

PNG FORESTRY REVIEW TEAM

AUDITING FORESTRY PROJECTS CURRENTLY "IN PROCESS" FOR COMPLIANCE WITH THE REQUIREMENTS OF THE POLICY, THE FORESTRY ACT AND OTHER REGULATIONS AND GUIDELINES

To: Government of Papua New Guinea
C/- The Interagency Forestry Review Committee
Office of the Chief Secretary to Government

From: Review Team

Date: 5 February 2001

Re: **INDIVIDUAL PROJECT REVIEW REPORT NUMBER 13**
JOSEPHSTAAL (MADANG PROVINCE)

AUDIT CONCLUSIONS AND RECOMMENDATIONS:

RESOURCE AND PLANNING ISSUES:

The sustainable timber yield principle has been complied with. The project is not in compliance with the Act in that it is not listed in the National Forest Plan for development. A significant proportion (10%) of the forest is classified by the Office of Environment and Conservation as "fragile". The harvestable volume is hugely overstated in the FMA document, creating landowner expectations which will never be able to be met. The potential sustainable annual cut is too small to support a financially efficient logging investment, or a conventional stand alone log export project. The right of the PNGFA to implement conservation set asides has not been bought forward into the draft Project Agreement.

LEGAL COMPLIANCE:

Due process has generally been observed. However, due to the lack of documentation in the files it is not possible to confirm compliance with some matters relating to the conduct of an initial landowner awareness campaign and in relation to approvals for the Development Options Study and the project guidelines.

LANDOWNER ISSUES:

Landowner awareness work was carried out by Landowner Companies, NGOs and the PNGFA, and is considered to be adequate. The proliferation of family based ILGs indicates that the ILG work is not satisfactory, and the ILGs are not a sound basis for ongoing management of the land and forest resource. Landowner representatives have

been involved in the forest resource allocation process but no specific landowner aspirations are set out in the Project Guidelines or the draft Project Agreement.

RECOMMENDATIONS (INCLUDING CORRECTIVE MEASURES IF REQUIRED):

- That the PNGFA update the National Forest Plan.
- That the PNGFA and Office of Environment and Conservation negotiate a position regarding the harvesting of Fragile Forests for inclusion in the Logging Code of Practice.
- That the PNGFA Board review the sensibility of Josephstaal as a viable forestry project.

That if the PNGFA Board decides to not proceed with the project:

- That the PNGFA undertakes landowner awareness work to communicate the decision and reasons to the landowners and the Provincial Government.

That if the PNGFA Board decides to proceed with the project:

- That the PNGFA undertake landowner awareness work to explain the cancellation of negotiations with the selected developer.
- That the PNGFA correct the forest resource description set out in the Forest Management Agreement.
- That the PNGFA revisit the ILGs.
- That the PNGFA reconsider the Supplementary Forest Management Agreement to regularise certain defects, and to make it truly supplemental to the original agreement.

Note: The individual project reports summarise the findings of the Review Team regarding material compliance issues, and present project specific recommendations for the consideration of the Interagency Forestry Review Committee. Separate reports produced at the end of the review process set out in more detail the audit procedures applied, and comments and recommendations regarding existing policies, legal requirements and project development processes.

REVIEW REPORT

SUMMARY PROJECT DETAILS:

Project type:	Forest Management Agreement / Timber Permit
Processing stage:	Formation of Incorporated Land Groups (ILGs) completed. Forest Management Agreement executed. Development Options Study completed. Project advertised. Negotiations entered into with Sustainable Forest Resources of PNG Pty Ltd (associated with the NGO The Nature Conservancy), but negotiations terminated by the Board following developer demands which were considered inconsistent with it's proposal.
Gross FMA area:	98,000 ha
Gross loggable area:	53,000 ha
Net sustainable timber yield:	26,000 m ³ /annum (a)

(a) Review Team estimate based on:

- Area information extracted from the PNGFA Geographic Information System (FIMS);
- Gross volume per hectare information from PNGFA field inventory work (FIPS);
- A standard reduction factor of 15% applied to gross loggable area;
- A standard reduction factor of 30% applied to gross volume per hectare; and
- A 35 year cutting cycle.

A. FORESTRY AND PLANNING ASPECTS

<p>1. SECTORAL PLANNING AND CONTROL</p>	
<p><u>PROVINCIAL FOREST PLAN</u></p> <ul style="list-style-type: none"> • PNGFA Board endorsed Provincial Forestry Plan exists: • Is the Provincial Forestry Plan current: • Is the Project listed in the Provincial Forestry Plan: <p><u>NATIONAL FOREST PLAN</u></p> <ul style="list-style-type: none"> • Is the Project listed in the National Forest Plan as required under s54 of the Act: 	<p>Yes</p> <p>No – expired August 1999</p> <p>Yes</p> <p>No – at the time the Plan was prepared a Project Agreement was being finalised with a Korean logging company and it was assumed that the area had been allocated and did not need to be listed. However negotiations later were abandoned.</p>

<p>2. PROJECT DEFINITION IN FMA DOCUMENT</p>	
<ul style="list-style-type: none"> • Is the gross loggable area properly defined: • Has the total gross merchantable volume been properly estimated: • Has the net merchantable volume 	<p>No. A 30% reduction applied to gross FMA area rather than basing gross loggable area on logging exclusion zones as defined in the Logging Code. Gross loggable area over-estimated by about 22,000 ha in the FMA. (Note: The SFR proposal notes that “garden development and a large burn area” (2500 ha) has extensively affected the area).</p> <p>No. FIPS data indicates a gross loggable volume of 28.6 m³/ha but a gross loggable volume of 69.2 m³/ha has been applied in the FMA document. (Note: The SFR proposal notes that “inventory information needs confirmation” by extensive field work).</p> <p>No. The FMA document applies the gross</p>

<p>been properly estimated:</p> <ul style="list-style-type: none"> • Have “Fragile Forest Areas” (OEC definition) been considered: • Have environmentally sensitive areas been considered: • Have conservation set asides been appropriately implemented: 	<p>volume per hectare to the gross FMA area to estimate the “volume of timber in the timber production area”. The indicated 4.6 million m³ is entirely misleading. A corrected estimate based on FIMS and FIPS data is 0.9 million m³.</p> <p>No, because there is no agreed position regarding fragile forest areas. An estimated 10% of the gross loggable area within the Josephstaal project area is classified as Fragile Forest.</p> <p>Yes. Large scale Gazetted conservation areas are excluded from the FMA area. Small scale Gazetted conservation areas are identified and excluded from the gross loggable area. The Logging Code prohibits logging in defined environmentally sensitive areas which are excluded when the gross loggable area is defined</p> <p>No. Whilst the standard FMA document reserves the right for the PNGFA to exclude up to 10% of the gross loggable area from logging for conservation purposes, this right (and its potential consequences) has not been carried forward into the Project Guidelines or the draft Project Agreement.</p>
--	---

<p>3. ESTIMATE OF SUSTAINABLE CUT</p>	
<ul style="list-style-type: none"> • Has the sustainable annual cut been properly calculated: 	<p>No. The sustainable yield indicated by the resource data in the FMA document (132,000 m³/a) is based on both a overstated gross loggable area and a overstated gross volume per hectare. The volume per hectare data is corrected in the Development Options Study and the Timber Project Guidelines, which indicate a sustainable cut of 39,000 m³/a. The available FIMS and FIPS data indicates a potential sustainable yield of 26,000 m³/a, or 23,000 m³/a if the areas classified as Fragile Forest are excluded from logging. (Note: The developer undertook its own field survey work and estimated a sustainable yield of 29,000</p>

<ul style="list-style-type: none"> • Is the estimated sustainable yield sufficient to support a financially efficient logging investment (min 30,000 m3/a): • Is the estimated sustainable yield sufficient to support a stand-alone log export operation (min 70,000 m3/a guideline set by PNGFA Board): 	<p>m3/a which it viewed as uneconomic).</p> <p>No</p> <p>No</p>
---	---

<p>4. CONSISTENCY BETWEEN DOCUMENTS</p>	
<ul style="list-style-type: none"> • Is the area and volume data consistent between the FMA, the Development Options Study, the Timber Project Guidelines and the draft Project Agreement. • Any other material inconsistencies regarding the resource: 	<p>No – as set out above. The draft Project Agreement did not include any resource details.</p> <p>None found.</p>

<p>5. ANY OTHER MATERIAL NON-COMPLIANCE REGARDING THE RESOURCE</p>	
<ul style="list-style-type: none"> • The standard cutting cycle assumed in the sustainable annual cut calculation. 	<p>The National Forest Policy specifies a 40 year cutting cycle. In practice a 35 year cycle is applied. No explanation is available.</p>

RECOMMENDATIONS REGARDING FORESTRY ASPECTS:

1. SECTORAL PLANNING AND CONTROL

- That the PNGFA update the National Forest Plan.
- That the PNGFA pro-actively assist the Madang Provincial Government update their Provincial Forest Plan (s49), and facilitate the inclusion of the updated Provincial Forest Development Programme (s49(2)(b)) into the National Forest Development

Programme (s47(2)(c)(ii)) as required under the National Forest Policy (Part II (3)(b)) as the basis for the PNGFA's acquisition and allocation programme.

- That the PNG Government direct the OEC and the PNGFA to determine a formal position on whether Fragile Forest Areas (OEC definition) may be logged, and incorporate the agreed position into the Logging Code.

2. PROJECT DEFINITION

- Given that:
 - Contrary to earlier PNGFA expectations Josephstaal is unable to support a conventional stand alone log export project;
 - The volume set out in the FMA document creates land owner expectations which will never be able to be met; and
 - The Review Team's understanding that prior to any harvesting a logging access road of some 40 km will need to be constructed through land not covered by the FMA;

That the PNGFA Board review the sensibility of Josephstaal as a viable forestry project.

3. ANY OTHER MATERIAL NON-COMPLIANCE REGARDING THE RESOURCE

- That the PNGFA either base their sustainable cut calculations on a 40 year cutting cycle (as required under the National Forest Policy) or provide justification for adopting a 35 year cutting cycle.

B . LEGAL COMPLIANCE

SUMMARY OF LEGAL COMPLIANCE:

- Due process has generally been observed.
- The claims of impropriety and lack of transparency made by The Nature Conservancy should be seen as those made by an unsuccessful proponent. The PNGFA Board and the National Forest Service, while clearly taking time to advance the project, acted properly at every stage. Every decision and action on their part appears to have been based on a genuine assessment and application of proper considerations.

A full checklist and accompanying notes are presented in Appendix 1.

RECOMMENDATIONS REGARDING LEGAL ASPECTS:

1. That the exercise by PFMCs of their role in certifying FMAs must be improved. Landowner representatives must be present at PFMC meetings and a note of their presence should appear on National Forest Service files at headquarters. An

independent verification of ILG incorporations and of the willingness of landowners to sign the FMA must be undertaken by or on behalf of the PFMC.

2. That care must be taken in relation to the execution of FMAs and other Agreements by the PNGFA. The corporate seal must be properly affixed and should be clearly visible on photocopies. All parts of the FMA should be completed. Care must be taken to ensure that Supplementary FMAs truly supplement the original FMA.
3. That genuine consultation with landowners and Provincial Governments concerning the content of Project Guidelines must be undertaken by PFMCs.
4. That consideration should be given to placing formal controls on the practices of registered participants and consultants. A Code of Practice might be devised and applied. The prospect of de-registration in the event of improper practice should be a real one.

C. LANDOWNER ISSUES

RESOURCE ACQUISITION	
1. Landowner Awareness	
<p>The Review Team was looking for evidence of an awareness package containing information explaining the purpose, benefits and otherwise to be expected from the project. This could include general conditions that could be used for all prospective projects.</p>	<ul style="list-style-type: none"> • Much of the earlier awareness activities were being done through companies that had an interest in developing the resource. It would appear that each developer presented its own method of approach and projected benefit packages to landowners. • In 1997, NFS carried out comprehensive awareness on the FMA concept as the people were familiar with the TRP approach under the old Act. • In the same awareness exercise the team briefed the landowners on the status of the project. • NGOs have visited the landowners recently and presented a view that is opposed to conventional logging operations.
2. Landowner Mobilisation	
Landowners are required to be mobilised by means of the Land Groups Incorporation Act. The	<ul style="list-style-type: none"> • Initially, Josephstaal Development Corporation was the only Landowner Company (LANCO) representing the

<p>Review Team was looking to find evidence of full participation by landowners in the ILG process particularly with regard to:</p> <ul style="list-style-type: none"> • Recognition that the resources are owned by individual land groups and not collectives of land groups • The formation of representative bodies for project consultations and negotiations. 	<p>landowners.</p> <ul style="list-style-type: none"> • Angumatepa P/L was later formed as the other LANCO in the proposed project area. • The direct involvement of the LANCOs was made irrelevant by the adoption of the FMA. • 1996, 131 ILGs were registered and signed the FMA. This figure was found to be not representative of the landowners in the area. • Supplementary ILGs were conducted which increased the number to an additional 259 ILGs. • NFS has been made aware of some of the disputes in the ILGs and it has taken necessary steps not to have the ILGs registered until the situation is resolved.
<p>3. Forest Management Agreement</p>	
<p>Must Specify:</p> <ul style="list-style-type: none"> • Monetary benefits for the customary group • Area in agreement by map • PFMC certificate as to <ul style="list-style-type: none"> - authenticity of the tenure of the customary land - willingness of customary owners to enter into FMA • Review level of consultation with landowners 	<ul style="list-style-type: none"> • The first FMA was signed in 1995 and a supplementary one signed in 1997. • Certificates from PFMC are attached to Schedule 5 of the agreement. • Monetary Benefits attached- schedule 7 (note that the supplementary FMA has no monetary benefit schedule included in the document). • Detailed description of the proposed project area and a map of the area is in the document. • Sighted a document produced by CELCOR that contains signatures from the representatives of 9 clans indicating their intentions to pull out of the FMA. • In the hand written letters the landowners do not give the reasons as to why they want to pull out. This appears to be a new development that NFS is not aware of.

RESOURCE ALLOCATION	
1. Development Options Study	
<p>The Review Team was looking to see if the Development Options Study:</p> <ul style="list-style-type: none"> • Catered for landowner concerns and aspirations and if • All options presented for the resource development had a realistic chance of being pursued. 	<p>Development options set out in the DOS:</p> <ul style="list-style-type: none"> • Consolidate the concession area with adjoining forest area. • Undertake sawmilling operation. <p>SFR presented its development proposal to the NFS as the basis for negotiating a Project Agreement.</p>
2. Project Guidelines	
<p>Draft guidelines must be discussed and developed in consultation with the resource owners.</p>	<p>Project Guidelines have been produced. It is a standard form. Used by the companies bidding for the project to prepare their proposals.</p>
3. Project Agreement	
<p>Authority is required to involve landowners in selection of the “developer” and in negotiation of the Project Agreements according to the terms of the FMA.</p>	<ul style="list-style-type: none"> • The PNGFA Board selected Sustainable Forest Resources to be the developer. • Draft copy of the Project Agreement has been produced. • Negotiation with SFR has been terminated by the Board. • Assume that land owners have been informed accordingly.
4. Environmental Plan	
<p>EP is produced by the preferred developer according to the prescription of the Environmental Planning Act. Evidence of</p>	<p>No Environmental Plan has been produced at this stage.</p>

consultation with landowners is important.	
---	--

CONCLUSIONS REGARDING LANDOWNER ASPECTS:

- Multiplication of ILGs indicates very poor understanding of the definition of land groups and the Land Group Incorporation process.
- Land owners will want to know what is happening with the project. The break down in negotiations with Sustainable Forest Resources Ltd and the issues being raised have to be communicated to the land owners.
- Landowner dissatisfaction is demonstrated by the number of ILGs which have indicated their wish to withdraw from the FMA.

RECOMMENDATIONS REGARDING LANDOWNER ASPECTS:

1. That the PNGFA communicate recent developments regarding the termination of negotiations with SFR P/L to landowners.
2. That PNGFA ascertain the proportion of ILGs which wish to withdraw from the FMA with a view to cancelling the FMA by mutual consent.

APPENDIX 1 : CHECKLIST OF COMPLIANCE WITH LEGAL REQUIREMENTS

PROJECT – JOSEPHSTAAL FMA

Step	Compliance	Non-Compliance	Not Clear
<u>1. Landowner Consultation</u>			
Awareness campaign			?
Vesting of title	N/A		
ILG incorporation	Nov/Dec 94		
PFMC certificate	(1) 11/10/95 see notes (2) 11/12/96		
Attendance of landowners at PFMC meeting		(1) X	(2) ?
<u>2. Forestry Management Agreement</u>			
Form and content	(1) see notes (2) see notes		
Execution	(1) 14/2/96 (2) 17/12/97		
Ministerial approval	(1) 14/2/96 (2) 30/12/97		
<u>3. Development Options Study</u>			
Board to arrange	Confirmed		
or exemption	N/A		
Directions from PFMC			?
DOS given to Minister and PFMC			?
<u>4. Project Guidelines</u>			
PFMC consults with L/owners and Provincial Govt			?
PFMC to prepare draft	Confirmed		
Attendance of landowners at PFMC meeting	Confirmed		
PFMC to submit draft to the board			?

Board issues final guidelines			?
<u>5. Advertisement</u>			
Project to be advertised	Aug 96		
Expressions of interest received	Tender 96-21 (12) 18/10/96		
<u>6. Feasibility Studies</u>			
Application by registered person	(1) 22/4/96 (2) 9/7/99 Form 90		
<u>7. Project proposals</u>			
Proponents must be registered Under section 105	Confirmed		
Placed in tender box	(6) Confirmed		
Proper as to form and content			?
Referred to PFMC	11/11/96 Form 18		
Attendance of landowners at PFMC meeting	Confirmed		
Evaluated with assistance of NFS	Confirmed		
Invitation for further information	N/A		
Evaluation of further information	N/A		
PFMC reports and recommends	19/11/96 3/12/97 14/5/98		
Attendance of landowners at PFMC meeting	Confirmed		
Board consults Minister	Confirmed		
Minister gives views	7/1/97		
<u>8. Negotiations</u>			
Board directs PFMC as to proponent for further negotiations	4/4/97		
Board and PFMC set parameters	7/3/97		
PFMC negotiates agreement	April 1997		

PFMC submits final draft to the Board	March 1998 Apr/May 99 24/5/99 Form 103		
Attendance of landowners at PFMC meeting			?
<u>9. Project Agreement</u>			
Board considers draft agreement	Sept 1999		
Board returns draft to PFMC	9/9/99 Form 105		

Negotiations broke down prior to PNGFA Board Meeting No. 61 (24 November 1999).

CHECKLIST NOTES

1. The common defects relating to PFMC certification of FMAs apply in this case. These are:
 - There were no landowner representatives present at the PFMC meeting when the first FMA was certified. Attendance cannot be verified in relation to the Supplementary FMA.
 - The first PFMC certification was given well in advance of the FMA being approved and executed.
 - There is no evidence of any attempt to independently verify the ILG incorporations or the willingness of landowners to sign either of the FMAs. In relation to the first FMA it appears that the certificate was given on the basis of a submission to the PFMC prepared by the NFS. This is not a proper basis upon which the PFMC can play its important vetting role.

2. There are some noteworthy defects in the form of the FMAs. In relation to first FMA the seal of the PNGFA does not clearly appear on the copy that was sighted. For this reason an ink-stamp corporate seal has at least one advantage. In the second FMA the important details relating to the term of the Agreement have not been inserted. This is one illustration of the need to take care if Supplementary FMAs are pursued. It is desirable for the term of all FMAs relating to the same project to be identical. Supplementary FMAs should be drafted so as to truly supplement the original FMA in every respect.

3. While there are in this case excellent PFMC Minutes relating to the formulation of the Project Guidelines (including a note to confirm the attendance of landowner representatives), there is no clear evidence of the required consultation with the Provincial Government or the resource owners generally. This consultation is a very important part of the process. The views of all interested parties must be known before the nature of the project, and the details of its preferred benefits, are stated in the Guidelines.

4. An issue concerning the registration of forest industry participants and consultants is raised in this case. The NFB should consider whether this process is simply to be a formality or whether it is provided for in the Act so that some controls can be exercised over the conduct of registered parties. In this case it would seem that grounds might exist to question registered consultant, Wartovo and Associates, in relation to their involvement with Josephstaal Development Corporation. There are documents from early 1996 that indicate an attempt by that firm to secure the position of ASB Timbers, which was a proponent for this project. These documents include a Power of Attorney from the company empowering Isaac Wartovo to finalise all arrangements for the issuance of a Timber Permit to ASB. It may be that the firm should be called upon to justify its involvement and the means by which it sought to advance its position and that of ASB Timbers. Procedures for the de-registration of participants and consultants might be considered.
5. In fact there are a multitude of examples of the untimely and questionable involvement of many companies at all stages of this project. The PFMC and NFS officers in the province have noted these activities. These activities have clearly been aimed at compromising the orderly process that the PNGFA was determined to apply. Perhaps there should be a Code of Practice imposed upon registered participants. The Managing Director on a number of occasions wrote to companies requiring them to desist from undesirable practices. Perhaps this intervention should be enforced by a power to affect the registered status of recalcitrant companies. An amendment to the Act could be pursued.

OBSERVATIONS CONCERNING CLAIMS MADE BY THE NATURE CONSERVANCY.

The Nature Conservancy is a joint venture partner in what was the preferred developer for Josephstaal, Sustainable Forest Resources of PNG.

In August 2000 the Nature Conservancy circulated a paper criticising every aspect of the process. At that time negotiations had been properly terminated by the National Forest Board.

Many assertions made by the Nature Conservancy contradict the records relating to this project. These should be stated for the record.

1. Assertions – “After the PFMC assessed the relative strengths of each proposal they recommended that the National Forest Board select SFR as the preferred developer...The Board rejected the PFMC recommendation... it wanted the PFMC to re-assess all of the proposals... Three of these proposals were short – listed by the PFMC for more intensive consideration.”

Facts – It is true that the PFMC Minutes of a Special Meeting held on 29 November 1996 confirm that SFR was approved by secret ballot (5 votes for SFR and 1 vote for Komajo) and that a recommendation to that effect would be made.

From November 1996 to January 1997 the NFB received a barrage of correspondence from landowners and Madang politicians. All of them disputed the PFMC recommendation. They complained that SFR was unknown in the

province. They unequivocally supported Komajo. Copies were made available to Board members.

The Board never really “rejected the PFMC recommendation”. It simply resolved that the PFMC and NFS should re-examine the proposals after consultation with landowners.

The PFMC responded with a formal notification given to the Board on Form 20 on 14 March 1997 recommending that negotiations proceed with SFR and Komajo.

The PFMC did not shortlist three proposals. That was done by the NFB at Meeting 35 after considering the recommendation of the PFMC and the views of the Minister.

2. Assertion – “The other two companies had not bothered to submit revised proposals...”

Fact – Both SFR and Komajo submitted revised proposals. ASB indicated that it would not submit a revised proposal but that it would still participate in further negotiations then scheduled to be held in Madang.

3. Assertion – “Between October 1997 and July 1998 the PFMCs recommendation in favour of SFR was rejected twice more by the Forest Board and sent back for further negotiation”.

Fact – The recommendation at that time was not in favour of SFR alone. The PFMC had formally endorsed further negotiations with SFR and Komajo.

There is no record of any such decision, or even discussion, by the Board in this period. The Board had simply approved the Supplementary FMA at its Meeting 42 in December 1997. And at its Meeting 47 in April 1998 it met with the PFMC to urge it to make its choice of a single preferred developer.

The assertion is a figment of somebody’s imagination.

4. Assertion – “In mid – 1998 the PFMC once again recommended to the Forest Board that SFR be selected as the preferred developer”.

Fact – The PFMC did finally endorse SFR as the sole proponent with whom negotiations should proceed. This only happened after the NFB met with the PFMC at Board Meeting No.47. This meeting was arranged as the PFMC had sent a letter to the Board in March 1998 asking it to nominate a preferred developer. It was explained to the PFMC that this was in fact its own responsibility. The landowner representatives at the meeting expressed their clear preference for Komajo. No final decision was made at that time. It is a clear demonstration of the difficulties that the PFMC faced in weighing up the competing views within the province.

There is no room whatsoever for criticisms to be levelled at the Board in this context.

5. Assertion – “SFR argued that the JS FMA could not be operated profitably and sustainably with the estimated 39,000 cubic metres p.a. They requested the NFA expand the size of the FMA to comply with guidelines before the project development agreement was signed”

Fact – It may depend on the side of the table that one sits at, but it could easily be argued that a change to the area would be a major breach of the guidelines in itself. Indeed there have been a number of projects reviewed by the team where unscrupulous operators have tendered for non viable projects in order that they may later exert pressure for areas to be increased and annual allowable cuts to be reviewed. These requests have never found favour and there was no reason for a different attitude to be displayed in this case. SFR was properly advised that further areas could be applied for after operations had commenced within this area.

6. Assertion – “There was a lack of communication between NFA, PFMC and landowners”.

Facts – There was extensive consultation undertaken under the auspices of the NFS. This included –

- The initial PFMC recommendation was reconsidered after consultations took place with landowners as required by the NFB.
- Landowner awareness conducted during the additional ILG incorporation work in November 1995.
- Landowner awareness carried out by the PFMC in May 1997 to give a briefing on the 3 selected proponents. There is an excellent report on this prepared by Francis Vilamur on 21 May 1997.
- Negotiations were shelved in mid-1997 to allow the further ILG work to be completed.
- In November 1998 the Manager Acquisitions wrote to the NFS Area Manager directing that 2 NFS officers were to accompany SFR’s representatives to explain to landowners how SFR was chosen and to explain other operational and financial matters. The correspondence directs that they “emphasise the need for closer working relationship and encourage the land groups to co-operate with the developer”.

At Board Meeting No. 61 held on 24 November 1999 the NFB resolved to advise the PFMC that as the proponent was not prepared to carry out the project as tendered and negotiated, that negotiations had broken down and were finished. The Board took the view that SFR’s counter offer departed from the original guidelines. That cannot be seriously contested.

Interestingly SFR notes its preference for the FMA to be terminated and for landowners to pursue their own development options. Nothing has ever really prevented this, other than the volume restrictions placed on the harvest of timber under a Timber Authority. SFR has only ever argued for additional harvest rights and may not be content with a limit of 5,000 cubic meters per annum. Any other option would breach Papua New Guinea’s laws and would not be consistent with the professed aims of the Nature Conservancy and its joint venturers.