8399.76	USD 7276.83

The differential was thus USD1122.93.

ATTACHMENT

SUM	IMARY	CF	FORE	ES Al	T	PRO 1EP	DUCE	E FOF	₹ E	XPI	DRT
SHIPPER:		ه بحجه مدن خینه سینه بیش همی سی			1 1T	YPE OF	F PRODUC	E: ROL	IND LO	GS	}
PRODUCER:	0.0.				LIP	ORT OF	F LOADIN	io: GAN	180000	וטט	1
!EXPORT LI	CENCE NO:	S86 0 61			HF	ORT OF	F DISCHA	IRGE: JAF	AN PO	FTS	1
EXPORT PE	RMIT NO:	131			1 111	AME OF	F VESSEL		AL OU		
EXPORT EN						AILIN	DATE:	28. 	/04/86 		
IGROUP I	SPEC	:[ES	IGRADI	 E IF: I	ECES	IVOLUI	ME (M3) 1	MEP/M3	(≇US) I	MEP	VALUE I
	SEMOOD		I SS		 28	1 .	45.587		 90 l		.001
1 1 IRC)SEMPOR		18	1	33	1	67.3721		3 0 (1	001
1 1			I R	1	25	1 1	89.2271	. 6	90 1		100.
1 1	GROUF	> TOTAL			86	1 21	02.1861				.001
	OTALS BY (GRADE	 I SS		 28	1	 45.587		 	 	.001
j [1]	Olump of .		15	1	33		67.3721		1	l	.001
, t			1 R	1	25		89.2271		1	i	.001

1 | 86 | 202.1861

IGRAND TOTAL

.001

6/.05.01 AX TO TKT FOR 南海城灯 ATTACHMENT 9 1) C. QUEEN (1) ARRIVED. KIE OSIN 5/1, 0/0 15~ 16:00 N. commencing. B、かつつつの町まれかっと呼いくろいからジュキシとトラントラングです。(Cregonalia からろから、アッタフライク フラッカー・ラーマングラーフ、大松ココンカマンの ピフフシレム)
BEECKIESTEN (クリカーキクレメイター) BEECKIESTEN (をは、 CARGO LONDEDIS WILLY 23/58", KNILA, 31/78, TAUN 15/49] WILLOW MANY SE LANGUARD ASSETT FOR CAPILE (4) 现在为2~~ ROSE WOOD (12/2/1- 1241/12) ANG UTC. TIL 142. 142 (5.6) 504 Pcs 1673, 79175 4. 575. 1983. ass8. BFE (DIOS) | NAGOYA () 384 Pes 1455, 176 M (ngad (Luenum VITae)

東京外村部南岸村了的中水小下上1250

18和61年 4A30A (駐) POPONDETTA 化度明务

CORAL QUEEN 船種 litely (ANG and U.TC) 探記の件 4月29日船種級了致しまれるでしないとうり、

り	稹	南
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ANG.	日本句ワ	288 Pis	818.201 m3	a) 2,8 m ³
• • • •	韓国的工	181 Pes	575.046 m³	9) 3,2 m³
	37.	469 pas	1.393. 247 m	a) $2.9 m^3$
٣	,			سمر •
UTC	日本何り	86 p'cs	202.186 m3	a) 2,3 m³
UTO	韓国向ケ	674 Pes	1,983.286 m³	a) 2,9 m3
	3 †	760 Pas	2,185.472 m	a) z.9 m²

S) ASSORTMENT.

i	2) M23861110 1			•	
1	a) 日本句け.	ung _	UTC	TTL	
	Rw	10/24	86/202	عد/عه	
0		- 4/6	1.4.4 1 / 1819 1	1/6	
	CA	25/74		25/74	
†	3. T	22/52	The same	22/52	
	TN	- 7/26		11/36	ŗ
1	#G	4/6/	587	18/61	
	HP.	21.43/814		N3/314	,
	HIX	87/451	1000 1000	87/267	,
	TOTAL	28/8/8	86/202	274/1020	
1					
-	Reg	Small	S.Small	TTL.	
		171/437	35/59	288/818	
	UTC \$5/89	343/67	28/46	86/202	
- ·	TTL 107/411		63/105	374/100	
1					

り韓国介ケ	ANG.	итс	TTL	
w.	1	23/58	82/85	
Pc/PL	- [12/38	12/38	(PL 1/3)
₩]	31/78	31/78	
TN		15/49	15/49	
ME		162/483	162/483	
T		18/39	18/39.	
E		10/40	10/40	
WG		66/193	66/193	
D×		24/71	24/71	
PLA		165/523	165/513	
нр	181/575	2/9	183/684	
HIX		146/402	146/402	<u>.</u>
TTL	181/575	674/1983	855/255	8

	Reg'	Small	S.Small	774
ANG.		128/359		181/575
1 1	304/1111	291/730	79/142	674/1983
TTL	357/1327	419/1089	79/142	8\$5/2558

2) STOWAGE PLAN

235 Pes 673,510 A

194 No 683.500

167 Pes - 688.443 M

· 日本と韓国のSeparation 17 Paint と Net. Rope でやっていますか Net E Rope 19 Lading 中心もからり Cut sacoltanos 福川当所にもCutア 7%とというす。Paint 18 確実です。

4) 材权'

a) ANG.··· Fresh cutで動る内色のく従来通りの材料です HP17円筒通直初で長せる11-12ml長い

> Rwia 細くて短かい CA.T其がな、東性的、彩揃で全体的 K欠気な少ない

ヤノサン日本句サノス、韓国句けのより、予想報は可、

b) UTC···· Fresh cutz 較初面題ない Rw 中間目が多い 感じてすか Reg pgm37~ 中ルタ DIA 80cm が结の 大程不も有る

> 韓国向中 HE 483mb + Main T 强リMIX. MIXのRegi は以前にないると保険中のp12いる様のだら、Small 13相象5可管形材如目之力。HE 13 円筒初了"和克 少ない、数本的、材料が切起ない、

ヤノサン韓国党形材の側りら利うないか 4% う想教し

Higraten 1617 Open Pice 17 - A >"> Regradel 7 经 道 ()

> Hew Index 基色同口 His E起 いいでは注意し mado に帯にいatch TI模におうした。

MonGradeででで良いるが漢でいるか彼の特徴の Peeter grade もあるか SS3 も以为 7)多いい、山て" Peeterを少ちく可様に指導に行りの問題ないと むつ.

一以上一

SCHEDULE 11

SUMITOMO FORESTRY

M.V. TROPICAL DAMSEL - MAY 1986

There were three part shipments one of which was split. PNG invoices were:-

- (1) CPLC 645pcs 2035.654m3 at FOB USD107,889.66 for Korea
- (2) ULABO
- (a) 441pcs 1186.697m3 at FOB USD 56,048.68 for Korea (b) 447pcs 1396.941m3 at FOB USD 80,753.23 for Japan 888 2583.638m3 USD136,801.91
- (3) TONOLEI

 <u>606</u>pcs <u>2543.698</u>m3 at FOB <u>USD139.903.39</u> for Japan ...2139 7162.990m3 USD384.594.96

The FDB unit price on the whole shipment was USD53.69 per m3

The shipments to Korea were as follows:-

·

1 645 2035.654m3 at FOB USD107,889.66 2a 441 1186.697m3 at FOB USD 56.048.68 1086 3222.351m3 USD163,938.34

The quality logs seem to have been destined for Japan and the balance for Korea.

The FDB unit price for Korean shipments averaged USD50.88 per m3.

The Korean end invoice was obtained, is C&F and shows:-

1086pcs 3222.351m3 at USD74.50 totals USD240,065.15 The price differential is USD76,126.81 or USD23.62 per m3 which exceeds by about USD2.50 to USD3.50 per m3 freight rates applicable at the time on a single charter basis.

The Sumitomo file on this shipment reveals matters for concern.

(a) Use of Export Licenses

from Tonolei shipment was of this Development Corporation (TDC). There was a possible problem with making up the volume for shipment and the idea was obviously mooted of using somebody else's export license by provision of the volume make up Solomons North in loading additional The idea was apparently 1). (Attachment The proposal was pursued with a acceptable. check to be made with DOF (Attachment 2) but it seems it did not proceed.

(b) Use of MEP prices

It is quite clear that Sumitomo prices on this shipment were fried by reference to MEP. With CPLC (Timbersales) it was known MEP was changing and dispensation was discussed for CPLC and Ulabo (Attachment C). Ulabo required a price based on the new MEP (Attachment 4) Ulabo was in fact paid exact MEP prices for its two part shipments. The CPLC part shipment was at prices slightly above MEP (USD107,889.66 compared to MEP of USD104,328.15).

Also on this file is a faxsmile regarding price fixing with Kumusi for a May 1986 shipment (Attachment 5). As can be seen the price is fixed by direct reference to MEP figures.

(c) Arrangement with Kumui

There was discussion regarding the purchase of previously rejected logs from Kumusi documented on this file (Attachment 6). Quite clearly Sumitomo conceived of its arrangement with Kumusi as an "exclusive deal" and was considering buying reject logs (against its policy) in order to preserve its exclusivity and to prevent other buyers from competing against it.

The basis of the perceived solution envisaged those reject logs to be taken being red species only as selected by Sumitomo and envisaged the selected logs being rescaled.

(d) Grading

Attachment 6 again illustrates the attitude to supersmall logs being at SS3 prices for Ulabo. This would, if applicable, mean below MEP prices or undergrading to achieve MEP prices.

The Sumitomo file also discloses on going problems with grading which continued. In the case of Ulabo the harshness of the Sumitomo inspectors regrading caused Ulabo real difficulties and le.d to a letter (Attachment 7) followed by further negotiation of gradings.

(e) Buyer and freight

Again on this file Sumitomo's Port Moresby Office had a copy of the contract with the Korean buyer (Attachment 8) and the ship Fixture Note (Attachment 9). The latter is unusual in that although it purports to be a contract it provides "Freight rate to be fixed later". Clearly the Port Moresby Office was aware of the end buyer C&F price paid by the Korean buyer but not of the freight rate.

(f) Employee payments in Japan.

In part of a faxsimile transmission of 22 May 1986 it is said (Attachment 10)

"FF. MR ONO SALARY PROCEED AS YOUR IDEA (PAY IN PNG) DIFFERENCE ADJUSTMENT (YEN-KINA) WILL BE DONE IN TKY."

This strongly suggests that part of an employee's salary was paid in Tokyo and raises the question as to whether disclosure of that payment was made to PNG tax authorities and full Group Tax paid.

SMITFOR NE22373 09442 APR 21 1986 1359 GOOD AFTERNOON

GA 041+ 01? 95910+ 02? 743369+ 03? 7222191+ 04? +

CONNECTING NOW

01- TONDECO NE95910

D2- RCML NZ3369

03- SMITFOR J22191

ALL AVAILABLE PARTIES CONNECTED - GA

SMITFOR NE22373

REF 90 APRIL 21ST 1986.

TLX TO TONOLEI ATTEN: MR.J.DIXON.

C.C. SFC TOKYO. C.C. RCML WGTN

JOHN, WE REFER OUR TELECON THIS A.M. WITH REF TO ADDITIONAL VOLUME TO THAT ALREADY NEGOTIATED, AND BY WAY OF USING 'OTHERS'

WE OKAY TO PROCEED ON THIS IDEA AS FOLLOWS:-

- 1) PROPOSED ETA 10 15TH MAY 1986.
- 2) VOLUME 2500 + 2000 N3 (OR BETTER?)
- 3) PRICE SAME AS 2500 M3 ALREADY NEGOTIATED PROVIDING SPECIE MIX, ESPECIALLY TERM. BRASS, REMAINS SAME.

4) APPRECIATE YR SOONEST RESPONSE.

REGARDS, BRIAN WALTERS.

SMITFOR NE223730 RCML NZ3369 SMITFOR J22191 TONDECO NE95910 000000 01-TIME 002.7 NINS

02-TIME 002.6 MINS

03-Time 002.6 mins 0 SMITFOR NE22373 10330 APR 21 1986 1427 GOOD AFTERNOON

GA D41+ D1? 7222191+ D2? 743369+ D3? ++ CONNECTING NOW M OCC

01-000

D2- RCML NZ3369 ALL AVAILABLE PARTIES CONNECTED - GA

SMITFOR NE22373 REF: 90

TLX TO- SFCL - TOKYO RCML - WELLINGTON

ATTN: MR. H. NOSE MR.G.R. SCOBLE

T.D.C.

DIXON IN CONTACT AND ADVISES FOLLOWING :-

- 1) SURPRISED, BUT HAPPY RE OUR QUICK RESPONSE.
- 2) HAS CONTACTED BRUCE TELFER WHO DOESN'T FORSEE ANY LICENCE PROBLEM BUT WILL LEAVE T.D.C. TO CONTACT FORESTRY (GORDON MCNEIL).
- 3) DIXON TO FULLY CHECK WITH BUIN EARTHMOVERS RE PRODUCTION A LITTLE RAINY NOW.
- 4) ACCEPTS PRICE IDEA (SAME AS 2500 M3 SAME SPEICE MIX ETC).
- 5) T.D.C. TO ADVISE AGAIN RE PRODUCTION/LICENCE SITUATION NOON 22ND.

REGARDS: B. WALTERS.

0 SMITFOR NE22373 10470 APR 21 1986 1430 GOOD AFTERNOON

GA 7222191+ SMITFOR J22191

SMITFOR NE22373 REF: 90

TLX TO- SFCL - TOKYO RCML - WELLINGTON

ATTN: MR. H. NOSE MR.G.R. SCOBLE

T.D.C.

DIXON IN CONTACT AND ABVISES FOLLOWING :-

- 1) SURPRISED, BUT HAPPY RE OUR QUICK RESPONSE.
- 2) HAS CONTACTED BRUCE TELFER WHO DOESN'T FORSEE ANY LICENCE PROBLEM BUT WILL LEAVE T.D.C. TO CONTACT FORESTRY (GORDON MCNEIL).
- 3) DIXON TO FULLY CHEEK WITH BUIN EARTHMOVERS RE PRODUCTION A LITTLE RAINY NOW.
- 4) ACCEPTS PRICE IDE# (SAME AS 2500 M3 SAME SPEICE MIX ETC).
- 5) T.D.C. TO ADVISE AGAIN RE PRODUCTION/LICENCE SITUATION NOON 22ND.

REGARDS:

● SMITFOR J22191 SMITFOR NE22373開発図回転 GD245 MINS.

8 May 86

G2/G3 TRANSMISSION TO FAX:

COMPANY:

S.F.C. Tokyo .

TRANSMISSION OF 2 PAGES (Including this page)

FOR ATTENTION OF: Mr. h. Nose (C.C. Pom Office)

Re new MEP problems

- 1) Advised to Mr. James that consider they (Timbersales) should make application for dispensation. So far no reply.
- 2) Re Ulabo totally agree your opinion (fax Ref 04 7 May) and am pushing Mr. Ellis for Ulabo to also apply for dispensation in case vessel delayed.

Now awaiting his response.

3) We now fax rcply from Groome's (Mr. Wilson) re BFE shipping schedule.

Regards Scoble



NZI House, 25-33 Victoria Street, Willington, New Zealand, P.O. Box 1201, Cables: Claymers, Thiles: NZ 3369 Telenhone: (4) 724-924 Willer: (4778 KR) NOBBY N KAY

ULABO \(\varphi\) - TROPICAL DAMSFIL S/MENT END MAN

STOCK 19 MAY

GRP 1 - 122 M3 - 10% (INCL 82 M2 RW)

GRP 2A 732 M3 - 59% (INCL 620 M3 ME)...

GRP 2B 73 M3 - 6%

GRP 3 315 M3 - 25%

1242 M3.

REG. 953 ns - 76% Sm. 261 - 21% S.Sm 28 ns - 3%

PRODUCTION WILL CONTINUE UPTO 2500 113 ON ABOVE BASIS

PRILE READ NEW MEP (AS AT 9 MAY '86)

NOTE- POMIO INDICATED LAST WEEK DUE RAIN S/MENT
WOULD BE 2000 MS - ACCORDINGLY I REQUESTED
WARREN IF ULABO CAN MAKE UP POMIO BAUNCE
1ES- THEY CAN AND CERTANNY WANT TO
NEGOTIATE- 2500 MS

TISALER NOW INDICATING 2000 - 2300 ms

BW

ETA: May Early, Oro Bay Exportable about Jone 73 Volume: quality logs. MEP plus 14.5%.
FOB per M3 Price: by L/c. Fayment: as previous Condition: Stay Sans Shyment. april 14, 1986 ambogo 14/4/86 Sumitomi James ...

CC: 120 RBG. () 22/05/86 Rf. 23 For Mr. Scoble FOR T. DAMSTEL ? Please finalize AA. ULA Bo on 23/25/86. GRADING PROVIDED NORMALIZING · NE WILL AS PER OUR DISCUSSION, AGREE AT NEW MEP (09/05/86), 5 % MAXIMUM OR LESS. SUPER SMALL REGULAR AND SMALL 95 % OR MURE. IF THERE ARE HNY EXCESSIVE OF SUPEPER SMALL BYER 5 1., 330 PRICE SHOULD BE APPLIED AND MAXMUM 10 % OF TUTAL VULLIME (ie. 5% AT MEP) 0-10 %. DUER 5% AT SSS PRICE) BB. KUMUSI: (To, here to live - Then ment) MAY FIND JUNK BUYERS IN JAPAN, SO PLESE NEGOTIATE AS FOLLOWS STILL USUABLE REJECTED LUY USB30. FRESH NORMAL LUGS 45853. EXPORT C. QUEEN 5-12 08-12/6/21 ANK

VESSEL

TASHERO COMMENT. ON THIS DEAL.

- POMF PNP STAFF AGAINST THIS DEAL,

BECAUSE, AMBUGO CHINA-MIDN MAY INSIN'T.

INICLUSION OF REJECT LOG IN NORMAL

EXPORT LOG, BY ADJUSTMENT OF PRICE, FROM

NOW ON.

BUYING JUNK LOG IS AGAINST SEC POLICY AND DAMAGE, RUIN OUR REPUTATION BOTH IN PAG AND JAPANO

TXCLUSIST DEAL

- NOSE'S WORRY SEEMS
BE TERMINATED
WITH KUMUSI MAY END IF WE ALLOW
SOME OTHER BUYERS TO ENTER IN THIS
BUSINESS, PROMISSING TO BUY JUNK LOUS
COMBINED WITH NORMAL FRESH LOGS.

EROY MALASIA WILL START OFFER TO

ARCOYER A SANNY FOR SENTERAL

BOYSERS OF SELECTION

OR LATER

TOWNS OF STANNAST BEISTON CAS HIS

ON THINK IST DE PERSUADE HIM

SET FILLDING ENTOY

STAFF AND RESCALING REQUIRED.

FUB USB 25 ~ USB28/FOB ORD BAY



ULABO TIMBER COMPANY PTY LIMITED

Head Office: P.O. BOX 95, ALOTAU. TEL: 61 1263 TELEX: NE 61110

File 1/5

Rabaul Office: P.O. BOX 1679 RABAUL TEL: 92 2473 TELEX: NE 92837

22nd May,1986

Mr Brian Walters Sumitomo Forestry Ltd. P.O.Box 6782 BOROKO

Dear Brian,

Ref Log Grading and Demurrage for the Tasman Clipper mid May 86.

We have been able to carry out an inspection of some of the logs put aside by your inspector Mr Omo. (see attached sheets with comments) the balance the logs still in stacks will be inspected as they come out of the piles.

My comments are:-

That generally there appears to be a tendency for our grader tohold some logs in the SS1 grade when they should in fact be graded SS2 in almost every case the problems are associated with form and knots. Spiral grain and sweep are not such an issue.

- I have therefore instructed our people as follows.
- (1) That the SEALPA logs grading rules are to be used with particular attention being given to form and knots when grading Peeler, SS1 and SS2 logs.
- (2) That provided the logs are correctly scaled and graded this must be the basis for acceptance.
- (3) That the check of both grade and scale must be undertaken before the logs are put into stack. It is very costly for stacks to be broken down to allow second inspection to be undertaken at time of ship loading.
- (4) That if amy logs are held to be incorrectly graded or scaled we will put them to one side for subequit inspection and agreement.

It is critical that accord is reached on the grading issue and that your on site check grading be made effective. There should not be more than 2-3 logs per ship in dispute.

Demurrage Tasman Clipper.

During the lamding of this vessel some 15 hours of demurrage was incurred, of this 6.5 hours was due to loader break down and obviously to our account. The lalance of 8.5 hours was due to be the breaking down of logs stacks to enable a reinspection to be undertaken in this time our load out rate was reduced from around 70M³ per hour to 47M³ hour as all of the mixed specie stacks were resorted I believe that we should split the 15 hours on a 50% basis.

You'rs sincerely

Warren Ellis

General Manager

TASMAN CLIPPER LOG INSPECTION

Log No.	Action	Reason
7081	Trim Cut	Rot
7049	Stay SS1	No Valid Reason
7360	SS1 to SS2	Knots
7272	SS1 to SS2	Sweep
7193	SS1 to SS2	Form
6942	Stay SS1	N.U.R.
7216	T/Cut	Rot
7423	SS1 to SS2	Sweep
7022	X Cut to 2 logs	Regrade
6939	SP1 to SS1	Knots
7079	SS1 to SS2	Form '
6990	SS1 to SS2	Form
7194	SS1 to SS2	Form
6914	X cut	Regrade
6963	SS1 to SS2	Form
6994	SS1 to SS2	Form
7503	SS1 to SS2	Form
7555	SS1 to SS2	Form
7714	SS1 to SS2	Form and Twist
7770	Stay SS1	N.U.R.
7585	SS1 to SS2	Form
7487	X Cut and	Hold SS1
7455	SS1 to SS2	Form
7316	SS1 to SS2	Form and Knots
7449	Could not inspect	10.003
7261	SS 1 to S S2	Twist grain
7264	SS1 to SS2	Form
7267	SS 1 to S S2	Form and Twist
7147	SS 1 to S S2	Form
7477	SS1 to SS2	Form
7148	X cut and hold	SS1
7143	SS1 to SS2	Form
7125	SS1 to SS2	Form
7086	X cut and	Regrade
7278	SS1 to SS2	Sweep and Twist
		oweep and Iwist

Key on Reasons

Form = normally flutes NUR = No valid reason

Twist= Spiral grain

Sweep= Bend or crook in log

Grading/Scaling in accordance with the Seller and to be Scaled by straight Brereton Scaling in accordance with the P.N.G. Scaling Rules and Volume Table. Volume to be loading port final. : Seller's inspection final under Sellen's full Inspection responsibility. : Pomio and Milne Bay, Papua New Guinea Loading Ports : per M/S "TROPICAL DAMSEL" V-13 or Sul Shipment ETA Loading port May 22, 1986. Despatch/Demurrage: Despatch or Demurrage at Discharging Port is Buyers account. Demurrage at US\$2,500 per Day of Pro Rata for any part of a Day. Half Despatch. : Discharging Rate at 2,000m3 per day (WWD SHEX UU) Laydays : By the Buyer's Commercial Irrevocable Letter of Payment Credit In favor of the Seller. Letter of Credit should arrive at the Lloyds Bank International Limited Tokyo. Immediately after the date of This Contract (Special Clause for L/C) (1) B/L marked On Deck cargo acceptable (2) Charter party, Third Party and Stale B/L acceptable. (3) B/L other Documents excluding invoice and draft made by third party acceptable. (4) At 1 Banking Charges outside Korea and for Seneficiary's account. (5) temptimile at sight basis by the Beneficiary Esquitago Tarestry Co., Ltd.) . TAL SUIL LUNGER THE CO., LTD." te the Biyer with an extra set copy cuses, attal supplier of the contracted refranto Logging Co., Pty. 4td. h. Murakahi General Manager Lumber (Overseas) Division

ATTACHMENT :8

MARAL , CO P GYNOT

20 May 1986

SALES CONTRACT

SUMITONO FORESTRY CO., LTD. , as Seller, agree to sell and TAE SUNG LUMBER IND CO., LTD., as Buyer, agree to purchase the following commodities under the terms and conditions as set forth hereunder; -

Commodity

: Papua New Guinean (P.N.G.) Round Logs

Quantity

: About 3,500M3

2,000-2,500M3(Him 2,000M3) Pomio

Ulabo 1,000-1,250H3

Total: About 3,500M3

Species

: Approximately follows

Pomio G-1 5 0/0

TU 20-25

CAL = 10-15

CT . 45-10

50

40





ATTACHMENT

7TH FLOOP UESHIMA BLOG. 1-2-15. HIGASHI-SHIMBASHI MINATO-KU, TOKYO 105 JAPAN. TELEPHONE

(573) 3971~3

UNICON INC.

TELEX 2522876 REXTKY J CABLES REXPOUTE TOKYO

Tokyo, 14th May, 1986

FLXTURE NOTE

112.

Messrs. Sumitomo Forestry Co., Ltd.

Dear Sirs.

We confirm fixture on the following terms and conditions

Name of Vessel:

M.S. "TROPICAL DAMSEL" Voy. No. 13

Loading Ports:

One safe berth each at three safe ports of Pomio, Milne Bay

and Tonolei, Papua Newguinea.

Discharging Ports: One safe borth each at three or four safe ports of Japan.

Cargo & Quantity: About 7,500 M3 Newguinean Logs.

Freight & Payment: Freight rate to be fixed later.

Total freight to be prepaid in Tokyo in cash in U.S.Dollar or in Yen at Charterers' option upon completion of loading on B/L quantity without discount and non-returnable whether vessel and/or cargo lost or not lost.

Laydays not to commence before: 20th May, 1986

Cancelling Date:

3rd June, 1986

Leydays (Loading: 1,000 M3) per WWD. SHAX., unless used, if used actual . working time to be counted.

Demurrage:

U.S.\$2,500.00 per day or pro rata for all time lost.

Despatch Money:

Half the rate of Demurrage per day or pro rata for laytime saved.

Stevedorage:

Charterers' at both ends.

Agentsi

Owners at both ends.

kemarks: Other terms and senditions as per "MANYUZAI" C/P 1967 and NFA rules and

CHARTENES

UNNEIRS

SUMITOMO FORESTM CO., LID.

UNICON INC

MASAYASU MURAKANII

General Manager

LUMBER (OVERSEIS) DIVISION



Remarks:

- 1. Laydays for loading and discharging to be non-reversible.
- 2. Days on demurrage at loading port: Three days of 24 consecutive hours.
- 3. Notice of Readiness at loading port to be tendered to:

Pomio: Central Pomio Logging Corporation Pty Ltd.

Milne Bay: Ulabo Timber Company Pty Ltd.

Kieta: Bougainville Forest Enterprise (Pty) Ltd.

4. One Original Fixture Note being made, mutually signed and possessed by Owners.



CC. JUNE T.T.

٣, ١ ١٠٠٠

POM : HOW MUCH REQUIRED ?

RAB : US & 6.500 REMITTED AS PER REQUEST.

pap: US & Joo " AS USUAL.

DD. ULABO PRICE FOR T. DAMSEL

PLEASE ADVISE, APPROXIMATELY NEW ...
MEP PRICE (SURPLUS SSM AT S'S' & PRICE)

FR. BFR DIOS. PRICE
ADVISING NITHIN THIS NEEK.

PROCEED AS YOUR IDEA (PAY IN PNG)
DIFFENCE ADJUSTMENT (YEN-KINA) NILL
BE DONE IN TKY.

GG. POMID. CONTRACT SPP.

MUCH APPRECIATE INCREASE OF TA 28%,

CA 18 4 MALAS TO DE WITHN 54.

MID SUNG HOW MUCH YOLUME FOR BFC,

M. TASHIRO PERSONAL EFFECT VEGETABLE. LIGHTER WILL BE ARRANGED BY KYUSYU BRANCH ON T. DAMSEL IN NAKAMITSU. 可酸。

従来。変化ない

Ambogo着根比较學味符识了樣之寸。

等做.

林野。解的叶蕨….

Shipper. De Grading 12 1 thomas.

今日のDeGrading 153年で1-2 Dann.

内治は Peeler +; Sawlog 2- 日3

(89-1-551 51-2-55-1) 年に近い

ヤノサン

Shippera目至蓝升桌框

S.F.C

68 , 323, 423 H3

Shipper

68 = 307,031 M3

(+) 16,392 M3 5,33%

揭地a 諸状笼参A合世 四

四子想



SUMITOMO FORESTRY COMPANY (HONG KONG) PTY, LTD.

PORT MORESBY OFFICE P.O. BOX 6782 BOROKO PAPUA NEW GUINEA

TELEX SMITFOR NE 22373 TELEPHONE 25 6240

		NT/js
OUR	REF	,

25th June'1986.

Messers : Mr. Tan & Mr. Lai

Ambogo Sawmill.

CC: Mr. D.F.E. (Doug) Telfer

Pricewater House.

CC : SFC Tokyo

Re: TASMAN CLIPPER MAY'86 SHIPMENT.

As you may be aware of, there has been overinvoicing by mistake of your clerk. Please refer herewith attached voucher and following amount shall be refunded to SFC Tokyo, at your earliest convenience.

Fob value 13 pcs 58.629 m3 US\$.2,684.50 Ocean Freight 58.629 m3 x @ 24 US\$ 1,407.10

Total US\$ 4,091.60

It would be much appreciated if you could issue cheques in US dollar currency, payable to:

Sumitomo Forestry Co., Ltd. Nissim Building,, 14 - 1 Nihonbashi-Koamicho, Chuo-Ku, Tokyo, Japan.

Yours very truly,

PASHIRO.

General Manager / Sumitomo Forestry Co., (H/K) Ltd.

Hong Kong Office

Sincere Insurance BLDG., 18th Floor, East Wing 4 - 6 Hennessy Road, Hong Kong

Tel: 5. 275412

Tokyo Office

Nessa BLDG, No. 14-1 Nihonbashi Koamicho, CharkkuTSleksot03, Japan

Tel: 669 0921



SUMITOMO FORESTRY COMPANY (HONG KONG) PTY. LTD.

PORT MORESBY OFFICE P.O. BOX 6782 BOROKO PAPUA NEW GUINEA

TELEX SMITFOR NE 22373 TELEPHONE 25 6240

OUR REF BF/js

29th October'86

Price Waterhouse & Company P O Box 921 Port Moresby

Receicer Manager: Kumusi Timber Co. Attention:

Dear Sirs,

Further to our discussions with Mr Telfer, on 28 October 1986.

The settlement of Credits/Debits between this company and Kumusi Timber Company has now been outstanding for some time. It is the intention of this letter to settle these claims as outlined below.

Despatch/ Demurrage:

Claims made by Kumusi timber Company in their letter of 3/9/86 have been explained in our letter of 29/10/86 (attached)

i) Credit

Despatch monies owing to Kumusi for shipments including May 1986. (USD 6849.08) Using exchange rate USD 1.02 = K 10940.68

ii) Debit

= K11500Insurance proceeds

Installments due from Ambogo. = K 9804K2451 / month x 4 months

> = K21.304Total Debit

> Total Credit = K 10941

Balance owing to Sumitomo = K 10,363Forestry

_Hong Kong Office

Sincere Insurance BLDG., 18th Floor, East Wing

4 - 6 Hennessy Road, Hong Kong

Tel: 5. 275412

Nissin:BLDG., No. 14-1 Nihonbashi Koamicho,

ŒbodKkyTokyo 103, Japan

Tel: 669 0921

SUMITOMO CLAIM:

A claim has been lodged by Sumitomo Forestry against Kumusi for a short shipment of logd totaling USD 4091.60.

We are in receipt of a letter from Ambogo Sawmill ref LD/122 dated 9/7/86. This matter will be deffered till a later date while we wait for a copy of the discharge certificate showing the total volumes and other details of cargo off loaded from Tasman Clipper May 1986 shipment.

We trust that the above will be accepted by the Receiver Manager in an attempt to settle these accounts.

Yours faithfully,

SUMITOMO FORESTRY CO (H/K) LTD.

B. FORD.

Shipping & Operations Manager

TIMBERSALES (PNG) PTY LIMITED

CENTRAL POMIO LOGGING CORPORATION PTY LIMITED

GAULIM LOGGING CORPORATION PTY LIMITED

TIMBERSALES (PNG) PTY LIMITED CENTRAL POMIO LOGGING CORPORATION PTY LIMITED GAULIM LOGGING CORPORATION PTY LIMITED

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TIMBERSALES (PNG) PTY LIMITED . CENTRAL POMIO LOGGING CORPORATION PTY LIMITED GAULIM LOGGING CORPORATION PTY LIMITED

INTRODUCTION

Timbersales (PNG) Pty Limited (Timbersales) has operated in the New Guinea Islands region of Papua New Guinea for many years.

The company was, at the time it was studied in brief, owned by Bradford Investments Pty Limited and the Australian Parbury Henty Group.

During 1986 and 1987 Timbersales operated as the contractor for Central Pomio Logging Corporation Pty Limited (CPLC) and Gaulim Logging Corporation Pty Limited (Gaulim Logging) in East New Britain Province.

SCOPE OF INQUIRY

Timbersales made representations to the Commission complaining, with apparent justification, about irregularities in the allocation of resources in Gazelle Peninsula and in particular allocation of the Vudal resource. That matter was partly investigated in relation to examination of the activities of the Forest Industries Council and is reported on in the Commission's Interim Report No 3. Time has not permitted a complete investigation of that allocation though clearly further investigation is warranted.

Timbersales was one of a number of companies which was required to complete a questionnaire by the Commission and responded with separate questionnaire answers for each of CPLC and Gaulim Logging.

Operations

The operational aspects were not studied though that part of the questionnaire was answered for each company. The concessions each appear to involve allocation of log export rights in exchange for obligations to construct roads and bridges, establishment of reafforestation plantations and follow up land use (agricultural) obligations.

In the Gaulim Logging permit there is an obligation to conduct local sawmilling at Nonga and Gaulim sawmills.

In the CPLC Permit additional cut for local processing is permitted.

On its own evidence Timbersales is up to date with its roading and bridging and local processing obligations. The reafforestation obligations are four to five years in arrears for CPLC (having only identified the area) and for Gaulim Logging although a balsa seeding nursery has been established no available land has been identified.

The follow up land use obligation for CPLC is half fulfilled with the purchase of Kutarp Plantation (1000ha) and planting the Gonaile coastal strip to coffee. For Gaulim Logging, land survey has been conducted and soil tests carried out and results are pending.

Marketing

The marketing questionnaire for each of CPLC and Gaulim Logging was answered in identical terms by Timbersales (Schedule 1).

Separate marketing tables were supplied for CPLC (Schedule 2) and Gaulim Logging (Schedule 3). The Commission's attention was focussed on this aspect.

MARKETING

The marketing of Timbersales on behalf of CPLC and Gaulim Logging is of interest as it illustrates the problems which exist for small independent producer companies even when they have a foreign contractor providing the necessary expertise. CPLC exported 41,355.425m3 of logs in 1986 and only 16,036.841m3 in 1987.

Gaulim Logging exported 16,319.943 m3 of logs in 1986 and 22,309.206 m3 in 1987.

One critical matter in log exports is the charter of a vessel which can be fully or nearly fully loaded with "fresh cut" logs. The smallest capacity vessels carrying logs between PNG and the main buying countries (Japan and Korea) have a capacity in the order of 4,500m3 to 6,000m3.

A small producer has little prospect of dealing direct with a destination country buyer (rather than a trader) unless he alone or in combination with another small producer can produce a sufficient volume of logs on a regular basis to justify either that destination country buyer or the producers in combination chartering a vessel.

It seems clear that all buyers contract to buy logs on the basis that they are fresh cut and the reasons for this are quite apparent and unquestionable particularly where white species are involved. It is thus not an available option for a small producer to stockpile logs until he accumulates a shippable volume.

Most buyers in both Japan and Korea appear justifiably concerned with regularity of supply. Small producers are, because of the very scale of their operations, prone to fluctuations in available volumes. This is amply demonstated by the fact that CPLC produced over twice the volume of export logs in 1986 as it produced in 1987.

In the end result those small producers really have very little alternative but to deal with a trader who uses their log production to supplement his own export shipments (Gaisho NG or Shin Asahigawa) or who is in the business of buying from various suppliers on a regular. basis and putting together shipments from those suppliers (Sumitomo Forestry or C. Itoh & Co.).

As can be seen from Schedules 2 and 3 in the years 1986 and 1987 both CPLC and Gaulim Logging sold virtually the whole of their production to these four traders. The only exceptions were two sales by Gaulim Logging - one to Sunno Lumber to Ltd of Japan in July 1987 (of 2437m3) and one to Tsuda Sangyo Co. of Japan in December 1987 (of 3003.824m3) and two sales by CPLC - one to Sunno Lumber in February 1987 (of 2001.552m3) and one to Toshima Ringyo Co. of Japan in March 1987 (of 2056.729m3).

The unit price pattern on sales by these two companies during 1986 and 1987 shows quite noteable and remarkable trends and is tabulated in Schedule 4. Generally the unit price paid to Gaulim Logging is

pitched in the order of USD4.00 to USD5.00 per m3 above that of CPLC suggesting a slightly better quality resource. From January to May 1986 the unit price for CPLC was in the USD50.00 to USD52.00 per m3 range and for Gaulim Logging in the USD55.00 to USD57.00 range with all sales to Gaisho NG and Shin Asahigawa.

In May Sumitomo Forestry made a purchase from CPLC and prices rose slightly with a continued small increase. Between May and October 1986 the unit price for CPLC was USD53.04 to USD57.00 per m3 with the USD57.00 level being reached on the second purchase by Sumitomo Forestry from CPLC in October 1986. In the same period the Gaulim Logging price levels were from USD57.30 to USD62.00 per m3.

In November 1986 FIC became actively involved in marketing to Korea. In November and December 1986 CPLC's price range increased to USD57.20 to USD62.64 per m3 and that of Gaulim Logging in the range USD63.11 to USD71.00 per m3.

In February/March 1987 and at the height of FIC's marketing involvement CPLC went outside its traditional trading buyers and achieved remarkable price increases to USD74.00 per m3 from Sunno Lumber in February and then USD81.00 per m3 from Toshima Ringyo in March. These prices were respectively USD11.36 and USD18.36 above the highest prices CPLC obtained in 1986 from its trade buyers.

These prices rises forced Shin Asahigawa to pay Gaulim Logging USD81.00 per m3 in February 1987 which was USD10.00 per m3 above the highest price it obtained in 1986 from its trade buyers.

In March 1987 FIC phased itself out of log marketing and both CPLC and Gaulim Logging returned to the previous practice of selling to their trade buyers. CPLC's price dropped to USD75.00 per m3 for its March shipment and USD65.76 per m3 for its May shipment and it then did not market again until October. Gaulim Logging's price fell to USD72.97 per m3 then USD65.30 per m3 in March before stabilising at about the USD71.00 per m3 level in May and June.

In July Gaulim Logging ventured outside its traditional trading buyers and again a remarkable price increase resulted. Its July sale to C. Itoh was at USD85.74 per m3 and to Sunno Lumber was at USD95.00 per m3 which prices were respectively USD14.74 per m3 and USD24.00 per m3 above the May/June price levels paid by the traders.

By September 1987 DOF Marketing Section (which had attempted informally to fill the role vacated by FIC) was seeking formal NEC approval to be involved in log marketing. At this stage the market was rising and attained its all time high levels by the time that the NEC formally approved DOF involvement in marketing.

From September to December Gaulim Logging achieved record price levels in the range of USD110.00 to USD114.00 per m3 and CPLC which re-entered the market in October achieved record levels in the range of USD107.30 to USD112.00 per m3.

The sale by Gaulim Logging to Gaisho in December 1987 at USD77.00 per m3 is a clear abberation which would probably be explicable but time has not enabled an explanation to be sought.

CONCLUDING COMMENTS

Marketing

The pattern overall is clear.

DOF statistics show that in national terms PNG log sales:

- (a) to Japan averaged K54.08 per m3 in 1986 and K74.06 per m3 in 1987.
- (b) to Korea averaged K51.60 per m3 in 1986 and K70.51 per m3 in 1987.

The annual average increase in price between 1986 and 1987 was K19.98 per m3 on sales to Japan and K18.91 per m3 on sales to Korea.

The increases achieved by CPLC and Gaulim Logging were very dramatic and well above national averages. Dramatic price increases in early and mid 1987 coincide with independent buyers competing against traditional trade buyers and in 1986 coincide with Sumitomo Foresty and C. Itoh entering the competition against Gaisho and Shin Asahigawa.

Though I accept that market factors alone can contribute to large scale price increases it seems uncanny that significant movements in price coincide in time with FIC's entry into and exit from the log marketing arena.

There is clear evidence before me that Gaisho, Shin Asahigawa and Sumitomo Forestry all compare prices. Each of these companies, as well as C. Itoh & Co., as a trader seeks to make a profit on resale of trade logs.

There is thus benefit in the traders not being too competitive and offering captive small producers only marginal differences in price.

Despite assertions to the contrary I am satisfied that this is what was occurring and that in the result small producers have for a long time been paid by the traders a much lower price than is otherwise obtainable in order to maximise the traders' profit. It also seems clear to me that the involvement of FIC and later DOF in log marketing and the introduction of direct buying competition has had a substantial effect on this practice and achieved realistic price levels for small producers.

whilst market factors have had a significant impact on price level increases I consider it certain that State intervention in marketing has also had a significant impact. Apportionment between these contributing factors is simply not possible.

The prices achieved by CPLC and Gaulim Logging illustrate the results.

One of the intended functions of a State Marketing Authority was to operate as a marketing agent for and to collate shipments from small producers. I do not consider that the short term achievement of vastly increased price levels by these two small producers without the direct involvement of FIC or DOF in their marketing should be construed as indicative that this intended function should be abandoned. Doubtless figures for 1988 and 1989 sales would be significant in assessing this need but time has not permitted their compilation and analysis.

I recommend that a further study in this regard should be made by DOF Marketing Section as I believe that the involvement of a State Marketing entity in log sales on behalf of small producers to independent buyers would still be a very worthwhile function.

Reafforestation:

Once again it is noteworthy that the obligation to reaffforest has not been fulfilled and is four to five years behind schedule. The claim by the company that the government has not made land available for the plantaions with secure title has not been investigated by the Commission. It is so frequently the case, however, in other areas that it has the ring of truth about it. It seems to be common practice for DOF to write such reafforestation conditions into permits without first checking with the Department of Lands whether suitable land is, or can be made, available.

This failure of communication and the failure to follow up the matter energetically by DOF and Lands makes me question the sincerity of the Government's committment to reafforestation.

B. Marketing Table

Please prepare and attach a Marketing Table covering all your log shipments in 1986 and 1987 in accordance with the attached instructions.

A specimen Marketing Table is supplied for producers.

A handwritten table is acceptable if typing would lead to delays. You will be expected to be able to produce documents substantiating the content of this table if summonsed by the Commission to do so.

C. Log Sales Procedures

Explain in short simple terms the procedure by which you negotiate sales of your logs.

LOG OFFERS SPECIFYING SPECIES MIXES, GRADES, SIZES AND VOLUME ARE

SENT TO PROSPECTIVE BUYERS INVITING THEM TO SUBMIT THEIR OFFERS BY

1600 HRS ON A SPECIFIED DATE. THE OFFERS ARE THEN COMPARED AGAINST

EACH OTHER ON BASIS OF PRICE, SHIPPING DATE, L.C. CONDITIONS AND ANY

OTHER RELEVANT DATA. PRICES ARE ALSO COMPARED AGAINST MEP AND THOSE

OBTAINED BY OTHER PRODUCERS. THE COMPANY THAT BEST SUITS OUR

CONDITIONS IS THEN ADVISED THEIR OFFER IS ACCEPTED, TO OPEN THE L.C.

AND TO ADVISE THEIR OFFER IS ACCEPTED, TO OPEN THE L.C. AND TO ADVISE

SHIPPING DETAILS.

C. Fair Market Price By what means or method do you decide whether the obtained is a fair market price for a shipment or	price part
shipment? IF THE PRICE IS WITHIN THE PRICE RANGE OFFERED TO OTHER COMP	DANTES
AND IF THERE IS NOT A SIGNIFICANT VARIATION BETWEEN THE BIDS	
WOULD ACCEPT THAT THE PRICES OFFERED REFLECT THE MARKET STAN	
PREVAILING AT THAT TIME FOR THAT PARTICULAR PARCEL THE MEP	
CONSULTED AS A GUIDELINE ONLY - IT IS FREQUENTLY OUT OF DA	
D. Sale to End Users Do you sell direct to end users or consumers? Milf not why?	
WE SELL DIRECT TO ESTABLISHED AGENTS AS THEY HAVE THE FACI	
TO CONTACT A BROAD RANGE OF USERS OVERSEAS AND TO NEGOTIAT	
OF SALE IN LOCAL LANGUAGE ALSO THEY CAN RAISE THE IC'S AND	ARRANGE
E. Relationship with Purchasers Do you have a relationship with any person or cowas a purchaser of logs from you in 1986 or 1987 If yes, supply full details of such relationship . Member of the same company group; . Purchaser or his company group supplies financial assistance (giving details)	
. Long term sales and purchase agreement.	
NO NO	

^{*} When answering Yes/No questions in this Questionaire cross out whichever word is inapplicable.

<u>F.</u>	Agents
(a)	Do you sell through agents? ************************************
SEE	PARAGRAPH D.
(b)	Supply the names and country of all agents used in 1986 or 1987?
GAI	SHO, RABAUL, PNG.
SHII	N ASAHIGAWA. RABAUL. PNG
С.	ITOH. TOKYO. JAPAN
	EST MANAGEMENT SERVICES. POM. PNG
	RTER ENTERPRISES, SYDNEY, AUSTRALIA
HOL	(eg: Singapore, Hong Kong)? W###No. If yes, give details. DCROWN HONG KING - THIS COMPANY IS YET TO SUCCESSFULLY BID
	ON ONE OF OUR PARCELS - AS YET WE HAVE
	NOT SOLD TO THEM ALTHOUGH WE OFFER THEM
	THE CHANCE TO BID.
	What rate of commission is each of your agents gaid and who pays such commission? DO ALL OUR OWN MARKETING IN RABAUL AND DO NOT PAY ANY COMMISSIONS.
ALL	PRICES QUOTED TO US ARE OUR NETT FOB PRICE IN USD.
	

	a relationship have any arrangement in the nature of commission sharing with any such agent? Yes/No. If 'Yes'give full details.
<u></u>	NO
	· •
e.	Sale to middle man
(a)	Do you sell to any person or company which resells logs supplied by you? Yes/検検
(Ь)	If yes, why do you sell to such person or company?
WE /	ASSUME THE BUYERS ON SELL OUR PRODUCE. WE SELL TO THE AS WE DO NOT
HAV	THE DIRECT CONTACTS WITH THE END USERS OVERSEAS ALSO THERE ARE
	GUAGE DIFFICULTIES, CONTRACT PROBLEMS, LC REQUIREMENTS AND SHIPPING
	ES AND BOOKINGS TO BE MADE. ALL OF WHICH APPEAR TO BE DIFFICULT TO
RAT	
	MOUNT. THE BUYERS WE DEAL WITH TAKE CAREOF ALL THESE ASPECTS.
	MOUNT. THE BUYERS WE DEAL WITH TAKE CAREOF ALL THESE ASPECTS.
	; Boes such person or company resell at a higher price
SURI	Does such person or company resell at a higher price than you obtain? Yes/No.
SURI	Boes such person or company resell at a higher price than you obtain? Yes/No.
SURI	Boes such person or company resell at a higher price than you obtain? Yes/No. What is the range of additional or higher prices
SURI (c) (d) WE	Boes such person or company resell at a higher price than you obtain? Yes/No. What is the range of additional or higher prices obtained in 1986 and 1987?

-

•

•

(e)	Do you or any person or company with which you have a relationship have any arrangement whereby the higher price obtained is shared or participated in whether in whole or part. Yes/No. If yes, supply full details.
	NO
<u>H.</u>	Shipping
(a)	Who arranges shipping (ie: becomes party to a Charter Party or Fixture Note) for logs sold by you?
444	THE CHARTER PARTY (I.E. THE BUYER) FIXES THE SHIPPING ALL OUR
	PRICES ARE FOB WE DO NOT SELL CIF OR C+F
(b)	Do you independently ascertain the freight rates available for each shipment? Yes/No. If yes by what means do you do so?
æ¢,	NO BUT WE DO HAVE A GENERAL IDEA THAT FREIGHT TO JAPAN IS
	ABOUT USD 25/M ³
	7,000 000 2071
(c)	by you; NOT APPLICABLE BUT WE BELIEVE THE BUYER MAY HAVE PAID
	THE FOLLOWING:- USD22-USD25
	(ii) To Japan in 1987 USD25-USD27
	(iii) To South Korea in 1986_USD20-USD22

(iv)	To South Korea in 1987_	USD22-USD25
(v)	To Taiwan in 1986	USD16-USD20
(vi)	To Taiwan in 1987	USD18-USD20
(vii)	To India in 1986	NO IDEA
	To India in 1987	NO IDEA

- (d) Do you or does any person or company with which you have a relationship:
 - (i) own or operate any vessel used by you to ship logs? Yes/No.
 - (ii) share or participate in freight paid for shipment of logs by you? Yes/No.
 - (iii) charter any vessel used by you to ship logs? Yes/No.
 - (vi) share or participate in charterers fees paid for shipment of logs by you? Yes/No.
 - (v) act as broker for any vessel used by you to ship logs? Yes/No.
 - (vi) share or participate in brokerage paid for shipment of logs by you? Yes/No.

If "Yes" to any of the above supply full details on a separate sheet.

1. M.E.P.

(a) Explain in short simple terms the relevance to you of MEP in relation to your log sales.

MEP IS ONLY A ROUGH GUIDELINE TO US. IT IS INTENDED TO BE THE MINIMUM EXPORT PRICE BUT GOV*T SOMETIMES APPLY IT AS THE MAXIMUM

ATTAINABLE. IT IS USUALLY OUT OF DATE AND TENDS TO RISE MORE QUICKLY THAN FALL ON A VOLATILE MARKET. WE DO KNOW THAT OVERSEAS BUYERS TAKE NO NOTICE OF THE MEP WHATSOEVER.

(b)	Did you, in 1986 or 1987 sell logs below the prevailin MEP? Yes/No. If yes:
	(i) did you obtain dispensation. Yes/No.
	(ii) what were the reasons for not obtaining. MEP price?
	OUR PRICES WERE ALWAYS ABOVE MEP WHEN TAKEN ON AN AVERAGE FOB
	PRICE OVER THE PARCEL.
J.	Letters of Credit
the	ers routinely established in the name of, and with bankers of, the PNG producer company? Yes/Mm. not, then why?
<u>K.</u>	Offshore Payments
(a)	Is any part of the FDB sale proceeds for sales of your logs not remitted to Papua New Guinea? Yes/No.
(b)	If so, specifys NOT APPLICABLE
	(i) The part payment left offshore and the manner in which it is calculated.
	(ii) The country in which the part payment is left.
	(iii) The person or company to which the offshore payment is made.

(iv) The purpose of leaving the payment offshore.

(c)	Is any person or company to which any such moneys are paid outside Papua New Guinea a person or company with which you have a corporate or similar relationship? Yes/No. If Yes, explain the relationship.								
	NOT APPLICABLE								
	•								
	· .								
(d)	Has the approval of the Bank of Papua New Guinea been obtained in respect of such non remittances?								

NOT APPLICABLE

MARKETING TABLE - CENTRAL POMIO LOGGING CORPORATION PTY LITD

			1		FOB PRICE TO	FREIGHT	NAME & COUNTRY	NOTIFY	MEP PRICE	MEDP COMP -		BREAK-UP	OF PROCEED	S (KINA)
SHIP'T NO.		MIH OF SHIP'T	NO. OF LOGS	OF LOGS	PRODUCERS (USD)	RATE(S)		PARTY	(USD)	ARISON AMT ABOVE/BELOW	*	ROYALIY	PRODUCER	CONTRACTOR
1986		<u>1986</u>					CATCON CO. (NC)	AS PER PUR	71.234.69	7,930.98 ABOVE	11.13 +	6,812.08	21,065.89	49,560.82.
1	MACAPENA	JANUARY	505	1580.529	79,165.67	FOB		CHASER		,	10.20 +	8,617.96,	28,058.96	65,203.42
2	BATAFA DUA	FEBRUARY	687	1999.527	103,510.43	FOB	GAISHO CO. (NG)	11	93,926.60	9,583.83 ABOVE 16.845.68 ABOVE	15.31 +	10,637.68	33, 118, 33	77,788.45
3	SELIKA	FEBRUARY	771	2468.139	126,843.80	FOB	SHIN ASAHIGAWA (NG)	"	109.996.12	4,806.32 "	10.19 +	4,308.16	13,795.56	32,184.40
4 (a) Santa s	MARCH	307	999.573	51,977.80	FOB	SHIN ASAHIGAWA	1	47,171.48 45,879.68	6,583.54 ABOVE	14.35 +	4,348.39	13,924.40	32,484.97
ft.		"	311	1008,908	52,463.22	FOB	SHIN ASAHIGAWA	"	88,374.74	12,584.24 ABOVE	14.24 +	8,479.02	26,277.83	61,789.94
5		MARCH	684	1967.291	100,958.98	FOB	GAISHO CO. (NG)	" "	65,872.94	8,812.79 ABOVE	13.37 +	6,190.30	19,340.86	45,388.72
6	este gloria	1	505	1436.264	74,685.73	FOB	SHIN ASAHIGAWA		95,802.64	8,440.16 ABOVE	8.81 +	8,737.31	26,055.39	61,853.69
7	Santas	APRIL	731	2027.217	104,242.80	FOB	GAISHO CO. (NG)	,,	94,790.69	13,730.51 ABOVE	14.48 +	8,636.11	27, 434.09	64,124.80
8	,	MAY	643	2003.738	108,521.20	FOB	SHIN ASAHIGAWA		98,228.00	9,765.02 ABOVE	9.94 +	8,773.67	27,782.88	64,989.43
9	TROPICAL DAMSEL	MAY	645	2035.654	107,993.02	FOB	SUMITOMO FORESTRY					10,843.58	36,079.11	83,418.11
10	SEA CHALLENGER	JUNE	846	2515.911	136,545.02	FOB	GAISHO CO. (NG)	"	119,615.02	16,930.00 ABOVE	14.15 +			
11	CEMMPIC	JUNE	655	2058.611	114,983.20	FOB	SHIN ASAHIGAWA	••	107.368.04	7,615.16	7.09 +	8,872.61	30,663.16	70,285.82
12	SEA CHALLENGER	JULY	682	2065,206	109,542.57	FOB	GAISHO CO. (NG)	"	88.059.40	21,483.17 "	24.39 +	8,901.04	29,715.61	68,651.83
13	PARADISE MOON	JULY	635	2002.660	111,147.63	FOB	SHIN ASAHIGAWA	**	102.323.37	8,824.26 "	8.62 +	3,531.4€	29,887.17	68,477.55
14	NO. 4 BUNEKA	SEPTEMBER	1276	3989.927	224, 435.91	FOB	GAISHO CO. (NG)	•	206,554.10	17,881.81 "	8.66 +	17,196.58	61,102.60	139,198.55
15	TORPICAL DAMSEL	OCTOMBER	607	2021.596	115,230.97	FOB	SUMITOMO FORESTRY	JAPAN · "	104,208.92	11,022.05 "	10.57 +	8,713.08	76,436.55	67,723.47
16	FORTUNE CARRIER	NOVEMBER	683	2512.022	143,702.67	FOB	SUMITOMO FORESTRY	JAPAN "	126,964.92	16,737.75 ABOVE	13.18 +	10,826.81	44,531.55	84,152.74
17	KNOYA	NOVEMBER	691	2536.436	154,722.60	FOB	C. ITCH & CO. JAPAN	v "	127,126.91	27,595.69 ABOVE	21.71 +	10,932.04	43,608.45	84,970.61
18	SOUTHERN ARROW	DECEMBER	678	2256.228	138,174.09	FOB	SUMITOMO FORESTRY	JAPAN''	111,528.45	26,645.64 ABOVE	23.89 +	9,724.34	48,971 .99	75,583.64
19	SPECO BAROW	DECEMBER	668	1869.916	117,135.60	FOB	C. ITOH & CO. JAPAN	1 "	94,392.66	22,742.94 11	24.09 +	8,059.31	42,440.20	62,642.19
1987		1987												
20	HONEY HOLD	FEBRUARY	648	2001.552	148,114.85	FOB	SUNNO LUMBER CO. J	APAN "	110,118.41	37,996.44 ABOVE	34.51 +	8,626.68	63,331.04	67,051.99
21	ETERNAL MOON	MARCH	580	2056.729	166,595.05	FOB	TOYOSHIMA RINGYO O	JAPAN''	121,056.20	45,538.85 ABOVE	37.61 +	8,864.50	77,829.60	68,900.42
22	NO. 4 BUNEKA	MARCH	686	2231.718	167,378.85	FOB	C. ITOH & CO. JAPAN	N "	132,695.76	34,683.09 1	26.13 +	9,618.70	68,882.05	74,762.55
23	PNG TRADER	MAY	725	2757.011	181,301.04	FOB	C. ITOH & CO. JAPA	N "	176,114.59	5,186.45 ABOVE	2.94 +	11,882.71	57,604.45	92,359.87
24	CORAL QUEEN	OCTOBER	733	2549.449	275,340.28	FOB	C. ITCH & CO. JAPAN	1 "	244,411.26	30,929.02 "	12.65 +	10,988.12	81,645.79	153,711.51
25	ERL SHINE	NOVEMBER	713	2534.867	271.991.23	FOB	C. TTOH & CO. JAPA	N "	241,767.15	30,224.08 ABOVE	12.50 +	10,925.27	80,559.80	152,475.13
26	MOUNT HEALTHY	NOVEMBER	585	1905.515	213,417.68	FOB	GLASHO CO. (NG)	"	167,027.63	46,390.05 ABOVE	27.77 +	8,212.76	62,888.54	118,502.18
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GAULIM LOGGING CORPORATION PTY LITD - MARKETING TABLE

	GAULIM LOGGING CORPORATION FIT ELECTRICAL STATES OF PROCEEDS (KINA)													
	· · · · · · · · · · · · · · · · · · ·	NO. 200	NO. OF	VOLUME OF	FOB PRICE TO	FREIGH	T NAME & COUNTRY	NOTIFY	MEP PRICE	MEP COMPARISON			PRODUCER	CONTRACTOR
IPMENT	VESSEL	MONTH OF SHIPMENT	LOGS	LOGS	PRODUCERS (USD) RATE	(S) OF PURCHASER	PARTY	(USD)	AMOUNT ABOVE/BEL	OW %	ROYALITY	- Finday	
						-								
1696		1986						AS PER PUR-		715 01 1005	1.68 +	3,385.79	9,978.76	29,851.51
1 <u>986</u> 1	SUN FLORES	JANUARY	196	785.566	43,250.63	FOB	GAISHO CO. (NG)	CHASER	42,535.42	715.21 ABOVE	2.84 +	4,808.11	13,317.75	42,391.77
2	YASTREB	MARCH	342	1115.573	63,261.25	FOB	GAISHO CO. (NG)	"	61,512.24	1,749.01 ABOVE		5 07E E0	14,463.11	46,513.37
3	ESTE GLORIA	MARCH	371	1224.036	69,770.05	FOB	SHIN ASAHIGAWA	••	66,487.51	3.282.54 ABOVE	4.93 +	5,275.59	6,805.02	24,400.90
4	MARIA PILAR	APRIL	208	642.129	35,590.63	FOB	GAISHO CO. (NG)	11	36,108.80	518.17 BELOW	1.43 -	2,767.57	6,703.27	21,313.52
5	EASTERN GLORY	MAY	180	560.882	32,957.18	FOB	GAISHO CO. (NG)	"	32,346.83	610.35 ABOVE	1.88 +	2,417.40	9,791.82	28,382.
6	SUN GODDESS	MAY	241	746.914	43,655.57	FOB	GAISHO CO. (NG)	"	45,323.80	1,668.23 BELOW	3.68 -	3,219.20	14,011.08	40,628.35
7	CLYMPIC 88	JUNE	386	1069.167	61,261.96	FOB	SHIN ASAHIGANA	*1	60,875.36	386.60 ABOVE	0.64 +	4,608.11	15,793.81	37,207.17
Ħ	中美術館	STULE.	281	979.137	59,813.22	FOB	GAISHO CO. (NG)	"	58,570.07	1,243.15 ABOVE	2.12 +	4,220.08	12,677.12	26,534.87
9	NO, 4 BINEKA	AUGUST	216	698,286	43,247.58	FOB	GATENO CO. (NG)	"	41,927.43	1,320.15 ABOVE	3.14 +	3,009.61	21,122.88	47,310.01
10	SANTAS	AUGUST	357	1273.551	76,413.06	FOB	SHIN ASAHTGAWA	"	77,385.90	972.84 BELOW	1.25 -	5,489.00	1	61,712.00
11	SOUTHERN ARROW	OCTOBER	427	1621.064	100,505.97	FOB	GAISHO CO. (NG)	"	97,138.17	3,367.80 ABOVE	3.46 +	6,986.78	28,286.62 42,217.93	87,402.88
12	SEA CHALLENGER	NOVEMBER	625	2255.029	142,320.09	FOB	GAISHO CO. (NG)	"	134,183.55	8,136.45 ABOVE	6.06 +	9,719.17	42,217.93	80,320.85
13	KYOKA BREEZE	NOVEMBER	649	2072.820	133,696.89	FOB	C. ITOH & CO. JAPAN	"	115,376.85	18,320.04 ABOVE	15.87 +	8,933.85		51,383.13
14	SEA CHALLENGER	DECEMBER	408	1275.789	90,581.02	FOB	GAISHO CO. (NG)	"	80,923.88	9,657.14 "	11.93 +	5,498.65	30,383.26	32,000
287		<u> 1987</u>												83,117.04
15	so young	FEBRUARY	551	1699.976	137,698.06	FOB	SHIN ASAHIGAWA	**	102,892.28	34,805.78 ABOVE	33.82 +	7,326.89	37,611.55	46,030.17
16	SUN CORAL	MARCH	364	1058.537	77,241.76	FOB	GAISHO CO. (NG)	н	66,867.17	10,374.59 ABOVE	15.51 +	1,062.84	10,981.62	50,110.59
17	SEA CHALLENGER	MARCH	416	1180,704	77,093.22	FOB	GAISHO CO. (NG)	**	71.066.37	6.026.85 ABOVE	8.48 +	5,088.83	21,893.80 19,773.50	43,959.65
18	SUN CORAL	APRIL	366	1032.319	76,391.61	FOB	GAISHO CO. (NG)	"	62,643.61	13,748.00 ABOVE	21.94 +	4,449.29		44,690.50
	SEA CHALLENGER	MAY	353	1097.110	77,894.81	FOB	GAISHO CO. (NG)	"	64,368.06	13,526.75 ABOVE	21.01 +	4,728.54	19,593.82	4
¹żo	MOUNT HEALTHY	JUNE	532	1532.789	109,320.04	FOB	C. ITCH & CO JAPAN	"	90.590.62	18.729.42 ABOVE	20.67 +	6,606.32	27,800.03	63,209.54 76,069.60
21	MERCHANT	JULY	480	1516.210	129,998.33	FOB	C. TYCH & CO. JAPAN	"	92.882.42	37,115.91 ABOVE	39.96 +	6,534.86	82,604.46	136,672.54
22	TREASURER	JULY	841	2437.439	231,556.71	FOB	SUNNO LUMBER CO. LITO J	TPN "	143.286.47	88,270.24 ABOVE	61.60 +	10,505.36	63,903.88	
23	DONA ANGELA	AUGUST	694	1998.929	196,892.90	FOB	SHIN ASAHIGAWA	"	116.418.40	80,474.50 ABOVE	69.12 +	8,615.38	53,205.96	113,070.20
24	MERCHANT	SEPTEMBER	R 802	2335.332	256,886.52	FOB	GAISHO CO. (NG)	"	139,840.61	117,045.91 ABOVE	83.69 +	10,065.28		147,426.76
25	EVER BRIGHT	OCTOBER	381	1204.627	134,918.22	FOB	GAISHO CO. (NG)	и	105,254.87	29,663.35 ABOVE	28.18 +	5,191.94	1	77,222.23
26	SAN MIGUEL	NOVEMBER	335	1007.665	112,858.48	FOB	GAISHO CO. (NG)	"	89.510.47	23,348.01 ABOVE	26.08 +	4,343.03	3	1
27	SUN CAROL	DECEMBER	1114	3003.824	342,435.94	FOB	TSUDA JANGYO CO. JAPAN	" "	263.712.45	78.723.49 ABOVE	29.85 +	12,946.48		1
28	ESTACION	DECEMBER	422	1203.745	92,688.37	FOB	GAISHO CO. (NG)	"	92,130.53	557.84 BELOW	6.05 -	5,188.14	23,285.32	52,062.09
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SCHEDULE 4
FOB UNIT PRICES FOR 1986 AND 1987

	. C	PLC	GAU		
MONTH	VESSEL NO	O UNIT PRICE (USD/m3)	VESSEL NO (Sched 3)	UNIT PRICE (USD/m3)	BUYER
19,86					
JAN	1	50.00	1	55.06	G
FEB	2 3	51.76 51.39			G SA
MAR	4 5 6	52.00 51.32 52.00	2 3	56.70 57.00	SA G SA
APRIL	7	51.42	4	55.42	G
MAY	8 9	54.16 53.05	5 6	58.76 58.45	SA SFC G G
JUNE	10 11	54.27 55.85	7	57.30	G SA
JULY	12 13	53.04 55.50	8	61.09	G SA
AUG			9 10	61.93 61.00	G S A
SEPT	14	56.25			G
ост	15	57.00	11	62.00	SFC G
NOV .	16 17	57.20 61.00	12 13	63.11 64.50	SFC CI G CI
DEC	18 19	61.24 62.64	14	71.00	SFC CI G

		CP	L C	~~~~			
YEAR MONTH	VESSEL (Sched	NO 2)	UNIT PRICE (USD/m3)	VESSEL	NO 3)	UMIT PRICE (USD/m3)	BUYER
1987							
FEB	20		74.00	19	5	81.00	UNNO L SA
MAR	21 22		81.00 75.00			TOS	HIMA R
•				16		72.97	G
				17	•	65.30	G
APR				18	}	74.00	G
MAY	23		65.76				CI
				19)	71.00	G
JUNE				20)	71.32	CI
JULY				21		85.74	CI
				22	?	95.00	UNNO L
2110						3	ONNO L
AUG				23	l	98.50	SA
SEPT				24		110.00	G
OCT	24		108.00				CI
				25		112.00	G
NOV	25 26		107.30				CI
	26		112.00	26		112.00	G
DEC ·				27		114.00_	
				28		77.00 ^T	SUDA J G
Abbrev	iations	:	G SA SFA CI Sunno L Toshima R Tsuda J	- Sum - C. - Sun - Tos	n As itor Itor no I hima	sahigawa no Forestry n & Co. Lumber n Ringyo Jangyo	Co.

NAM YANG TIMBER (PNG) PTY LTD KAPULUK AND KAPULUK EXTENSION TIMBER RIGHTS PURCHASE AREAS

INTRODUCTION

Nam Yang Timber (PNG) Pty Limited (NYT) is a subsidiary of Halla Resources Corporation of South Korea which is in turn understood to be part of the Hyundai Group. So far as the Commission is aware NYT is the only South Korean Company which has sought and achieved active involvement in timber operations in PNG. Historically it seems that NYT's involvement was in part the result of efforts in the late 1970's to break what was perceived as a Japanese monopoly on PNG log sales by attempting to diversify with the direct involvement of South Korean buyers and users of PNG timbers.

AMBIT OF ENQUIRY

The Commission did not study the operating aspects of NYT at all. NYT along with many other companies was sent a questionnaire on its operations and on its marketing activities. It returned a terse and utterly unhelpful response to the operations questionnaire (Schedule 1). Its response to the marketing questionnaire was that it had not marketed during 1986 or 1987.

I then submitted a copy of the operations questionnaire to DOF for completion of details and had Commission staff prepare from DOF records as much information as was available on the marketing of NYT and analyse that data.

BASIS OF OPERATION

The original basis for NYT's operation was a Project Agreement dated 12 December 1979 for a term of 20 years. Pursuant to the Project Agreement Timber Permit TP14-30 was issued on 8 May, 1981. The project envisaged was a very extensive one. Performance of project obligations (dealt with below) was not considered satisfactory and with the DOF imposing restrictions on log export quotas the operation ground to a halt in late 1985.

The Timber Permit was cancelled on 18 April 1986 but a new Timber Permit TP14-40 was issued for a period of one year from 1 April 1986.

When the cancellation of the original permit was proposed there had been considerable political lobbying. The purpose of the one year Permit was, as I understand the position, to satisfy NYT that the TRP area was secure from allocation to a third party and to allow a period for renegotiation of arrangements under which operations could recommence. NYT did not operate under the one year In recent times it has been publicised that a Permit. new agreement has been reached between the State and NYT and that a Permit will issue and operations recommence. Time has not allowed this latest development to be studied despite many complaints, requests and urgings that the Commission investigate the new arrangements.

COMPLIANCE WITH CONDITIONS:

The major infrastructural, processing and follow up land use projects on which DOF has reported were:-

- (a) Town Development
- (b) Road Construction
- (c) Wharf and Berthing facilities
- (d) Local processing facilities
- (e) Reafforestation project
- (f) Rice project

According to DOF the following obligations were imposed and achievements reported.

(a) Town Development

Community Hall

	<u>Obligation</u>	Fulfilment
(i)	Education	
	Construct 1 double classroom with store Construct 1 x GR1 teachers	Full compliance
	married house with toilet block	Full compliance
(11)	Home Affairs	· ·
	Construct one married accomodation	Full compliance (but no officer was ever assigned)
	Construct social ameneties including Basketball court Soccer Ground.	Not constructed Area cleared but no goal posts or

facilities

Not constructed.

(iii) Police

Construct Police Station
Construct Cell Block
Construct ten (10) married
accomodation over project
with two (2) initially

Full compliance Full compliance Three (3) married accommodation constructed up to 1986.

(iv) Health

Construct MedicalCentre/Aid Post. Supply Medical Officer.

Full compliance Officer provided but left when operations ceased.

(v) Commerce

Construct residence and office

Residence constructed incorporating office space.

(b) Road Construction

(i) Construct all roads within Township

Full compliance

(ii) Construct roads necessary for forest operations within forest area.

Logging roads were constructed only where logs were extracted

(iii) Construct Kimbe-Cape Gloucester
Road between Kalu and Gaho Rivers
and primary branch road to Rural
Class III standard between a point
West of Via River and the South
West limits of the project area
to link the boundaries of the
area.

Very little work has been done.

(c) Wharf and Berthing Facilities

Submit proposal for and construct wharf and berth and wharf installations and facilities.

A proposal was submitted and work done. DOF is not satisfied with the facility.

٠,

(d) Local Processing Facilities

(i) Construct (by end of project year 1) a sawmill for project purposes and (by end of project year 5) sell or lease it to PNG interests.

The sawmill was constructed but ceased operating when operations ceased. It has not been sold or leased.

(ii) Establish a chipmill

Chipmill constructed but has never produced woodchips.

(e) Reafforestation

(i) Plant 875 acceptable species seedlings per hectare in logged over area immediately following harvest.

Not complied with

(ii) Establish a total 10,605 ha of plantations in project years 3 to 20

Not complied with

(f) Rice Project

Conduct study on feasibility Study undertaken of growing rice.

and project not found feasible.

In my assessment NYT, on this report, has done more to fulfil its major obligations than have many other operators.

Its town construction obligations have been fulfilled in large part as have its obligations to construct local processing facilities even if only the sawmill operated and then only for a short time.

It was remiss in its roading obligations and its performance in the wharf and berthing area falls short of DOF expectations.

is reported not to have undertaken its reafforestation obligations. In the follow up landuse area it was only obliged to have a feasability study conducted. It did so and the study was negative. In this last respect the agreement seems to share with others a very real defect which nothing has been done to rectify.

Time and again I have seen project guidelines which envisage a fallow up landuse project as an important part of a project yet when it comes to agreement stage the obligation has been watered down to be dependent on a (yet to be conducted) feasibility study. inevitably that study proves negative and this important element of the project is lost.

MARKETING

A. Records

pof sales records from and including 1982 to and including 1985 were obtained. Records prior to 1982 were not available and copy invoices for the first half of 1982 were not available. Some copy invoices for the second half of 1982 and in early 1984 as well as the odd invoice for later in 1984 and in 1985 were not available. Some MEP figures in 1982, 1983 and early 1984 were not available as was largely the case from April to July 1984 (after the MEP system changed). In 1985 one MEP figure was missing and three shipments were made CNF in late 1985 where dissection was not possible.

The available information was tabulated in marketing table format for each year:-

1982	-	Schedule	2
1983	-	Schedule	3
1984	-	Schedule	4
1985	-	Schedule	5

The tabulated evidence was then analysed.

B Buyers, Destinations and Invoicee Patterns.

On the available information NYF exported in excess of 100,000m3 of logs in each of 1982 and 1983; close to 130,000m3 in 1984 and about 85,000m3 in 1985. Its total exports in these four years thus exceeded 400,000m3.

The documents show that the destination of all log exports was Korea with the following small exceptions (agregating about 4% of total exports):-

<u>Japan</u>

1982	-	1 shipment	_	5989m3
1983	-	2 shipments	-	<u>6383m3</u>
		-		12,372m3

Taiwan

1983 - 1 shipment - 4442m3

Singapore

1985 - 1 shipment - <u>197m3</u> 17.012m3 It is convenient to shortly dispose of these other destination shipments before studying the shipments to Korean destinations.

(i) Japan and Taiwan Shipment

All (four) shipments to Japan and Taiwan were invoiced by NYT to its parent Halla Resources Corporation and it was shown as the notify party in the bill of lading for the Japanese shipments. For the Taiwanese shipment the notify party was CHEN TA SHING ENT.CORP. LTD. Invoices were at exact MEP prices. Clearly Halla Resources Corporation would have to re invoice the end buyer and in doing so would have the opportunity to transfer price through third country invoicing. The identity of the Japanse buyers is not as-certainable from the documents but the Taiwanese buyer is obviously the notify party in the bill of lading and there the need for reinvoicing is quite apparent.

(ii) Singapore Shipment

This small part shipment of the highly valued blackbean species is only relevant as part of a changed marketing system for NYT in its last days of operation in late 1985. Indeed this was NYT's last shipment. It was sold to the Singaporean buyer through Ron Gibbs Quarter Enterprises which was Vanimo Forest Products marketing agent.

(iii) Korean Shipments

As stated above the vast bulk (about 96%) of NYT's log exports were destined for Korea. NYT shipped to a variety of over twenty (20) Korean buyers many of which were "one off" buyers but a group of which were significant buyers. The significant buyers were:-

- (a) Bando Lumber Co. Ltd the largest buyer in 1982 and 1983 and a significant buyer in 1984 and 1985.
- (b) Chungkoo Lumber Co.Ltd- a small buyer in 1983, and its letter of large buyer in 1984 and credit opener a small buyer in 1985 Oriental Chemical Industry Co. Ltd.
- (c) Eagon Imdustrial Co.Ltd- a medium buyer in 1983 and large buyer in 1984 and 1985.
- (d) Hyundai Wood Ind.Co.Ltd. a small buyer in 1982 and medium buyer in 1984.

- (e) Sun Chang Enterprise a small buyer in 1982 and Co.Ltd. 1983 and medium buyer in 1984.
- (f) Tae Sung Lumber Ind a small buyer in 1982, medium buyer in 1983 and the largest buyer in 1984 and 1985.

Analysis of the invoicee in NYT's sales to Korea discloses an amazingly regular and clear pattern (with only three minor exceptions) between July 1982 and November 1985. (The change in November 1985 is dealt with below) In every case (except three) during this period where a copy invoice is available the addressee of NYT's invoice from PNG is a Hong Kong company Yuwana International Limited and the notify party shown in the letter of credit is the Korean purchaser. The pattern is illustrated by the following tabulation (where the three exceptions are asterisked and where the fact is stated if the invoice is not on DOF files):-

FY PARTY		NUMBER	OF (PART	/SHIPMENTS)
	1982	1983	1984	1985
OO LUMBER	4	4	3	2
NGKOO LUMBER		1	1	1
BUN IND. CO.			1	
ON INDUSTRIAL		2	4	3
INEERING &			1	
			(NO COPY	INVOICE)
	*1(DIRE			
		1		
	1		3	
ON INTERCORP			1	
			(NO COPY	INVOICE)
EA PLYWOOD	1			
	_		1 1	211.19
DO MACHINERY		*1(D)		, , , , , , , , , , , , , , , , , , ,
SAN IND.CO.	1	1		
ENTAL CHEMICAL			4 9	PLUS
				NO COPY
			I	NVOICE)
BUN IND. CO. ON INDUSTRIAL INEERING & PBUILDING LA RESOURCES YANG PLYWOOD NDAI WOOD IND. ON INTERCORP BA PLYWOOD NG MIN IND. DO MACHINERY SAN IND.CO.	-	CT) 1 *1(D)	3 1 (NO COPY 1 i *1(i IRECT) 4 i 2(i	INVOICE) INVOICE) PLUS PLUS PLUS PLUS

SAMSUNG CO.	(NO CO			
SAM WON ENT			INV	DICE)
SEOWO LUMBER		1		1
SOO POONG LUMBER		2		
SSANGYONG CORP.	1	_		
SUN CHANG ENT.	ī	1	3	
TAE SUNG LUMBER	1	4	7	5
TONG KOOK CORP		1	•	•
UNION CORPORATION		_	1	
TOTAL (PART/			-	
SHIPMENTS)	11_	<u> </u>	33	<u>13</u>

This analysis covers 76 shipments or part shipments and in a number of cases there is more than one invoice covering the shipment or part shipment.

In the five cases where there is no invoice available it would be reasonable to surmise (because of the clear system and in the case of Oriental Chemical in 1984 because of the addressee of invoices before and after those which are not available) that those invoices were also addressed to Yuwana International. Out of the total 76 shipments or part shipments there are only 3 instances where the NYT copy invoice is not addressed to Yuwana International. The exceptions (and possible explanations) are:-

(i) In December 1982 the shipment of 5960.219m3 on M.V. WON JIN was invoiced to Halla Resources Corporation which was also the notify party shown in the Bill of Lading. The documents show the shipment destination as Korea.

There are two likely explanations.

Firstly the destination may be erroneously shown and the shipment may have been destined for Japan - in which case it is not an exception and fits the pattern of invoicing Japanese destination shipments through the parent company Halla Resources Corporation.

Secondly, and if Korea was the true destination, a buyer may not have been found at the time the ship departed. In such a case one would expect an invoice to an identified entity and the parent company would be a logical choice.

(ii) In May 1983 the shipment of 5300.519m3 on M.V. HALLA MARWA was invoiced to Mando Machinery Corporation which was described as the notify party in the Bill of Lading.

There are many possible explanations for this one outstanding exception but to attempt to select one would be sheer speculation.

(iii) In May 1984 the part shipment of 99.985m3 of blackbean on MV EASTERN CHALLENGER to Kyung Min Ind. Co was invoiced direct to that company and it was shown as notify party in the Bill of Lading. The balance of the shipment - 5492.642m3 was invoiced to the regular buyer Tae Sung Lumber Ind Co. through Yuwana International.

The bulk of this small part shipment was graded SS1 and the balance graded SS2 - the part shipment was thus of good quality. Clearly this was a very small specialty sale of a valuable species which "filled up" a shipment. The total price invoiced was only USD12,788.08. This was almost the exact MEP price for blackbean but was still USD127.90 per m3. The price was thus high and the shipment small and the "margin" was presumably either non existent or too small to warrant transacting it through Yuwana International. Quite interestingly on the next (but even smaller) small blackbean shipment to Kyung Min Industrial on MV. HALLA MARWA in October 1984 where the price was well above the then MEP but still invoiced at USD110.00 per m3 the intermediary Yuwana International was used. (This is dealt with further below).

As indicated above the general pattern on sales by NYT to Korea is overwhelmingly clear. The sales effected from the PNG subsidiary of Halla Resources Corporation (NYT) are invoiced to Yuwana International in Hong Kong. Yuwana International would then have to re invoice the true buyer from Hong Kong. The logs follow one route from PNG to Korea. The money follows another route from Korea to Hong Kong and then (almost certainly in part) to PNG.

The structure is a classical structure admitting of transfer pricing through third country invoicing from Hong Kong. As Yuwana International is the only Hong Kong intermediary used and as it is used for such a wide diversity of Korean destination buyers there is an irresistable inference that NYT (or its parent) was responsible for directing sales through Yuwana International and that the Halla Resources Group was the beneficiary of any transfer pricing.

The very format and content of the forms of invoice used by NYT (samples form Schedule 6) reinforce one's impression of the structure. All the details including the name and address of the true buyer (NOTIFY PARTY) are included and all Yuwana International would have to do is transfer that detail to its own invoice and substitute the transferred price details.

C. Pricing Patterns.

The Minimum Export Prices (MEP) in force from time to time were used (see Schedules 2 to 5) as the standard against which NYT's pricing patterns could be compared.

Again reasonably clear patterns are discernable.

(i) 1982

Records are available for 22 shipments in 1982 of which two involved part shipments to two different purchasers.

MEP figures are available for all but five shipments and one part shipment and on all of these except one part shipment calculation was possible. In all but one case (exception (a) below) where MEP figures were available all sales of all grades of all species were at exact MEP prices. The exceptions [save for exception (a)] are all cases - four shipments and one part shipment - where MEP calculations were made.

These exceptions were:-

- (a) A small part shipment on MV MOCKYA in May 1982 was a small margin (K85.61) above MEP. The explanation appears from the summary. All grades of all Groups were at exact MEP prices save for small sized walnut where the price for 2.840m3 was shown at K227.20 whereas the MEP was K142.00 making a difference above MEP of K85.20. The additional small difference was from an error.
- (b) On all July and the first August shipments (four shipments in total) all grades of all groups (except small group 3 logs) were at prices exactly 2% above MEP. Small group 3 logs were 2.433% above MEP. The logs in the Group 3 (Small class) were a small part of the shipments consisting:-
 - 106.692m3 of a total 5252.156m3 shipped on MV. SAM YANG
 - 62.366m3 of a total 4426.759m3 shipped on M.V. SEORABUL
 - 139.448m3 of a total 5386.144m3 shipped on M.V. DAE YANG
 - 77.480m3 of a total 5063.061m3 shipped on M.V. SOON CHURN
- (e) A part of the shipment on M.V. MARINA in October (2542.124m3 of a total 6181.122m3) was at prices exactly 5% above MEP.

Exceptions (b) and (c) above may not be exceptions at all if the MEP figures used for calculation-being those current at shipment date-did not apply to the shipment. The pattern for the whole year is clear. Prices were at exact MEP except in a very few cases where they were fixed at small margins above MEP. In the few cases the prices were fixed by direct reference to MEP prices.

(ii) 1983

Records are available for 22 shipments in 1983 of which none involved part shipments to different purchasers. MEP figures are available for all but six shipments and one part shipment. On two of these shipments prices were well below MEP; on three of these shipments calculations were possible and on one shipment and one part shipment calculations could not be made. In all cases where MEP figures were available all sales of all grades of all species were at exact MEP prices.

The only cases where calculations showed prices were not at or below MEP prices were the three shipments in April 1983 on M.V CORVUS, M.V. SAMICK and M.V. SEORABUL where calculations showed prices at 5%, 10% and 10% respectively above MEP prices. These may again not be exceptions at all if the MEP figures used for calculation were not those applicable to the shipments. Again the pattern for the whole year is clear. Prices were at exact MEP except where they were below MEP or in the three exceptional cases where they were fixed at percentage margins above MEP. In these three cases the prices were fixed by direct reference to MEP prices.

(iii) 1984

In April 1984 the MEP was substantially altered. Grading into regular, small and supersmall classes was discontinued and the Sealpa grades (SSP, SPI, SP2, SS1, SS2 and SS3) were adopted. The MEP prices were changed from kina to US dollars.

January to March

Records are available for 9 shipments during this period of which the last involved part shipments to two different purchasers. MEP figures are available for only two shipments and two part shipments but on the balance of the shipments calculation was posible.

Calculations (detailed in notes to the relevant part of Schedule 4) show a mixture of exact MEP prices, prices a percentage above MEP prices and in one case prices a fixed kina figure above MEP prices.

The clear pattern is of sales at MEP prices or at prices fixed by reference to MEP prices.

April to August

Records are available for 10 shipments during this period of which one involved part shipments to two different purchasers. MEP figures are available for only 3 shipments and one part shipment and these disclose prices 0.15%, 7.26% and 6.64% above MEP and the last shipment at exact MEP prices. The period is characterised by a significant change in NYT's invoicing practices because instead of invoicing group by group grade by grade in accordance with MEP (as was NYT's previous practice) the invoices are "across the board" at prices for a shipment or part shipment between USD61.00 per m3 and USD73.00 per m3 with a small parcel of blackbean invoiced at USD127.90 per m3. Calculation of MEP comparisons was not undertaken.

September to November

What was to occur during this period was perhaps heralded by the fact that the last shipment in August was at exact MEP (\$58.12 per m3) During the period there were 6 shipments of which two involved part shipments to two different purchasers. One small part shipment of blackbean and one other shipment were sold at above MEP prices being respectively 115.71% and 4.39% above MEP prices.

The other shipments were all below MEP prices by margins of 4.73%, 14.09%, 15.78%, 16.52%, 7.56%, 9.05% and 4.41% and at "across the board" prices for a shipment or part shipment between \$50.00 per m3 and \$56.49 per m3.

December

In December there were two shipments at prices "across the board" of USD55-00 per m3 and USD56.00 per m3 which were respectively 3.70% and 2.54% above MEP.

Generally

Up until March 1984 the earlier pattern of prices at or calculated by reference to MEP continued.

When the MEP changed NYT changed to "across the board" invoicing and after generally good prices were obtained from April to August there was a change to poor and below MEP prices from September to November with a return to small above MEP margins in December 1984.

(iv) 1985.

This year, during which NYT's operations began to "wind down" is again divisible into two distinct parts.

January to September.

In the period 12 shipments were made. One involved part shipments to two different purchasers and the last part shipments to three different purchasers.

On ten of the first eleven shipments for which MEP figures were available the "across the board" prices were generally a small margin above MEP - varying between 0.008% and 5.23% above MEP with a margin of 9.48% above MEP achieved on one shipment in May.

The last shipment was a "mixed" bag with the three part shipments at prices 0.64% and 5.94% above and 4.98% below MEP.

November to December

In this period there was another marked change in NYT's patterns. In the period one shipment was made to each of the three Korean regular buyers - Eagon Industrial, Tae Sung Lumber and Oriental Chemicals but two changes occurred. Firstly the sales were invoiced direct and not through Yuwana International and secondly sales were on a CNF (and not an FOB) basis so MEP comparisons cannot be extracted. The last sale was of a small specialty parcel of blackbean which was sold at a price 20.43% above MEP to a Singaporean buyer through Quarter Enterprises Pty. Limited.

(v) Conclusion on Price.

Up to April 1984 NYT sold at prices at or which were tied to (slightly above or below) MEP prices by group and by grade. After April 1984 prices were fixed "across the board" but were again slightly above or below MEP prices on a shipment or part shipment basis.

When these facts are considered and prices obtainable and obtained in the Korean market (after transfer pricing) are considered I have no doubt the prices invoiced by NYT (to Yuwana International) out of Papua New Guinea were lower than those which were obtainable from Korean buyers.

D. <u>Blackbean - a valuable species.</u>

One aspect of NYT's marketing which attracts attention is its small specialty sales of blackbean which are highlighted in Schedules 2-5.

(i) In September 1983 a parcel of 210.806m3 of blackbean was shipped to Chungkoo Lumber as a separate part of a whole shipment. The invoice to Yuwana International was at exact MEP prices as follows:-

<u>Grade</u>	Volume (M3)	<pre>Unit Price(K)</pre>	<pre>Total Price(K)</pre>
Regular	163.584	88.00	14,395.39
Small	43.448	48.40	2,102.88
Supersmal	1 <u>3.774</u>	44.00	166.06
	210.806		16.664.33

The average price was K79.05 per m3.

(ii) In May 1984 a parcel of 99.985m3 of blackbean was shipped to Kyung Min Ind. Co and invoiced to that company. The prices were as follows (and were 0.15% above MEP):-

<u>Grade</u>	Volume (M3)	Unit price(USD)	<pre>Total Price(USD)</pre>
SSI	63.726	169.50	10,801.56
SS2	36.259	54.24	1,966.69
	99.985		12,768.25

The average price was USD 127.70 per m3

(iii) In October 1984 a parcel of 49.744 m3 of blackbean was shipped to Kyung Min In. Co. The invoice was to Yuwana International and no breakup into grades is given. The MEP price shown on the invoice was USD50.99 per m3 (aggregating USD2,536.69) and the invoice price was shown as USD110.00 per m3 (aggregating USD5,471.84). The MEP price indicates the parcel was largely graded in the low sawlog categories SS2 and SS3.

(iv) In December 1985 a parcel of 196.711m3 of blackbean was shipped to Bork Singapore Pty Ltd. The invoice was to Quarter Enterprises Pty. Limited of Australia. The prices were as follows:-

<u>Grade</u>	Volume (M3)	<pre>Unit Price(USD)</pre>	Total Price(USO)
SS1	97.818	177.97	17,408.67
SS2	81.000	56.95	4,612.95
SS3	<u>17.893</u>	47.23	845.71
	196.711		22,865.71

The average price was USD116.24 and was 20.43% above MEP.

When one studies this data it seems clear the price of the first shipment was very low being sold at exact MEP and invoiced to Yuwana International. becomes clear by comparision with the second shipment where there was direct invoicing to the buyer and the averaged USD127.70 per m3 for sawgrade logs price compared to the earlier (MEP price) of K79.05 per m3. The third shipment appears to be an abberation. invoice was to Yuwana International. The MEP price was in the low sawlog area yet a price of over double the MEP price was achieved. This strongly suggests - by comparison with both the second and fourth shipments that the third shipment was severely undergraded.

The fourth shipment on a per grade comparison shows price levels consistent with and increased from the second shipment (which was invoiced direct) and gives a good indication of true market prices.

This tends to confirm that the first shipment was underpriced (through Yuwana International) and that the third shipment (again sold through Yuwana International) was badly undergraded.

CONCLUSIONS

The above observations are derived from documents and time has not allowed NYT to be called before the Commission to offer explanations. There is every indication that this company has been systematically engaged up to November 1985 (shortly before it ceased operations) in substantial transfer pricing and in use of structures and malpractices which enable transfer pricing.

There is a clearly established transfer pricing structure through Yuwana International in Hong Kong and a well and regularly used pattern of invoicing through that structure with a curious invoice format that identifies the true destination buyer as the notify party.

There is a clearly established pattern of selling at or by reference to MEP prices up to April 1984 and a clearly established pattern of selling "across the board" at close to MEP prices between April 1984 and November 1985. Indications are that the prices obtained were less than those available.

I believe from DOF records that the Kapuluk area is a reasonably good quality area. I have evidence that MEP figures were set by attempting to ascertain the obtainable market prices and then discounting those prices by about 15% so the worst producer from the worst quality area could achieve MEP prices. It follows that an efficient producer in a good quality area should achieve prices in the order of 10-15% at least above MEP prices. NYT never achieved anything like those levels of price.

Grading pattern show a preponderance of logs graded in the sawlog categories and at times there is a heavy weighting in the lower sawlog grades. The study of blackbean specialty shipments tends to indicate grading patterns should be closely studied but time did not permit such a (time consuming) study to be undertaken by the Commission.

Further detailed investigation of NYT marketing and grading is warranted and should be undertaken. Its resumed operations should be subjected to close and regular monitoring by DOF Marketing Division.

NAM YANG TIMBER (PNG) PTY. LTD.

2nd Floor, A.N.G. House, Hunter St. Port Moresby, P.N.G. P.O. Box 772, Port Moresby. Telex: HALL.AJA NE 22283 Telephone: 211025/211064 211250/211297 1st Floor, Agricultural Bank of Niugini, Kimbe P.O. Box 99, Kimbe,W.N.B. PNG. Telex: NAM YANG NE93126 Telephone: 935143/935419 935220 Kapuluk Timber Development Silovuti Base Camp Silovuti, W.N.B. P.N.G. Telex: Telephone:

March 21, 1988 Our Ref: F-163

Commission of Inquiry into Aspects of the Forest Industry P.O. Box 2554 BOROKO, PNG

Attention: Mr. T.E. Barnett

Commissioner

Dear Sir:

1

In connection with your letter of 8 March 1988, we hereby submit the questionaire as attached.

Yours faithfully,

NAM YANG TIMBER (PNG) PTY. LTD.

SANG TAE LEE General Manager

Encl: Questionaires

COMMISSION OF INQUIRY INTO FORESTRY

QUESTIONAIRE

age of Timber Area: KAPU	LUK TRP, WEST NEW BRITAIN PROVINCE
	YANG TIMBER (PNG) PTY. LTD.
lame of Contractor (if any	
Agreement or Letter of	itions of Timber and/or Project of Intent or other authorisation
and briefly indic	each condition or obligation in tate whether the Company has on in Column 2. (Attach additional ary).
(1) Condition	(2) Degree of Compliance
Road Construction	
Conditions (design, standard, gravelling, culverts, bridges etc.)	
NOT APPLICABLE DUE TO	N/A
PENALTY OF LOG EXPORT	
QUOTA REDUCTION BY THE	
GOVERNMENT.	

) Condition	(2) Degree of Compliance
oligations imposed, etc.	
N/A	N/A
,	
pecial Bridge Construc-	
noncial Bridge Construction requirement	N/A
N/A	N/A
ion requirement	N/A

1) Condition	(2) Degree of Compliance
eafforestation/Regeneration	
N/A	N/A
Follow up Land Use requirements (eg: agriculture	
n/A	N/A
Other conditions imposed for public benefit	:
N/A	N/A

.

SCHEDULE 2

NAM YANG TIMBERS - 1982 MARKETING

(ALL SALES TO KOREA UNLESS SHOWN)

MONTH.	VESSEL	VOLUME (M3)	FOB (K)	HEP (K)	ABOVE Mep	INVOICEE	NOTIFY PARTY
JAN.	MARINA	6000.055	265876.73	265876.73	-	NOT AVAILABLE	NOT AVAILABLE
FEB.	SOON CHURN	2162.042	69069.37	69069.39	-	•	•
MAR.	CHUN JIN	3131.020	120415.92	120415. 92	-	•	•
APRIL	MARINA	2503.671	107829.65	NOT AVAILABL	E	•	•
	SOON CHURN	2757.898	106740.85	106740.85	***	•	•
HAY	HOCK YA	2030.663	86066.15	86066.15	•	•	•
		383.805	18759.94	18674.33	85.61	•	8
JUNE	MARINA	327.853	15146.30	15146.30	-	•	•
		2153.093	95919.06	95919.06	-	•	•
JULY	SAM YANG	5252.156	214741.24	NOT AVAILABI	LE)	•	•
	SEORABUL	4426.759	197122.57	•)	•	•
	DAE YANG	5386.144	20 90 53.76	•) #)	YUWANA INTER. LTD. HONG KONG.	OK SAN INDUSTRIAL
AUG.	SOON CHURN	5063.061	237689. 77	•)	•	HYUNDAI WOD
	ASIA GIANT	3253.744	125938.46	125938.46	-	NOT AVAILABLE	
	MARINA	6090 .9 57	2578 56.80	257856.80	-	YUMANA INTER LTD. HONG KONG	BANDO, LUMBER
SEPT.	OTARU	1556.273	61704.83	61704.83	-	•	HYUNDAI WOOD
	DAE YANG	5423.795	23482 7.94	234827.94	-	NOT AVAILABLE	
	BOCHURN	5424.244	230605.77	230605.77	-	YUWANA INTER LTD. HONG KONG	BANDO LUMBER
	KOHEUN	6074.514	26 7516.22	267516.22	-	•	SUN CHANG ENTERPRISE
		6591.943	252 035.09°	292035.09	-	• .	BANDO LUMBER

DCT.	MARINA	3638.998	161371.82	161371.82	-	YUWANA INTER LTD. HONG KONG	KOREA PLYWOOD NF6.CO.
		2542.124	122 265.9 3	NOT AVAILABLE	CALCULATION IS 5% ABOVE MEP.	•	•
NOV.	HALLA Paragon	7699.989	350472.34	350472.34	•	•	BANDO LUMBER
		6582.930	316746.68	316746.68	-	• .	SSANGYONG CORP.
	HALLA MARINA	2522.070	120751.69	120751.69	-	**HALLA RESOURCES CORP.KOREA	HALLA RESOURCES CORP. KOREA.
		3466.713	165936.41	165936.41	-	** "	•
DEC.	DONG AH	5018.943	232980.86	232980.86	-	YUWANA INTER LTD. HONG KONG	TAE SUNG LUMBER
	WON JIN	5960.219	258829.13	258829.13	-	HALLA RESOURCES CORP. KOREA	HALLA RESOURCES CORP. KOREA.

^{*} Calculations show the price structure was 2.433% above MEP on small Group 3 logs (which were a small part of the shipment) and at exactly 2% above MEP an all other grades of Group 3 and all grades of all other Groups.

^{##} This sale was to Japan.

SCHEDULE 3

NAM YANG TIMBERS - 1983 MARKETING

(ALL SALES TO KOREA UNLESS SHOWN)

			///	MED (V)	ABOVE Mep	INVOICEE	NOTIFY PARTY
HONTH.	VESSEL	VOLUME (M3)	FOB (K)	MEP (K)	HEL	INTUICEL	100
JAN	TENRYU	5300.351	244639.40	244639.40	-	· · · · · - -	HALLA RESOURCES CORP. (KOREA)
	NEW SILLA	4674.084	189510.06	189510.06	-	YUWANA INTER. (LTD. (HONG KONG)	DKSAN IND.CO
	HALLA MARINA	4226.177	204739.78	204739.78	-	•	BANDO LUMBER
	UNITY	1082.610	52667.07	52667.07	-	*HALLA RESOURCES CORP (KOREA)	HALLA RESOURCES CORP (KOREA)
	HAN YONG	5396.124	237498.39	237498.39	-	YUWANA INTER LTD (HONG KONG)	BANDO LUMBER
FEB.	MARINE STAR	4866.872	110283.32	NOT AVAILABLE	CALCULATION IS BELOW MEP	•	SOO POONG Lumber
MAR.	PACIFIC Nyatoh	5890. 570	246614.24	246614.24	-	•	BANDO LUMBER
	HALLA MARINA	3425.087	144518.16	144518.16	-	•	TAE SUNG LUMBER
		1209.632	49272.88	49272.88	-	•	•
APRIL.	CORVUS	5542.110	239712.84	NOT AVAILABLE)		• E	SEOWOO LUNBER
	SANICK	4525.609	180429.53	NOT AVAILABLE)	WAS 5% TO 10' ABOVE MEP		SOOPOONG LUMBER
	SEORABUL	4442.511	1 996 74.54	NOT AVAILABLE)		**HALLA RESOURCES CORP.(KOREA)	CHEN TA SHING ENT.
— HAY	HALLA MARINA	5300.519	238201.63	238201.63	-	MANDO MACHINERY CORP. KOREA	HANDO HACHINERY
	GOLDEN BELL	2737.045	124914.43	124014.43	-	YUWANA INTER. LTD HONG KONG	TAESUNG LUMBER

JUNE	MARINE STAR	4421.067	195666.74	195666.74	-	YUWANA INTER. LTD.(HONG KONG)	TONG KOOK CORP.
	BOCHURN	2586.118	117579.95	117579.95	-	•	HANYANG Plywood
JULY	HALLA MARINA	4406.814	84170.15	NOT AVAILABLE)	CALCULATIONS SUGGEST BELOW	•	EAGON
		1201.970	51501.92	NOT AVAILABLE)	MEP.		INDUSTRIAL
	HALLA MERCURY	5612.493	251122.92	251122.92	-		•
AUG.	ASIA RIVER	3308.876	152808.31	152808.31	-	•	SUNG CHANG ENTERPRISE
SEPT.	MARINE STAR	2610.870	112017.16	112017.16	-	•	TAE SUNG LUMBER
	HALLA MARINA	5826.305	254175.86	NOT AVAILABLE	-		BANDO LUMBER
	MERCURY	2791.992	126732.21	126732.21	-	•	CHUNG KOO Lumber
		2845.390	122825.83	126732.21	-	•	•
		210.806	16664.33	16664.33	(BLACKBEAN)	•	CHUNG KOO Lumber
	KOREAN CROWN	5344.067	226453.81	226453.81	-	•	TAE SUNG LUMBER
-		1468.929	5 7\$ 37.72	NOT AVAILABLE		•	•

These sales were to Japan
 This sale was te Taiwan

SCHEDULE 4 NAM YANG TIMBERS - 1984 MARKETING (ALL SALES TO KOREA UNLESS SHOWN)

		VOLUME (M3)	FOB (K)	MEP (K)	ABOVE K	INVOICEE .	NOTIFY PARTY
JAN	VESSEL KAO HO	2412.519	106274.76	106274.76	-	YUWANA INTER. LTD. HONG KONG	SUNG CHANG ENTERPRISE
	SOON CHURN	245.779	7844.73	7844.73	-	•	ORIENTAL CHEMICAL
		2328.008	99334.49	N/A	•	•	•
	HÀLLA Mercury	6000.233	260376.40	260376.40	-	•	HYUNDAI WOOD IND. LTD.
FEB.	HALLA MARINA	5982.875	271672.25	N/A	ŧ	*	TAE SUNG LUMBER
	DONG WON	267.521	13649.16	13649.16	-	N/A	KOLON INTER.
		1911.836	93254.75	N/A	•	N/A	•
tu.	ASIA GIANT	6026.704	279347.33	N/A	**	YUWANA INTER. LTD. HONG KONG	SUNG CHANG ENTERPRISE.
	LEAH	1646.641	76889.81	N/A	***	•	HYUNDAI MOOD IND. LTD.
HAR.	HALLA HERCURY	5782.848	265272.57	N/A	+	N/A	EAGON INDUSTRIAL.
	GARZA OCEAN	2993.290	143525.10	N/A	++	YUWANA INTER LTD. HONG KONG	UNION Corporation
-		1601.633	72242.45	W/A	++	M/A	ORIENTAL CHEHICAL
		1148.630	51615.93	N/A	+++	N/A	•

^{*} Calculations show groups 1 and 2 sold 5% above MEP and groups 3 and 4 at exact MEP

^{**} Calculations show sold at 3% above MEP

Calculations show sold at K2.00 per H3 above MEP

⁺ Calculations show sold at 5% above NEP

⁺⁺ Calculations show groups 1,2 and 3 sold at exact MEP and group 4 at 4.75% above MEP

⁺⁺⁺ Calculations show sold at about 2.5% above MEP.

THE MEP CHANGES FROM KINA TO USD. MONEY FIGURES ARE SHOWN IN USD.

PRIL	HALLA MARINA 4	083.1 05	249069.41 (\$61.00)	N/A		YUWANA INTER. LTD. HONG KONG	SUNG CHANG ENTERPRISES.
1AY	EASTERN 5	5492.642	335051.18 (\$61.00)	N/A	•	•	TAE SUNG LUMBER
		99.985	12788.08 (\$127.70)	12768.25	(BLACKBEAN) 19.83 (0.15%)	KYUNG MIN IND. CO. LTD.	KYUNG MIN IND.
	TENWA MARU	1221.799	87969.54 (\$72.00)	N/A		YUWANA INTER LTD HONG KONG.	EAGON INDUSTRIAL
		1777.772	124444.04 (\$70.00)	N/A		•	•
-		2998.494	209894.58 (\$70.00)	N/A		•	•
	SEIBUN MARU	999.745	71981.63 (\$72.00)	N/A		•	DAESUN IND.
JUNE	HALLA MARINA	4925.309	359548.04 (\$73.00)	N/A		•	ORIENTAL CHEMICAL
		1059.760	77 362.4 2 (\$73.0 0)	M/A		•	•
	HALLA MERCURY	4024.257	293770.81 (\$73.00)	N/A		•	TAESUNG LUMBER
		1949.225	142293.43	N/A		•	•
JULY	BOCHURN	3545.581	251736.23 (\$71.00)	W/A		•	HYUMDAI WOOD IND.LTD
	HALLA MARINA	5094.679)	36956 2.71	293 738	.84 25 027	.04	EAGON INDUSTRIAL
		966.010)	(\$62.00)	50796	.83 (7.26	(I) *	• *
AUG.	HALLA MERCUI	RY 4733.218)		273152		.	ORIENTAL CHEMICAL
noor		979.614)	354195.58 (\$62.00)	58 977	.67 (6.64		
	ESTELLA	5576.742	324103.45 (\$葉,12)	324103	3.45	- •	TAESUNG LUMBER
SEP	T. HALLA MERCURY	5141.950	283807.25 (\$35.00)	29 6839	3.72 1403 (4.7	1.47* * 37.)	BANDO LUMBER

ucT.	HALLA MARINA	2941.516	150017.32 (\$51.00)	174614.67	24597.35# YUWANA INTER (14.09%) LTD. HONG KONG	EAGON INDUSTRIAL
		49.744	5471.84 (\$110.00)	2536.69	(BLACKBEAN) 2935.15 (115.71%)	KYUNG MIN INDUSTRIAL
	MARQUISE	2988.263	149413.15 (\$50.00)	177409.37	27996.22# * (15.78%)	TAE SUNG LUMBER
		5992.060	299603.00 (\$50.00)	358896.58	59293.58# * (16.52%)	BANDO LUMBER
٥٧.	HALLA HERCURY	4986.466	269269.16 (\$54.00)	291277.91	22008.75* * (7.56%)	TAESUNG LUMBER
	HALLA MARINA	898.492	50315.55 (\$56.00)	48197.78	2117.77 N/A (4.39%)	ENGINEERING SHIP BUILDING CORP.
٠	DLYMPIC 88	858.311	48065.42 (\$61.57)	52848.94	4783.52 ±YUWANA INTER. (9.05%) LTD. HONG KONG	TAE SUNG LUMBER
-		5639.530	304534.62 (\$56.49)	318572.68	14038.06# * (4.41%)	•
-DEC.	PELAWAN	6499.736	357485.48 (\$55.00)	344718.60	12766.88 ° (3.70%)	CHUNGKOD LUMBER
	HALLA MARINA	5768.506	323036.34 (\$56.00)	315041.69	7994.65 (2.541)	BANDO LUMBER CO.LTD

^{*} PRICE AND PERCENTAGE IS BELOW MEP.

SCHEDULE 5

NAM YANG TIMBERS - 1985 MARKETING

(ALL SALES TO KOREA UNLESS SHOWN)

IONTH.	VESSEL	VOLUME (H3)	FOB (USD)	MEP (USD)	ABOVE Mep	INVOICEE	NOTIFY PARTY
JAN	HALLA MERCURY	4086.286	228832.02	217460.85	11371.17 (5.237)	YUWANA INTER. LTD. HONG KONG	TAE SUNG LUMBER
		468.980	26262.88	25257.83	1005.05 (3.98%)	•	•
		1252.516	70140.90	67400.06	2740.84 (4.07%)	٠	•
	HALLA MARINA	5502.645	319153.41	304449.08	14704.33 (4.831)	•	EAGON INDUSTRIES
FEB.	HALLA Mercury	5013.413	293284.66	285643.24	7641.42 (2.68%)	•	TAE SUNG LUMBER
HAR.	MARINA	6006.018	312312.94	310708.59	1604.35 (0.527)	•	EAGON INDUSTRIAL
APRIL	HYUNDAI 31	4999.922	259995.94	259974.51	21.43 (0.0087)	•	TAE SUNG LUMBER
HAY	HYUNDAI 31	5682.748	284137.40	259541.33	24596.07 (9.48%)	•	BANDO LUMBER
	ANN	5893.701	288791.35	287317.48	1473.87 (0.51 2)	•	TAE SUNG LUMBER
JUNE	HYUNDAI 31	5979.101	269859.55	266852.50	2207.05 (0.82%)	•	•
JULY	HAN SONG	5990 .48 0	269571.60	N/A	N/A	•	EAGON. Industries
AUG.	MERCHANT	5982.200	269299.00	263255.79	5943.21 (2.261)	•	BANDO LUMBER
	HYUNDAI 31	2789.175	122723.70	121930.68	793.02 (0.65%)	NOT AVAILABLE	SAMSUNG CO.
SEPT.	KOREAN	5773.128	242971.38	255181.91	+12710.53 (4.981)	YUWANA INTER. LTD. HONG KONG	TAE SUNG LUMBER
	CRYSTAL	2508.682) 436.504)	125112.80	101931.53 16162.71	7018.56 (5.94%)	•	SAN HON ENTER- PRISE.
		1997.841) 1020.480)	10.861.15	55887.42 45326.79	646.94 (0.64%)	• •	CHUNG KOO Lumber

#The margin and percentage is below MEP.

NOV.	MERCHANT	2517.760	CNF	103554.71	NOT CALCULA- BLE.	EAGON FOREST PRODUCTS INC.USA.	EAGON Industrial
		1414.687	CNF	56950.40	•		
		2004.966	CNF	58605.72		•	
	RUBY STAR	5118.058	CNF	205489.26	•	TAE SUNG LUMBEP 'IND.CO.LTD.	TAE SUNG LUMBER IND.CD.LTD.
DEC.	ORIENTAL ACE	3350.646	CNF	105823.99	•	ORIENTAL CHEMICAL IND.CO.LTD.	OFIENTAL CHEMICAL IND. CO.LTD.
	MEADONBANK	196.711	27539.54	22866.71	(BLACKBEAN) * 4672.83 (20.43)*	QUARTER ENTERPRISE P.L.AUSTRALIA	BORK SINGAPORE PTE.LTD SINGAPORE

^{*}This sale was to Singapore

Telex: HALLAJA NE22283 Telephone: 21 1025, 21 1064 P.O. BOX 772, PORT MORESE

INVOICE

FOR ACCOUNT & RISK OF MESSRS	NO.	TIFY PARTY.	NII - 016
YUWANA INTERNATIONAL LTD,. #2411 WINGON Centre 111, CONNAUGHT Road, Central, Hongkong	269, CHUNGJIN-DONG JONGRO-KU, SEOUL, KORFA.		L/C NO. XESP = 034
PORT OF SHIPMENT SILOVUIL WEE, PAPUA NEW GUINEA		PORT OF DESTINATION KUNSAN, KOREA	VIA
DATE OF SHIPMENT 30th July 1982		NAME OF VESSEL	

30th July 1982	My. DAE IAMA			
300				
MARKS & NOS.	DESCRIPTION	QUANTITY	UNIT/PRICE	AMO
	PAPUA NEW GUINEA ROUND LOGS PRODUCED BY NAM YANG TIMBER (PNG)PTY., LTD.	5,386.144	M ³ USD 278,	13.27
	TOTAL FOB PRICE		USD 278, OK. 209,	313.23 053.70
•	PIAI.L. CUII LEPARTMENT OF FORESTS KILLE - WNS	P		
•	ALER OF CHOROUS	NAM YANG	TIMBER (PNC	> . 3) PTV.

Sales Manag

NAM YANG TIMBER (PNG) PTY. LTD.

Telex: HALLAJA NE22283 Telephone: 21 1025, 21 1064 P.O. BOX 772, PORT MORESBY, P.N.G.

INVOICE

OR ACCOUNT & RISK OF MESSRS TUWANA INTERNATIONAL LTD 12411 WINGOM CENTER 111 COMMANGET ROAD CENTERAL BONG KONG	5U1 LT1 26:	TIFY PARTY IG CHANG ENTERPRISE CO D B UAM-DONG NAM-KU BAN KOREA	L/C NO.	-
ort of shipment Bilovuti papua new guinea		PORT OF DESTINATION BUSAN KORRA	VIA	_
ATE OF SHIPMENT		name of vessel MS ASIA RIVER		

AARKS & NO)S.	DESCRIPTION		QUANTITY	UNIT/PRICE	AMOUNT
` .	872PCS	PAPUA NEW GUINEA ROUND I	,008	3,308.87	6M3 USD (X15)	, 008 . 31)
The second secon		TOTAL POS PRICE		3,300.87	5H3 USD (X15)	, 808.31)
.: .:		·				
		,	•			
The state of the s				GY GUAF NAM YANG T	MATRICAL PORT M	7) 111,

NAM YANG TIMBER (PNG) PTY. LID.

Telex: HALLAJA NE22283 Telephone: 21 1025, 21 1064 P.O. BOX 772, PORT MORESBY, P.N.G.

INVOICE

FOR ACCOUNT & RISK OF MESSRS YUWANA INTERNATIONAL LTD. #2411 WING-ON CENTER III CONNAUGHT ROAD CENTER	NOTIFY PARTY TAESUNG LUMBER IND.CO.LTD. INCHON KOREA	INVOICE NO.
HONG KONG PORT OF SHIPMENT ROTTOCK BAY (PNG)	PORT OF DESTINATION VINCHON KOREA	7A ``
LATE OF SHIPMENT 29TH JUNE 1984	NAME OF VESSEL M/V. HALLA MERCURY	

MARKS & NOS.	DESCRIPTION	QUANTITY	UNIT/PRICE	AMOUN'
385P 'CS	PAPUA NEW GUINEA ROUND LOGS	1,949.2	25M ³ US\$73.00 US\$142	293.43
	F.O.B. PNG PORT		US\$142	
·	•			
· 		·		
			£	-

PAPUA NEW GUINEA DEPARTMENT OF FORESTS WATES WITH NAM YANG TIMBER (PNG) PTY. LTD.

GENERAL MANAGER

YANG TIMBER PNG PTY L

NAM YANG TIMBER (PNG) PTY. LTD.

Telepione: 21 1025, 21 1064

P.O. BOX 772, PORT MORESBY,

INVOICE

FOR ACCOUNT & RISK OF MESSRS		TIFY PARTY	INVOICE NO.	
YUWANA INTERNATIONAL LTD. RM. 2411 WING ON CENTRE 111	TAI	E SUNG LUMBER IND., CO.,		
CONNAUGHT ROAD CENTRAL FONG KONG		·	L/C NO.	
PORT OF SHIPMENT		PORT OF DESTINATION VI	A .	
SILOVUTI, PAPUA NEW GUINEA		INCHON, KOREA		
DATE OF SHIPMENT		NAME OF VESSEL		
5TH APRIL 1985		M/V HYUNDAI 31		

MARKS & 1905.	RESERIPTION	GEAS TITY	UNIT / PRICE	AMOUNT
VARIOUS LOG NOS.	1,408 PCS OF PNG ROUND LOGS	4,999.922 M³	US\$52/M³	US\$259,995.94
	TOTAL FOB PAPUA NEW GU	INEA PORT		US\$259,995.94
- :-			~	
		·		-
		-	-	

NAM YANG TIMBER (PNG) PTY. LTD.

Manager