

# 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 4.

**TIMBER PERMIT (TP)** : TP 1- 9 MAKAPA  
**TP HOLDER** : INNOVISION (PNG) LTD  
**LOGGER AND MARKETER (L&M)** : VANIMO JAYA LTD  
**L&M PARENT COMPANY (If Different)** :  
**DATE OF FIELD REVIEW** : SEPTEMBER 2003  
**DATE OF FINAL REPORT** : APRIL 2004

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

<b>STAKEHOLDER</b>	<b>COPY DRAFT IPRR PROVIDED</b>	<b>RESPONSES RECEIVED</b>
Logging Company	Yes	Yes
Timber Permit Holder	(*)	
Landowner Company	(**)	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.

(\*\*) In this case there is no Landowner Company. A copy of the draft IPRR was provided to a number of ILG Chairpersons.

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

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## **FOREWORD**

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

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

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## **ACKNOWLEDGEMENTS**

The Review Team acknowledges the support and cooperation given by PNG Forest Authority (PNGFA), PNGFA field officers, the Department of Environment and Conservation (DEC), Innovision (PNG) Ltd, Vanimo Jaya Ltd, the Western Province Provincial Government and Administration, and the landowners of the Makapa TRP area.

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Appendix 1 : Selection of Pertinent Photographs

## **1. LEGAL BASIS, PARTIES AND CONTRACTUAL RELATIONSHIPS**

The key legislation governing logging projects are the Forestry Act 1991 (as amended), the Environmental Planning Act 1978, and the Environmental Contaminants Act 1978 (as amended) and the Water Resources Act, Chapter 205. The relevant documents enabling and prescribing TP 1-9 Makapa are set out in Tables 1 and 2.

The logging project is governed by the Timber Permit issued to Innovision (PNG) Ltd in 1992 immediately before the Forestry Act 1991 came into force. Under clause 3 of the permit Innovision and the State were required to enter into a Project Agreement, which would become the controlling conditions of the Timber Permit. This was done in 1996, and although the permit was issued before the Forestry Act 1991 came into force, a sustainable annual allowable cut was determined and applied. Innovision has also entered into a Logging and Marketing Agreement with Vanimo Jaya Ltd to implement the conditions of the Timber Permit and the Project Agreement.

Under the Project Agreement Innovision (PNG) Ltd is required:

- To pay royalties as prescribed (cl. 20 (a));
- To pay benefits and compensation for damage as a consequence of logging (cl. 20 (b));
- To pay a log export premium calculated at 7% of the fob log price to the PNGFA Managing Director as trustee for the landowners within 14 days of the Letter of Credit for the sale of the logs being negotiated (cl. 21.1);
- To pay the owners Annual Benefits to the value of K420,000 each year from permit year 1 to 35 in goods and services as decided by an Annual Benefits Committee (cl. 21.2);
- To pay funds totalling K150,000 each year as Log Transport Infrastructure Fund (LTIF) to the villagers living along the marine routes and waterways used by Innovision for transporting logs. Such funds to be used solely for infrastructure developments decided by the LTIF Committee (cl. 21.3);
- To pay travel costs of two representatives of the project area as decided by the Annual Benefits Committee to investigate world market for logs from the area in each 12 months period at a cost not exceeding K20,000 (cl. 21.4 (d)); and
- To lodge with the PNGFA Managing Director a performance bond for an amount of K500,000 or such other sum as the MD determines in accordance with the schedule of the Project Agreement pursuant to clause 21 of the Timber Permit.

Under the Logging and Marketing Agreement Vanimo Jaya Ltd is responsible:

- To construct and supply a medical clinic to an approved standard at a total cost of up to K100,000 by the end of second year of the Agreement (2001) (cl. 2.1(h)(i));
- To build classrooms by the end of the fourth year of the Agreement (2003) classrooms at places decided by the Annual Benefits Committee and to the approved standard at a total cost of K100,000 (cl. 2.1(h)(ii));
- To supply and install one SSB radio in each area as decided by the Annual Benefits Committee by end of project year 1 to a total cost of K30,000 (cl. 2.1(h)(iii));
- To construct upgrade and maintain such roads, bridges and infrastructure requirements under the project agreement and in accordance with the Timber Permit;
- To undertake any downstream processing obligations for Innovision (PNG) Ltd under the Project Agreement in the Makapa TRP Area;
- To give preference to people of Makapa TRP area in the recruitment of workers for its work force taking into account of the skills, experience and qualification needed in the position of employment (cl. 7.2); and
- To supply living quarters for its own staff and workers and their immediate families (cl. 7.4).

Note: Under the LMA with Vanimo Jaya Ltd, Innovision (PNG) Ltd has assigned most of its project obligations to the former whilst maintaining the legal responsibility and liability. Innovision (PNG) Ltd still carry the responsibility to implement the conditions of the Timber Permit and the Project Agreement.

**TABLE 1 : KEY DOCUMENTS**

<b>DOCUMENT</b>	<b>PARTIES</b>	<b>DATE OF ISSUANCE/ SIGNING/ APPROVAL</b>	<b>DATE OF EXPIRY</b>	<b>DOCUMENT LOCATION</b>
TRP Agreement	Landowners and the State	3 December 1991	2 December 2031	Dates obtained from NFS TRP Register. TRP Agreement not sighted.
Timber Permit	Issued to Innovision (PNG) Ltd by Minister Jack Genia	24 June 1992	23 June 2002 but extended by the Forest Minister on 23 Jan. 2003 for 10 years and will now expire in 2013	Held by PNGFA
Project Agreement	Innovision (PNG) Ltd and the State	11 May 1996	Term of the Permit (Cl. 3)	Held at PNGFA
Logging & Marketing Agreement	Innovision (PNG) Ltd and Vanimo Jaya Ltd	20 April 1999	19 April 2012 (13 yrs)	Held at PNGFA
Environmental Plan (EP)	Approved by Minister for Environment & Conservation (E&C)	7 May, 1997	7 May, 2002	DEC Archives. EP Proposal submitted for approval
EP Approval Conditions	Set by Minister for E&C	7 May, 1997	7 May, 2002	Innovision (PNG) Ltd file.
Environmental Management & Monitoring Programme	Set by Minister for E&C	Document Lodged for DEC's consideration and decision but endorsement letter not sighted		Innovision (PNG) Ltd file.

Waste Management Plan	Set by Minister for E&C	Document Lodged for DEC's consideration and decision but endorsement letter not sighted		Innovision (PNG) Ltd file.
5 Year Logging Plan	Approved by PNGFA Managing Director	11 April 2003	10 April 2008	Held by PNGFA
Annual Logging Plan	Approved by PNGFA Managing Director	11 April 2003	10 April 2004	Held by PNGFA
PNGFA's Planning, Monitoring and Control Procedures	Issued by Managing Director.	November 1995	No expiry date	Standard document available from PNGFA
PNG Logging Code of Practice (Including 24 Key Standards)	Endorsed by NEC. Observance required by Regulation	April 1996	No expiry date	Standard document available from PNGFA

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

<b>DOCUMENT</b>	<b>PARTIES</b>	<b>DATE OF ISSUANCE/ SIGNING</b>	<b>DATE OF EXPIRY</b>	<b>DOCUMENT LOCATION</b>
Agreement for use of land for log pond	Logging Company and relevant landowners. Lease granted to Innovision (PNG) Ltd	Land's Secretary, Gazettal Notice No. G144 dated 15 November 2001	9 October 2036	Innovision (PNG) Ltd
Agreement for use of Airstrip	Logging Company and relevant landowners. Lease granted to Innovision (PNG) Ltd	Land's Secretary, Gazettal Notice No. G144 dated 15 November 2001	9 October 2036	Innovision (PNG) Ltd
Agreement for use of Base Camp (Sisereme)	Logging Company and relevant landowners. Lease granted to Innovision (PNG) Ltd	Land's Secretary, Gazettal Notice No. G144 dated 15 November 2001	9 October 2036	Innovision (PNG) Ltd

## 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 December 1991, and the Timber Permit issued to Innovision (PNG) Ltd allowed the forest resource to be harvested over a period of 10 years (24 June 1992 to 23 June 2002). The permit was extended for 10 more years on 23 February 2003.

PNGFA and Innovision (PNG) Ltd agreed by correspondence that the commencement date would be July 1999 as the operations actually started in July 1999.

During the negotiations between the State and Innovision (PNG) Ltd, which lasted for the period from 24 June 1992 until the actual commencement of operations, in July 1999, the concept of sustainability of timber harvest was adopted by the PNGFA.

The Project Agreement between the State/PNGFA and Innovision (PNG) Ltd signed on 11 May 1996 estimates the forest resource to be 7.9 million cubic metres of logs, contained in an area of 301, 000 ha. The agreement further states that there “..... will be no log exports by the year 2000”. The figure of total available resource was later amended by the PNGFA to 5.9 million m<sup>3</sup>.

The formula used by the PNGFA to calculate a sustainable harvest on a 35 year cutting cycle allowed Innovision (PNG) Ltd to cut 170,000 m<sup>3</sup> per year (Annual allowable cut = total resource of 5.9 million m<sup>3</sup> ÷ 35 years).

Innovision (PNG) Ltd has subsequently estimated the total resource to be more in the vicinity of 3.6 million m<sup>3</sup><sup>1</sup>, of which 610,000 m<sup>3</sup> has already been harvested, leaving approximately 3.0 million to be harvested.

Thus at an allowable cut of 170,000 m<sup>3</sup>, the timber resources in the Makapa TRP would be exhausted within the next 18 years, ten years short of the 35 years used as the sustainable cutting cycle by the PNGFA. This subject is further referred to in Chapters 8 and 9.

## 3. FIELD WORK

The field inspection for TP 1-9 was undertaken during the period 2<sup>nd</sup> to 8<sup>th</sup> September 2003. As well as meetings with logging company/contractor managers and staff, and with landowners, the field inspection involved the following:

- An inspection of a set-up prepared for logging but not yet approved (Set-up No: SO3/058), located along Main Road 5, which is in Yakowe Coupe, 2003/4 Annual Logging Plan (ALP);

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<sup>1</sup> Latest estimate provided by the Managing Director of Innovision (PNG) Ltd, 12 September 2003.

- An inspection and transect run through a set-up cleared after logging (Set-up No: SO3/008), located along Main Road 1, which is in supplementary area of Ambata Coupe, 2003/4 ALP;
- An inspection and trial 5% waste assessment of a set-up logged over in 2002, (Set-up No: SO2/050), Makapi Coupe 2002/3 ALP;
- An inspection of base/transit camps at Amabata Creek, and Eight Kilo (proposed barge loading point and log pond);
- An inspection of roads and bridges currently being used, and no longer being used;
- An inspection of the main log pond and barge loading facilities, at Sasareme;
- An inspection of the main logging camp at Sasareme;
- An inspection of landowners' complaints about buried logs, along main road 3;
- A 5% waste assessment and 100% waste assessment of a set-up logged and pending clearance and closure (Set-up No: SO3/040);
- An inspection of regeneration in an area logged in early 2000 (along Main Road 1, Spur Road L-17);
- Meetings with Villagers, and interested groups (see Chapter 5); and
- Discussions with the District Administrator, Balimo.

## **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 1-09, the Review Team's observations were that:

- The extension of a Timber Permit granted under the old Forestry Act using s78 of the current Act is legally questionable. A legal opinion exists that the extension of permits originally issued under the old Forestry Act is not permitted.

Innovision (PNG) Ltd commented that this report (when presented in draft form) is the first indication that the company has had that the extension to the term of the Timber Permit granted in February 2003 is legally questionable. Ideally a new Timber Permit should have been issued under the Forestry Act 1991.

- Even if the extension is permissible, it is still questionable for the permit to have been extended after the expiry date.

## 4.2 LOGGING COMPANY

The permit holder, Innovision (PNG) Ltd has entered into a Logging and Marketing Agreement (LMA) with Vanimo Jaya Ltd. Under this agreement, Innovision (PNG) Ltd prepares set-up plans, marks the trees for felling, and lays out the skid tracks and buffer zones.

Once the set-up has been approved by the PNGFA, the actual logging operation, including planning and construction of roads, felling, extraction and scaling of logs, is carried out by Vanimo Jaya Ltd.

Both these companies are therefore responsible for observing the requirements of the Project Agreement and the Timber Permit with regard to timber harvesting, but the ultimate responsibility lies with the Permit Holder, Innovision (PNG) Ltd.

The observations of the Review Team are that:

### (a) Planning and Control of Logging

Innovision (PNG) Ltd has employed seven qualified national forestry graduates and has excellent facilities for producing plans for the logging operation. None of these foresters have received training in the PNGFA's Planning Monitoring and Control Procedures, but are following the rules reasonably well with the exception of a clear understanding of buffer zone requirements. Key requirements not being met were observed to be:

- Logs from old crossing/ bridge not removed from river banks (Gogoroba river, see photo 8);
- Logging roads not decommissioned, (see photos 4 and 5 and Chapter 9);
- Log landings not ripped (see chapter 9);
- Buffer zone incorrectly marked for a Class 1 Stream/ River;
- Excessive vegetative clearance (>40 metres) along main roads, particularly where gravel has been excavated (see photo 6); and
- Lack of vine cutting.

Generally logging operations are satisfactory, except that:

- In some cases loggable trees are being left standing for no apparent good reason. This deprives the Government and the land owners of revenue; and
- There is a high level of waste. A waste assessment undertaken at the time of the field inspection indicated an 11% wastage factor.

### (b) The Log Pond

The log pond is located at Sasareme, but there are maps showing a proposed log pond at “8 Kilo Camp” (see photos 9 and 10). This site has been developed as a transit camp.

Key requirements not being met were:

#### *Sasereme:*

- Vegetative clearance is excessive (approx. 1km in length) and along the Wawoi River;
- Lack of buffer zone; and
- Lack of adequate toilet facilities for employees working on site.

#### *8 Kilo Transit Camp/ Proposed Barging Site:*

- Lack of site approval from relevant authorities (PNGFA, DEC) or the landowners;
- Lack of consent/agreement from landowner(s) prior to establishment of site;
- Other non compliance issues;
  - Lack of buffer zone
  - Toilet for the expatriate workers constructed on a slope near Wawoi River and without a proper septic waste containment.
  - Lack of proper toilet facilities for the national employees. Some build their own toilets but most frequent nearby bushes or the river.
  - Improper general waste disposal methods. Household wastes observed thrown into gullies and backyards of camp houses.
  - Extensive clearance of forest for gardening by employees.
  - Employees building own houses at will and not within the boundary of the site.
  - Lack of fuel containment bund.
  - Lack of Water Use Permit for water pumped from the Wawoi River.

### (c) The Logging Camp

The main logging camp, which accommodates Innovision (PNG) Ltd and Vanimo Jaya Ltd employees, is located at Sasareme along the bank of the Wawoi River. About 300 metres from the camp is the log pond where the logs are stacked ready for barging to Imoda Island for ship loading. Transit camps are located where logging operations are current, e.g. 6 Kilo and 8 Kilo camps. A sub-contractor (Noble Investments Ltd) to Vanimo Jaya Ltd, has its employees accommodated in one of these camps.

Quite a number of employees are from outside the TRP area and in particular, the New Guinea Islands Region. Most of them are married but with families living in their respective provinces. The following concerns and issues raised by employees reflect the situation they have to cope with in the camp, and their employment conditions;

- Lack of records showing that Nasfund deductions taken from wages are deposited into the Nasfund account. Many employees claim not to have a registered number to show where the deduction is deposited. They are concerned whether the company is paying its contribution to the fund;
- Lack of safe drinking and cooking water facilities at the camp. Employees are currently storing drinking water using 200 litre drums. In the absence of that they have to boil drinking water taken from the river that is being used for washing and bathing;
- Absence of proper toilet facilities. Employees use the bush and even the river as the toilet. This is unhygienic for all in the camp but also for those people living down the river;
- Employees expressed concern about the lack of appropriate employment practices (Health and Safety) in the workshops and in the logging operation;
- There were concerns raised about third party insurance cover for all employees and civilians on the road because they claim that nearly all vehicles and Jinker trucks are unregistered. Some drivers are also driving without driving licences. The Review Team noted many vehicles without registration stickers and was told by the Manager of Vanimo Jaya Ltd that the roads were private and that he did not need registration. Advice from the Department of Transport provided to the Review Team indicates that this view is wrong; and
- Employees claimed that most have not signed any tax deduction form to authorise the employer to deduct tax from their wages.

Key requirements not being met were:

*Main Base Camp - Sasereme:*

- Lack of appropriate toilet facilities for the national employees;
- Lack of potable water supply for the national employees to use (cooking, washing, drinking, etc);
- A very poor and unhealthy housing condition for the national employees;
- Lack of bund containment for the:
  - Fuel tanks;
  - Power generator shed; and
  - Other places (e.g. water pump generator) where fuel/ diesel were used.
- Lack of proper waste disposal method observed around the workshop and the national employees housing areas; and
- Lack of a Water Use Permit for water taken from the Wawoi River.

#### *6 Kilo Transit Camp:*

- Lack of appropriate toilet facilities for national employees
- Lack of water supply for the national employees;
- Excessive clearance of forest for gardening by employees without observing the buffer zone requirements;
- National employees camp established separate from the expatriate employees thus resulting in excessively cleared forest land area;
- Lack of Water Use Permit for water taken/ pumped from the nearby creek for camp's use;
- Campsite located next to creek without buffer zone;
- Toilet for the expatriate employees has no appropriate septic system;
- Lack of consent/agreement from landowner(s) prior to establishment of camp; and
- Lack of approval from DEC in relation to the approved Environmental Plan. This camp was not proposed in the Environmental Plan submitted to DEC.

#### *27 Kilo Transit Camp (Abandoned):*

- Lacks appropriate rehabilitation or decommissioning;
- Evidence of excessive gardening by company employees; and
- Lack of approval from DEC in relation to the approved Environmental Plan. This camp was not proposed in the Environmental Plan submitted to DEC.

#### (d) Landowner Financial Benefits

There are four main tribes consisting of a current total of 67 (originally 37) Incorporated Land Groups receiving cash benefits from the project, in accordance with the Project Agreement signed between Innovision (PNG) Ltd and the PNGFA. The benefits received are direct and indirect and include the following:

- A timber royalty payment of K10.00 per cubic metre derived from records of logs scaled in the logging operation. Landowners are provided with records of all logs scaled in each set-up;
- Cash payment for damages as a consequence to logging activities;
- Log export premium of 7% FOB of log exports, payable through the Managing Director of PNGFA; and

- An annual marketing surveillance overseas trip at a cost K20,000.00 for landowner representatives.

(e) Landowner Infrastructural Benefits

Under the Project Agreement, landowners are entitled to a number of funds that can be used to develop infrastructures such as classrooms, teacher's houses, clinics and aid posts and other items that the committee tasked with the management of the funds approves. These funds are:

- An Annual Benefit Fund of K420,000.00 per annum, to be managed by an "Annual Benefits Fund Committee";
- A Log Transport Infrastructure Fund of K150,000.00 specifically for those villages along the marine routes and waterways used by the company to transport logs, to be managed by a "Log Transport Infrastructure Fund Committee";
- An amount of K100, 000.00 for construction of clinics;
- An amount of K100, 000.00 for the construction of classrooms and teacher's houses; and
- The installation of VHF Radios in several villages (see below) worth K30,000.00.

The following infrastructures can be confirmed from the visit to villages able to be accessed by the Review Team:

- At Wasapea Village:
  - 1x standard double classroom
  - 1x aid post
  - 1x VHF radio
- At Makapa village:
  - 4x standard double classrooms
  - 4x L40 teacher's houses
  - 1x aid post
  - 1X VHF radio
- At Pikiwa village:
  - 4x L40 teacher's houses
  - 3x standard double classrooms
  - 1x aid post
  - 1x VHF radio

The Review Team was unable to reach Bamustu village due to logistical problems and lack of time and therefore cannot confirm the infrastructure developments there. Apart from the above infrastructures 5 generator sets were also distributed for village electrification.

The only road network system that exists is the one used for logging. These roads are only passable during the dry season as road surfacing material is scarce.

An airstrip has recently been constructed by Vanimo Jaya Ltd at Sasareme.

#### (f) Royalty Payments

Royalties payable under the Timber Permit are paid through the respective clan agents by officers of the PNGFA. The current rate of Royalty is K10.00 per cubic metre.

Innovision (PNG) Ltd noted its “disappointment” that despite receiving some K17.6 million during the 4.5 years that the project has been operational, landowners have little to show.

The company also notes that over the same period the PNG Government has received about K47 million in log export taxes, and yet Government services in and around Makapa village are almost non-existent. The company is of the view that the landowners regard the permit holder and its logging contractor as the de facto Government for the area.

Details of Royalty and Premium collection and transfer in accordance with the PNGFA records are set in the table below (source; PNGFA Division of Finance).

**TIMBER ROYALTY COLLECTION AND PAYMENT REPORT – 1999 TO JULY 2003**  
**PROJECT: TP 1-9 MAKAPA**

YEAR	ROYALTY COLLECTED (K)	LOGS HARVEST VOLUME (M3)	95% PAID TO LAND OWNERS (K)	5% TAX PAID TO IRC (K)	BALANCE (K)
1999	876,504.88	87,650.488	888,731.88	43,825.25	(56,052.25)
2000	1,344,109.83	134,410.983	1,276,904.32	67,205.51	0
2001	1,069,284.92	106,928.492	1,015,820.68	53,464.24	0
2002	1,911,481.90	191,148.192	1,815,907.81	95,574.10	0
2003	1,027,942.70	102,794.270	976,545.56	43,666.51	7,730.63
<b>TOTAL</b>	<b>K6,229,324.23</b>	<b>622,932.425</b>	<b>K5,973,910.25</b>	<b>K303,735.61</b>	<b>K(48,321.63)</b>

**NOTE:** The total balance of K (48,321.63) comprises of:-

- (a) an overpayment for seized logs for Feb-Mar '99: K (56,052.25)
- (b) balance of 5% Tax for Apr-Jun '03 to be paid to IRC: K 7,730.63

**LOG EXPORT PREMIUM COLLECTION AND PAYMENT REPORT**

YEAR	PREMIUM COLLECTED (K)	PREMIUM PAID TO LANDOWNERS (K)	BALANCE (K)
1999	123,115.25	123,115.25	0.00
2000	459,343.87	273,121.58	186,222.29
2001	325,106.59	338,496.31	(13,389.72) <sup>2</sup>
<b>TOTAL</b>	<b>907,565.71</b>	<b>734,733.14</b>	<b>172,832.57</b>

**NOTE:** The balance of K 172,832.57 is still to be paid to the landowners by the PNGFA.

<sup>2</sup> Payments taken over by Innovison (PNG) Ltd.

#### (g) Environmental Monitoring & Management Plan/Waste Management Plan

Although there is an Environmental Officer employed by Innovision (PNG) Ltd on site, the officer spends most of his time doing forestry duties. Non-compliance issues are;

- Lack of annual progress report to-date as required by EP approval condition number 5; and
- Lack of commitment by the Permit Holder to implement the requirements outlined in the Environmental Monitoring and Mitigation Plan and the Waste Management Plan.

#### (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 Innovision (PNG) Ltd has complied with this requirement.

Innovision (PNG) Ltd claims that in accordance with the Project Agreement a K100,000.00 Bank Guarantee was lodged with the PNGFA in 1996, and that it has been renewed annually;

- Excessive waste docking at log landings; and
- Lack of an approved Environmental Plan.

#### (i) Company Search

Company searches show that:

Innovision (PNG) Ltd is currently IPA registered. It has a share capital of 2 issued shares held by Innoprise International Incorporated of Liberia. Its Directors are Oscar Mamalai of Port Moresby, Encik Oalahan Buouk of Malaysia, Awan Sham Pulau of Malaysia, Encik Awan Sham Pulau of Malaysia, Juril Haji Suoin of Malaysia, and Datuk Johan Ghanie of Malaysia. Its last annual return was lodged in February 2001 for the year 1995.

The company is currently registered as a Forest Industry Participant under the Forestry Act 1991 (first listed in Nov 1993 – Registration Number FI 075).

A company search on the contractor, Vanimo Jaya Ltd, shows that it has current registration. It has a share capital of 20,000 issued shares held by Joh Heng Lu of Malaysia (1,968), Tiw Tuh Kuo of Malaysia (3,000), Wang Ping Ko of Malaysia (950), Ngie Yung Lau of Malaysia (7,000), Huat Ping Ting of Malaysia (950), Tung Mei Sii of Malaysia (1,966), Ngik Yin Lau of Malaysia (1,584), Keng Ping Lau of Malaysia (532), Pang Heng Chew of section 52, Lot 55, Hohola, Gordens Industrial Centre (466), and Chiew Lau of Malaysia (1,584).

The company has current registration as Forest Industry Participant (FI 321) since March 1995. The company has a current timber licence (PNGFA L- 7/99) as required under s. 91 of the Forestry Act 1991 (as amended) for 12 months expiring on 8 July 2004. The licence was issued by then Managing Director purportedly exercising the delegated powers of the Board.

A company search was also done on Noble Investments Ltd, which is operating in the project as a contractor to Vanimo Jaya Ltd. It has current registration with 100 issued shares held by Tiw Tuh Kuo of Malaysia (35), Ngie Yung Lau of Malaysia (35), and Wang Ping Ko of Malaysia (30). The same persons are directors of the company.

This company also has current forest industry participant registration (FI 01450) since November 2002. The company has a current timber licence (PNGFA L-186/03) as required under s. 91 of the Forestry Act 1991 (as amended) for 12 months commencing 28 January 2003. The licence was issued by then Managing Director purportedly exercising delegated powers of the Board.

#### **4.3 PNG FOREST AUTHORITY (PNGFA)**

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

The observations of the Review Team are that:

- There is one PNGFA officer on site, who is employed on a casual basis and is acting as Project Supervisor. He has a house, vehicle and electricity generator. The house lacks a cooking stove and fridge and the two water tanks leak. There is also a transit office/accommodation for use by SGS located at the forestry station. The forestry office is located in the main Innovision (PNG) Ltd/Vanimo Jaya Ltd base camp vicinity;
- The Review Team found the officer to be very cooperative but struggling to cope with a workload well beyond the capacity of one person. Innovision (PNG) Ltd agrees with this observation. The officer has not received any training in the Planning Monitoring and Control procedures;
- The annual allowable cut for the Makapa project is 170, 000 m<sup>3</sup>. According to figures estimated in an internal (1995) PNGFA report there should be a minimum of 4 officers for a project with an annual cut of this size;
- As a consequence, some procedures are not observed. For example the waste assessment carried out during the Review Team's visit was the first time such an assessment had been carried out in the project area;
- The acting/Project Supervisor is required to travel to Port Moresby to bring back large sums of cash, for royalty payments, every three months. The PNGFA notes that the quarterly transportation of large amounts of cash is high risk, and has the

potential to result in the loss of life. It would prefer an alternative way to make payments;

- There is good communication and occasional cooperation with PNGFA monitoring officers from the adjacent Wavoi Guavi TRP area; and
- An inspection report by the PNGFA Project Officer (Southern Region) based on this field inspection from 14<sup>th</sup> to the 16<sup>th</sup> June 2003 highlighted many of the issues raised in this report.

#### **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. It expired in May 2002;
- At the time of the Review (up to 15 October 2003) DEC's Makapa project file was missing from their filing cabinet;
- DEC was unable to locate a copy of the Environmental Plan Approval Conditions or the Waste Management Plan; and
- DEC has not visited the project for monitoring purposes since the project commenced.

DEC notes that Innovision (PNG) Ltd has not applied for any Water Use Permits.

#### **4.5 LANDOWNER COMPANY**

There is no representative Landowner Company for the Makapa TRP. All dealings with landowners are carried out through the Incorporated Land Groups and the Innovision (PNG) Ltd Landowner Liaison Officer.

The PNGFA notes that there used to be a Landowner Company, but that due to mis-management arrangements were made the log export premium directly to the Incorporated Land Groups.

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

The landowners that make up the Makapa TRP come from three main villages, comprising of the following; Turumsa and Kamula Tribes, Makapa Village, Dibiaso Tribe, Bamustu Village and Bainapi Tribe, Pikiwa Village.

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

- Landowners from Makapa, Pikiwa, Bamusta and the waterways within the TRP project living and working in Sasareme;
- Landowners at Wasarea village;
- Landowners at Makapa village;
- Landowners at Pikiwa village; and
- Women's Council at Sasareme

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

- Landowners were concerned about the lack of effectiveness of the Annual Benefit Committee. No meeting had been convened for more than 12 months to consider projects recommended by the community for funding. They claim that as a result insufficient projects have been implemented and Innovision has retained unspent funds without informing the committee. A call was made for the fund to be audited. The PNGFA agrees with the desirability of an audit, but asks who will meet the costs;

Innovision (PNG) Ltd agrees regarding the lack of effectiveness of the Annual Benefits Committee, and puts this down to the lack of an effective chairman. The company notes that the fund has been audited annually, but it appears that only one audit (2001) was provided to landowners;

- Landowners claimed that Innovision (PNG) Ltd is using money from the premium to fund projects instead of utilising the Annual Benefit Fund money. They would like to see PNGFA manage the fund as per the Agreement. Again an audit of the fund was requested. Innovision (PNG) Ltd states that the landowner claims are untrue, and that as at 31 December 2003 the landowner premium advance account stands at nearly K250,000.00;
- Landowners requested that funds from the Annual Benefit Fund should be divided amongst the three main villages (Makapa, Pikiwa and Bamusta) as additional benefits to fund projects approved by the village committees and not the Annual Benefit Fund Committee. The PNGFA noted that this is not possible without an amendment to the terms and conditions of the Project Agreement;
- Landowners claimed that Innovision (PNG) Ltd has not honoured its verbal commitment to pay for the use of Warum Tributary that passes through Wasapea village;
- That the Royalty payment of K10.00 per cubic metre is too low given the devaluation of the kina and the inflation rate over the last five years;
- Innovision (PNG) Ltd, landowners and the Western Provincial Government are not co-operating to establish sustainable development. There were concerns that

while education and health facilities are being constructed, teachers and health workers are not being made available to operate these important facilities.

The PNGFA agrees that better coordination is required. It notes that there is little value in constructing buildings for national Government Departments if there is not the Government personnel to use them;

- The Western Provincial Government has not contributed much to the development of villages in the Makapa TRP area. That it is relying on the logging company to carry out such development;
- Landowners at meetings in Sasareme and Pikiwa were concerned that Innovision (PNG) Ltd had stopped making export premium payments to PNGFA as per the Agreement. This claim is also reflected in the "Premium collection and payment" table above. They would like to see this account audited to clear any doubts about the expending of funds from this account. PNGFA confirmed that it authorised Innovision (PNG) Ltd to distribute the premium payments because of the costs and risks involved if PNGFA were to continue to distribute the money;
- Particular concerns raised by the Sasareme Council of Women were:
  - Lack of understanding about the contents of the various agreements, relating to the project;
  - A project established under the Additional Benefit Fund had failed due to some individuals absconding with the proceeds of selling chickens and garments. The women would like to see future funds given direct to their own organisation, so that the funds would be better managed;
  - Lack of safe water supply for them and their families;
  - Lack of school for children;
  - Lack of health facilities (the Review Team noted that although a clinic had been constructed, it was unmanned and lacked medicines); and
  - Lack of hygienic toilet facilities.

Since the field inspection Innovision (PNG) Ltd has appointed one of its female foresters to liaise with the Council of Women.

- Spin-off opportunities.
  - Logistical problems and high transport costs make it difficult for landowners to be involved in spin-off activities.
  - Two Wokabout Somils (mobile sawmills) are being operated in the area to supply sawn timber to landowners. Some of the sawn timber had been sold to other communities. Innovision (PNG) Ltd has purchased band sawmills to be installed at the main base camp (Sasareme). There are also plans to purchase wokabout saw mills for use by landowner groups to break down reject logs at log landings prior to transporting the flitches to the main band saw mills
  - Of the villages visited, Makapa village had the most trade stores and canteens operating. ILGs at Makapa have also invested in a wholesale

store, which is nearing completion. This will provide goods to four trade stores that are currently in operation.

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

Although the Review Team was unable to meet with the Administrator in Daru, alternative arrangement was made to meet with the District Administrator in Balimo; the District under which the TRP area is administered. Relevant comments offered by the District Administrator at Balimo were as follows:

- The District Administrator claimed that logging operations have not been co-ordinating their development projects along the 5-year development guidelines for the area. This is not only a concern for the Makapa TRP but also the Wawoi Guavi TRP. The government's main concern here is that while the logging operators and the landowners are trying to do the right thing the government is not being consulted or informed as to whether certain developments can be sustained after the logging had ceased operations;
- The government was also concerned that landowners had at times refused to cooperate with the District Administration at Balimo because landowners do not want the government to be involved in the expenditure of the funds;
- The District Administrator was concerned that construction of classrooms and health centres are only one part of the services that have to be provided. Funding and attracting staff willing to work in remote areas is one major obstacle and so there is a need to work and cooperate with the government;
- The District Administrator's proposed approach is to engage government paid officers to work with landowners to develop sustainable agriculture and business development programmes with local communities. Transport and other operational costs in such rural settings are prohibitive and these sustainable developments can only be achieved with outside funding; and
- The District Administrator has written to the Managing Director of Innovision (PNG) Ltd, requesting funding assistance for programmes in the Middle Fly District. The view of the PNGFA is that the funds flowing from the logging should be used only to fund projects within the Timber Permit area.

## **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:

- The gently sloping terrain and low stand density (4-5 commercial trees per ha) combined with a general compliance with the Code of Logging practice has led to minimal damage to the residual stand (see photo 11);

- Snig tracks tend to be used only a few times, are relatively undisturbed and so are left in a state conducive to successful seedling germination and growth;
- Stand volumes vary from set-up to set-up but the observations made above are still relevant to the more dense stands (8-10 trees per ha);
- The Review Team noted that some commercially sized trees are left standing in logged-over set-ups. In particular, *Podocarpus spp.* (Brown Pine) and *Agathis spp.* (Kauri pine) are left standing, as these species are prohibited from export;
- There was a considerable amount of regeneration of the two softwood species mentioned above, in all set-ups examined by the Review Team; and
- It should be noted here that once a suitable sawmill capacity has been established by Innovision (PNG) Ltd, logged set-ups should not be re-entered to fell and extract the trees mentioned above, as this action would damage any regeneration (see recommendation on silvicultural trials below).

## **8. BROAD RECOMMENDATIONS FOR TP 1-9 MAKAPA**

The Makapa Project is the first large-scale logging project in Papua New Guinea to seriously embark on the process that could eventually lead to certification of the wood products produced from the area. This move is commended by the Review Team and the recommendations below are devised in a manner which seeks to assist Innovision (PNG) Ltd in its efforts to obtain Forest Stewardship Council certification.

The Review Team also commends Innovision (PNG) Ltd for employing a cadre of national officers with professional qualifications in forestry and forest management, both experienced personnel as well as recent graduates.

A key element in certification is sustainability of the logging operation. The excessive waste from offcuts at the log landings combined with the non-utilisation of commercial species due to the lack of adequate processing facilities and the downward revision of the total amount of commercial available timber for harvest has caused Innovision (PNG) to consider revision of its annual production.

Although Innovision (PNG) Ltd holds the Timber Permit and carries out planning of logging operations in a satisfactory manner, it is Vanimo Jaya Ltd which carries out the actual felling, extraction and marketing of the timber.

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

- That Innovision (PNG) Ltd, being the Permit Holder, takes a much more proactive role in the monitoring of all aspects of the logging operation, including all key standards and procedures required under relevant legislation;
- That Innovision (PNG) Ltd takes corrective measures for all non-compliance issues raised in this report;

- That Vanimo Jaya Ltd registers its vehicles and logging equipment, as a matter of urgency;
- That Innovision (PNG) Ltd constructs or causes to be constructed a proper bund around the main fuel depot (nine tanks) which are located in such a position that should an accident or leakage occur, serious environmental consequences would arise;
- That Innovision (PNG) Ltd carries out (or causes to be carried out) the following remedial measures, as a matter of urgency;
  - Construction of proper toilet facilities as required under relevant DEC legislation and plans.
  - Construction of appropriate living quarters for all employees.
  - Provision of a safe water supply for all employees.
  - Decommission existing pit toilets which are located near water courses.
- That all Innovision (PNG) Ltd Forestry Officers, the PNGFA a/Project Supervisor and selected personnel from Vanimo Jaya Ltd attend a Planning Monitoring and Control Procedures course;
- That Innovision (PNG) Ltd makes increased efforts to avoid wasting merchantable log volume, especially on the skids;
- That Vanimo Jaya Ltd cease excavating road surfacing materials along the road line to the extent that is currently occurring and rehabilitate, including landscaping, the existing excessively cleared sites;
- That Innovision (PNG) Ltd, in association with the Forest Research Institute, carry out research into the treatment of residual stands (post logging) with the aim of establishing trials to release well-formed desirable species;
- That the excessive gardening by staff of Vanimo Jaya Ltd, which is currently causing friction with the landowners be controlled and agreements reached with relevant landowners on the rehabilitation of garden areas, both old and current.

The PNGFA notes that gardening by employees is not permitted. It also notes that some of the gardens are established by employees married to local women who are landowners;

- That both Innovision (PNG) Ltd and Vanimo Jaya Ltd, obtain the relevant water permits required to extract water for their various uses;
- That PNGFA and Innovision Ltd carry out audited accounts of the Annual Benefit Fund, and other funds that are earmarked for infrastructure benefits, and make the audited accounts available to the landowners;
- That the PNGFA pay the outstanding premium and ensures that correct premium payments are made by Innovision (PNG) Ltd to landowners;

- That a more coordinated approach to social and economic development for the project area be taken, particularly by Innovision (PNG) Ltd, the District Administration and landowners;
- That Nasfund<sup>3</sup> Ltd confirm as to whether deduction made from Vanimo Jaya Ltd employees are being paid into their accounts; and
- That the Innovision (PNG) Ltd Environmental Management Officer undergoes further training in specific aspects of monitoring the Environmental Management and Monitoring Plan for the project and that his duties are clearly defined to reflect his role as Environmental Monitoring Officer.

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

The following is a list of issues identified by the Review Team during its work on TP 1-9 Makapa which are of broader concern than this specific project. These will be addressed as forestry and conservation sector issues in the Observations and Recommendations Report to be produced by the Review Team towards the completion of the Review.

- Excessive waste produced by logging operations that do not have adequate capacity to process lesser quality logs and off-cuts. The ongoing disagreement between the FIA and the PNGFA has cost landowners waste assessment royalties.
- Inadequate training and the absence of a process for licensing chain sawyers and skidders is considered by many to be a major contributing factor to the excessive waste.
- That serious and urgent consideration be given by relevant authorities to the licensing of chainsaw operators and skidders.
- Simplification and reinstatement of waste assessment procedures.
- The need for “on the job training”, monitoring and re-enforcement of standards for all workers engaged in the logging industry.
- Inadequate staffing levels of forestry officers on projects that have a large annual cut results in excessive workloads for individuals and an inevitable omission of some duties.
- Lack of serious attention by logging operators to obtain the relevant water permits required under PNG legislation.
- Improvements and security of DEC’s filing system is required.
- Lack of banking facilities in remote locations.

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<sup>3</sup> The Review Team has alerted Nasfund about these matters.

- Lack of observance by PNGFA of the compliance with due process (e.g. extension of saved permits after the expiry date).
- Inconsistency with decommissioning of log landings and logging roads, most logging operators do not have machines with rippers.
- Need for increased cooperation between all stakeholders including permit holders, logging operators, contractors, Provincial Governments and landowners in order to ensure meaningful developments are achieved and maintained.
- The question of “sustainability” of logging operations particularly where the estimates of available timber resource are disparate, and there is no guarantee that landowners will not change land-use from Forestry to industrial agriculture.
- Harvesting at an annual allowable cut which appears to exceed the sustainable annual allowable cut.

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