

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 12.

TIMBER PERMIT (TP) : TP 15-53 OPEN BAY
TP HOLDER : OPEN BAY TIMBER LTD
LOGGER AND MARKETER (L&M) : OPEN BAY TIMBER LTD
L&M PARENT COMPANY (If Different) :
DATE OF FIELD REVIEW : FEBRUARY 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	(*)	
Landowners	Yes	No
PNG Forest Authority	Yes	Yes
Dept Environment & Conservation	Yes	Yes
Provincial Administration	Yes	No

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

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

FOREWORD

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

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

ACKNOWLEDGEMENTS

The Review Team acknowledges the support and cooperation given by PNG Forest Authority Port Moresby, PNGFA field officers, the Department of Environment and Conservation, Open Bay Timber Ltd, the East New Britain Provincial Government and Administration and the landowners of the Open Bay Consolidated TP area.

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1. LEGAL BASIS, PARTIES AND CONTRACTUAL RELATIONSHIPS

The key legislation governing logging projects is 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 TP 15-53 Open Bay are set out in Tables 1 and 2.

The logging project is governed by the Timber Permit issued to Open Bay Timber Ltd under the old Forestry Act in May 1986. Jack Genia re-issued the permit on 18 June 1992 for a period of 3 years. Since then a number of short periodic extensions have been given with the current permit issued in Dec 2002 and due to expire on 18 December 2004.

Under the permit, in addition to logging, the company is required:

- To reforest in accordance with the project agreement (cl. 4.3 and 4.5).
- To construct New Britain Highway from South West to the North West in the project area (cl. 4.4.1(b)).
- To upgrade and maintain the Trans-island Road from Open Bay to Wide Bay (cl. 4.4.1(c)).
- To construct of permanent materials bridges over Melani, Nesai, Matalaili, Loi and Sai rivers (cl. 4.4.1(d)).
- To upgrade and maintain all roads and bridges used by it.
- To develop and maintain residential, community and recreational facilities in an urban setting (cl. 4.6).
- To construct and maintain permanent wharf, berthing and loading facilities (cl. 4.7, 4.8).
- To pay royalties as prescribed (cl. 13).
- To pay K30,000 as performance bond within 30 days of the permit date (cl. 14).

The Review Team sighted an unsigned copy of the Project Agreement dated 18 December 1984. The Agreement acknowledges the various Timber Rights Purchase Agreements of 1967. Under clause 17 the State and the Logging Company agreed that a Timber Permit would be issued to the company for a term of 10 years which would expire on 31 December 1995 and under clause 18 the Parties further agreed that short periodic grants and extensions of the timber permit for periods not exceeding 6 months would be issued thereafter. The Timber Permit would be subject to the Act and the Project Agreement in the event of any conflict between the terms of the Timber Permit and the Project Agreement.

The Project Agreement also requires the company to carry out the major infrastructure obligations in relation to roads, bridges, wharf (berthing and loading facilities), residential, community and recreational facilities (urban development) as repeated in the Timber Permit as quoted above.

Two other major obligations for the company in relation to reforestation (cl. 5.2) and a chip mill (cl. 5.3) are as follows:

1. Reforestation:

The company shall establish and operate nursery facilities to provide planting material for the areas to be reforested, clear fell areas to be reforested, and plant or cause to be planted within 1 year of harvest in accordance with the following schedule –

<u>Project Year</u>	<u>Area (ha)</u>
1	100
2	450
3	550
4	900
5	1100
6	1100
7	1300
8	1300
9	1300
10	1400
11	1400
12	1050
13	1050
14	600
15	400

2. Chip mill:

- The company shall at its own costs construct a chip mill with an input capacity of 260,000m³ per annum on a double shift basis.
- It shall process through the chip mill the following minimum volumes of woodchip material –

<u>Project Year</u>	<u>Volume (m3)</u>
11	88,000
12	113,000
13	137,000
14	220,000
15	225,000
16	225,000
17	225,000
18	225,000

19
20
21

225,000
230,000
240,000 (each PY
thereafter)

TABLE 1: KEY DOCUMENTS

DOCUMENT	PARTIES	DATE OF ISSUANCE/ SIGNING/ APPROVAL	DATE OF EXPIRY	DOCUMENT LOCATION
TRP Agreement	Landowners and the State	1967	2007	Held at PNGFA. Dates also from the TRP Register at PNGFA
Timber Permit	Open Bay Timber Company Ltd	Current permit issued in Dec 2002.	18 December 2004	Held by PNGFA
Project Agreement	State and Open Bay Timber Ltd	18 Dec. 1984	Not Stated	Held at PNGFA. Only unsigned copy sighted
Deed of Variation of Project Agreement	State and Open Bay Timber Ltd	Under negotiation	N/A	Copy obtained from Open Bay Timber Ltd
Environment Plan (EP)	Approved by Minister for Environment & Conservation (E&C)	According to DEC, the EP was conditionally approved ¹	Expires in 2013	Copy held at DEC
EP Approval Conditions	Set by Minister for E&C	Refer to above and footnote. ²		
5 Year Logging Plan	Approved by PNGFA Managing Director	Not Required ³	N/A	
Annual Logging Plan	Approved by PNGFA Managing Director	25 August 2003	24 August 2004	Held by PNGFA

¹ DEC does not have a copy of the EP approval instrument on file.

² There has been no EMMP nor WMP prepared for this project since the project commenced, there has also been no WUPs applied for.

³ Current Timber Permit extension granted for less than five years.

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

NB: The Review Team could find no evidence of either Environmental Monitoring or Management or Waste Management Plans prepared for this project and no Water Use Permits have been obtained from DEC.

TABLE 2: ADDITIONAL (OR SUPPLEMENTARY) AGREEMENTS

DOCUMENT	PARTIES	DATE OF ISSUANCE/ SIGNING	DATE OF EXPIRY	DOCUMENT LOCATION
There is one local stevedoring company, Pene Holdings Ltd.	Open Bay Timbers Ltd and Pene Holdings Ltd	Documents not made available to Review Team	Not known	N/A

2. SUSTAINABILITY OF LOG PRODUCTION

This 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 rights to harvest logs were acquired by the State in 1967 for a period of 40 years. Several Timber Permits of short duration have been issued⁴, with the last extension being issued in 2002, and due to expire on 18 December 2004.

The company, Open Bay Timber Ltd (OBT) has established 12,000 Ha of forestry plantations on State land, which was purchased for the explicit purpose of establishing the forestry plantations. A further approximately 2000 ha are under dispute, which once resolved, would allow for the establishment of a permanent forest estate of 14,000 ha.

SGS records show that OBT began clearfelling and replanting plantations in 1997, exporting 40,000 m³ of round logs. In 2003 there were approximately 82,000 m³ of plantation logs exported in round form, plus a further 21,000 m³ of logs exported from natural forest logging.

Estimates of net yields from the *Eucalyptus deglupta* plantations obtained from OBT vary from 140 to 200 m³/ha. Felling is being carried out at a fairly young age of approximately 13 years, which equates to an average mean annual increment of between 11 to 16 m³ per ha per year. The plantations are harvested very efficiently (see photo 10).

A Deed of Variation of the Project Agreement is under negotiation. These negotiations began in 1997, and include major improvements in landowner benefits.

There is intense pressure from the East New Britain Provincial Government and Administration to develop oil palm on the existing forestry plantations, though the governor (the Honourable Leo Dion) has assured OBT that the current forestry plantations will be allowed to mature to full productivity prior to such conversion taking place and that adequate land for forestry plantations will be made available, should the oil palm development go ahead. This issue is further discussed in Chapters 5, 6, and 8 of this report.

The project at Open Bay illustrates the potential for a sustainable timber industry based on natural forest logging combined with the establishment of a suitable area of high yielding forestry plantations, and furthermore the potential to phase out logging of natural forests if a suitable area of forestry plantations can be established with secure land tenure.

3. FIELD WORK

The field inspection for TP 15-53 was undertaken during the period 9th to 14th February 2004. As well as meetings with the logging company managers and staff, and with landowners, the field inspection involved the following:

⁴ Permits of short duration are allowed under clause 18.2 of the Project Agreement.

- An inspection of set-ups prepared for logging but not yet approved (Set-up Malkolkol Block 1 184b 03/03, and Dex15-03/04).
- An inspection of set-ups closed after logging (Set-ups Dex 15-03/04KM39/03, and KM38/03).
- An inspection of a set-up currently being logged (Set-up Dex 8-02/03).
- An inspection of the Base Camp and township at Open Bay.
- An inspection of roads and bridges currently being used, and no longer being used.
- Meetings with Villagers, and interested groups (see Chapter 5).
- Meetings with Local Level Government representatives.
- Discussions with the Provincial Government and Administration officers in Rabaul.

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 15-53 Open Bay, the Review Team's observations were that:

- Past permit extensions were not done in accordance with the current Act for instance the Minister using an ordinary notice of extension without the required Form 118. The so-called short periodic extensions in this project cannot be lawfully maintained under the current Act.
- The extension of a Timber Permit issued under the old Act is legally questionable as there is a legal opinion that extension of projects under the old Act is not permitted under the current Act.

4.2 LOGGING COMPANY

The logging company, under the terms and conditions of the Project Agreement, is generally responsible for observing the requirements of the Timber Permit. At the time of the Review Team's visit there was no logging taking place in the natural forest but set-ups had been prepared for approval by the PNGFA Project Supervisor.

The observations of the Review Team are that:

(a) Planning and Control of Logging

- 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 logging in the natural forest is carried out in strict accordance with the Logging Code of Practice and Key standards.

A requirements not being met was observed to be:

- Occasional lack of chains on jinkers.

(b) The Log Pond

The log pond is located on the shoreline of Powell (Tago) harbour, which is a small lagoon and is used as anchorage and loading point for log ships. The lagoon lacks adequate flushing and when a ship is anchoring for loading, household rubbish and waste oil/fuel can be seen floating about within the lagoon.

The log pond has been in operation for many years, yet it has not been developed with due consideration for adequate drainage and being adjacent to a small lagoon has the potential to pollute the marine environment.

The Review Team noted that the two small portable sawmills operating at the log pond do not have the capacity to process the large numbers of reject logs that were observed.

Key requirements not being met were observed to be:

- The log pond breaches Key Standard 24: Waste management on log ponds.

(c) The Logging Camp

Open Bay Timber Ltd has constructed a small township complete with well equipped schools and a hospital. However, the township and camp were observed to be in need of considerable improvements to the drainage system. Blocked culverts caused water to flow across the roads and many houses had permanent water lying around the house posts or in the garden areas.

Key requirements not being met were observed to be:

- Indiscriminate spillage and dumping of fuel/oil within workshop area including the power generator shed.
- Although there was an excellent fuel bund constructed for the main storage tank, the distribution tank lacks a bund and the fuel pump leaks conspicuously.
- Lack of bund for the power generator shed.
- Lack of maintenance to the main fuel supply pipe, which was observed leaking into the swamp.
- Old unserviceable machines and parts inadequately disposed of.
- Lack of maintenance to the sewerage system in the housing areas (e.g. Local's Guest House).

- Lack of appropriate toilet facilities for some national houses.
- Lack of appropriate wastes disposal site for the township.

(d) Landowner Financial Benefits

Financial benefits received by landowners of the Open Bay TRP are only from Timber Royalties. The current Project Agreement does not cover any other levies to be awarded to landowners.

- Timber Royalty of K10 per cubic meter of log harvest volume.

(e) Landowner Infrastructural Benefits

The Review Team noted that the quality of roads, bridges and stream crossings constructed by Open Bay Timber Ltd, was generally good. Most roads were constructed for all weather conditions and creeks and stream crossings were constructed with steel culverts or steel and concrete causeways.

The Project Agreement states that bridges over the Melani, Nesai, Matalaili, Loi and Sai rivers will be constructed out of permanent materials using the NAASRA Bridge Design Specification: PNG Bridge Design Standards with Live Loading of 33 ton and lifespan of 25 years.

A concern raised by landowners with regards to roads and bridges was related to the fact that once logging has ceased from a certain area the company has no requirement under the Timber Permit or Project Agreement to maintain these roads. The company's position is that it is not responsible for the maintenance of these infrastructures once logging has ceased. However clause 5.1 (b) of the Project Agreement stipulates that the company shall maintain the New Britain Highway to a standard which is (clause 5.1 (b) (ii)) "trafficable in all weather conditions by conventional two-wheel-drive vehicles" and the Trans-Island Highway, from Open bay to Wide Bay (clause 5.1 (e)) to a standard which is "trafficable in all weather conditions by conventional four wheel drive vehicles".

Table of Infrastructure constructed by Open Bay Timber Ltd as per Timber Permit and Project Agreement⁵.

Period	Description	Status/Standard	Comments
1973-1975	OBT Airport	Completed	All weather condition
	Health centre, sports ground	Completed	Serves villages and employees
	30 residential houses	Completed	National & expatriates
	Police station & 4 staff houses	Completed	Police station includes Prison cell
	East New Britain Highway	22 kilometres with steel culverts	
1976 - 1980	Sawmill	Completed in 1976	Burnt down 1979

⁵ Information sourced from Open Bay Timber Ltd, PNGFA compliance reports, discussions with villagers and Review Team physical inspection

	Nesai Bridge	Pile-driven kamarere Wooden bridge	Washed out in 1978
	East New Britain Highway	42 kilometres & steel culverts	
	Trans-island road Open Bay-Wide Bay	8 kilometres & 20 log bridges	
	Additional staff houses		At Open Bay
	Asarogi Bridge	Pile driven iron posts	
1981-1985	East New Britain Highway, trans-island road 34 kilometres, 3km access road to Awungi village	18 kilometres with steel culverts	
	80 meter span steel culvert/cement causeway	Wide Bay	Wulwut River
	Office and housing facilities at Wide Bay	Completed	
1986-1990	East New Britain Highway	23km completed 1990	Total of 109km of Road completed
	Trans-island road	15km	Total of 70km of road completed
	Access road to Wide Bay villages	27km	
	Access road to Pondo Korako villages	25km	
	Steel bridge over Loi River	Completed	
	3-meter diameter steel culvert bridge	Completed	Maga creek
	I-beam steel/cement bridge	Completed	Melani & Matalailai
	Re-built Asarogi Bridge 1989		
	2 x3-meter diameter steel culvert bridge Loi river & Samberi river No1	Completed	
	2-meter diameter steel culvert causeway at Berea river	Completed	
	Community roads Masarau-Murunga 8km Masarau-Ips river 28km		These roads connect to Wide Bay
	Baia village to Baobao 3km To Pondo village 4km		Open Bay side
1991-1998	3-meter diameter steel culvert Samberi river	Completed	Causeway
	Log/cement bridge at Sawai creek	Completed	
	3-meter diameter steel culvert	Completed	Tributaries; Bubuai, magaWulwut, Melkong

Permanent causeway at Mevelo	Completed	
Relocated and constructed permanent causeway at Bera river		River changed its course
Permanent causeway at Buai river	Completed	
Community service roads	9.5km	Manakunai villages
Permanent steel foot bridge	Completed	Matanakunai village
Open Bay Timber Primary School	Completed	10 classrooms
Karlai Plantation Wharf	Completed	Wide Bay
3-meter diameter steel culvert; 9-meter span	Completed	Gogvlo creek-upper crossing
4-meter diameter steel culvert-4 meter span	Completed	Gogvlo creek-lower crossing
3-meter diameter steel culvert -6 meter span	Completed	Mensual creek
3-meter diameter steel culvert-6 meter span	Completed	Riril creek

It should be noted that the company has made numerous attempts to get the design of the Nesai Bridge approved for construction by the National Works Department in Port Moresby but is yet to get a satisfactory answer as to whether to proceed with the design or not.

(f) Royalties:

PNGFA records of royalties paid prior to the volcanic eruption of 1994 were destroyed.

Records of royalties paid by Open Bay Timber Ltd since the volcanic eruption in 1994 are given in the table below, (source: PNGFA Keravat, East New Britain).

Year	Volume (m3)	Royalty collected-Gross (K)	5% Withholding Tax (K)	95% Landowner-Net (K)
1995	18,415,352	82,181.76	4,109.00	78,072.67
1996	63,404.882	501,707.26	25,085.36	476,621.90
1997	23,084.205	230,842.05	11,542.10	219,299.95
1998	72,179,300	721,793.00	36,089.65	685,703.35
1999	82,086.092	820,860.92	41,043.05	799,817.87
2000	78,566.104	786,991.80	39,349.59	747,642.21
2001	60,229.788	602,297.88	30,114.89	572,182.99
2002	54,192.690	541,926.90	27,096.35	514,830.56
2003	12,671.947	127,690.35	6,384.52	121,305.83
Total	464,830.360	4,416,291.93	220,814.60	4,195,477.00

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

- The Review Team could find no evidence of the existence of either an Environmental Monitoring and Management Plan or a Waste Management Plan for this logging project.
- There was no Environmental Management & Monitoring Officer employed by the company to oversee the Environmental Plan requirements.

(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 Open Bay Timber Ltd has complied with this requirement. The company notes that that a performance bond for K300,000 is in place.

(i) Company Search

A company search shows that Open Bay Timber Ltd has a current registration. It has its registered office at Section 71, Lot 2, Turanguna Street, (PO Box 1020) Rabaul. It has a share capital of 13,215,000 issued shares held by Kowa Lumber Corporation of Japan (12,772,000), the Independent State of PNG (30,000), Department of Finance (State) (138,600), and the Department of Finance (State) (274,400)⁶. Its Directors are Hiroshi Nakamura, Mitsunasa Inaba, Toshifumi Ohira, Umiyuki Futagami, Toshiharu Sinohara, Francis Yendkao, Hisateru Sakaki, Hakiso So-omba, James Ikirima. The last annual return shown in the IPA records was lodged on 16 December 1999 for the year up to 28 May 1999. The company states that all annual returns are up to date, including the return for 2003.

The company is currently registered as a Forest Industry Participant under the Forestry Act 1991 (first listed in Nov 1993 – Registration Number FI 082).

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:

- There is a Project Supervisor and one monitoring officer on site at Open Bay. The officers have good accommodation and office facilities except for a means

⁶ The Department of Finance is listed twice.

by which to prepare reports. There is project vehicle, which is in good condition considering its age, but it has not been registered since 1999.

- The Project Supervisor has carried out his 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. In fact, with respect to natural forest logging, this project was the only one where the Review Team found no breaches of the LCOP.
- The Project Supervisor has established good working relationships with the logging company and landowners of the project area.
- The Project Supervisor has recently expressed concern in writing to his senior officers⁷ about the lack of a Logging Code of Practice for forest plantations. This concern is supported by the Review Team and identified in the recommendations section of this report (Section 8).

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 has no report or information on file to state its last compliance monitoring of Open Bay project.

4.5 LANDOWNER COMPANY

There is one Landowner Company within the Open Bay Timber Permit area, Pene Holdings Ltd. However this company does not play a formal role in the project.

5. LANDOWNER VOICED CONCERNS

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

- An initial briefing by the Review Team and a meeting at Open Bay with Representatives from 6 of the 7 TRPs that make up the Open Bay Timber Permit area, being from Kaboku, Mokolkol, Tomoip, Sulka Mengen, Agahat, and Simbali.
- Landowners at Angarka and Meibulu villages (Simbali TRP).

⁷ Copy of letter sighted by Review Team.

- Landowners at Mandorabit (Dengnagi TRP).
- Landowners at Matanakunai (the main meeting place).

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:

- Landowner representatives at the initial meeting at Matanakunai, Open Bay, were unanimously against the proposed move by the East New Britain Provincial Government to replace the existing forest plantations with oil palm plantations. They presented the Review Team with a petition outlining their concerns, of which the major concern expressed is the mass influx of outsiders to work in the oil palm plantation and related activities⁸.
- The landowners at this meeting also stated that when the State purchased the land from landowners for the forest plantation in 1968, a substantial amount of money paid to landowners was invested in Treasury Investments. These investments had an initial 10 years to mature from the above date. Landowners claim to have spent at least K7000.00 on legal fees for the release of their funds⁹.
- Landowners expressed concern about the negative social and environmental problems associated with oil palm development and expressed preference for the development of other agricultural crops such as vanilla, coffee and cocoa.
- Landowner representatives at the meeting were unanimous in their support for PNGFA to be given title to the land where the forest plantation is located so that forest plantings can continue, and to ensure long-term sustainability of the industry.
- The Review Team was also presented with a “list of landowners grievances” (dated 12 February 2004) concerning the operation of Open Bay Timber Ltd over the last 31 years. This document was signed by representatives of all 7 TRP areas and the concerns raised have been covered in this section of the report.
- Landowners expressed concern about the long delays in finalising the Deed of Variation of the Open Bay Timber Project Agreement. This has taken 7 years since the initial discussion started and is yet to be finalised. The original Project Agreement expires in December 2004.
- Landowners at Matanakunai Villages explained that there was a serious fuel spill in 2002 during transfer of fuel from a tanker to the storage tanks at the Open Bay Base Camp, they also expressed disappointment and frustration that they have received no feed back from DEC after DEC officers investigated the spill. The fuel spill however, was confirmed by the police as sabotage, and not due to the

⁸ The petition was presented to the East New Britain Provincial Government in 2002 and reported in the National Newspaper at that time.

⁹ According to documents obtained by the Review Team from PNGFA files and landowners, a total of A\$22,405 was paid to landowners in cash in 1967, and A\$191,127.00 invested in Treasury Investments, at an interest rate of 5.75 % per annum.

negligence of the company. DEC has produced a report, but it would appear that the landowners do not hold a copy.

- Landowners at Aingarka (also known as Gabriel Camp) and Meibulu raised concerns about the lack of maintenance and deteriorating conditions of the roads and bridges between Open Bay and Wide Bay that pass through their area.
- Landowners raised concerns about the future management of the PADF and the potential for inequitable distribution of funds. Landowners from the Dengnangi and Simbali TRPs suggested that each TRP should identify its own community projects and that funds be made available for that. They fear that if this approach were not applied, certain TRPs would benefit more than others.
- Landowners expressed concern that the logging company is only committed to constructing and maintaining roads and bridges that it is using for log extraction and neglecting those that it no longer uses (as required under the Timber Permit and Project Agreement).
- Landowners are frustrated with the delay in the release of the PADF. They would like to see some of the PADF used for agricultural development.
- Landowners from the inland TRPs claimed that the company tended to focus its infrastructure development assistance along the main trunk roads and instead of a fair distribution of development to areas where logs have been extracted.
- Landowners of the land where the main log pond is located claimed that the Provincial Government which leases the land from the landowners, has not paid the land lease rental due to them for 4 years (1997 to 2000 at an annual rate of K4000 per annum). The Review was able to confirm that this payment is still outstanding (at the time of the review) from correspondence sighted (PNGFA and Lands Department, Kokopo). The logging company notes that since 2001 it has paid the landowners directly, rather than through the Provincial Government.
- Landowners expressed concern that the frequent crossing of the rivers by jinker trucks is causing erosion and pollution for villagers living downstream.
- Landowners expressed dissatisfaction with quality of the wharfing facilities constructed by Open Bay Timbers Ltd. However the facilities are constructed in accordance with the Project Agreement, and are there for the use of the company. The company allows others to use the facilities free of charge.
- Landowners were anxious to know when the company is going to fulfil its obligation under the Project Agreement to install a sawmill or a chip mill.
- Landowners of village woodlots claimed that PNGFA and the company are causing unnecessary delays with regards to the harvesting and marketing of the trees.
- The landowners expressed concern that the Provincial Government and the National Governments have been benefiting from log export taxes from the area but have put nothing back in the area for infrastructure maintenance and social

and development assistance. Open Bay Timber Ltd is currently assuming responsibilities such as the payment of the health workers and medicines for the health centre. A permanent building built by the Lasul LLG for an Agriculture office remains vacant, as the provincial government is yet to appoint an officer for Open Bay.

- Landowners within the township and surroundings of Open Bay were concerned about the lack action by the company and relevant government authorities to remove unemployed outsiders (number exceeds company employees) living within the company compound despite numerous request for such actions to be taken.

6. PROVINCIAL GOVERNMENT DISTRICT OFFICE

The Review Team was able to meet with the Administrator and several of the senior officers of the provincial administration. In addition, LLG members from the four local level governments covered by the project area were consulted at various meetings. The Minister for Trade and Industry whose constituents are part of the Open Bay TRP also met later with the Review Team.

Relevant comments offered by the Provincial Administration and the Minister for Trade and Industry (the Honourable Paul Tienstein) were as follows:

- The Administrator stressed that the proposal to replace the current forestry plantations with oil palm will proceed as soon as outstanding matters including the consent of landowners from the area and the land tenure issues are resolved.
- The Administrator also stressed that no substantial development would come to the area unless the people agree to the proposal to replace the present forest plantation with oil palm.
- The East New Britain Provincial Government has conducted a number of feasibility studies to identify areas suitable for oil palm in the province and has concluded that its proposal to turn the Open Bay forest plantations into oil palm plantations is based on rational decision-making principles.
- The member for Pomio Baining and Minister for Trade and Industry, the Honourable Paul Tienstein, expressed his reservations on the proposal to convert the existing forest plantations - which have been established as a viable sustainable industry - to a different land-use such as oil palm. He also expressed the need for the original landowners wishes to be of paramount importance.

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.
- That regeneration growth in the set-ups that were logged in 1982 and inspected by the Review Team (in a set-up included in the current Annual Logging Plan), illustrate that trees of certain species, for example, *Octomeles sumatrana*, *Eucalyptus deglupta* and *Anthocephalus chinensis*, have reached merchantable size within 22 years after the initial logging (see photos 1,2 and 3)¹⁰.
- A residual tree that was left during the felling operation that took place in 1982, also illustrates the potential for trees that were present during the first logging operation, and left undamaged, to continue to grow rapidly. For example the *Eucalyptus deglupta* shown in photos 4 and 5 is now well over a metre in diameter at breast height and has excellent form and has been marked for felling (without waiting for the sustainable cutting cycle of 35 years).
- Mature *Eucalyptus deglupta* trees are often found to have defects such as heart rot and although the remaining wood is often quite sound (for sawmill purposes) it would be appropriate to consider the implications of felling this tree (photos 4,5) or leaving it as seed source.
- *Eucalyptus deglupta* plantations support a variety of under storey tree and other plant species, which in turn support a variety of fauna. This was a point noted by the landowners in their petition against the proposal to convert the forestry plantations to oil palm. The landowners claim that they regularly hunt in the forest plantations and realise that this would not be possible if the plantations were converted to oil palm.
- The excessive soil disturbance during extraction of the felled trees (photo 10), in the forest plantations could have a negative effect on the soil fertility by increasing run off during heavy rains and soil compaction causing slower growth of replanted trees. The practice of gardening between the replanted trees would reduce the soil compaction but further increase run-off, particularly on slopes.

8. BROAD RECOMMENDATIONS FOR TP 15-53 OPEN BAY

Besides its business activities Open Bay Timber Ltd has been providing health services through its existing health centre and monthly clinical field visits to remote villages. The company has also constructed education facilities, which are available to children from the Matanakunai village and for children whose parents are employed by the company.

The landowners are currently negotiating with the PNGFA who is then negotiating with Open Bay Timber Ltd with the aim of preparing a Deed of Variation to the Project

¹⁰ These trees were confirmed to be regeneration, rather than residuals, by their location, adjacent to the road, which would have been cleared during the 1982 logging operation.

Agreement for TP 15-53, which will be acceptable to all stakeholders. The current Project Agreement expires on 18 December 2004.

Open Bay Timber Ltd was supposed to establish a chip mill in line with the Project Agreement, however, according to the company the lack of a market for wood chips caused a change in their downstream processing strategies and a sawmill was constructed in 1976 but was burned in 1979. The company has plans for a new sawmill once the Deed of Variation is signed.

The project at Open Bay illustrates the potential for a sustainable timber industry based on natural forest logging combined with the establishment of a suitable area of high yielding forestry plantations and furthermore the potential to phase out logging of natural forests if a suitable area of forestry plantations can be established with secure land tenure.

The pressure from the administration in Rabaul, for landowners to accept the development of oil palm plantations at Open Bay is causing frustration amongst landowners who have expressed unanimous and intense opposition to both oil palm plantations and resettlement schemes¹¹.

The uncertainty of land tenure over the forestry plantations is a contributory factor to the delay in the signing of the Deed of Variation to the Project Agreement.

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

- That Open Bay Timbers Ltd takes immediate action to register its fleet of vehicles. The company is of the view that none of the roads belong to the Government, and hence registration is not required.
- That the PNGFA registers its project vehicle at Open Bay.
- That the land ownership issue where the existing forest plantation is located be resolved and confirmed in writing from the Lands Department i.e. that the land title is held by PNGFA and a subsequent sub-lease issued to Open Bay Timber Ltd.
- That the wishes of all landowners to reject oil palm development and retain the existing forestry plantations be respected.
- That the Deed of Variation to the Project Agreement is translated into a simple English language version which would allow the landowners to become fully aware of the benefits contained in the document as well as the implications relating to the credit for infrastructure.
- That the company and PNGFA speed up the finalising and signing of the Deed of Variation which has taken 7 years negotiations to date.

¹¹ In a recent meeting (9 March 2004) between landowner representatives from the Open Bay Consolidated Timber Permit area and the East New Britain Provincial administration, landowners resolved to buy back the land on which the forestry plantations are established rather than allow them to be converted to oil palm.

- That once the new Deed of Variation is signed, the provincial government collaborate with Open Bay Timber Ltd to ensure maintenance of roads and bridges. It is the company's intent to hand all roads over to the appropriate Government body, for its maintenance, as soon as possible.
- That DEC update its records and files pertaining to the project and liaise with Open Bay Timber Ltd regarding the necessary applications for Water Use Permits.
- That DEC clarifies its actions regarding the oil spill that was brought to the attention of the Review Team (see Section 5 of this report) and notifies the villages of Matnakunai.
- That Open Bay Timber Ltd consult with DEC regarding an appropriate site(s) to dispose its wastes (liquid/solid¹²); and to prepare an Environmental Management & Monitoring Plan (EMMP) and a Waste Management Plan (WMP) for the project (Captains of log ships should also be given strict instructions with regard to disposal of rubbish).
- That Open Bay Timber Ltd recruits a suitably qualified Environmental Management & Monitoring Officer to specifically perform the tasks detailed in the EMMP and WMP¹³.
- That Open Bay Timber Ltd examine the feasibility of relocating the anchorage point used by log ships to minimise the potential for pollution to the waters of Powell Harbour.
- That Open Bay Timber Ltd make improvements to the township and Base Camp, including clearing the drains to eliminate standing or slow flowing water, maintenance of existing sewage systems and provision of appropriate septic toilet facilities for all employees (see photos 13,14).
- That the company and the Provincial Government take necessary measures to repatriate outsiders (non locals) currently squatting on company and traditional land.
- That there should be a woman representative on the PADF Committee (see report from Department for Community Development).
- That the company must ensure work safety of its employees and where there are outstanding claims the company should provide speedy assistance to the employees or dependents of the deceased employees to claim compensation under the Worker's Compensation Act (see report from the Department of Labour and Industry report). The company notes that the appropriate forms and documents are lodged with the Department of Labour at all times, and that it is

¹² Solid waste includes old machines and parts of machines.

¹³ It should be possible to recruit a multi-skilled Papua New Guinean person to fulfil this and the agro-forestry role.

the lack of response from the Department which causes the problems for the workers.

- The short periodic extensions of the timber permit for the project must cease after its expiration in December 2004 and steps be taken to bring the project in line with the new Act under s137(2).
- That once the land title for the existing forestry plantations is secure, and the Deed of Variation to the Project Agreement signed, Open Bay Timber Ltd should be issued with a Timber Permit of reasonable duration reflecting the sustainability objective of the Act..
- That Open Bay Timber Ltd should construct a sawmill as soon as practicable after all the above issues are finalised.

APPENDIX 1: SELECTION OF PERTINENT PHOTOGRAPHS

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



DEPARTMENT OF LABOUR AND INDUSTRIAL RELATIONS

Private Sector Training and Monitoring Division

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

INSPECTION REPORT

INTRODUCTION

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

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

The 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.

The inspection is part of the review of current logging projects undertaken under the auspices of the Department of National Planning and Rural Development and facilitated by the Forest Review Team. The Department of Labour and Industrial Relations is a member of the review team that undertook the inspections on Open Bay Timber Limited (OBT) logging and reforestation operations at Open Bay in the East 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 OBT do have valid work permits and are physically performing in the position occupations approved under the company's three-year training plan submission
- Determine if the company is actively implementing their training implementation program
- 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 (OBT) to comply and take corrective measures (if any) to conform to respective legislative requirements/ agreements and training obligations.

1. Background to Inspection

The current term of position approvals and work permits for non-citizen employees at Open Bay Timber Limited (OBT) will expire at the end of September 2004. In order to renew their positions and work permits for another three-year term, they are required to submit a company three year training plan review submission for position approval three months before the expiry of work permits. Upon approval of positions, they will then apply for work permits renewal.

This inspection on OBT is timely and appropriate to enable dialogue and consultation before they can submit their company submission for renewal of positions and work permits.

The inspection on Open Bay Timber Limited (OBT) was undertaken from Monday 16th to Wednesday 18th February 2004. We began with the review team briefing with the Company's (OBT) General Manager Mr. Toshiharu Shinohara and the Assistant General Manager Mr. Francis Yendkao on Monday 16th February at the company headquarters at Open Bay in the East New Britain Province. Introductions and formal discussions were held with the above two company executives thereafter. We visited the company workshop facilities in the afternoon.

On Tuesday 17th February, we travelled back to Bakada in West New Britain Province to check the operations of Kerawara Limited. Although Kerawara operations at Bakada was not listed for review at that particular point in time, it was necessary to verify their non citizen employment status, position occupation and safety aspects of their operations. We inspected their site office and workshop facilities as well and held discussions with the camp operations manager, Mr. Chong Chew San. During our discussions, we discovered that all the non-citizen employees of Kerawara did not have their work permits on them, let alone any copies of work permits. They referred us to their Port Moresby office, which we later confirmed.

At Open Bay Timber Limited, we discussed issues through organized meetings, held informal sessions with various other stakeholders and concerned citizens during the day as well as in the nights at our transit guest house.

The Information contained in this report was obtained through discussions with the General Manager, Mr. Toshiharu Shinohara, the Assistant General Manager, Mr. Francis Yendkao 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 Open Bay and included discussions on their Training Plan Review Submission.

2. Brief Statement of Main Findings

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

- ◆ *Employer information*
- ◆ *Counterpart training and position localization*
- ◆ *Implementation of company safety policy*
- ◆ Workers compensation and unfair dismissal issues

B. METHODS

The company's (OBT) non-citizen work permit expiry and training plan review submission was the lead point of our discussions with understanding of issues relating to the operational complexities and constraints. We were mindful with our approach to the company management by not disrupting their normal duties however, their willingness and cooperation ensured that all aspects of the issues were discussed.

The company's General Manager and the Assistant General Manager was requested to provide information in the company office at Open Bay, 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 renewal of work permits and their training plan review submission.

The questions asked to them differed depending on the subject and issue at hand. The consultation session with the company management lasted more than 3 1/2 hours, as it required thorough consultation on the company's Training Plan Review Submission and work permits which is due to expire at the end of September 2004.

C. FINDINGS

1. Employer Information

Company Name	-	Open Bay Timber Limited (OBT)
Address	-	P.O. Box 48, Rabaul, East New Britain Province
Head Office Location	-	Section 71, Lot 2, 22 nd Street Rabaul, East New Britain Province
Contact Person	-	Mr. Toshifumi Ohira
Designation	-	Acting Managing Director
Telephone Number	-	9821633
Business Industry	-	Forestry/ Logging
Date of Inspection	-	Monday 16 th to Wednesday 18 th February 2004

2. Company Training Plan Review Submission

Open Bay Timber Limited's training plan submission is due for review in July 2004, as the work permits for their non-citizen employees shall expire at the end of September 2004. The company's Training Plan Review Submission will be assessed and evaluated before a decision is made on their request for renewal of work permits for existing positions and additional positions.

Information obtained during the inspection indicates that there are nine (9) non-citizens employed by Open Bay Timber Limited (OBT). Eight (8) of these non citizens are physically based at the log operation site at Open Bay while the Managing Director is based at their Rabaul office. Issues relating to the company's current activities and information obtained during this inspection shall be assessed and evaluated to verify their request for renewal of current non citizen positions and work permits. If and when there is a need for additional non-citizen position, the company shall advice the Department of Labour and Industrial Relations (DLIR) through a supplementary submission for additional positions.

This inspection was timely 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.

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.

3. Position Occupation by Non Citizens

The non citizens employed by Open Bay Timber Limited occupies positions that are of strategic importance for the sustainability and continuity of the company's operations to meet sales targets for profitability. The nine non-citizen positions compared to the 188 citizen employees is a remarkable achievement in terms of citizen employment and training. There are 10 citizen staff and a further 2 citizens who are working as understudies to their non-citizen counterpart.

Generally, the company must be commended for their efforts in training of citizens that is reflected by the reduction in the number of non citizen employees.

Table 1.
Non Citizen Employees

Names	Occupation	Nationality
<i>Ohira Toshifumi</i>	Managing Director	Japan
Toshiharu Shinohara	General Manager	Japan
<i>Katsuo Saito</i>	Operations Manager	Japan
Umiyuki Futagami	Shipping manager	Japan
Toru Matsumoto	Workshop Manager	Japan
Dionisio Quinones	Forest Manager	Philippines

David Corpuz	Reforestation Manager	Philippines
George Sanchez	Field Mechanical Supervisor	Philippines
<i>Chally Saquid</i>	<i>Workshop Foreman</i>	<i>Philippines</i>

No violation of work permits was detected, as all their work permits are currently valid and will expire at the end of September 2004.

4. Citizen Employees Training Implementation

There are 178 citizen employees employed in various capacities in respective departments of the company. Apart from the above employees, 10 other citizens are employed as senior national management staff within the company. The names of these 10 senior national staff are listed below.

Table 2.
List of National Management Staff

National Management Staff		
No.	Name	Position
1	Yendkao Francis	Assistant General Manager
2	Giia Mark	Administrative Manager
3	Turbarat Ronald	Personnel Manager
4	Timi Nicholas	Assistant Workshop Manager
5	Hosea Mathew	Logging Manager
6	Tukau Arnold	Logging Foreman
7	Mathew Joe	Logging Foreman
8	Cayjan Aoea	Assistant Log Pond manager
9	Otto Tosei	Assistant Forest Manager
10	Bulnava Joe	Assistant Reforestation Manager

Table 3.
List of Non-Citizen and Citizen Counterpart Arrangement

Citizen Counterpart Arrangement				
No.	Non Citizen	Position	Citizen	Status
1	Paul Blaney	Admin Manager	Mark Giia	Localized
2	Katsuo Saito	Road Construction	Jacob Lotu	Understudy
3	Umiyuki Futagami	Log Pond Manager	Cayjan Aoea	Understudy
4	Toru Matsumoto	Workshop Manager	Nicholas Timi	Understudy
5	Dionisio Quinones	Forest Survey/ Planning	Otto Tosei	Understudy
6	David Corpuz	Reforestation	Joe Bulnava	Understudy
7	George Sanchez	Workshop	Timothy Lak	Training
8	Chally Saquid	Workshop	Esekel Kuakauna	Training

The number of citizen employees (188) compared to the 9 non-citizens is a remarkable achievement in so far as training is concerned. While 10 citizen employees are occupying management positions as understudies and trainees, the 178 employees occupy mainly middle level and semi skilled occupations.

The occupation of positions in the management level is a reflection of the company's efforts and genuineness in training citizen employees to occupy high level positions normally occupied by non-citizens. It is appreciative that certain key positions are earmarked for only non-citizen occupation due to the nature of the business and strategic importance of the positions. Likewise, we acknowledge the company's commitment in assigning PNG citizen employees as understudies in those management positions.

Not many issues were raised in regard to training and localization, indicating a general satisfaction on the current training arrangements within the company. However, there is no person employed in trade skills areas as apprentices at present while the last batch of apprentices were employed in 1995. The demise in apprenticeship training may be attributed to the following factors:

- Lack of information and awareness by DLIR through the National Apprenticeship and Trade Testing Board Secretariat (NATTB).
- The nature of business operational circumstances and locality of operations.
- Lack of understanding by the company on the usefulness and benefits of the apprenticeship concept of training.

5. Position Localization

The 10 citizen employees who are currently occupying managerial positions within the company have through their years of employment underwent career succession programs to qualify and occupy current positions. They have succeeded in their respective occupational capacities to gain promotion and have in the process of employment, localized middle level positions to excel to current managerial positions. The most recent localized position being administrative manager position, localized by Mr. Mark Giia.

6. Implementation of Company Safety Policy

While not much was raised on the training issues, observation on Open Bay Timber Limited'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 reveal that the company has done very little to facilitate and promote safety at the workplace, leaving the employees vulnerable to accidents and injuries. Discussions also revealed that the company does not have a company safety policy to manage and implement various aspects of safety and hygiene. At the time of this inspection, we discovered that the company placed orders for safety apparels and equipment in January 2004. However no equipment was received at Open Bay Timbers operational site at Open Bay, and when we followed it up with

their office in Rabaul, we were informed that the delay was caused by their supplier in Lae, Morobe Province.

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

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

7. Concerns

Concerns were raised on various issues to be addressed by respective stakeholders and agencies and most issues relate to workers compensation and unfair dismissal

7.1 Concerns Raised by Open Bay Timber Limited

The concerns by OBТ included the following:

- a) Lack of consultation, support and coordination from relevant Government agencies in Rabaul, especially DLIR
- b) No regular visits from DLIR representatives in Rabaul
- c) No communication with the NATTB

7.2 Concerns by OBТ Employees and Others

Concerns raised by the employees included the following:

- a) Employees not having any lunch breaks
- b) No safety apparels and care for employees
- c) No proper toilets and hygiene facilities at the single and married quarters
- d) Unfair dismissals with no finish pay.

1. Concerns on workers compensation

- a) Name - Mr. Peter Yatonga
Occupation - Dozer operator
Deceased - 1986

Forms duly filled and last correspondence dated 13- 10- 03

Enquiries on progress of the case by wife, Weka Yatonga and son Junior Yatonga

- b) Name - Mr. Ambia Ramba
Workers Compensation Reference - 27858
DLIR Kokopo Reference - K11343/ 392
All formalities completed but form 18 not endorsed by Mr. Ambia Ramba.
New form 18 was duly endorsed in 2003
Enquiry on progress of workers compensation payment.

2. Unpaid leave entitlements

- a) Name - Mr. John Apure
Commencement date - 3/ 11/ 73

Resignation date - 28/3/03
Resignation pay - K 38.01
Letter to OBT by David Ario dated 23/07/03 ref: 63- 30- 2
No response from OBT to date
Request for DLIR (Kokopo) to follow up

7.3 Other Concerns

It was noted that all the company's bulldozers, tractors, loaders, Jinkers and light vehicles are not registered with the Land Transport Board of the Department of Transport. This applies to all vehicles and heavy equipment used in all the logging operations inspected so far except for PNG Forest products and SBLC. This is a serious breach of the Land Transport ACT and the Motor Vehicle Insurance ACT and the ignorance of the companies put the lives of the operators and drivers at risk with no guarantee for insurance cover and fair compensation.

This also deprives the Government of revenue collection from these activities.

It was not established whether the operators and drivers have valid licences but the company's ignorance of this important matter suggest that the operators and drivers also may not have valid licences.

The above scenario also gives rise to the suspicion that the sawmill and heavy plant equipment may not have valid heavy machinery and factory registration.

8. Personnel Matters

There was not much expressed on issues concerning citizen employees working conditions. 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 are reflected in the issues raised in the findings in item 7 of this report.

D. CONCLUSION

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

The management of Open Bay Timber Limited has taken a positive approach towards training of citizens with subsequent promotion and counterpart understudy arrangements in managerial positions. However, the company (OBT) and Kerawara Limited have violated the Land Transport ACT and the Motor Vehicle Insurance ACT in not having their vehicles duly registered.

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

E. RECOMMENDATIONS

1. The Department of Labour and Industrial Relations to formally acknowledge the efforts of OBT in training citizen employees.
2. The Department of Labour and Industrial Relations approve the company's training plan submission.
3. The Department of Labour and Industrial Relations to attend to the concerns raised by the employer and employees.
4. The Department of Labour and Industrial Relations to direct respective divisional heads to conduct routine inspection visits to the company operational sites.

**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

GENDER AND DEVELOPMENT DIVISION

INDIVIDUAL PROJECT REVIEW REPORT

COMPANY: OPEN BAY TIMBER

LOGGING SITE: OPEN BAY
EAST NEW BRITAIN PROVINCE

DATE OF FIELD TRIP: 14TH – 21TH 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 Women's Policy (1990) PNG National Council Of Women Act (1979) PNG Platform for Action: A Decade of Action for Women towards National Unity and Sustainability (1995-2005), Convention on the Elimination of All Forms of Discrimination Against Women/CEDAW (1995) Social Development Policy (1993) Child Welfare Act Chapter 276 (1976), Convention on the Rights of Children /CRC (1993)

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 Open Bay took place from Saturday the 14th – Saturday the 21st of February 2004. Open Bay is a very isolated area of the East New Britain Province. The trip to Open Bay took the Review Team a three (3) hour drive and about an hour boat ride from Kimbe, WNBP.

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

- Open Bay is very isolated and there is an absence of Government services. People confidently talk about NGO activities in Open Bay than that of the Government.
- The coastal area is a matrilineal society. Royalty payment is shared equally between men and women. The inland (Bainings) is a patrilineal society where the male clan members receive the royalty payment. It is the culture of the Bainings that money is kept by the wife and she decides on how the money is spent.
- There is an established Women's Association in Open Bay which is an umbrella organization for all the small fellowship groups in Open Bay.
- The Open Bay Health Centre is fully operated by OBT. It is currently staffed by three health workers; a midwifery, Community Health Worker (CHW) and a Nursing Officer (NO). Services provided include; inpatient, general wards and a labour ward with birthing facilities. The Health Centre provides services to the whole of Open Bay and neighbouring villages of the WNBP.
- The Open Bay Top Up School was established by OBT. For the initial two years it operated as a private school until it was registered with the Education Department. The infrastructure is very modern and is fully maintained by OBT while the government maintains the teachers salaries. Teaching material is provided for both by the Government and OBT.

- There is a one man Police Operation in Open Bay whose services seem to be required only on the Company's pay-day.
- There is no DPI officer on the ground. There is a big need for their services by the people.
- Local people from Open Bay would like all outsiders (non locals) to be repatriated to their own provinces. They claim that non- locals of Open Bay have been involved in instigating trouble in the area.

ENVIRONMENTAL DESTRUCTION

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

- Logging has caused destruction to plants which were once used as herbs for medicinal purposes.
- The logging operation has affected the local river systems. After logging was introduced, river systems have dried up.

INCOME GENERATION ACTIVITIES

Fishing – Deep water fishing

- Cash cropping - Copra, cocoa, vanilla.

RECOMMENDATION:

- The Government of East New Britain must respect the wishes of the people of Open Bay area to continue developing their tree plantations.
- The OBT must give assistance to the Open Bay Women's Association as stipulated in the Project Agreement.
- The Department of Agriculture & Livestock must ensure they have officers on the ground. There is big demand for their services on the ground.
- The Department of Health to assist in maintaining the Open Bay Health Center.
- 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.
- For non-locals of Open Bay to be repatriated to their provinces of origin. The Department of Provincial and Local Level Government to take charge of this.