

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

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

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FINALISED INDIVIDUAL PROJECT REVIEW REPORT No 10

TIMBER PERMIT (TP) : TP 13-33 WATUT WEST

TP HOLDER : PNG FOREST PRODUCTS LTD

LOGGER : BULOLO TIMBERS LTD

L&M PARENT COMPANY (If Different) :

DATE OF FIELD REVIEW : DECEMBER 2003

DATE OF FINAL REPORT : APRIL 2004

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

STAKEHOLDER	COPY DRAFT IPRR PROVIDED	RESPONSES RECEIVED
Logging Company	Yes (*)	Yes (*)
Timber Permit Holder	Yes	Yes
Landowner Company	Yes	Yes
PNG Forest Authority	Yes	Yes
Dept Environment & Conservation	Yes	Yes
Provincial Administration	Yes	Yes

(*) Through the response of the Timber Permit holder.

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

FOREWORD

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

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

ACKNOWLEDGEMENTS

The Review Team acknowledges the support and cooperation given by the PNG Forest Authority (PNGFA) in Port Moresby, PNGFA field officers, the Department of Environment and Conservation (DEC), PNG Forest Products Pty Ltd, the District Administrator Bulolo, the Morobe Provincial Government and Administration and the landowners of the Watut West TRP area.

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1. LEGAL BASIS, PARTIES AND CONTRACTUAL RELATIONSHIPS

The key legislation governing logging projects are the Forestry Act 1991 (as amended), the Environmental Planning Act 1978, the Environmental Contaminants Act 1978 (as amended) and the Water Resources Act, chapter 205. The relevant documents enabling and prescribing TP13-33 Watut West are set out in Tables 1 and 2.

The Timber Permit issued to PNG Forest Products Ltd governs the logging project. Under the permit and the 1996 Deed of Variation the company is required:

- To pay the reforestation levy, community development levy, and agriculture development levy;
- To construct and upgrade the Latep to Watut bridge road, and the Gumi to Aseki highway road;
- To construct and maintain the Buka bridge, Galawo village swing bridge and Taiek village swing bridge;
- To maintain in its existing condition the road from Golden Pine junction to Latep village;
- To pay promptly royalty as prescribed; and
- To put in place a performance bond within 30 days of the permit date for a sum of K31,333.00.

TABLE 1 : KEY DOCUMENTS

DOCUMENT	PARTIES	DATE OF ISSUANCE/ SIGNING/ APPROVAL	DATE OF EXPIRY	DOCUMENT LOCATION
TRP Agreement	Landowners and the State	22 June 1992	21 June 2007	Held by PNGFA
Timber Permit	PNG Forest Products Ltd and the State (10 years)	24 June 1992	Original expired 23 June 2002, but extended to June 2007	Held by PNGFA
Deed of Variation to the Timber Permit	PNG Forest Products Ltd and the State	1996	Term of the Permit	Held by PNGFA Bulolo
Logging Agreement	PNG Forest Products Ltd and Bulolo Timber Ltd			Held by PNG Forest Products Ltd
Environmental Plan (EP)	Set by Minister for Environment and Conservation (E&C)	22 November 1993	TP period	Held in DEC's archives.
EP Approval Conditions	Set by Minister for E&C	22 November 1993	TP period	Held in DEC's project file
Environmental Management & Monitoring Programme (EMMP)	Set by Minister for E&C	22 November 1993	TP period	Held by DEC
Waste Management Plan (WMP)	Set by Secretary for DEC			Submitted by PNG Forest Products P/L to DEC on the 3 September 1993. No records on file regarding decision.
PNGFA's Planning, Monitoring and Control	Issued by Managing Director.	November 1995	No expiry date	Standard document available from PNGFA

Procedures				
PNG Logging Code of Practice (Including 24 Key Standards)	Endorsed by NEC. Observance required by Regulation	April 1996	No expiry date	Standard document available from PNGFA

TABLE 2 : ADDITIONAL (OR SUPPLEMENTARY) AGREEMENTS

DOCUMENT	PARTIES	DATE OF ISSUANCE/ SIGNING	DATE OF EXPIRY	DOCUMENT LOCATION
NIL				

2. SUSTAINABILITY OF LOG PRODUCTION

The timber rights for Watut West were purchased by the State in 1992 and the Timber Permit (TP 13-33) was issued to PNG Forest Products Ltd two days later. The concession area was estimated to contain approximately 436,000 m³ of merchantable timber. The current maximum allowable annual cut is 34,000 m³. The minimum allowable cut is 12,000m³ per annum.

All logs harvested from the area are processed in the ply-mill and sawmill located in the township of Bulolo. These processing plants have an annual input of 30,000 m³ for the sawmill and 20,000 m³ for the ply-mill with approximately 80% of input (at the time of the Review) being obtained from the forestry plantations at Bulolo and 20% from the Watut West TRP area.

Figures obtained from the PNGFA Project Supervisor estimate that some 110, 000 m³ have been extracted from TP 13-33 Watut West from commencement of logging until August 2003 year, at an approximate annual rate equivalent to the minimum allowable cut.

3. FIELD WORK

The field inspection for TP 13-33 was undertaken during the period 2nd to 5th December 2003. As well as meetings with the logging company managers and staff, and with landowners, the field inspection involved the following:

- An inspection of a set-up prepared for logging but not yet approved (Set-up 1 Block F);
- An inspection of a set-up cleared after logging (Set-up 4 Block B);
- An inspection of the Base Camp and Resource camps within the Watut West Logging TRP area;
- An inspection of roads and bridges currently being used, and no longer being used;
- Meetings with Villagers, and interested groups (see Chapter 5); and
- Discussions with the District Administrator, Bulolo.

4. REVIEW TEAM OBSERVATIONS

4.1 LEGAL DOCUMENTS AND DUE PROCESS

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

With regard to TP 13-33 Watut West, the Review Team's observations were that:

- A legal opinion exists that the extension of permits originally issued under the old Forestry Act is not permitted. The PNG Government is currently examining this opinion. If the opinion is upheld then the grant of an extension of the term of TP 1-9 by the Minister in April 1997 may need to be revisited.

4.2 LOGGING COMPANY

The logging company, PNG Forest Products Ltd, as permit holder is responsible for observing the requirements of the Timber Permit as varied in 1996.

The observations of the Review Team are that:

(a) Planning and Control of Logging

- That although the company has not employed qualified people to prepare set-ups for logging, a good effort is being made to meet the requirements of the Planning Monitoring and Control Procedures with regard to laying out individual set-ups in the field prior to seeking approval to log.
- Once set-ups are approved for logging, the actual felling and extraction of the timber is also done in a generally satisfactory manner, including decommissioning of roads and establishing water bars along snig tracks.

Key requirements not being met were observed to be:

- Occasional excessive soil pushed into watercourses by bulldozers as a result of road or skid track construction (photo 5);
- Vines not cut in advance of logging (photo 4);
- Excessive width of some snig tracks; and
- Log landings not ripped.

(b) The Sawmill/Log Processing Plants

This was the first project which the Review Team has visited to date where all logs felled were processed rather than exported as round logs. All logs are transported¹ to the company facilities, located at the Bulolo township for processing. PNG Forest Products Ltd has a sawmill and a plywood mill, producing sawn timber and veneer/plywood of very high quality. The products are sold throughout PNG and exported abroad (mainly to Australia).

There is very little waste wood in the processing plants. Waste sawdust is use by the company themselves in heating their boilers and also supplied to Niugini Tablebirds for the farms and Ramu Sugar company. The majority of workers in the processing plants and the Watut West logging operations are PNG nationals.

¹ See photo 1, large logging trucks are able to negotiate narrow logging roads

Although the Key Standards were not designed to apply to wood processing facilities, it was observed that:

- There was a lack of a containment bund for the fuel/diesel shed to avoid contamination of soil from accidental spillage during handling.

(c) The Logging Camps

The company has two logging camps, the Base Camp and the Resource Camp. Both these camps are very well established with minimum vegetation disturbance.

Compliance requirements not being met at the Base Camp were observed to be:

- Lack of Water Use Permit for water extraction from a nearby creek. The view of the permit holder is that a Water Use Permit is not required as the water is used for domestic purposes only.

Key Standard requirements not being met at the Resource Camp were observed to be:

- An instance of sump/gear oil spillage from a bulldozer which was under maintenance at the Resource Camp (photo 2); and
- Lack of Water Use Permit for water extraction from a nearby creek. The view of the permit holder is that a Water Use Permit is not required as the water is used for domestic purposes only.

(d) Landowner Financial Benefits

Under the Deed of Variation signed in 1996, the landowners had an option to save K2 per cubic meter (from the royalties outlined below) under a Landowner Investment Fund Trust Account from which small business development could be assisted. Landowners decided in the end for 100% to be paid directly to them. From 1996 the following timber royalty rates have been applied:

- K10 per cubic meter of logs harvested for all logs except for Kauri (*Agathis spp*) and Hoop/Klinkii (*Araucaria spp*).
- K15 per cubic meter of logs harvested for Kauri (*Agathis spp*) and Hoop/Klinkii (*Araucaria spp*).

In addition the following payments are made:

- Community Development levy of K2.00 per m³ harvested;
- Agricultural Development levy of K1.50 per m³ harvested.
- Reforestation levy of K0.50t per m³ harvested.

Figures provided by the PNGFA Project Supervisor are given in the table below:

LEVIES PAID FOR THE PERIOD JULY 1992 TO AUGUST 2003

Period/year	Total Volume Harvested	Community Development Levy K2/m3	Agriculture Development Levy K1.50/m3	Reforestation Levy K0.50t/m3	Total
July 1992-April 1998	60,215.13	120,430.26	90,322.70	30,107.57	
May 1998-Dec. 1998	2,750.98	5,399.47	4,126.46	1,375.49	
Jan.-Dec. 1999	6,313.36	12,262.72	9,470.05	3,106.69	
Jan.-Dec. 2000	3,187.66	6,375.33	4,781.50	1593.83	
Jan.-Dec. 2001	18,065.07	36,130.16	27,097.62	9,032.54	
Jan.-Dec. 2002	12,943.68	25,887.36	19,415.52	6,471.84	
Jan.-Aug. 2003	6,850.16	13,700.33	10,275.25	3,425.08	
Total	110,326.07	220,549.63	165,489.10	55,113.04	551,477.84

Source: PNGFA

The permit holder notes that the Community Development levy paid for the period May 1998 – December 1998 is K5,501.97.

(e) Landowner Infrastructural Benefits

The permit holder pays a Community Development Levy of K2.00 per cubic meter of logs harvested to a trust fund that is managed jointly by the directors of the representative landowner company. It is their responsibility to provide any community infrastructure needs from their fund.

(f) Royalty Payments

The PNGFA Project Supervisors records indicate that K1,110,000 timber royalties have been paid to the landowners of TP 13-33 Watut West from the commencement of operations in July 1992 to August 2003.

(g) Environmental Monitoring & Management Plan and the Wastes Management Plan.

The company has complied well in executing the requirements of the above documents within its TP area.

(h) Other Compliance Issues Observations

- The Forestry Regulations require the lodgement of a Performance Bond, and delivery of an original copy to the PNGFA Managing Director. There is no evidence within the PNGFA files that PNG Forest Products Ltd has complied with this requirement.

The permit holder notes that a performance bond was delivered to the PNGFA in November 1992.

(g) Company Searches

A company search shows that PNG Forest Products Ltd has current IPA registration. It has a share capital of 3.94 million issued shares held by IB Holdings Ltd (3.152 million) and the State of PNG (788,000). Its Directors are Anthony Mark Honey, K S Lu, C Phua and M Ingaliio. Its last annual return was lodged in May 2003 for the year 1999.

The company is currently registered as a Forest Industry Participant under the Forestry Act 1991 (first listed in August 1993 – Registration Number FI 032).

A company search of IB Holdings Ltd show no record of registration with IPA.

4.3 PNG FOREST AUTHORITY (PNGFA)

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

The observations of the Review Team are that:

- The Project Supervisor resides in the Bulolo Forestry Station and is able to make regular visits to the field to ensure compliance with the PMC procedures;
- The Project Supervisor has carried out her duties in a responsible manner to ensure that the logging operation is carried out according to the relevant laws and rules relating to selective logging in PNG; and
- The Project Supervisor has established good working relationships with the landowners of the project area and other stakeholders.

4.4 DEPARTMENT OF ENVIRONMENT AND CONSERVATION

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

The observations of the Review Team are that:

- Whilst the project is active, the Environmental Plan has been archived.

- Apart from occasional visits to the processing plants the Review Team could find no evidence of regular EP Approval compliance monitoring by DEC.

4.5 LANDOWNER COMPANY

The Landowner Company is Watut West Risos Limited. In theory the landowner company represents the landowners, and on their behalf manages the Community Development and Agriculture Levies.

Correspondence produced by the landowner company indicates ongoing frustration with some of the changes agreed to in the Deed of Variation in 1996, a desire to see an increase in the cash flow for the company (by means of increased royalties and levies), and a perception that significant amounts of levies are outstanding. The PNGFA has been made aware of these concerns. The landowner company has threatened legal action.

One of the Incorporated Land Groups expressed their concern at the lack of reforestation efforts in the project area, and their desire to see the reforestation levy increased to K1.50 per m³. They also expressed their view that the permit holder has not made sufficient effort to employ local people, and that they felt left out of the infrastructure developments which had taken place. In particular they wished to see a bridge across the Bulolo river near their village.

A company search shows that Watut West Risos Ltd has current IPA registration. Its registered office is Blake Dawson Waldron Lawyers, PO Box 850, Port Moresby. It has 9 Directors and 7 shareholders presumably representing the 7 villages holding one ordinary share each of the 10,000 issued shares.

The company is currently listed as a Forest Industry Participant (FI 01000) under the Forestry Act 1991 and has been registered since January 1999.

5. LANDOWNER VOICED CONCERNS

The landowners that make up the Watut West TRP come from 11 different clans that make up the various villages mentioned below. Landowners were consulted mostly in groups but also as individuals. Groups consulted included:

- Landowners from Leklu and Latep villages;
- Landowners Andarora village;
- Landowners from Pararora village;
- Landowners from Gumi village;
- Landowners from Manki village; and
- Landowners from Sambio, Taiyak and Gadawo villages.

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

- Landowners claimed that they have yet to receive the Community and Agriculture Development Levies from 1992 to 1998.

The permit holder notes that all levies are paid to the PNGFA for disbursement.

- Landowners claimed that they are not being given priority when it comes to employment (clause 4.1.5 Timber Permit). PNG Forest Products' response to that is that landowners are not very punctual and the rate of absenteeism is high. The permit holder notes that landowners are given priority, and that 8 of 15 employees at Gumi are landowners.
- Landowners were concerned that they have not benefited from the use of the Reforestation Levy despite years of contributing to it, and that the PNGFA has failed to implement a reforestation program in the area.
- Landowners expressed concern that there was little assistance given to develop their area from the National Government.
- Landowners were concerned that landowner benefits under TP 13-33 are insufficient. The permit holder notes that landowners always complain that they do not get enough.
- Landowners were concerned that despite 40 years of logging and gold mining in the area, the social and economic development of the people remains low. They suggested more professional advice to be provided at the grass-roots level to assist them develop sustainable approaches to address these issues.
- Landowners were concerned that the timber Royalty payment of K10 per cubic metre is too low given the devaluation of the kina and the inflation rate over the last five years. They would like to see this figure increased when the Timber Permit is reviewed after 2007.
- Landowners claimed that PNGFA and PNG Forest Products Ltd have not assisted with the implementation and maintenance of infrastructures such as schools, clinics and roads. PNG Forest Products maintained that they continue to honour their commitments under the Timber Permit with regards to the maintenance of infrastructures.
- Landowners were concerned that there are outstanding matters related to landownership amongst the different tribes and clan groups and the State that are yet to be resolved. Any future community reforestation on traditional land will be difficult to implement unless the landownership issue is resolved.

Spin-off opportunities.

- While opportunities for spin-off exist there was no participation at all on the part of landowners from the Timber Permit area. PNG Forest Products Ltd regularly contracts trucking companies to deliver timber products to Lae and the same trucks return with company supplies. It is really up to landowners to take up these opportunities.

- Contract work to replant areas in the pine plantations that have been harvested provides regular work opportunities for landowners if they are willing to work.
- Out of the villages visited, hardly any of the trade stores were operating. This is a problem that is common throughout communities that have received income from timber royalty.

6. PROVINCIAL GOVERNMENT DISTRICT OFFICE

The present District Administrator has been in the area for the last 15 years and therefore very familiar with the social problems and the general developments in the area. He was around when TRP 13-33 was negotiated for signing. He is fully involved in all negotiations that are currently being conducted with landowners in preparations for the mining to proceed at Hidden Valley.

He has several serious concerns about the current situation in the Bololo/Wau district and recent developments, and presented the Review Team with a written submission with supporting documentation.

The following are issues that he brought up during the meeting:

- There are potential ethnic and social problems in the future at Gumi, Andarora, Pandarora villages with settlers from Aseki and Menyamyama. The population of the latter group is increasing and could easily out number the former group.
- The District Manager is aware of the heavy gardening that occurs straight after logging takes place and he has campaigned to prevent settlers from moving into the logged over areas. He is aware of the spread of grassland into the logged over areas as a result of heavy gardening followed by fires.
- The District Administrator was very concerned about the fires that are deliberately started and he has asked for a joint awareness effort between the district administration and PNGFA to stop arsonists.
- Because of the value of the forest plantation the District Administrator suggested that the National Government should declare Wau/Bulolo as a high fire risk area and locate a permanent fire-fighting unit in Bulolo.
- The District Administrator fully supports a reforestation program but considers that it should be extended to grassland that is traditionally owned with the involvement of landowners as long-term partners. The issue and control of forest fires has to be addressed as part of the process.
- The District Administrator wished that the relationship between his office and PNG Forest Products Ltd were improved.
- The recent fencing of the PNG Forest Products Ltd property and time restrictions put on non-residents has caused some concern amongst the Bulolo community, the District Administration, and even employees of the company. While the area

is legally the company property, for over 30 years it has accommodated churches, the District Hospital, a post office, banks and stores. The recent restrictions has caused some frictions between the company and the public.

The timber permit holder notes that the fence has been made necessary by the increasing security problems in Bulolo.

7. OBSERVATIONS REGARDING SILVICULTURE

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

- Felling and extraction is generally of a high standard, however damage to the residual stand in areas logged is often quite severe. This is because:
 - Trees of commercial size are often located in groups;
 - The stand density (number of trees of commercial size per hectare) is high;
 - The terrain is often fairly steep, therefore snig tracks tend to follow ridge lines and are heavily used; and
 - Stand utilisation is also much greater than in an export logging operation (felling and extraction of logs that are suitable for veneer and saw milling)
- Regeneration following logging is adequate to protect soils from erosion but the excessive gardening both before and after logging is a cause for serious concern for the future integrity of the forest (photos 6 and 11).
- The integrity of the forest is also heavily compromised by the widespread practice of clearing un-logged forest for gardening, within set-ups and at the periphery of the TRP, which is followed by a short period of gardening, then conversion to grassland by continuous application of fire (photo 11,12).

One of the Incorporated Land Groups noted that they had reserved all the flat land within their area for agricultural development purposes.

8. BROAD RECOMMENDATIONS FOR TP 13-33 WATUT WEST

The Watut West TRP was purchased to supplement timber supplies to the processing plants that have been operating at Bulolo for the last 50 years. The resource is an important source of timber species that are unavailable from the Bulolo Plantations and will remain important as there is little natural forest remaining in the area.

The Watut West forest is located at a high altitude. Current logging is occurring at 2000 metres above sea level and is located in an area surrounded by anthropogenic grasslands. The forest is an important wildlife habitat and provides shelter for many plants and animals that have been displaced from the original forest that is now

grasslands in the Watut Valley (see photo 10). It is therefore important that all efforts be made to ensure that the forest regenerates and retains its ecological integrity.

The combination of natural forest logging and forest plantations in the Bulolo-Watut area illustrates the potential for integrating forestry developments to sustain a viable economically sound timber industry.

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

- That the PNGFA, PNG Forest Products Ltd, the Provincial and Local level Governments and the landowners of the Watut TRP area combine to prepare a land-use plan to guide integrated development of agricultural and forestry plantations in the Bulolo-Watut area so that the thriving timber industry located at Bulolo can be sustained.
- That the above-mentioned stakeholders take a more pro-active role in fire prevention awareness and control.
- That consideration should be given to increasing the reforestation levy for the Watut West TP area so that meaningful reforestation efforts can be assist in restoration of the logged over forest.

The permit holder asks what good this would do, as the about K50,000 paid for reforestation to the state has not been released for reforestation purposes yet.

- That PNGFA and Local Level Government take a more pro-active role in controlling the irrational gardening activities taking place within the Watut West TP area to prevent the area completely reverting to grassland.
- That there is increased effort by landowners and government authorities to settle the outstanding land ownership issues and disputes within the Wau – Bulolo – Watut region.

9. DEPARTMENT OF LABOUR AND INDUSTRIAL RELATIONS

A representative of the Department of Labour and Industrial Relations was a member of the Review Team when the field visit to TP 2-12A was made. The focus of the inspection for the Department was to:

- Check the employment of non-citizens against the company's three year training plan;
- Determine whether the training plan is being adequately implemented; and to
- Address general issues relating to wages and employment conditions.

The Department's Inspection Report is presented as Appendix 2.

10. BROADER FORESTRY SECTOR ISSUES FOR PAPUA NEW GUINEA

The following is a list of issues identified by the Review Team during its work on TP 13-33 Watut West, which are of broader concern than this specific project. These will be addressed as forestry and conservation sector issues in the Observations and Recommendations Report to be produced by the Review Team towards the completion of the Review.

- Lack of meaningful dialogue between all stakeholders in the forestry industry.
- The need for the engagement of more Landowner Liaison Officers within the PNGFA.
- The advantages of species mix (less variation, therefore easier marketing) and volumes per hectare (the Bulolo forestry plantations average ten times the commercial volumes of any natural forest) that can be achieved in properly managed forest plantations.
- The disadvantages experienced by field forestry officers, especially when compared with logging company officers, with respect to access to telephones, and office equipment.
- The usefulness of a digital camera, a portable computer and a colour printer; these items are considered by the Review Team to be essential for Regional Inspectors and very useful for Project Supervisors.
- The inability of the PNGFA to provide stakeholders with accurate figures relating to royalties and levies associated with logging operations.

APPENDIX 1: SELECTION OF PERTINENT PHOTOGRAPHS

**APPENDIX 2: DEPARTMENT OF LABOUR AND INDUSTRIAL RELATIONS
INSPECTION REPORT**



DEPARTMENT OF LABOUR AND INDUSTRIAL RELATIONS

Private Sector Training and Monitoring Division

2nd Floor, Credit House, Curthbertson Street
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Telephone: 6753202033, Facsimile: 6753201062

INSPECTION REPORT

COMPANY:

PNG FOREST PRODUCTS LTD

INTRODUCTION

The Department of Labour and Industrial Relations is a member of the review team on ongoing logging projects in Papua New Guinea. The Department of Labour and Industrial Relations is mandated by the Employment of Non Citizens Act, 1978 – 1983, National Training Policy, Section 6.101 and 6.102.

Our operational and administrative performance is guided by the three-year training plan format and guidelines 2000 and the work permit guidelines 2000. The approval of positions for the issuance of work permits for engagement of non-citizens is in essence, importation of skills and skilled personal to impart those skills to PNG citizen employees to acquire for advancement in nation building.

This inspection is part of the review of current logging projects undertaken under the auspices of the Department of National Planning and Rural Development and facilitated by the Forest Conservation Project.

The Department of Labour and Industrial Relations, as a member of the review team, undertook the inspections on PNG Forest Products at the plywood processing factory and sawmill operations in Bulolo, Morobe Province.

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

- Verify and ensure that the non-citizens are physically performing in the position occupation as approved under the company's three-year training plan submission.

- Determine if the company is actively facilitating their training implementation program as submitted

This report is for the respective stakeholders and relevant state agencies including the logging project review team leader and the Department of Labour and Industrial Relations to peruse, assess and make decisions in line with the stated recommendations. Upon viewing of this report, it is anticipated that appropriate decisions shall be made consistent with the recommendations for the company (PNG Forest Products) by the Department of Labour and Industrial Relations and respective agencies to ensure that the company apply measures to conform to legislative requirements and agreements.

BACKGROUND TO INSPECTION

The current three-year training and implementation plan and work permits for non-citizen employees at PNG Forest Products is expected to expire in the middle of 2004. The subsequent approval and renewal of work permits by the Department of Labour and Industrial Relations will enable the company to continue to employ those non-citizens in the company in the designated occupations.

The inspection was undertaken on Wednesday 3rd and Thursday 4th December 2003. We began with an introductory meeting with the company General Manager and the Operations Manager on Tuesday 2nd December at the company headquarters in Bulolo. On Wednesday 3rd December, we held discussions with the Operations Manager and the Personal Manager at the company headquarters, followed by a guided tour of the plywood processing factory, sawmill and other production facilities.

On Thursday 4th December, the Foreign Affairs Department representative and myself held discussions with the Bulolo District Administrator, Mr. Bart Ipambonj at the administration office.

The Information contained in this report was obtained through discussions with the Operations Manager and the Personal Manager of the company and through visual observation, photographs and documents made available to us for this purpose. The consultation with the company management was held in their office at the PNG Forest Products head office in Bulolo and included discussions on the company's training and localization program and non citizen position occupation.

BRIEF STATEMENT OF MAIN FINDINGS

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

- ◆ The confirmation of non citizen position occupation;
- ◆ Evidence of training implementation programs; and
- ◆ Safety related issues and safe work practices.

METHODS

The questions asked were objective to enable free flow of information to generate discussion with understanding of issues relating to the operations complexities and

constraints. We were mindful with our timing and approach to the company by not disrupting their operations but allow for continuity of operations to ensure production.

We held discussions with the company's Operations Manager and the Personnel Manager at their head office. Questions relating to non-citizen position occupation and issues relating to citizen counterpart training were discussed including information on their review training plan submission.

The number of questions asked differed depending on the subject and issue at hand. The consultation session with the company management lasted more than an hour, as it required understanding the company's operations and explanation on position approval and work permit issuance.

FINDINGS

1. Company Review Training Plan Submission

PNG Forest Products training plan submission review and work permits renewal is due in the middle of 2004. The company currently has 18 valid positions for non-citizen occupation depending on their operational needs and requirements. Out of the 18 positions, 13 positions are currently occupied while 5 positions are vacant due to non-citizen employment termination and non-occupation.

A physical inspection for the review submission is necessary to monitor the progress in the implementation of training and position localization by citizen employees who have been identified as understudies to respective positions.

This inspection was undertaken as part of the review of ongoing logging operations. However, the findings from this inspection can be used for the assessment and evaluation of the company's review training plan submission in 2004.

2. Position Occupation by Non Citizens

The company currently has 18 valid positions for non-citizen occupation depending on their operational needs and requirements. Out of the 18 positions, 13 positions are currently occupied while 5 positions are vacant. The vacant positions can be filled as and when required before expiry of current term or can be renewed for future occupation.

Unlike other logging operations, PNG Forest Products operations has stabilized over the years with downstream processing and reforestation contributing to the sustainability of the operations. The company's position titling is quite different and evolves around the management positions only. All 18 approved positions are for management and specially skilled areas.

Most middle management and supervisory positions are localized by citizen employees who are either trained by the company or have been recruited from outside of the company.

3. Citizen Employees Training Implementation

PNG Forest Products employs over 700 citizen employees in different capacities within the company's operations. The citizen employees are from within the

landowning area and other parts of Papua New Guinea. Apart from the management and skilled occupations, citizens occupy the middle management, supervisory, technical and lower level positions.

- a) The localization of positions is evidence of training provided to citizen employees by the company. There is evidence of skills transfer and training to facilitate counterpart-training arrangements through the confirmation of citizens in certain key positions within the company including the Training Manager and Personal Manager positions.
- b) Trade skills and apprenticeship training is an important aspect of the company's training program as the company continues to employ and train apprentices in various trade disciplines. These trades include fitting machining, motor vehicle mechanic, carpenters, electricians, plumbers and welders etc.
The company's annual cost for training apprentices is approximately K 133, 000. 00 and is a reflection of the company's commitment to training Papua New Guineans.

4. Occupational Safety and Health

The level of achievement in training and quality work output is attributed to the implementation and success of the company's safety policy and safe work practices. Visual observations reveal that the company implements a strong safety policy for all level of employees to observe and practice as a preventative measure to minimize work related accidents. Information and observation also reveal that all the employees are equipped with required safety apparels and are responsible for their up keep.

CONCLUSION

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

PNG Forest Products is a stabilized operation with downstream processing and sustainable logging operations and makes it a successful logging operator in Papua New Guinea.

There is no evidence of non-citizen work permit violations and this demonstrates the commitment of the company to participate in the human resource development of this country.

RECOMMENDATIONS

1. The Department of Labour and Industrial Relations to acknowledge and commend the company for its efforts in training Papua New Guinea.
2. PNG Forest Products to commence preparing the company's training plan submission before expiry of current term.

3. The Department of Labour and Industrial Relations in consultation and with the support of the review team leader conduct inspection visits to all ongoing logging operations earmarked for review.