

Review of Vailala TRP

Blocks 2 & 3

Gulf Province

FORESTRY AND CONSERVATION PROJECT

INDEPENDENT REVIEW TEAM

FINAL PROJECT REPORT

VAILALA TRP BLOCKS 2 AND 3 GULF PROVINCE

Project Summary from PNGFA Records

Timber Permit No.	TP 2-16
Permit Holder	Frontier Holdings Limited (FI 556 –registered on 28 March 1995)
Permit Area	Vailala Blocks 2 & 3 Forest Management Agreements – Block 2 – 18 December 1995 Block 3 – 18 December 1995 No Tender No DOS No Project Guidelines Permit Area – 267,800 ha
Expiry of TRP or FMA	18 December 2045 (50 year term)
Date of Permit	24 June 1992
Expiry of permit	23 June 2002
Application for renewal	7 January 2002 (Form 120)
Applicant	Frontier Holdings Limited
Report of PFMC	26 June 2002 (Form 122)
Recommendation of Board	Undated (Form 124)
Ministerial Approval	25 July 2002 (Form 118)
Initial Resource Estimate (Gross)	3,815,208m ³
Log Harvest 24 June 1992 – 25 July 2002	496,409.041m ³
Remaining Resource for Extension (Gross)	3,295,361m ³
Annual Allowable in the Permit	300,000 m ³
Log Export since 23 June 2002 to 5 March 2003	Volume: 134,521m ³ Fob Value: K29,364,740

Summary of the Team's Findings and Recommendations

Requirement	Compliance status	Remarks
Application for Extension or Renewal (Form 120)	Irregular	Serious question should be asked why the Application made by the company on 7 th January 2002, 5 days after the Board request.
Board Request for PFMC Report (Form 121)	Irregular	Board request made by former Managing Director, Thomas Nen on 2 nd January 2002, 5 days prior to application
PFMC Report to the Board (Form 122)	Irregular	This is irregular and questionable as the report is given 3 days after expiry of permit on 23 June 2002
Board Recommendation to the Minister for Extension or Renewal (Form 124)	Not Complied	Undated Form 124 signed by Wari Iamo. Circular Procedure not allowed by Act. There was also no quorum of 6 (only 4 participated in that resolution of 3:1 vote) as required under s. 8 of the Forestry (Amendment) Act 1996. The Board resolution would be void.
Timber Permit Extension or Renewal (Form 118)	Not Complied	Extension given by Minister Ogio on 25 July 2002, 1 month 2 days after expiry. The extension would therefore not only be irregular but not legally in order because there was no valid and operative Board resolution.
Social Acceptability, Past Performance of Permit Holder and Resource Availability under section 78(3) of the Act	Not Complied	The report of the Gulf Provincial Forest Management Committee does not satisfy past performance and sustainability requirements of the resource under the extended operations.

FINDINGS

The Review Team makes the following Findings –

1. There were most serious departures from due process when Timber Permit 2-16 was granted to Frontier Holdings Limited on 24 June 1992. The grant of the Timber Permit No. 2-16 was unlawful in that the Forest Authority did not have the timber rights over the area before it granted the Timber Permit 2-16 to the company. The signing of the Forest Management Agreements in 1995 did not adequately rectify the situation. A timber permit cannot be granted without the Forest Authority first acquiring the resource rights from the customary landowners under a Forest Management Agreement.
2. The permit holder is not an appropriate company to hold an operating right in Papua New Guinea's forestry sector. Its share capital is insubstantial and its majority shareholder is a company registered in the British Virgin Islands.
3. The rights of the resource owners have been denied in the following ways -
 - (a) No landowner representatives were in attendance at the PFMC meeting on 21 June 2002, as is required by section 28(3);
 - (b) While FMA's were entered into in relation to this project, after the illegal grant of Timber Permit 2-16, the landowners have been deprived of their right under the current Act to participate in the preparation of Project Guidelines and a Development Options Study.
4. There have been other serious departures from due process in the consideration and grant of the extension to Timber Permit 2-16, namely -
 - (a) Former Managing Director, Thomas Nen, signed Form 121 (*Board Request for a Report on Timber Permit Extension or Renewal*) 5 days before the application for the extension was made. The proper order of process under s. 78 of the Act is that the Applicant must first make an application for extension to the Board before the Board can request the Provincial Management Committee for its report. This has not happened here.
 - (b) The Report of the PFMC under section 78(3) did not adequately address the issues of sustainability of the resource under the extended operations. In fact the allowable cut would seem to exceed a sustainable figure by about 300%.
 - (c) The recommendation of the Board was obtained by sending a 'circular' resolution to some Board members. There is no legal basis for such a practice in the Act. This process was objected to by the NGO

representative but was still acted upon. Such a process has no legal basis under the Act, and is contrary to the clear provisions that contemplate that decisions will be made at meetings of the Board where all representative Members are entitled to express their views. Some months again it was presented to a Board meeting for ratification but by that time all formalities relating to the grant had been made.

- (c) The Board resolution under the irregular 'circular' procedure is also open to question because only four members appear to have participated in that resolution when six members constitute a quorum under section 8 of the Forestry (Amendment) Act 1996. There cannot be a valid and operative Board resolution in this instance as there was no quorum for the meeting.
 - (d) The grant of the extension was made more than one month after Timber Permit 2-16 has expired. This is open to question. The Act does not allow an extension after the expiration of the permit.
5. The logging operations under the extended permit cannot be said to be in accordance with sustainable management practices.
 6. The actions of the permit holder, its related companies, and former PNGFA Managing Director (Thomas Nen) and former Board Chairman (Dr Wari Iamo) are deserving of further inquiry.

OBSERVATIONS

The Review Team makes the following observations -

1. THE BASIS OF THIS PROJECT

The following is a brief excerpt from the report of the Forestry Review Team in relation to the Vailala (Meporo) project in the 2001 review of the pending forestry projects -

“The manner in which Frontier Holdings obtained its right to operate in Blocks 2 and 3 is the subject of some controversy. The company is said to have produced a Timber Permit signed by a former Minister, now deceased. There was no FMA or any other supporting document to show that any requirement of the Act had been met. Subsequent court proceedings were settled by consent in circumstances that aroused dissatisfaction within the PNGFA. The Timber Permit attained some legal validity but no great acceptance by some officers or by certain landowners who have other plans for their land. A Commission of Inquiry may be the only means of determining the issues giving rise to this controversy. It is a means that has some historical precedent in the forestry sector.”

FMA's were prepared and signed for both Blocks 2 and 3 on 18 December 1995. This may have gone some way to providing a legal basis to the timber permit, which had been issued more than three years before the FMA's. However, the essential procedural requirements of the new Act (Project Guidelines, Development Option Study, tender of the project and selection of the operator) were all circumvented.

This is another disturbing instance where a clearly irregular grant of an operating right has gained some legality (if not validity) by the obtaining of a consent order in legal proceedings. While the effect of the court order may not be open to question, it is certainly of great concern that the legal requirements of the *Forestry Act* can be circumvented by such means.

2. LANDOWNER RIGHTS

As noted above, there was no proper legal basis for this project from the outset. Accordingly the interests of landowners have not been protected by any agreement required by law (neither a Timber Rights Purchase Agreement, nor a Logging and Marketing Agreement, nor arguably by an effective Forest Management Agreement).

It appears that landowner discontent over the years has forced the logger to enter into agreements with a number of landowner companies. It is clear that these companies have fractured over the years as disputes have arisen over the distribution of benefits. The logger appears to have breached many aspects of these agreements and there are suggestions that it has refused to review agreements even though they may have been contractually obliged to do so.

3. THE DENIAL OF OTHER LANDOWNER RIGHTS

When the PFMC met on 21 June 2002 to consider this extension no landowner representatives from the project area are recorded as being present. This is in breach of section 28(3) of the Act.

On the other hand, the company's representative was present at the meeting and given a hearing.

4. OTHER DEPARTURES FROM DUE PROCESS

The Team has other concerns about aspects of the grant of the extension to Timber Permit 2-16. These are –

- (a) Form 121 (*Board Request to PFMC for a Report on Timber Permit Extension or Renewal*) was issued 5 days before the date of Form 120 (Application for an Extension). Former Managing Director, Thomas Nen, signed form 121.

- (b) In July 2002 the consent of Board Members to the Board's recommendation for the grant of the extension was sought by sending out a "circular" resolution. It is not clear that all Members were in receipt of this. The NGO representative firmly objected to this but his views were ignored. Doubts arise as to the achieving of compliance with the Act's requirements for a quorum. Under section 8 of the Forestry (Amendment) Act 1996, six members will constitute a quorum. Therefore, even using the irregular 'circular' process of the meeting it is doubtful if there was a valid resolution of the Board to recommend extension.

There is no legal basis in the Act for such a procedure to be used.

These concerns are not greatly altered by the resolution of the Board made in September to ratify the process as the formalities relating to the grant of the extension had been made.

- (c) The Form 124 (*Recommendation by Board to the Minister for Extension or Renewal of Timber Permit*) was signed by Dr Iamo, but remains undated. This raises another doubt about the proper sequence of events.
- (d) The purported extension is made one month and 2 days after the permit expired. It is doubtful that an extension can properly apply to a permit that has already expired.

5. SUSTAINABILITY OF THE EXTENDED OPERATIONS

The considerations applying to the PFMC Report required by section 78(3) in relation to the sustainability of the available resource are noted in the "CONSIDERATIONS" part of this Report.

The PFMC Report (Form 122) prepared in relation to this extension and dated 26 June 2002 notes the following –

- (a) Figures are provided relating to the loggable resource area including –
- A total FMA area of 267,800 ha.
 - Less total inoperable areas of 69,671 ha.
 - Less logged over areas to 2001 of 17,763 ha.
 - Less area cut to April 2002 of 3,789 ha
- = Total remaining operable area as at 24 June 2002 of 176,577 ha.
- (b) Figures are also provided for the remaining extractable resource volume –
- Grand Total of 3,295,361 m3

OBSERVATIONS

- Allowance has probably been made for environmentally sensitive areas or conservation set-asides, although these are not actually specified or quantified in the “inoperable areas”.
- The Report is not based in any way on principles of sustainable yield. The total loggable volume has been divided by the existing annual allowable cut and the conclusion is drawn that the resource will last for the 10 year extended term. There has been no attempt to apply a cutting cycle to the figures to arrive at a sustainable annual harvest figure.
- The question of the sustainability of the project is not the issue. The calculations that have been used in this instance ensure that the resource itself will be extracted on an unsustainable basis. In fact the allowable cut of 300,000m³ per annum under the Timber Permit is likely to be about three times the actual sustainable cut figure (in the vicinity of 90,000 m³ per annum).
- The Team also notes PNGFA initial gross resource estimate volume of 3,815,208m³ and the log harvest of 496,409 m³ from 24 June 1992 to 25 June 2002. Based on this PNGFA data the remaining resource estimate for the term of extension will be 3,318,799 m³, which is 23,438 m³ more of the estimates applied by the PFMC. Even then at the annual allowable cut of 300,000 m³ under the timber permit the harvestable rate is still three times the actual sustainable cut figure.

RECOMMENDATIONS

The Review Team makes the following Recommendations -

1. Action under section 85 should be commenced without delay to suspend the rights of the permit holder. An appropriate course of action may be as follows -
 - (a) The permit holder should be called upon to establish that condition 1 of the extended permit has been fully complied with. (i.e. “All outstanding social infrastructure and other tangible benefits as per the Agreement between the landowner companies, to be provided or established” within six months. This date expired 25 January 2003). A deadline of say 14 days should be set for a full report to be provided on the actual implementation of each and every obligation.
 - (b) After the expiration of the deadline set in paragraph (a), a full review of the operations under TP 2-16 should be undertaken. If the report provided under paragraph (a) does not indicate full compliance, or if no report is

given, then the project should be suspended pending the finalization of the review.

(This review could be done as part of the *Review of On-going Projects* under the Forestry and Conservation Project).

- (c) The permit holder should be called upon to report upon the public relations exercises undertaken by it as required by condition 4 of the extended permit.
 - (d) A full report on police activities in the project area should be sought from the Police Commissioner. This should include matters that reflect upon the activities of the permit holder and its relations with the resource owners.
 - (e) The landowners' views on their desires for alternative land use activities should be ascertained and these should be taken into account in relation to any final resolution of the future of these operations.
2. In addition to any process undertaken in accordance with recommendation 1, the permit holder should be advised that the extended Timber Permit is under review as the extension appears to have taken effect after the expiration of the original term.
- (NOTE: The National Forest Board should ensure that no extension is approved for a permit that has expired.)
3. Any future meeting of the PFMC in relation to this project must respect the right of landowner representatives to be present, as required by section 28(3).
4. The National Forest Board should refrain from using a "circular" type process to obtain approvals from Board Members outside of a formal meeting. Such a process has no legal basis under the Act, and is contrary to the clear provisions that contemplate that decisions will be made at meetings of the Board where all representative Members are entitled to express their views.
5. As a matter of policy the National Forest Board should direct that extensions or renewals under section 78 will not be entertained in relation to Timber Permits saved by reason of section 137 (1).
6. The following explanations should be sought from persons involved in the processing of this application -
- (a) Former Managing Director, Thomas Nen, should be asked to explain how he had signed Form 121 to request a PFMC report on 2 January 2002

when the application does not appear to have been made until 7 January 2002.

- (b) Former Board Chairman, Dr Iamo, should be asked to explain when he signed Form 124, and why it is undated.

CONSIDERATIONS

Forestry and Planning Issues

The Report required from the PFMC by section 78(3) must include a consideration of –

- “(c) the amount of the forest resource available in the vicinity of the project area in accordance with sustained yield management practices”.

This provision is taken directly from the relevant statement in the National Forest Policy and no other guidance as to its precise meaning, or the way in which it is expected to be applied, is to be found in either the Policy or the Act.

It would seem that at the very minimum this part of the Report should make an attempt to give –

- (a) a description of the gross loggable area;
- (b) an appraisal of the areas already logged;
- (c) an estimation of the gross merchantable volume in the remaining areas, and the means by which this was determined;
- (d) an estimation of the net merchantable volume, and the means by which this was determined;
- (e) allowance for the environmentally sensitive areas and conservation set asides in the area; and
- (f) a final appraisal of the principles of sustainable yield by basing the annual allowable cut on the total net loggable volume spread over a cutting cycle of sufficient length to ensure that the forest can be harvested sustainably.

It may be inevitable that all PFMC's will find such considerations a little difficult to come to terms with. It is imperative that the NFS play its necessary supportive and advisory role. The difficulties of this task are no reason at all for it to be overlooked or relegated to a matter of lesser importance.

Landowner Issues

The Report required from the PFMC by section 78(3) must include a consideration of –

- “(a) the social acceptability of the holder of the timber permit in the project area.”

This provision is also taken directly from the relevant statement in the National Forest Policy and no other guidance as to its precise meaning, or the way in which it is expected to be applied, is to be found in either the Policy or the Act.

It would seem that at the very minimum this part of the Report should make an attempt to give –

- (a) an accurate account of the views of landowners, and a description of the means by which these were ascertained;
- (b) an account of any disputes arising from the presence of the operations in the area, including the reasons for the disputes and the means by which they were resolved (if in fact they have been);
- (c) an account of any undesirable practices or affects of the operations, including the incidence of rape, prostitution and other criminal or undesirable activities that may be associated with the presence of a development in a village based community;
- (d) an assessment of environmental impacts;
- (e) an appraisal of the community benefits that have resulted from the project, including an assessment of any related economic opportunities that have been available to the landowners by reason of the project; and
- (f) an assessment of the permit holder’s compliance with infrastructure requirements and other social obligations applying to its operations to that time.

These are not matters about which “mere lip-service” may be paid. If necessary the operator itself should be required to commission an independent socio-economic impact analysis, to be undertaken by a person and in accordance with procedures, that are acceptable to the landowners.

Legal Issues

Issue 1. The application of section 78 to saved permits

The Forestry Act 1993

Under section 2 a “timber permit” is defined so as to include any timber permit granted under the repealed *Forestry Act (Chapter 216)* and saved by virtue of section 137(1A).

It is important to note that section 137(1A) only saves valid and current permits issued under the repealed Act “for the term for which they were granted or entered into or until they sooner expire or are revoked according to law as if the Act under which they were granted or entered into had not been repealed”.

There is no mention in either section 2 or 137 of the right to extend or renew a saved timber permit. To apply section 78 to a saved timber permit is to extend the period in which the provisions of the current Act will have no application to that project.

The National Forest Policy 1991

The section of the Policy dealing with Timber Permits (section 7 of Part II Forest Management – Strategies) states –

“(d) A permit may be extended or renewed subject to local social acceptability of the operator, satisfactory and consistent performance by the operator, and resource availability in the vicinity of the permit area in accordance with sustained yield management practices”.

This statement appears in the policy provisions applying to permits granted under the proposed new regime. The status of permits granted under other laws (ie those to be repealed by the current Act) is noted quite separately from the above, as follows –

“(h) All timber permits and additionally all dealings under the *Forestry (Private Dealings) Act (Chapter No. 217)* current at the time this policy takes effect will be subject to the requirements of the new forestry legislation, and permits and dealings that are inconsistent with this policy will be subject to renegotiation or termination as required.”

It is therefore –

- By no means clear that the Policy anticipated that the right to seek extension or renewal of timber permits applied to saved permits; and

- Quite clear that the policy anticipated that action would be taken to ensure that operations carried out under saved permits would be made consistent with the requirements of the proposed new Act (i.e. the *Forestry Act 1993*).

CONCLUSIONS

- It is not clear that the section 78 should be applied to saved permits. To do so is contrary to the spirit of the Act as it extends the period of time in which the new Act will not apply to the relevant project.
- The National Forest Policy also indicates that there is a distinction to be drawn in this regard between timber permits issued under the Act and those that pre-date the Act and are saved by it.
- The Board would be well advised to adopt a policy that would prevent section 78 being applied to saved permits, and should ensure that all PNGFA officers are aware of this resolution.

Issue 2. The requirement for saved permits to comply with the current Act.

This expectation was clearly stated in the National Forest Policy (see above excerpt).

This is also reflected in section 137 of the current Act as follows –

“(2) Where the Board is of the opinion that any term or condition of any –

... (b) permit, licence, timber rights purchase agreement or other authority granted under the Forestry Act (Chapter 216); ...

is at variance with the provisions of this Act to an extent which makes it unacceptable, it shall by written notice –

- (d) advise the ... holder of the permit, licence or other authority or parties to the agreement or timber rights purchase agreement, as the case may be, of the term or condition that is unacceptable; and
- (e) specify the variation in the term or condition required to ensure compliance with this Act; and”
- (f) (specify a date upon which the variation shall apply, or if the person so notified indicates that the variation is unacceptable then the permit etc shall then cease to have effect.)

CONCLUSIONS

- In addition to the policy recommended in relation to Issue 1, the Board should take action under section 137(2) to review all saved TRP's and the timber permits

issued under them, to ensure that full compliance with the provisions of the current Act is achieved.

Issue 3. The specific requirements and conditions of section 78.

Under section 78 a timber permit may be extended or renewed if –

- (a) the holder of the permit applies to the Board;
- (b) the application is lodged with the Managing Director in the prescribed form and is accompanied by the prescribed fee;
- (c) the Board has obtained a report from the PFMC on the social acceptability of the permit holder in the project area, the past performance of the holder of the permit and the amount of resource in the vicinity of the area in accordance with sustainable yield management practices.

If the reports are satisfactory the Board shall recommend to the Minister that the extension or renewal be made. The Minister cannot grant the extension and renewal except on the valid recommendation of the Board.

Under the Forestry Regulations 1998, the following Forms were required in relation to the application under section 78 –

Form 118 - Timber Permit Extension or Renewal of Term
To be signed by the Minister.

Form 120 - Application for Extension or Renewal of Term of Timber Permit
Must include a cheque for the prescribed application fee (K3,000).

Form 121 - Board Request to PFMC for a Report on Timber Permit Extension or Renewal

Form 122 - Report to the Board by a PFMC on an application for an Extension or Renewal of a Timber Permit

Form 123 - Rejection by Board of Application for Extension of Renewal or Term of a Timber Permit; or

Form 124 - Recommendation by Board to the Minister for Extension or Renewal of Timber Permit

SEQUENCE OF EVENTS

2 January 2002 Form 121 – Board Request to PFMC for a Report on Timber Permit Extension or Renewal

This appears to be signed by Thomas Nen.
It is dated 5 days before the application to which it relates!!!

7 January 2002 Form 120 – Application for Extension and Renewal of Term of Timber Permit

Application is made by Frontier Holdings Ltd.
Seeks extension for 15 years.
Signed by James Lau as General Manager.
A one page submission is attached as required.

21 June 2002 PFMC Meeting 2/02

Meeting heard from company representative Mr. Yeap but had no landowner representatives from the area present as required by section 28(3).

“Resolution 2

That the application for Extension of the Timber Permit No 2-16 is endorsed and recommended to the National Forest Board for a term of ten years on the conditions that –

- i. All outstanding social infrastructure and other tangible benefits as per the Agreement between the landowner companies, to be provided or established within six months as of the approval of the extension of the Timber Permit and if not complied, NFS to take appropriate action;
- ii. The Timber Permit No 2-16 to be reviewed within six months as of the approval of the timber permit;
- iii. The Developer initiate appropriate public relation activities to foster peace and harmony at the community level;
- iv. In the event of what had happened in the past, the police personnel is to be used to maintain law and order only in the project area;
- v. The sawmill be built as stipulated in clause 4.3 of TP 2-16, by no later than 2003; and
- vi. In view of landowner desire to pursue other landuse development activities in the project area, that the developer should assist these landowners to realize those desires”.

26 June 2002 Form 122 – Report of the Board by a PFMC on an Application for an Extension or Renewal of the term of a Timber Permit.

On social acceptability, the report makes the following comments

- The landowner agreements “somehow failed to fulfil its purpose fully”.
- “...there were also social and economic obligations stipulated in the agreement that were not complied with by the developer, which became a grave concern by the resource owners to the NFS consultative team to the project area. This has developed frustrations and ill feelings against the developer for not being obliged to the terms and conditions agreed upon, which may have been knowingly ignored or for economic reasons for the last five years or so.”
- “Further more the resource owners and the developer experienced some social problems within the campsite...Also during the same period there had been raids by the task force (police) into the campsite settlement and surrounding villages.”
- “These actions then developed a disharmonious environment for the local community as well as creating an unhealthy relationship between the developer and the community.”

The report states that landowners are nonetheless in favour of the extension and notes the conditions stipulated by the PFMC.

The section dealing with prior performance by the developer is not informative.

An assessment of the remaining resource is made.

10 July 2002

Minute Area Manager Southern to DM Resource Dev.

Notes PFMC consideration on 21 June 2002 and subsequent completion of section 78(3) report.

10 July 2002

Brief by Chairman Iamo to Minister

Recommends grant of extension for ten-year term.

16 July 2002

Board Paper

The paper reflects the Brief previously given to the Minister. It makes the surprising remark that “the performance of the Permit Holder has been satisfactory to date whereby it has also complied

with terms and conditions of the Agreement.” (Note: This is not consistent with the conditions recommended by the PFMC).

Undated The paper was circulated to Board Members by the M/D Nelson. The following responses are on file -

- Dr Iamo – approved 25/7/02
- A Tagamasau – approved 22/7/02
- Philip Kikala – approved 22/7/02
- Ken Mondiaii – not approved 24/7/02

Note: Six responses are technically required to meet the quorum requirement of section 8 of the Forestry (Amendment No. 2) Act 1996. There is also no provision in the Act which permits a circular procedure such as this.

Undated Form 124 – Recommendation by Board to the Minister for Extension or Renewal of Timber Permit.

This is signed by Dr Iamo but is not dated. It recommends an extension for 10 years.

25 July 2002 Form 118 – Timber Permit Extension or Renewal of the Term

Minister Ogio grants a ten-year extension. Permit is now said to expire on 24 June 2012. The conditions recommended by the PFMC have been stated.

(Note: This purported extension is made 1 month and 2 days after the expiration of the permit).

11 September 2002 Board Paper (B3) for Meeting 86

This seeks the Board’s ratification of the purported Board Circular Resolution to approve the Board’s recommendation made to the Minister for Forests.

NOTE: The Minutes of the Meeting indicate that despite strong criticism of this practice by Ken Mondiaii, it was resolved that the “Board formally ratifies the Board circular resolutions to approve Board’s recommendation to the Minister of Forests to grant approval to applications for extension of terms of”... the three timber permits.

25 October 2002 PFMC Meeting 3/02

Vailala Blocks 2 and 3 discussed in relation to –

- The formation of Kero Miro Resources Ltd as another landowner group.
- The payment of levies for this and other RH projects.
- The difficulties in finalizing a Vailala Development Trust Deed.

“Part 2 of the Meeting”

“The Extension of ... TP: 2-16 for ... Vailala Blocks 2 and 3 have had approval made by the Board and the notification of granting of extension to developer has been dispatched”. K. Karo (Acting Area Manager).

OTHER INQUIRIES

The companies involved

Frontier Holdings Limited

A search of the company was arranged and this revealed the following –

- The company was incorporated on 31 May 1989 with 10,000 issued shares.
- Its registered office is at Lot 1 Section 479 Kennedy Road Gordons (P. o. Box 102 Port Moresby)
- Its directors are James Sze Yuan Lau, Kiew Chiong Tiong, Keng Suan Tan and Ivan Su Chiu Lu.
- Its shareholders are Super Acme Limited of the British Virgin Islands (9,999 shares) and Yii Ann Hii (1 share)

OBSERVATIONS

- The address, post office box and names of directors all indicate that this is a Rimbunan Hijau company but this is not reflected in the named shareholders.
- The majority shareholder appears as a company registered in the British Virgin Islands. Tax issues may be indicated here.
- The share capital of the company is not clear but it may be as little as K 10,000. This is not an appropriate financial base for a company operating in the forestry sector.

Rimbunan Hijau (PNG) Limited

This company is noted on the export records kept by SGS in relation to this project.

A search of the company was arranged and this revealed the following: -

- The company was incorporated 3 March 1986 with 3,000,005 issued shares.
- Its registered office is at Lot 1 Section 479 Kennedy Road Gordons (P. O. Box 102 Port Moresby)
- Its directors are Kiew Chiong Tiong, James Sze Yuan Lau, Hiew King Tiong, Thai king Tiong, Ivan Su Chiu and Ik King Tiong.
- The shareholders are Rimbunan Hiau Sdn Bnd of 11 Mission Road, Sibul Sarawak Malaysia (360,000 shares), Habacus Trading Pte Ltd of 11 Collyer Quay The Arcade Singapore (360,000 shares), Gotcha Company Ltd of 1501 Hutchinson House Hong Kong (2,280,000 shares), Hiew King Tiong (1 share), Ik King Tiong (1 share), Thai King Tiong (1 share), Yung King Tiong (1 share) and Thomas Bruce Gall of 20 Churchill Street Mont Albert Victoria Australia (1 share).

Log Exports since the Extension of the Timber Permit

Records maintained by SGS were reviewed and revealed the following figures relating to the export of logs since 23 June 2002 (date of expiry of Timber Permit 2-16) –

- 134,521 m³ of logs have been exported.
- Their FOB value has been listed as K 29, 364,740.