

# 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 11.

**TIMBER PERMIT (TP)** : TP 14-52 ANIA KAPIURA  
**TP HOLDER** : STETTIN BAY LUMBER COMPANY LTD  
**LOGGER AND MARKETER (L&M)** : ELITE PARTS LTD  
**L&M PARENT COMPANY (If Different)** :  
**DATE OF FIELD REVIEW** : FEBRUARY 2004

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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:

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

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

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

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## **FOREWORD**

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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.

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## **ACKNOWLEDGEMENTS**

The Review Team acknowledges the support and cooperation given by PNG Forest Authority Port Moresby, PNGFA field officers, the Department of Environment and Conservation, Stettin Bay Lumber Company Ltd, the West New Britain Provincial Government and Administration, and the landowners of the Ania Kapiura Consolidated Timber Rights Purchases 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 repealed Environmental Planning Act 1978, Environmental Contaminants Act 1978 (as amended) and the Water Resources Act (Chapter 205). The relevant documents enabling and prescribing TP 14-52 Ania Kapiura are set out in Tables 1 and 2.

The logging project is governed by the Timber Permit No. 14-52 issued to Stettin Bay Lumber Company Ltd in September 1989. The company has a project agreement with the State to implement the conditions of the permit. The original project agreement, dated 23 February 1989, has been amended by the Deed of Variation dated 29 May 2003. The Deed of Variation covers Talasea, Hoskins, Kapiura, and Ania Kapiura consolidated areas.

Under clause 19.4 of the original Project Agreement the terms of the Project Agreement prevails when they conflict with any conditions of the Timber Permit.

The Permit Holder's major project obligations under the Project Agreement relating to roads and bridges (cl. 4.1), reforestation (cl. 4.2) and sawmill (cl. 4.3) have been varied under the Deed of Variation. The logging company under clause 8 of the Deed is now required to:

- 1) Construct and upgrade all roads, bridges and crossings in accordance with the minimum standards prescribed in the PNG Logging Code of Practice solely for its purposes during the logging operations and such obligations will cease on the completion of the logging operations.
- 2) Plant within one year of clear felling a minimum of 750 ha per annum within the project land until the total plantation area is at least 15,000 ha.
- 3) Ownership of the plantations on the project land shall be transferred to the company under an agreement for the transfer of State plantations.
- 4) Encourage and assist landowners of the project area to develop woodlots on their customary land and purchase from landowners such marketable woodlot timber grown on the land on commercial terms agreeable between the landowners and the company.
- 5) Construct or cause to be constructed a veneer processing plant with a log input design capacity of not less than 100,000m<sup>3</sup> per annum at Buluma or such other suitable site within the concession area within 6 months after execution of the Deed of Variation. The mill shall process a minimum of 80,000m<sup>3</sup> of logs from 2005 onwards.

The financial conditions under the Deed of Variation are:

- To pay Project Development Benefit (PDB) commencing 1 January 1997 on all logs harvested and exported from the natural forest in accordance with the rates specified in the table below. The PDB shall be paid monthly prior to the shipment being cleared by customs to the Managing Director of PNGFA. Copy of the monthly PDB calculations, component break downs, commercial invoice and customs export entry document shall also be provided to the Managing Director.

<b>Export Log Price (Kina/M3)</b>	<b>PDB Payment (Kina/cubic metre)</b>
K91 - K110	K2.00
K111 – K130	K5.00
K131 – K150	K8.00
K151 – K200	K13.00
Over K200	K13.00 + 7.5% of FOB prices over K200

- To pay plantation stumpage charge on plantation logs harvested from the project land at K10m3 for plantation logs harvested which was planted prior to 1 January 1997 and K5.00m3 for logs harvested which were planted from 1 January 1997 onwards. The payments shall be made to the PNGFA.
- 60% of the PDB to be used for the purchase of goods, services and materials aimed at long term community benefit through out the project area as decided by a project area development committee. The distribution of the PADF was agreed as follows.

<b>TRP</b>	<b>Area (Ha)</b>	<b>% of TRP Area</b>
Ania Kapiura	263,633	63%
Hoskins	67,588	16%
Kulu Dagi	34,800	8%
Bulu	28,330	7%
Fullerborne	20,640	5%
South Bagum	1,692	1%
<b>Total</b>	<b>416,683</b>	<b>100%</b>

- To pay to the Managing Director of PNGFA 40% of the PDB and plantation stumpage charges on a monthly basis for cash distribution to concession owners (30%) and tree owners (10%) within the project area. The Managing Director is to distribute the 30% to concession owners within 6 weeks of the end of each calendar year and the 10% to the tree owners each half year. The State and the Permit Holder acknowledge under clause 6 of the Deed of variation that the 10% for the period 1 January 1997 and 30 June 2000 has been paid to the designated TRP representatives. Any future payments of the 10% to tree owners and 30% to concession owners by the Managing Director will require signed agreements for the duly appointed TRP representatives or agents.

The conditions not varied and still required of the logger under the Timber Permit and the original Project Agreement are:

- Based on appropriate arrangement with the State under clause 17, to at its own costs establish, develop and maintain residential, community and recreational areas and facilities for government officers, company employees and their immediate families (cl. 4.4). The facilities to be established shall be in accordance with approved proposals and includes –

PY1 5 houses at Fulleborne or Amio,

PY2 5 houses (Fulleborne or Amio), 1 health centre (Fulleborne or Amio), 1 office block (Fulleborne or Amio), 1 Aid post (Amio), 2 Aid Post Orderly houses (Amio), reinforcement of concrete end section of existing jetty (Uvol).

PY3 1 police station (Fulleborne or Amio), 5 houses (Fulleborne or Amio), 2 double classrooms (Amio), 3 teachers' houses (Amio), 1 ablution block (Amio), 8 L40 houses (Uvol).

PY4 Sports facilities (Fulleborne), community centre (Fulleborne), 5 houses (Fulleborne), 3 houses (Umoa 2/Pangalu), 2 double classrooms (Umoa/Pangalu), playing field (Umoa).

PY5 4 double classrooms (Buludawa/Bulumuri/Atui/Amelei), 6 houses (Atui (2)/ Amedei(1)/Waganakai/Buludawa/Bulumuri, 1 aid post (Atui), 7 houses (Fulleborne), 1 double classroom (Uvol), 1 extension of government offices (Uvol)

- By end of PY3 construct a jetty at Amio for use by coastal vessels servicing the logger's requirements, by end of PY3 construct approved permanent wharf, berthing and loading facilities and necessary navigational aids as described in the plans,
- To maintain at its own costs wharf, berthing and loading facilities during the life of the project,
- To harvest, export or process logs in accordance with the volume quota specified under clause 5, see table below;

Project Year	Natural Forest (m3)	Plantation (m3)	Total Harvest (m3)	Sawmill (m3)	Export (m3)
1	280,000	Nil	280,000	30,000	250,000
2	"	"	"	50,000	230,000
3	"	"	"	60,000	220,000
4	"	"	"	70,000	210,000
5	"	"	"	80,000	200,000
6 -10	"	"	"	"	"
11-20	"	20,000	300,000	80,000	220,000
21-25	Nil	300,000	300,000	80,000	220,000
<b>Total</b>	<b>5,600,000</b>	<b>1,700,000</b>	<b>7,300,000</b>	<b>1,890,000</b>	<b>5,410,000</b>

- To employ only citizens in its operations except in specific positions stated in the training and localisation proposal. Expatriate employees must hold current work visa and permits (clauses 8 and 9),
- To lodge with the State a performance bond for the sum of K1,000,000.00 for the life of the project upon execution of the Project Agreement.

**TABLE 1 : KEY DOCUMENTS**

<b>DOCUMENT</b>	<b>PARTIES</b>	<b>DATE OF ISSUANCE/ SIGNING/ APPROVAL</b>	<b>DATE OF EXPIRY</b>	<b>DOCUMENT LOCATION</b>
TRP Agreement	Landowners and the State	26 June 1969 with commencement date on 24 March 1969	23 March 2009	Held at PNGFA
Project Agreement	State and SBLC	23 February 1989	19 Oct. 2014	Copy obtained from the company office at Buluma
Deed of Variation of the Project Agreement	State and SBLC	29 May 2003	Not stated	Copy obtained at the Company office at Buluma
Timber Permit	State and SBLC, signed by the Minister for Forests	20 Oct. 1989	19 Oct. 2014	Copy obtained from PNGFA Dami
Logging and Marketing Agreement	SBLC and Elite Parts	1 Jan. 2003???	???	Sighted at SBLC office Buluma.
Environmental Plan (EP)	Approved by Minister for Environment & Conservation (E&C)	4 October 1989	TP period	DEC Archives
EP Approval Conditions	Set by Minister for E&C	4 October 1989	TP period	SBLC
Environmental Management and Monitoring Programme	Set by Secretary DEC			Revised document submitted by SBLC (2003) for DEC to consider and approve, no response as yet from DEC
Waste Management Plan (WMP)	Set by Secretary DEC			Revised document submitted by SBLC (2003) for DEC to consider and approve, no response as yet from DEC

Water Use Permits	Set by Secretary DEC		Expired November-December 1999 <sup>1</sup>	DEC file records
5 Year Logging Plan	Approved by PNGFA Managing Director	24 October 2002	23 October 2007	Held by PNGFA
Annual Logging Plan	Approved by PNGFA Managing Director	09 December 2003	08 December 2004	Held by PNGFA
PNGFA's Planning, Monitoring and Control Procedures	Issued by Managing Director.	November 1995	No expiry date	Standard document available from PNGFA
PNG Logging Code of Practice (Including 24 Key Standards)	Endorsed by NEC. Observance required by Regulation	April 1996	No expiry date	Standard document available from PNGFA

**TABLE 2 : ADDITIONAL (OR SUPPLEMENTARY) AGREEMENTS**

DOCUMENT	PARTIES	DATE OF ISSUANCE/ SIGNING	DATE OF EXPIRY	DOCUMENT LOCATION
Agreement for use of land to station logging equipments that are idle.	Stettin Bay Lumber Company and landowners at Umsipel.	9 <sup>th</sup> Oct. 2003	Not Known	Stettin Bay Lumber Company

<sup>1</sup>Permit No., Nature of Permit, Location, Expiry Date details are: 29/498 Discharge Amio 29th December 1999; 29/548 Dam/ Divert Amio 29/577 Discharge Amio 26th July 2000; 29/157 Take Buluma 29th August 1993; 29/158 Take Buluma 29th August 1993; 29/159 Take Buluma 22nd November 1999; 29/160 Take Buluma 22nd November 1999; 29/161 Take Buluma 22nd November 1999; 29/162 Take Buluma 22nd November 1999; 29/163 Take Amio 22nd November 1998.

Garbage Collection Contract Agreement	Stettin Bay Lumber Company and the Jacob Bata Group	7 <sup>th</sup> Jan. 2004	31 <sup>st</sup> Dec. 2005	Stettin Bay Lumber Company
Agreement to provide security service.	Stettin Bay Lumber Company and Viso Security Service of Amio.	19 <sup>th</sup> Dec.2003	January 2004	Stettin Bay Lumber Company
Stevedoring Agreement	Stettin Bay Lumber Company and Lupesi Stevedores Limited	27 <sup>th</sup> Nov.2003	27 <sup>th</sup> May 2005	Stettin Bay Lumber Company
Agreement for the use of Mt Nambon for the Repeater Station.	Stettin Bay Lumber Company and clan leaders from Nakise, Sovul, Sali and Elim Clans.	20 <sup>th</sup> April 1990	Not known	Stettin Bay Lumber Company

## 2. SUSTAINABILITY OF LOG PRODUCTION

The current logging project was set up under the old Forestry Act when the sustainability of log production and the forest industry was not yet a policy objective. The Timber Permit encompasses 38 individual Timber Rights Purchase areas covering over 416,000 hectares.

Timber Permit (TP 14-52) for the Ania Kapiura Consolidated TRPs was issued to Stettin Bay Lumber Company Ltd on 20 October 1989 for a period of 25 years, and contains clauses relating to the establishment of plantations with an annual allowable cut schedule (see page 3), which implies sustainable production of timber, from these plantations. The establishment of plantations also exempted the Permit Holder from paying the reforestation levy that was introduced in 1986.

The Timber Permit allows an annual cut of 300,000 m<sup>3</sup>, being a combination of natural forest harvest and plantation harvest. The permit stipulates that from Permit Year 11 (2000), 20,000 m<sup>3</sup> should be harvested from plantations and 280,000 m<sup>3</sup> from natural forest logging operations. From Permit Year 21 (2010), the Permit stipulates that all log harvesting is to be from the plantations.

The permit stipulates that a total of 15, 000 Ha of plantations should be established by Permit Year 19, which is in 2008. To date there are approximately 10, 000 Ha of plantations established, the species planted being mainly *Eucalyptus deglupta*, *Octomeles sumatrana*, and *Terminalia brassii*.

The company began establishing forest plantations on a trial basis in 1982 and started exporting logs from plantations in 1999 (2,297 m<sup>3</sup> exported) and under the new management has begun felling and replanting the plantations at a greater rate than that listed in the schedule of the Project Agreement (75,000m<sup>3</sup> of plantation logs were exported in 2002).

The yields currently being obtained from the plantations are less than anticipated; and much less than comparative plantations in other areas of Papua New Guinea with similar geophysical features, climates and species.<sup>2</sup> There are many trees left standing after clear felling (photos 8 and 9) and there is excessive waste in the form of offcuts and whole logs (photos 9 and 10) rejected and left to rot in the plantations. The standing trees left after “clearfelling” are felled and burned prior to replanting.

The annual plan for Permit Year 14 (2003-2004) has a target output of 120,000 m<sup>3</sup> from plantations and 180,000 m<sup>3</sup> from natural forest logging. Estimates for production from plantations have been reduced to 50,000 m<sup>3</sup> per annum in the near term (source SBLC), thus harvesting from natural forest may increase.

Of the 416,000 ha covered by the Timber Permit, approximately 223,000 ha have been logged leaving a net area remaining to be logged of some 193,000 ha, although the TRP over 1,780 ha of un-logged forest have expired.

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<sup>2</sup> Yields obtained from SBLC plantations are approximately 100 m<sup>3</sup>/ha at age 20 years for *E. deglupta* (SBLC data) compared to 140 m<sup>3</sup>/ha for younger *E. deglupta* at Open bay (OBT data).

Forest plantations established and owned by PNGFA and SBLC have been encroached upon by smallholder oil palm plantings (see photos 4 and 12).

### **3. FIELD WORK**

The field inspection was undertaken during the period 9<sup>th</sup> February to 14<sup>th</sup> February 2004. 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 G47/03).
- An inspection of set-ups closed after logging (Set-up KM39/03, KM38/03).
- An inspection of set-ups currently being logged (Set-up G43/03, G45/03).
- An inspection of the Base Camp at Buluma.
- An inspection of roads and bridges currently being used, and no longer being used.
- Meetings with Villagers, and interested groups (see Chapter 5).
- Discussions with the Provincial Government and Administration officers in Kimbe.
- Discussions with officers from the National Department of Works in Kimbe.

### **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 TP14-52 Ania Kapiura , the Review Team's observations were that:

- Even though due process appear to have been followed, the 5 year extension of the permit under s78 of the current Act is legally questionable as the project can only operate for the term for which it was originally granted under the old Act until it expires or is terminated according to law pursuant to s137(1) of the Act.
- The term of the TRP Agreement will expire (2009) ahead of the Project Agreement and the Timber Permit (2014), thus raising the need to prepare new Forest Management Agreements for any further logging of natural forests on customary land after 2009.

## 4.2 LOGGING COMPANY

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

The observations of the Review Team are that:

### (a) Planning and Control of Logging

- The ownership of Stettin Bay Lumber Company Ltd changed hands in 2002 and the new management has engaged Elite Parts Ltd as a contractor to carry out set-up preparation and logging. Many of the national forestry officers previously employed by SBLC have been transferred to the logging contractor.
- Under the LMA (sic) agreement between SBLC and Elite Parts Ltd the contractor uses SBLC equipment to carry out logging and to deliver the logs to the sawmill and logpond only (i.e. there is no marketing component).
- That 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.
- That once logging commences, breaches of Key standards were observed in the natural forest logging. Key requirements not being met were observed to be:
  - Excessive soil pushed into watercourses by bulldozers as a result of road or skid track construction (photos 6 and 7).
  - Excessive width of some snig tracks.
  - Log clusters used as water crossing (photo 5).
  - Logging within buffer zone (photos 6 and 7).
  - Logging debris not removed from stream or watercourses.
  - Camp wastes (e.g. empty food cans/ tinned meat) not properly disposed of.
  - Skidders were not following marked skid tracks/ lines.
- There is significant wastage of timber when the plantation areas are harvested (see photos 9, 10 and 11).

### (b) The Log Pond

- The log pond was generally well set up. Key requirements not being met were observed to be:
  - Lack of good drainage. The whole log pond was very wet and muddy posing a threat to possible coastline pollution for local villages and the marine ecosystem

### (c) The Logging Camp

- The camp was generally well established with permanent offices, accommodation, workshops and sawmill facilities. Key requirements not being met were observed to be:
  - Indiscriminate fuel/oil spillage within workshop areas.
  - Although there was a genuine fuel bund constructed for the fuel storage for SBLC, there was none for the logging contractor (Elite Parts).
  - Excessive solid wastes (machinery parts).
  - Wastes wash-water from Elite Parts workshop/ accommodation area lack appropriate disposal facilities.

### (d) Landowner Financial Benefits

Financial benefits received by landowners are Timber Royalties paid directly to the landowners through the various approved clan agents, and since 1 January 1997, a Project Development Benefit, which is distributed as follows:

- 60% to be managed by the Project Area Development Fund Committee through a Trust account, which has been approved by the Department of Finance and Treasury. Out of more than K2 million that is available, there are claims ( PNGFA and SBLC) that more than K200,000.00 has already been spent by the PDF Committee or individual members of the committee.
- 30% of the PDB is distributed to landowners in the Project Area.
- 10 % of the PDB is distributed to landowners where the trees are harvested.

**STATEMENT OF PROJECT DEVELOPMENT BENEFIT (PDB) AS OF 1<sup>ST</sup> JANUARY 2003 (SOURCE DAMI PNGFA)**

Period	Payment made	Gross PDB Kina	60% Kina	30% Kina	10% Kina
1977 - 2000		2,764,105.15	1,658,463.09	829,231.54	276,410.51
	Payment made	1,105,642.05	-	(829,231.54)	(276,410.51)
	Bal. Due	<b>1,658,463.09</b>	<b>1,658,463.09</b>	-	-
2001		482,542.03	289,525.21	144,762.61	48,254.20
	Payment made	193,016.81	-	(144,762.61)	48,254.20
	Bal. Due	<b>289,525.21</b>	<b>289,525.21</b>	-	-
2002		74,410.43	44,646.26	22,323.13	7,441.04
	Payment made	30,678.25	-	(23,008.69)	(7,669.56)
	Bal. Due	<b>43,732.18</b>	<b>44,646.26</b>	<b>(685.56)</b>	<b>(228.52)</b>
2003		64,087.13	38,452.28	19,226.14	6,408.71
	Payment made	-	-	-	-
	Bal. Due	<b>64,087.13</b>	<b>38,452.28</b>	<b>19,226.14</b>	<b>6,408.71</b>
<b>Total PDB 1997-2003</b>		<b>3,385,144.74</b>	<b>2,031,086.84</b>	<b>1,015,543.42</b>	<b>338,514.47</b>
<b>Total Payment Made</b>		<b>1,393,424.24</b>	-	<b>997,002.84</b>	<b>332,334.27</b>
<b>Total Balance Due</b>		<b>K2,055,807.61</b>	<b>K2,031,086.84</b>	<b>K18,540.58</b>	<b>K6,180.20</b>

(e) Landowner Infrastructural Benefits

Most of the infrastructural benefits required under the Project Agreement have been achieved by the due dates, however the sustainability of the infrastructure after construction remains a major concern. The trunk roads and logging/feeder roads that the logging company no longer uses have deteriorated to a point where most are not trafficable.

Under the Deed of Variation the company is no longer obligated to construct and maintain any infrastructures stipulated in the original Project Agreement. Any further construction and maintenance of roads etc is expected to be covered under the 60% Project Area Development Fund (PADF).

Infrastructure achievements under the Project Agreement include;

(i) Main Roads

- Amio to Gasmata      55 kilometres
- Amio to Uvol          65 kilometres

(ii) Village Roads or Feeder roads

- Wangowango to Bulumuri Village access road (15 kilometres)
- Waramu to Kukula Village access road (6 kilometres)
- Marupu to Paraga Village access road (10 kilometres)
  
- Amgen to Parango Village access road (5.5 kilometres)
- Penlolo access 4 kilometres

(iii) Bridges and Crossings

The Project Agreement states that the following bridges will be constructed out of permanent materials using NAASRA Bridges Design Specification (1976 and amendments); PNG Bridge Design Standards with Live Loading of 33 ton and lifespan of 25 years.

With the exception of the Kapiura Bridge, the Review Team found that all other bridges scheduled in the Timber Permit and Project Agreement have been of temporary construction, some with steel frames, some with log frames and all these bridges had been washed away by flood waters. The only permanent bridge listed in the schedule which was functional at the time of the review, was the Kapiura Bridge.

Other Compliance:

- Urban Development

The Review Team found that the company has met most of its obligations under the Project Agreement. A summary is provided below<sup>3</sup>;

Project Year	Type of Facility	No.of Facility	Village/ Community	Outcome/ Comments
1	Houses	5	Fulleborne/ Amio	Constructed at Amio
2	Houses	5	Fulleborne/ Amio	"
	Health centre	1	Fulleborne/ Amio	"
	Office block	1	Fullerborn/ Amio	"
	Aid Post	1	Amio	Completed
	Aid Post Orderly's house	2	Amio	"
	Jetty		Uvol	Concrete re-enforcement-done
3	Police Station	1	Fulleborne/Amio	Kapiak Station
	Houses	5	Fulleborne/Amio	Constructed at Amio
	Double classrooms	2	Amio	"
	Teachers houses	3	Amio	"
	Ablution Block	1	Amio	"
	L40 houses	8	Uvol	"
4	Sports facilities		Fulleborne	Incomplete due to land problems

<sup>3</sup> Information sourced from SBLC, PNGFA compliance reports, discussions with villagers and Review Team physical inspection.

	Community centre		Fulleborne	Constructed
	Houses	5	Fulleborne	“
	Houses	3	Umoa	Bereme <sup>4</sup>
	Houses	2	Pangalu	Constructed
	Double classrooms	2	Umoa/Pangalu	Constructed at Bereme
	Playing field		Umoa	“
5	Double classrooms	4	Buludawa/Bulumuri Atui/Amelei	Tavulo; built here due to security reasons.
	Aid Posts	2	Atui	Constructed
	Houses	6	Amio	“
	Double classroom	1	Uvol	Built
	Extension of Gov. Office	1	Uvol	Completed

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<sup>4</sup> The decision to change project locations was made by all stakeholders including clan leaders and District Managers.

(f) Royalties:

**Timber Royalty collected and paid to landowners of the TP 14-52 Ania Kapiura. (Source: PNGFA Dami West New Britain).**

Year	Volume (m3)	Royalty collected	Landowner Share	Withholding Tax 5%	Prov. Gov.Tax 25%
1993	121,729.232	475,139.14	338,536.64	17,817.72	118,784.79
1994	111,908.551	1,119,085.51	797,348.43	41,965.71	279,771.38
1995	90,571.135	905,711.35	645,319.34	33,964.18	226,427.84
1996	153,770.860	1,537,708.60	1,095,617.38	57,664.07	384,427.15 <sup>5</sup>
1997	142,254.103	1,422,541.03	1,351,413.98	71,127.05	
1998	122,077.897	1,220,778.97	1,159,740.02	61,038.95	
1999	76,350.295	763,502.95	725,327.80	38,175.15	
2000	93,407.509	934,075.09	887,371.34	46,703.75	
2001	55,862.711	558,627.11	530,695.75	27,931.36	
2002	15,508.009	155,080.09	147,326.09	7,754.00	
2003 Jan- Jun	10,133.811	101,338.11	96,271.20	5,066.91	
<b>Total</b>	<b>871,844.881</b>	<b>K9,193,587.95</b>	<b>K7,774,967.96</b>	<b>K409,208.84</b>	<b>K1,109,411.15</b>

(f) Other Field Compliance Issues Observations

Nil.

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

- There was no Environmental Management & Monitoring Officer specifically employed to oversee the requirements of the above documents. The Manager - Forest, currently carries out this responsibility.
- The company (SBLC) has submitted its revised EMMP and the WMP to DEC in 2003 and is awaiting a response.

<sup>5</sup> The 25% Provincial Government Tax was abolished in 1996.

#### (h) Company Search

A company search shows that Stettin Bay Lumber Company Ltd has current registration. It has its registered office at Lot 179, Megigi, Buluma, WNBP, PO Box 162, Kimbe, WNBP. It has a share capital of 12,000,000 issued shares held by Nissho Iwai Corporation (5,000,000 ord. and 6,000,000 pref.), the Independent State of PNG (1,000,000). Its Directors are Koiari Tarata, Hakiso So-omba, Yasuo Otha, Shunichi Fujikawa, Kiyoshi Matsuyama, Mitsushi Kishimoto, and Satoshi Okue. Its last annual return was lodged in 17 October 2001 for the year 1 June – 31 Dec. 2000.

It would appear that the change of ownership of SBLC in 2002 is yet to be registered with the IPA.

The company is currently registered as a Forest Industry Participant under the Forestry Act 1991 (first listed in Aug. 1993 – Registration Number FI 043).

A company search on Elite Parts Ltd shows that it has current registration. It is situated at c/- John Boo Lee & Co., Section 515, Lot 485, Waigani Drive, Hohola. It has a share capital of 2 issued shares, both of which are held by Luis Kee Hui Wong of Boroko. The Director is Luis Kee Hui Wong. Its last annual return was lodged in February 2003 for the period up to 30 June 2002. The company has Forest Industry Participant registration (FI 01327) as of October 2001.

#### **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 log book by the PNGFA Project Supervisor.

The observations of the Review Team are that:

- The project is monitored by a Project Supervisor based at Dami Forest Station who is supported by a number of monitoring officers depending on the workload.
- Dami Forest Station is in a state of disrepair, with telephones and faxes working only sporadically. All officers based at Dami share three vehicles, which are also in need of repair/replacement.
- The change of ownership and management that took place in 2002 has had a detrimental effect on the ability of the PNGFA to effectively monitor the logging operation.
- Despite the above statement, PNGFA is carrying out its duties to the best of its current capabilities.

#### **4.4 DEPARTMENT OF ENVIRONMENT AND CONSERVATION (DEC)**

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

The observations of the Review Team are that:

- Whilst the project is active, the Environmental Plan has been archived.
- DEC was unable to locate a copy of the Environmental Plan Approval Conditions.
- DEC was unable to provide the Review Team with any details of its last monitoring visit to the project.

#### **4.5 LANDOWNER COMPANY**

There are no landowner companies representing landowners in this Timber Permit area.

### **5. LANDOWNER VOICED CONCERNS**

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

- Landowners and clan agents representing landowners from all landowning groups of the Ania Kapiura Consolidated Timber Permit area.
- Landowners at Buluma.

#### **(a) Landowner Concerns**

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 at the meeting conducted at Dami were concerned that the company is focusing its logging activity in the plantations and has reduced its operations in the natural forest. They claimed that the new owners of SBLC are taking an easy way out by logging from the plantation and not meeting their production quota from the natural forest.
- Landowners from the South Coast area were concerned that logging has not occurred in the area for the last 2 years. On this note landowners suggested that if the company does not start logging soon, then it should pull out of the area.
- Landowners of current TRPs, expressed dissatisfaction with the fact that landowners from expired TRPs are still getting benefits from the PADF. A letter from PNGFA headquarters to the PNGFA at Dami in April 2003 confirms that 9 TRPs had expired by the time of the review.

- Landowners wanted to know why PNGFA has not officially informed them in writing about the expired TRPs so that they can carry out other activities on their land, such as agricultural development.
- Landowners expressed serious concern about the management and proper use of the PADF and the absence of rules and guidelines for the use of the fund. They claimed that an amount of K204,678.80 has already been spent out of which K50,000.00 has been used by the PADF Committee or individual members of the committee.
- Landowners claimed that they were not fully aware that by signing the Deed of Variation the company would no longer be obligated to construct and maintain village roads or community projects. The PNGFA Provincial Forest Officer (PFO) in the meeting disputed that claim. The PFO pointed out that a committee representing landowners conducted awareness meetings in the villages for several months prior to the signing of the Deed of Variation.
- Landowners wanted to know whether it is possible for the National Government to sell them the remaining shares (if any) that it holds with Stettin Bay Lumber Company.
- Landowners are dissatisfied with the current Timber Royalty rate of K10.00. They would like to see an increase of 100% and for the National Government to forgo part of its export income from the project to pay for this.
- Landowners expressed concern that the National and the Provincial Governments have not honoured their commitments to maintain the roads and bridges connecting Kimbe to Amio.
- Landowners were concerned that despite there being potential opportunities to participate in the harvesting of logs in the plantation as sub-contractors the company has not responded positively to their approaches on this issue.

#### (b) Spin-off opportunities

There are only two spin-off activities being conducted by landowners, being the Stevedoring Contract and the Security Contract at Amio.

The plantations established by SBLC present a number of opportunities for local groups to carry out contract work. Activities such as planting new seedlings, brushing and tending can be easily contracted out. SBLC Company executives expressed doubts about the landowners' organisational skills and the workforce to meet the harsh reality of what is normally required in the plantation.

There is also an excellent opportunity though for the utilisation of a mobile mill to cut all reject logs that are being left behind in the plantation. So far the company has been unwilling to allow such activity to take place as it is concerned that this would cause infighting amongst landowners.

## **6. PROVINCIAL GOVERNMENT DISTRICT OFFICE**

The Review Team met with the Provincial Administrator, the Deputy Administrator and all the Divisional Heads of the West New Britain Administration. Relevant comments offered by the Provincial Government and Administration representatives were as follows:

- The Provincial Works Manager and the Provincial Civil Engineer confirmed that the Kimbe to Amio trunk road is a National Road. However, they claimed that the road has never really been given the attention that it deserves from the provincial and national budget.
- The Provincial Works Manager was concerned about the lack of cooperation by the company and other stakeholders in ensuring that the quality and standard of roads and bridges and community projects were achieved.
- The Administration has made a commitment to ensure that a policy and guidelines for the effective and transparent use of the PADB will be put in place as soon as possible.
- The Provincial Government would like a Forest Resource Audit carried out to determine the volume of merchantable timber left under the permit. The provincial government is worried about the rapid expansion of oil palm development in the province and its long-term effect on the depletion of the remaining forest.
- The Provincial Government was concerned that while it spends time and human resources to run the Provincial Forest Management Committee and problems directly associated with logging, it receives no income from the export of logs.
- Local Level Government representatives in the project area expressed concern that they receive no income from the logging operation to support their work in the community.
- Provincial Government officials were concerned that there has been a lack of monitoring of the permit holder to ensure that the latter complied with the Project Agreement. The Provincial Government expressed that it was prepared to assist with the monitoring of the project agreement.
- The Provincial Government and Local Level Government were concerned that the Government was not a party to any planning with regards to types of infrastructures that were built in the communities.
- The Provincial administration has a functioning Forest Management Unit and would like to see more cooperation between it and the PNGFA.

## **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:

- In the natural forest logging areas, the regeneration following logging is profuse but contains the usual mixture of commercial and non-commercial species and seedling survival and growth is severely affected by fast growing weed species and vines. There are no funding mechanisms in place (in the absence of a reforestation levy) for any silvicultural treatment of the regeneration.
- The company has established forest plantations as per the Timber Permit and Project Agreement in close proximity to the sawmill and logpond (Buluma).
- The area of plantations established to date is 10,000 ha and the yields obtained upon clearfelling are less than anticipated (SBLC source).
- There is no additional government land available for SBLC to plant the extra 5,000 Ha of forest plantations as required under the Timber Permit.

## **8. BROAD RECOMMENDATIONS FOR TP 14-52 ANIA KAPIURA**

Timber Permit 14-52 governs the forest activities extending from the Talasea Peninsula in the north to Cape Fulleborne in the south of the island of West New Britain.

The permit holder, Stettin Bay Lumber Company is one of the oldest timber companies in Papua New Guinea and has taken serious steps towards sustainable forest management by establishing forest plantations to supplement the timber resources that are available from the natural forest.

Recent (2002) changes in ownership and management of the company has seen the closure of the sawmill and the contracting out of the logging operations. The sawmill is due to reopen in April 2004.

The problems associated with expanding populations, competing demand for land and the influx of settlers from other areas of PNG, particularly those settlers associated with the planting of oil palm, have begun to seriously effect the security of land tenure for the forestry plantations.

Legitimate efforts by relevant government authorities to evict illegal settlers from the SBLC and PNGFA owned plantations have so far failed.

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

- That the Permit Holder, Stettin Bay Lumber Company, ensures better supervision of the logging contractor in relation to the Logging Code of Practice and the requirements of the Environmental Plan.
- That PNGFA, SBLC and the Provincial Government collaborate to obtain more land for forest plantation purposes and that security of tenure is assured. This

may be expedited more easily by means of the lease-leaseback arrangements, as is the practice of the oil palm industry.

- That the Chairman of the PADF Committee urgently institutes rules and guidelines for the purpose of managing and controlling the use of funds.
- That the PADF be properly audited and that no further advances be released from the fund until rules and guidelines governing the fund are put in place.
- That there is more cooperation between the PNGFA and Provincial Forest Management Unit of the West New Britain Provincial Government and that these two organisations combine to conduct a survey of the remaining forest resource within the Ania Kapiura Timber Permit area.
- That Stettin Bay Lumber Company Ltd reopens its sawmill as a matter of urgency and seeks to find markets for the excessive waste wood which is left in its plantations.
- That there is more dialogue and cooperation between the PNGFA, Stettin Bay Lumber Company and relevant Provincial Authorities to ensure proper compliance with the Project Agreement, particularly with regard to the implementation and standard of infrastructure requirements.
- That DEC updates its records and files pertaining to Water Use Permits for TP 14-52, and that it responds to the Environmental Monitoring and Mitigation Plan and the Waste Management Plan proposals submitted by the company in 2003.
- That Elite Parts Ltd installs a proper septic system in the company's workshop/housing area. Careful handling of oil/ fuel within the workshop area is required and used oil/ fuel must be disposed off at an appropriate site.
- That SBLC Ltd employ an Environmental Management & Monitoring Officer to specifically perform the tasks stipulated in the Environmental Management Monitoring Programme and the Waste Management Plan.
- That PNGFA should ensure women representation on the PADF Committee to ensure that there is representation of women's interests in the use of the PADF.
- That PNGFA works closely with the Department of Labour & Employment to ensure that the logger and its contractors comply with the work permit, training and localisation of positions, safe working conditions, and the employees working conditions are in accordance with lawfully acceptable conditions.

## **9. BROADER FORESTRY SECTOR ISSUES FOR PAPUA NEW GUINEA**

The following is a list of issues identified by the Review Team during its work on TP 14-52 Ania Kapiura, 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.

- Changes to Permit holder and sub-contractor arrangements should be thoroughly scrutinised and endorsed by relevant Government Authorities.
- Security of Land Tenure for forestry Plantations.
- Language used in important documents such a Deeds of Variation to Project Agreements needs to be simplified so that landowners are able to fully understand the implications of the revisions.

## **APPENDIX 1: SELECTION OF PERTINENT PHOTOGRAPHS**

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



DEPARTMENT OF LABOUR AND INDUSTRIAL RELATIONS  
*Private Sector Training and Monitoring Division*

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

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## **INSPECTION REPORT**

### ***INTRODUCTION***

The Department of Labour and Industrial Relations (DLIR) is a member of the review team on ongoing logging projects in Papua New Guinea. The Department of Labour and Industrial Relations (DLIR) is mandated by the Employment of Non Citizens Act, Chapter 374, National Training Policy, section 6.101 and 6.102 and the Gazetted guidelines for Three Year Training Plan and Work Permits.

Our operational and administrative performance is guided by the three-year training plan format and guidelines 2000 and the work permit guidelines 2000.

The issuance of work permits for engagement of non-citizens is in essence, importation of skills and skilled personal to impart those skills to PNG citizen employees to acquire through various modes of training for nation building.

The inspection is part of the review of current logging projects undertaken under the auspices of the Department of National Planning and Rural Development and facilitated by the Forest Review Team. The Department of Labour and Industrial Relations is a member of the review team and undertook the inspections on Stettin Bay Lumber Company (SBLC) operations at Buluma in Kimbe, West New Britain Province.

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

- Verify and ensure that the non-citizens currently employed by SBLC do have valid work permits and are physically performing in the position occupations approved under the company's three-year training plan submission

- Determine their manpower requirements and their need for additional positions as submitted for review before it is assessed for approval formalities
- Determine if the company is actively implementing their training implementation program as submitted
- Address general employment issues and concerns.

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

## **1. Background to inspection**

The company representative in Port Moresby submitted the three-year training plan review submission for SBLC on the 22<sup>nd</sup> January 2004. The review submission is pending the outcome of this report before it is assessed and evaluated. The Department (DLIR) will make a decision on the company's (SBLC) request for renewal of current non-citizen positions and vacant additional non-citizen positions. After approval formalities, the company can apply for non-citizen work permits against those approved positions only.

The inspection was undertaken over two days from Thursday 12<sup>th</sup> to Friday 13<sup>th</sup> February 2004. We began with a briefing with the Company's (SBLC) General Manager Mr. Lam Khoo Goh on Thursday 12<sup>th</sup> February at the company headquarters at Buluma, Kimbe, West New Britain Province. Formal discussions were held with the administration officers thereafter. We visited the office premises of Elite Parts Limited in the afternoon of Wednesday 12<sup>th</sup> February 2004 and held discussions with the General Manager Mr. Keat Joon Choo. On Friday 13<sup>th</sup> February 2004, we visited the workshops used by SBLC and Elite Parts Limited as well as the sawmill that is now closed and no longer operating. We also had a debriefing with the Provincial Administrator and his senior officers at the Administrators office at 2.00 p.m. on Friday 13<sup>th</sup> February 2004. Apart from the organized meetings, we held informal sessions with various other stakeholders and concerned citizens during the day as well as in the nights at our transit accommodation.

The Information contained in this report was obtained through discussions with the Acting Administration Manager and other resource personal of the company, various land owning group representatives, the employees, concerned citizens and other reliable sources.

We also obtained information through visual observation, photographs (not available) and documents made available to us for this purpose. The consultation with the company management was held in their office at the company headquarters at Buluma and included discussions on the content of their Training Plan Submission.

## 2. Brief Statement of Main Findings

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

- ◆ *Employer information*
- ◆ *The abuse of the training plan and work permit guidelines*
- ◆ *The company's need for additional positions as submitted*
- ◆ *The lack of systematic training and training implementation and succession training plans*
- ◆ *Lack of emphasis on skills transfer and*
- ◆ *Implementation of company safety policy.*

*The company is compounded with many training issues and the comparison of statistics between the company's former owners and current owners and concerns on training responsibilities between SBLC and their logging contractor, Elite Parts Limited will give rise to many supplementary issues on employment and training. The company's (SBLC) request for additional positions shall be determined together with the above issues.*

## B. METHODS

*The company's (SBLC) Training Plan Review Submission was used to derive questions from and the questions 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 approach to the company management by not disrupting their normal duties but they were eager and willing to meet with us for the discussions.*

The company's Acting Administration Manager was interviewed in his office at Buluma, while employees and other sources provided information at different times and at different venue.

Questions relating to non-citizen position occupation and issues relating to citizen counterpart training arrangement formed the core part of our discussion with reference to the training plan review submission.

The number of questions asked to each party differed depending on the subject and issue at hand. The consultation session with the company management lasted more than 3 hours, as it required thorough consultation on the information contained in the company's Training Plan Review Submission as well as discussion on violation of position occupation and work permit by the chief security officer, Mr. Bal Rai.

## C. FINDINGS

### 1. Employer Information

Company Name	-	Stettin Bay Lumber Company (SBLC)
Address	-	P.O. Box 162, Kimbe, WNB
Head Office Location	-	Buluma, West New Britain Province
Contact Person	-	Mr. Lam Khoon Goh

Designation	-	General Manager
Telephone Number	-	9854066
Business Industry	-	Forestry/ Logging
Date of Inspection	-	12 <sup>th</sup> and 13 <sup>th</sup> February 2004

## 2. Company Training Plan Review Submission

Stettin Bay Lumber Company's (SBLC) Three-Year Training Plan Review Submission was submitted to the Department of Labour and Industrial Relations on the 22<sup>nd</sup> January 2004 and was registered as number 079.

The company's Training Plan Review Submission will be assessed and evaluated for a decision on their request for renewal of work permits for existing positions as well as request for additional positions. Approval may be granted to their request after this inspection report is deliberated upon and a decision is made. The work permits of the non-citizens employed by SBLC under the current three year term will expire at the end of March 2004.

Stettin Bay Lumber Company (SBLC) under the current ownership and management of a Malaysian parent company has contracted the extraction of logging to Elite Parts Limited. The company has also closed the sawmill that was once used to produce sawn timber for both export and local use, resulting in loss of employment for the many citizen employees who once had the benefit of paid employment. These operations are the core activity of the company. The company is currently engaged in the management of reforestation and log export and marketing activities. The above issues shall be determined to verify the genuineness of the company's request for additional positions.

The physical inspection is required to assess the progress on the implementation of general training and counterpart training arrangement for position localization by citizen employees who have been identified as understudies to respective positions. It was also necessary to verify and establish the responsibility on training as a result of the contract arrangements between SBLC and Elite Parts Limited. The actual inspection was undertaken as part of the review of ongoing logging operations to address non-citizen employment and general employment related issues in the forestry/ logging industry.

- a) In view of the company's existing contractual outsourcing arrangement of it's core activity including the equipment and workshop facilities and the closure of it's sawmill operations, their request for renewal of existing positions and additional positions shall be considered on a need engagement basis. Likewise the company's training obligations and responsibilities need to be justified with respect to the above operational arrangements.
  - Why would the company require 19 additional positions when they have contracted their core activity and have closed the sawmill operations?
  - If there is any expansion or new initiatives especially in veneer processing, they should apply on a need basis through supplementary submissions for additional positions when the need arises or advertise in country to gauge the local labour market first before requesting non-citizen positions.

- b) The company's training plan submission is defective and does not provide relevant information on the counterpart training arrangements. Most of the information provided is doubtful and not consistent with the real situation on the ground.

### 3. Position Occupation by Non Citizens

When Stettin Bay Lumber Company (SBLC) was owned and managed by a Japanese parent company, there were 19 non-citizens employed by the company. Under the current ownership and management of a Malaysian parent company and the existing contracted outsourcing arrangement with Elite Parts Limited, SBLC employs 8 non-citizens. The company is requesting 19 additional positions under the existing operational arrangements. The table below provides statistics and comparative information on the number of citizen and non-citizen employees.

Operational Divisions	Existing Employees		Total
	Citizens	Non Citizen	
Executive Management			
Advisor & Director	0	1	1
Financece, Accounts & MIS	3	1	4
Financial Controller			
Administration Office	6	0	6
Mess	5	1	6
Security	26	1	27
Construction & Maintenance	11	0	11
<b>Purchase, W/Shop &amp; Stores</b>	<b>23</b>	<b>1</b>	<b>24</b>
<b>Marketing, Shipping &amp; Export</b>	<b>24</b>	<b>1</b>	<b>25</b>
Forestry			
Senior Management Team	5	1	6
Planning & Roding	10	0	10
Harvesting	0	0	0
Survey	46	0	46
<b>Reforestation</b>			
General	19	0	19
Nursery	15	0	15
Contracted	250	0	250
Establish & Maintenance	35	0	35
<b>Powerhouse</b>	<b>4</b>	<b>1</b>	<b>5</b>
<b>Total Number of Employees</b>	<b>482</b>	<b>8</b>	<b>490</b>

<b>Ratio (%) Citizen to Non Citizen</b>	<b>98.4%</b>	<b>1.6%</b>	<b>100%</b>
<b>Proposed New Activities</b>	<b>Citizen</b>	<b>Non Citizen</b>	<b>Total</b>
Forestry Harvesting	80	6	86
Saw milling & Moulding	40	6	46
Veneer Manufacturing	60	6	66
<b>Total proposed Employees</b>	<b>180</b>	<b>18</b>	<b>198</b>
<b>Total after proposal</b>	<b>662</b>	<b>26</b>	<b>688</b>
<b>Ratio in Percentage</b>	<b>96.2%</b>	<b>3.8%</b>	<b>100%</b>

The following violations of the training plan approvals and work permit were detected during our inspections and is a direct indication of non-compliance and these includes but is not limited to the following:

- a) There are 8 non-citizens employed in various occupations while there are 482 citizen employees. The employment figures for both citizens and non-citizens could be higher if the forest harvesting activity was not contracted to Elite parts Limited.
- b) We discovered that from the 8 non citizens employed at SBLC:
  - Only 7 had valid work permits that would expire at the end of March 2004.
  - The security manager, Mr. Bahadur Bal Rai has a work permit as Production & Ops Department Manager in wholesale and retail with another company, Z D Systems in Port Moresby, (attachment A-6). His current employment as the chief security officer with SBLC is deemed illegal as well as a delocalisation of citizen held position.

#### 4. Citizen Employees Training Implementation

The 482 citizen employees indicated in the company's TLP submission couldn't be physically verified at the time of this report, due to factors relating to the nature of their work.

The citizen employees comprise people from the immediate land owning groups, settlers mainly from East New Britain and East Sepik provinces as well as people from other parts of the country.

The figures and statistics provided in table 1 is a reflection of the efforts and initiatives of SBLC in creating employment and training for citizens, however this figures is attributed mainly to the genuineness of the previous owners and management of SBLC.

It has been established that most of the training was undertaken by the previous owners of SBLC as compared to the current situation where training is not being given any attention.

The citizen manpower statistics of 482 comprises mainly of middle level and semi skilled employees, while there is a general lack of confidence in academically and technically qualified and competent citizens at the management level. These

include 7 bachelors' degree and diploma graduate foresters who have spent more than 7 years each working with the company. Please see attachment B-1

- a) Records provided in attachment D-1 and D-2 indicate that the previous owners of the company undertook most training compared with the current owners. Most of the training was facilitated by JICA and other institutions in Papua New Guinea and included training for foresters and trade skills apprentices.
- b) In the last three years,
  - Mr. Philip Raka localized the position of construction manager, while Mr. Reginald Ovasuwi is acting as the administration manager.
  - Three positions are earmarked for localization in the next three years, while there are no plans for overseas training for the same period.
  - There is no formal apprenticeship training undertaken by the 7 named persons and the information provided in the company submission is misleading and incorrect. Currently only one apprentice formally signed his apprenticeship contract on the 30<sup>th</sup> December 2003 to undergo training as motor vehicle mechanic.
- c) The current understudies do hands on skills training while only Mr. Albert Aunenai had undertaken some courses and exposure in Japan.
- d) The figures for citizen employees identified in the training plan submission covers all aspects of the operation except for log harvesting, which has been contracted to Elite Parts Limited.

## **5. Position Localization**

The only position localized in the last three years is for the construction manager, while Mr. Reginald Ovasuwi is acting administration manager. There has not been any marked decline in the number of non-citizens employed by both previous and current company management therefore not many positions were localized.

## **6. Implementation of Company Safety Policy**

Observation on Stettin Bay Lumber Company's safety practice leaves a lot to be desired as safe work practice is non-existent. Physical observations on the various job sites reveal absolutely no regard for safety and safe work practices. Reliable information from discussions reveals that the company has done nothing to facilitate and promote safety at the workplace, leaving the employees vulnerable to accidents and injuries. Discussions also revealed that the company does not have a company safety policy to manage and implement various aspects of safety and hygiene.

Safety issues identified includes:

- Employees working without safety boots, earmuffs, glasses helmets etc
- No safety signs or posters
- No safety line markings in the workshop
- No safety coordinator within the company

The safety issues highlighted above is also evident with the logging contractor, Elite Parts Limited, whose employees work under unsafe situations.

## **7. Concerns**

Concerns were raised on various issues to be addressed by respective stakeholders and agencies and included the following:

- a) Certain non citizen managers and supervisors inability to perform at senior level thereby forcing citizen employees to perform their duties and responsibilities
- b) Citizen employees not paid the benefits of performing in occupations held by non citizens
- c) Non citizen employees using SBLC as their training ground
- d) Lack of organized training and refresher courses for citizen employees
- e) SBLC is being unfair by lack of maintenance on houses occupied by citizen employees compared to houses occupied by non citizens
- f) Company has no concern in encouraging and promoting safe work practices
- g) SBLC contracted the logging operation and closed the sawmill to avoid responsibility on employment and training of citizens.
- h) So many experienced citizen employees laid off from work as a result of above in (g) thus increasing unemployment in the project area.
- i) The company's request for additional positions is very suspicious and would create unnecessary influx of non-citizens in the project area.

## **8. Personnel Matters**

There was not much expressed on issues concerning citizen employees working conditions, however both factions provided conflicting information contrary to each other with no resolve in sight. While the company management maintains it's commitment to the employees, the employees concerns cannot be openly addressed and verified for fear of intimidation and reprisals.

The citizen employees concerns can be justified by the actions of the company under the current ownership and management by contracting the major logging operation and closing the sawmill operation.

## **9. Elite Parts Limited**

Elite Parts Limited is the company contracted by SBLC to carry out the logging operations for SBLC. We had the opportunity to visit the company office and had discussions with the General Manager, Mr. Keat Joon Choo. We did not have the opportunity to visit the logging operation site to verify non-citizen physical performance. As part of our discussions, we requested the General Manager to provide copies of position approval and work permits, which he failed to provide. An attempt to obtain this information at their Port Moresby office is also becoming difficult. This information would have been useful during our inspection visit for verification and confirmation purposes.

## **D. 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.

There is evidence of SBLC violating the TLP and work permits guidelines. Hence, appropriate measures are necessary to ensure that the company complies with the respective regulations and agreements that are applicable.

SBLC has breached Section 7, Subsection 3, Clause a of the Employment of Non Citizen Act Chapter 374 and Clause 28 of the Work Permit Guidelines. The company has also breached Section 13, Subsection 2 of the Employment of Non Citizen Act Chapter 374.

The attitude and lack of cooperation displayed by the management of Elite Parts Limited is questionable and very suspicious. This behaviour raises questions on the company's genuineness to employ Non-citizen employees in the respective positions approved by the DLIR. In any case, it is a requirement that the copy of work permits must be with the employee at all times.

## **E. RECOMMENDATIONS**

1. The Department of Labour and Industrial Relations approve only 7 positions excluding the positions of Chief of Security, Assistant Forest Manager and all the additional positions.
2. The Department of Labour and Industrial Relations in consultation with the Department of Foreign Affairs to immediately deport Mr. Bahadur Bal Rai.
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.
4. The Department of Labour and Industrial Relations conduct a separate inspection on Elite Parts Limited operations.

**APPENDIX 3: REPORT FROM THE DEPARTMENT FOR COMMUNITY  
DEVELOPMENT**



**DEPARTMENT FOR COMMUNITY DEVELOPMENT**  
P.O.BOX 7354 BOROKO, NATIONAL CAPITAL DISTRICT PH: 325 4566 FAX: 325 0133

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***GENDER AND DEVELOPMENT DIVISION***

**INDIVIDUAL PROJECT REVIEW REPORT**

**COMPANY:** SBLC

**LOGGING OPERATOR:** ELITE PARTS

**LOGGING SITE:** BULUMA, HOSKINS LLG  
WEST NEW BRITAIN PROVINCE

**DATE OF FIELD TRIP:** 9<sup>TH</sup> – 13<sup>TH</sup> FEBRUARY 2004

**INTRODUCTION**

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

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

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

## **PROJECT REVIEW FIELD TRIP**

The field trip to the SBLC logging site in the Hoskins LLG took place from Monday the 9<sup>th</sup> – Friday the 13<sup>th</sup> of February 2004. The first group departed for the West New Britain Province on the 9<sup>th</sup> of February while the rest of the review team members joined them on the 11<sup>th</sup> of February 2004.

## **DATA COLLECTION METHOD**

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

## **FINDINGS**

### **Employment**

There is opportunity for employment in the logging operation, however, the local communities do not benefit from this direct employment. There is a tendency for the logging company to employ women from other provinces than the West New Britain Province.

### **Distribution of Benefits/Royalty Payments**

Royalty payment is received by men as they are the “clan leaders” and is shared by the men among their male clan members. Female clan members claimed that sometimes they receive only K2.00 or K5.00 of the total payout.

### **Environmental Destruction**

Landowners claimed the following environmental effects of the logging operation;-

- Oil Spill when large ships are loading logs which has caused destruction to the fishing grounds.
- Logging has caused destruction to plants which were once used as herbs for medicinal purposes.

- There are no trees for firewood. The logging company does not allow villagers from Buluma to have access to the timber off cuts from the sawmill to use as firewood. The company either sells them or burns them.
- The logging operation has affected the local river system which runs through Buluma (Gelo) village. From observation on this river system, there is too much pollution and lots of sediments in this river, which is stopping the river from flowing freely. This river is used for washing, cooking and drinking.

There is lack of drinking water. Very few people own water tanks and 44-gallon drums for collecting rainwater for drinking.

### **Part-time Marriages**

A lot of foreigners mostly of Asian origin who are brought in by the Logging companies are involved in “part time” marriages with local women. They marry local women and have children and leave them behind after their working term expires, without any form of support in terms of finance. Women are left to shoulder the problem single- handedly.

### **Landowner Issues**

Over 30 years ago (initial stage), landowners were paid 2000 pounds, material goods such as salt, axes, and soap for their land where the SBLC is currently doing forestry logging. Since then, the issue of land has never been reviewed.

The wharf at Buluma is built outside of the lease agreement area on customary land. Landowners claim that they have never received any payment for use of their land.

### **Income Generation Activities (Buluma Village)**

Fishing – Deep water fishing  
 - Cash cropping, Oil Palm, Copra, cocoa.

In the village of Buluma, people claimed that the logging company has brought more damages to the womenfolk than they can ever bargain for. In terms of royalty payment, women are excluded as beneficiaries. The environmental destruction to the river systems and the sea means that women do not have access to cash which is a necessity as the areas where they once fished and collected sea shells to sell for cash has now disappeared.

### **Other Observations:**

- There are signs of malnutrition in children. During the time of our visit to Buluma village, several children had skin diseases such as grille and scabies and many had eye diseases.
- There are no proper toilets, people use the sea and the bush as toilets.

- Buildings/Houses are very small and mostly made of bush material and timber off cuts.
- The villagers of Buluma have a laid-back attitude. They are not eager to enter into better deals for their land. For instance, they did not even know when the lease agreement expires and they could not even enter into any negotiation with SBLC in relation to their customary land where the wharf now stands.

**Recommendations:**

- There should be a provision in the “clan leader system” for a man and a woman representative so that clan women’s concerns are given due consideration in terms of the distribution of benefits.
- Strict laws to be made to safeguard women against exploitation by foreigners coming into the country on short term employment.
- Women must be included in all major decision-making from the very beginning of the project negotiation. Women are the closest gender to the environment. The land is their livelihood.
- For the Government to better fund the Department for Community Development so that they can effectively monitor the social impact of the logging operations.