



RIMBUNAN HIJAU ORDERED TO PAY UP – AGAIN!

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Papua New Guinea's largest logging company, the Malaysian owned Rimbunan Hijau, has been ordered by the courts to pay K4.8 million plus interest and costs to customary landowners in Gulf Province.

This is the latest in a series of court decisions damning the behaviour of the logging company.

See also:

[RIMBUNAN HIJAU BEHAVIOUR "A SHAM, FRAUD AND UNCONSCIONABLE"](#)

[RIMBUNAN HIJAU ABUSES COURT SYSTEM TO DENY LANDOWNERS JUSTICE](#)

This new case concerns the huge 300,000ha Vailala Blocks 2&3 logging concessions in Gulf Province.

Rimbunan Hijau subsidiary Frontier Holdings acquired the logging rights under a Timber Permit issued in June 1992.

Between 2007 and 2018 Frontier Holdings exported more than 1.5 million cubic metres of logs worth some US\$150 million from Vailala Blocks 2&3. How much was exported in the years before 1992, we do not know as there are no public records available.

SGS Log Export Monitoring report for December 2018 clearly shows Frontier Holdings as a subsidiary of Rimbunan Hijau.

The original Timber Permit included a clause that the permit holder pay to the landowners companies, seven days after each shipment of logs, 5% of the price of the exported logs. That clause was later amended so that in the absence of landowner companies, the premium would be paid to Incorporated Land Groups representing the landowners.

In 1998, a further agreement was signed between certain landowner companies and the permit holder, Frontier Holdings. It amended the rate of the Premium set out in the Timber Permit from 5% to K5 per cubic metre. This amount was later reduced still further to K3.

This effectively more than halved the amount of money the landowners were entitled to.

Under the original 5% clause the landowners would have received K9,118,938 over the life of the logging project. Using the revised figures, just K4,364,384 was paid – a deficit of K4,751,554.

Crucially, neither the landowners or the PNG Forest Authority Board ever consented to the changes. Instead the reduction in the premium was negotiated and agreed between the logging company and a handful of landowner company representatives.

In 2004, nine Incorporated Lands Groups sued the logging company, PNG Forest Authority and the Minister for Forests claiming the changes to their premium were unlawful.

Sixteen year later, after long delays that seem to be a feature of litigation involving RH, the court finally ruled that the agreements between the landowner companies and the logging company to vary the amounts of the premium were illegal and of no consequence.

The ILGs were, therefore, entitled to be paid the full sum claimed as per the original Timber Permit.

In making its decision the court emphasised that the Forestry Act *Section 46* makes clear, the ownership rights of a forest's customary owners must be recognised and respected in all transactions affecting the forest. And as *Section 57* makes clear, obtaining the landowners consent is vital, and ILGs are an appropriate mechanism to do that.

The court rejected the arguments of the logging company that the ILGs were not corporate entities and therefore not entitled to receive the payments; to heed those arguments 'would be parting company with the law and the facts'.

The court also rejected a submission that the claim should fail as the original landowner companies had not been joined as parties, noting the companies had long since been de-registered.

While Frontier Holdings has been found guilty by the Courts of defrauding local landowners and ordered to pay K4.75 million in unpaid royalties, it may also have been defrauding the State of much larger sums in unpaid taxes.

Analysis published by the Oakland Institute shows that Frontier Holdings, like many Rimbunan Hijau subsidiary companies almost never declares a profit.

Analysis published by the Oakland Institute in 2018 shows
Rimbunan Hijau logging companies rarely declare any profits.

In the period from 2000-2016 (while exporting logs worth around US\$150 million from the Vailala concession) Frontier Holdings declared a profit in just 2 years. In the other 15 years for which records are available it declared a loss.

It defies logic, common sense and commercial reality that any company would continue an operation in which year after year it was making losses. But, by declaring losses Frontier Holdings has been able to avoid paying any corporate taxes.