

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 6.

TIMBER PERMIT (TP) : TP 15-58 SERAJI & SERAJI EXTENSION
TP HOLDER : NANGAL LTD
LOGGER AND MARKETER (L&M) : EVERWELL LTD
L&M PARENT COMPANY (If Different) :
DATE OF FIELD REVIEW : OCTOBER 2003
DATE OF FINAL REPORT : APRIL 2004

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

| STAKEHOLDER | COPY DRAFT IPRR PROVIDED | RESPONSES RECEIVED |
|---------------------------------|---------------------------------|---------------------------|
| Logging Company | Yes | No |
| Timber Permit Holder | Yes | Yes |
| Landowner Company | (*) | |
| PNG Forest Authority | Yes | Yes |
| Dept Environment & Conservation | Yes | Yes |
| Provincial Administration | Yes | No |

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

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

FOREWORD

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

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

ACKNOWLEDGEMENTS

The Review Team acknowledges the support and cooperation given by PNG Forest Authority (PNGFA) Port Moresby and Kerevat, PNGFA field officers, the Department of Environment and Conservation (DEC), Deegold Enterprises (PNG) Ltd, Tactical Services Ltd, Nangal Ltd, and the landowners of the project area.

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1. LEGAL BASIS, PARTIES AND CONTRACTUAL RELATIONSHIPS

The key legislation governing logging projects are the Forestry Act 1991 (as amended), the Environmental Planning Act 1978, the Environmental Contaminants Act 1978 (as amended) and the Water Resources Act, chapter 205. The relevant documents enabling and prescribing TP 15-58 Seraji & Seraji Extension are set out in Tables 1 and 2.

The logging project is governed by Timber Permit (TP) 15-58 granted to Nangal Ltd, a purported Landowner Company. Nangal Ltd has engaged Everwell Ltd to undertake the logging and marketing in accordance with the Timber Permit conditions jointly with the permit holder.

Under the Timber Permit Nangal Ltd is required:

- To harvest logs within the limits set under clause 4 of the TP i.e. during permit years 1 to 3 a maximum of 40,000 m³ and a minimum of 20,000 m³ per year; and during permit year 4 and thereafter a maximum of 10,000 m³ and a minimum of 5,000 m³;
- To export logs not more than 35,000 m³ during permit years 1 to 3 and thereafter no more export (cl. 4.2);
- To establish a sawmill within 6 months of the permit date and to feed the saw mill 5,000m³/annum of logs during permit years 1 to 3 and thereafter 10,000m³ per annum (cl. 4.3);
- To establish at its own cost an agricultural development project of not less than 150 ha of land (cl. 4.4);
- To construct, upgrade and maintain in a safe and trafficable condition during the currency of the permit period roads, bridges and crossings as specified under clause 4.5, in particular the following roads:
 - Main road from Seraji Base Camp to Magarere;
 - Feeder Road 1 from Seraji Base Camp to Takis; and
 - Feeder Road 2 from Seraji Base Camp to Stockholm.
- To, in consultation with the Secretary of the Department of East New Britain Province, construct and maintain the following infrastructure under clause 4.6:
 - (i) Educational Facilities at Takis Village:
 - 3 classroom buildings;
 - 3 teachers houses; and
 - 3 vocational schools.
 - (ii) Community Development/Social Projects

- 1 Church Building at Takis; and
- 1 Sports Oval at Takis Community School.

(iii) Health Facilities

- Extension and Upgrading of Aid Post at Takis; and
 - Aid Post Orderly's Residence.
- To pay compensation to the State on behalf of the customary owners of the permit area for any damages caused by the operations under clause 11.3;
 - To pay promptly royalties as prescribed or fixed (cl. 13); and
 - To lodge with the Managing Director within one month of the permit date a bank guarantee (performance bond) in favour of the State for sum of K25,000 or such other sum as specified by the Managing Director in writing to the Permit Holder (cl. 14).

Under the Logging & Marketing Agreement (LMA) Everwell Ltd has been appointed exclusive contractor by the permit holder and is required:

- To lodge performance bond of K25, 000 in favour of the permit holder prior to the first shipment of logs (cl. 21.2); and
- To take out public liability insurance cover in respect of accidents arising out of the operations, death or bodily injury to any person, damage to property; and insurance of all its employees pursuant to the Workers Compensation Act (cl. 11).

Other than the more specific obligations of the Contractor in relation to the performance bond and insurance stated above, under clause 10 of the LMA the Permit Holder and the Contractor are jointly and severally responsible to assist each other in implementing the terms and conditions of the Timber Permit particularly in relation to preparation of integrated land use and resource management development plans; reforestation; agriculture development projects; payment of royalties, export duty, reforestation levy, agriculture levy, infrastructure development levy and other levies; and construction of roads, bridges and other infrastructure.

The permit holder entered into a similar LMA with Deegold Enterprise (PNG) Ltd on 5 November 2002, and Deegold Enterprise (PNG) Ltd has taken over responsibility for logging. However the LMA has not been approved by the Managing Director as required under clauses 22 and 23 of the Timber Permit. Deegold in turn has engaged Tactical Services Ltd to undertake the logging. The details of the arrangements between Deegold and Tactical Services are not known.

The PNGFA notes that it is not being kept up to date with the arrangements between the parties, and approval of the submitted Annual Logging Plan for 2003/4 is being withheld pending clarification of the roles and relationships of the various parties.

It is noted that the Timber Permit expires in November 2004. It is further notes that the logging contractor ceased operations soon after the Review Team field visit.

TABLE 1 : KEY DOCUMENTS

| DOCUMENT | PARTIES | DATE OF ISSUANCE/ SIGNING/ APPROVAL | DATE OF EXPIRY | DOCUMENT LOCATION |
|--|---|---|--|--|
| TRP Agreement | Landowners and State | 4 Nov 1988 | 3 Nov 2008 | Held at PNGFA |
| Timber Permit | Granted to Nangal Ltd (Landowner Company) | 27 November 1995 | 26 November 2004 | Held by PNGFA |
| Logging and Marketing Agreement | Nangal Ltd and Everwell Ltd | 28 September 1999 | 5 years from the date of approval by PNGFA MD or after all conditions precedent have been met, whichever first occurs. | Copy obtained from Logging Company |
| Logging and Marketing Agreement | Nangal Ltd and Deegold Enterprise (PNG) Ltd | 5 November 2002 | Unknown | Unsighted. Not held by PNGFA. |
| Environmental Plan (EP) | Approved by Minister for Environment & Conservation (E&C) | Undated ¹ | | Not able to be located. |
| EP Approval Conditions | Set by Minister for E&C | Refer to footnote 1 | | Not able to be located |
| Environmental Management & Monitoring Programme | Set by Secretary DEC | 03 March, 1997 | TP period | Approval instrument sighted in DEC's Seraji project file, but cannot locate the EMMP document. |
| Waste Management Plan | Set by Secretary DEC | 03 March, 1997 | TP period | Approval instrument sighted in DEC's Seraji project file, but cannot locate the WMP document |

¹ According to DEC's File number 20-9-128, an instrument was prepared and submitted by the Secretary DEC to the then Minister (Paul Mambei) for his approval. The file does not have a copy of this instrument or any subsequent approval.

| | | | | |
|---|--|-----------------|-----------------|---|
| 5 Year Logging Plan | Approved by PNGFA Managing Director | 30 January 2002 | 29 January 2007 | Held by PNGFA, but copy unable to be located. |
| Annual Logging Plan | Approved by PNGFA Managing Director | 27 January 2003 | 26 January 2004 | Held by PNGFA. |
| PNGFA's Planning, Monitoring and Control Procedures | Issued by Managing Director. | November 1995 | No expiry date | Standard document available from PNGFA. |
| PNG Logging Code of Practice (Including 24 Key Standards) | Endorsed by NEC. Observance required by Regulation | April 1996 | No expiry date | Standard document available from PNGFA. |

TABLE 2 : ADDITIONAL (OR SUPPLEMENTARY) AGREEMENTS

| DOCUMENT | PARTIES | DATE OF ISSUANCE/ SIGNING | DATE OF EXPIRY | DOCUMENT LOCATION |
|---|---|--------------------------------------|-------------------------------|-------------------------------------|
| Agreement regarding Log Export Premium payments | Logging Company and Landowner Company | 5 th November 2002 | 4 th November 2007 | Held by Deegold Port Moresby. |
| Agreement for use of land for log pond | Logging Company and relevant landowners | | | This is verbal only (K1000/ month). |

2. SUSTAINABILITY OF LOG PRODUCTION

The Timber Permit was granted in November 1995 using the forms provided for under the repealed Forestry Act. The Forestry Act 1991 (as amended), which implements the National Forest Policy 1991, had already commenced. This sets out the objective of achieving sustainable log production and a sustainable forest industry. It is unclear why the permit was not cancelled.

The rights to harvest logs were acquired by the State over Seraji Extension in November 1988, and the Timber Permit granted by the Minister in 1995 allows the resource to be cut over a period of 10 years (November 1995 to November 2004). This arrangement does not comply with the National Forest Policy or the Forestry Act 1991.

The permit area defined under the Timber Permit is the 24,700 ha of Seraji – Pondo (18,700 ha Seraji and 6,000 ha Pondo) in the Lassul District of East New Britain Province. Freehold and Leasehold plantations are excluded from the permit.

The permitted annual allowable cut is 40,000 m³/annum of which 35,000 m³ may be exported.

The project is located in two distinct areas in the north-west Baining area of the East New Britain Province and has no road connection to the provincial centre, Rabaul.

Since logging commenced there have been constant disruptions to the operation caused by disputes between the various operators and the logging contractors and between landowners themselves, over land ownership. This has led to set-ups being abandoned partially logged and then re-entered once the land dispute has been settled.

The current logging operation is being carried out in set-ups that were in previous annual logging plans (99-00 to 01-02), these set-ups are now numbered 02/03/01-34, in the current annual logging plan.

At the time of the field inspection by the Review Team, set-ups 02/02/17-34 were under dispute and unless this dispute is resolved the operation would once again be interrupted as logging in the current set-ups was nearing completion. The PNGFA Regional Inspector considered that the new set-ups 02/03/15 and 16 were too steep to log and he issued verbal instructions to the contractor not proceed with their logging.

3. FIELD WORK

The field inspection for TP 15-58 was undertaken during end September to early October 2003. This included a briefing at the PNGFA Area Manager's office Keravat, two days in the field at Seraji on the 1st and 2nd of October and a further three days in Rabaul holding meetings with PNGFA officers and the Local Level Government President who is also the Chairman of the permit holder, Nangal Ltd. As well as meetings with the logging company managers and staff, and with landowners, the field inspection involved the following:

- An inspection of set-ups that were in the process of being re-logged, these set-ups were 02/03/10-14 (previously 00-01/5-8 and 21);
- An inspection of set-up 02/03/08 (previously 00-01/03) which had been completely logged;
- An inspection of roads and bridges currently being used;
- An inspection of the log pond at Seraji;
- An inspection of the base camp at Seraji;
- Interviews with employees at the base camp; and
- Interviews with Villagers (see chapter 5).

4. REVIEW TEAM OBSERVATIONS

4.1 LEGAL DOCUMENTS AND DUE PROCESS

The Review Team examined the legal documents underpinning the logging project as listed in Tables 1 and 2. Particular attention was paid to the observance of due process with regard to the application for, processing of and issuance of the various legal instruments.

With regard to TP 15-58 Seraji & Seraji Extension, the Review Team's observations were that:

- There is a formal defect in the granting of Timber Permit 15-58 in that the permit was issued under Form 2 of the old Forestry Act, chapter 216 in November 1995 when the Forestry Act 1991 (as amended) was already in force.
- Two contractors operate in the area, Deegold Enterprises (PNG) Ltd and Everwell Ltd. The permit holder, Nangal Limited, has signed a Logging & Marketing Agreement with both contractors but only the contract with Everwell has been approved by the Managing Director as required under clauses 22 and 23 of the Timber Permit. Unless the contract with Deegold Enterprises (PNG) Ltd has been approved its operations are unlawful. Everwell Ltd was given exclusive rights on 28 September 1999. The contract with Deegold Enterprises (PNG) Ltd is dated 5 November 2002.
- PNGFA officers have informed the Review Team that Everwell Ltd has ceased operating in the area and Deegold has now taken over. The Review Team was also informed by the PNGFA that Everwell Ltd had no licence prior to its operations while Deegold Enterprises (PNG) Ltd has been licensed. The Review observed that there was a sub-contractor named Tactical Services Ltd carrying out logging operations. PNGFA officers advised that Tactical Services has not been licensed to operate in the area. This is an offence under section 122 of the Act.

4.2 LOGGING COMPANY

The logging companies (Everwell Ltd and Deegold Enterprises (PNG) Ltd), under the terms and conditions of their respective Logging and Marketing Agreement, are generally responsible to Nangal Ltd for observing the requirements of the Timber Permit. At the time of the field visit Deegold Enterprises (PNG) Ltd were present at the site and Tactical Services Ltd were carrying out the actual logging operation.

The observations of the Review Team are that:

(a) Planning and Control of Logging

The logging operations were being supervised by an expatriate employee of Tactical Services Ltd and a qualified Papua New Guinean forester was his second in charge.

The forester had previously worked with the PNGFA and had attended a course in the Planning Monitoring and Control Procedures for Selective Logging in Papua New Guinea's Natural Forests.

The logging company (Tactical Services Ltd) did not hold a copy of the Annual Logging Plan on site and was using the Project Supervisor's copy as a reference for carrying out the logging operations.

Set-up plans were not properly prepared in that there were no skid tracks marked. On questioning by the Review Team the logging operator admitted that they were not actually following the Key Standards.

Other Key Standards not being complied with were observed to be:

- Logging inside buffer zones (Class 1 & 2 streams/ rivers);
- Logging on slopes greater than 30°;
- Watercourses or streams have excessive soil pushed into them by bulldozers as a result of road and/or skid track construction;
- Debris not removed from streams or watercourses;
- Skid tracks not followed;
- Skid tracks were observed similar to logging roads with bulldozers removing soil and up-rooting trees to have a sound route;
- Closed set-ups being re-logged; and
- Lack of decommissioning within logged set-ups, e.g. log landings not ripped, skid tracks having no water bars and temporary river crossings not being removed.

(b) The Log Pond

- The log pond was generally well set up and managed, with minimum clearance of shoreline. Key requirements not being met were:
 - Lack of containing bund around the fuel tank.

(c) The Logging Camp

The current logging camp is located at Seraji, between Takis village and Walmatki village on land leased by Deegold from the landowners from Takis village. It serves as the base camp for the employees of Tactical Services Ltd, the operating logging contractor. PNGFA also has a kit house in this logging camp which the PNGFA Project Supervisor uses when monitoring the logging operation. The PNGFA officer does not live in the camp but comes up once a month to do the monitoring.

Concerns raised by the current logging company employees include the following:

- Employees claimed that the current contractor is not maintaining Nasfund contributions after it took over from the previous logging contractor.
- Concerns were raised about the absence of a company representative at the campsite who can reliably inform employees of their employment conditions and deal with other issues that affect employees at the base camp on a daily basis.
- The majority of employees were concerned about the fact that no arrangement has been made for them to join Nasfund. They claimed that the last contractor had left without making any such arrangements.
- Employees on cubic meter rates were concerned about the inconsistency of the volume of their production to the final payment. They claim that the final payment is always lower than the volume scaled in the bush.
- Employees were concerned that they were not receiving appropriate remuneration for their efforts, including over time and leave entitlements (this was a particular concern for those with trade certificates recruited from outside the logging area).
- Concerns were raised about the sudden departure of Everwell Ltd without informing employees what employment benefits each was entitled to.
- Further concern was raised about the current logging contractor (Tactical Services Ltd) with respect to basic working conditions of employees.
- Employees who were initially recruited as casuals were concerned about what their status of employment is after 6 to 12 months of being employed with the company.
- There was a concern over the lack of safety equipment and sound work practices.
- Employees complained about the standard of accommodation provided for married couples and their families.
- That there is overcrowding in the rooms too small for even small size families. Sometimes single employees are accommodated next to these family rooms.

- Employees complained about the logging contractor not providing camping food allowances for those camping temporarily in the bush outside the main camp.

Key Standards requirements observed as not being met were:

- Lack of containment bund around the fuel tanks at the workshop and power generator shed;
- Workshop wastes indiscriminately disposed around workshop area and its surroundings;
- Lack of proper toilets for the local employees;
- Workshop wastes (solid/oil) indiscriminately disposed around the immediate vicinity;
- A waste pit (for oil and other workshop wastes) was dug on a slope with a creek flowing 40-50m below;
- Lack of Water Use Permits; and
- Lack of proper domestic waste disposal facilities.

(d) Landowner Financial Benefits

The Landowner Financial benefits set out in the Timber Permit and Logging and Marketing Agreement(s) are as follows:

- Royalty of K10 per cubic meter of log harvest;
- Log Export Premium payment of K8.00 per cubic meter of log export; and
- K2.00 per cubic meter harvested for community services.

According to the report presented to the Review Team by the Managing Director of Nangal Ltd the following amounts of money have been distributed or saved in a bank account:

- K74, 000.00 in an operation account;
- K100, 000.00 Interest Bearing Deposit; and
- K52, 000.00 distributed to 5 land groups.

The Review Team was able to establish that there is a verbal agreement only for the use of the base camp/log pond at Seraji and the harbour for K1000.00 per month.

(e) Landowner Infrastructural Benefits

There is no specific levy for the construction of infrastructures. All social infrastructures and road constructions are funded from the K8 per cubic meter premium and the K2 per cubic meter from the community services levy. These infrastructures were built in consultation with the East New Britain Provincial Government to ensure that they conformed to the social development plans of the province. According to the report presented by the Managing Director of Nangal Ltd, the total amount spent on these assets is about K1 million to date.

The following summarises the infrastructural benefits delivered to date:

- Roads and bridges

The road from Seraji to Takis village was completed and constructed to logging road standard only. So far only log bridges have been built across the creeks and rivers. No permanent culverts have been put in place over the creeks.

The main road from Seraji Base Camp to Nangarere has been completed to the required logging road standard only. Only log bridges have been constructed across the creeks and rivers. No permanent culverts have been put in place over the creeks.

The feeder road from Seraji to Stockholm has not been constructed as a result of an ongoing dispute between landowners from Takis and Walmatki villages.

- Education facilities at Takis village

3 x classrooms; and

2xteachers houses (One teacher's house is yet to be built in order to comply with the condition of the Project Agreement.)

- Health facilities

1 x Aid Post; and

1 x Aid Post Orderly's house.

- Church facilities

1 x catholic church; and

1 x catechist house.

- Other delivered assets included the following:

2 x coconut and cocoa plantations;

Financial support for the development of 256 smallholder cocoa blocks;

2 x mobile sawmills; and

1 x land cruiser vehicle.

The opinion of the Review Team is that Nangal Ltd has performed relatively well in meeting the conditions of the Timber Permit.

(f) 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 Nangal Ltd has complied with this requirement.
- Logging camp and log pond personnel included a large proportion of expatriates. In some cases they were undertaking jobs restricted to PNG Citizens by the Department of Labour and Industrial Relations, for example driving logging trucks.

(g) Company Search

A company search of Everwell Limited show that it has current IPA registration with a share capital of K10,000 held by a Yii Ann Hii of Gordens Light Industrial Area. Its directors are Yii Ann Hii; Yii Tiing Hii of section 516, Lot 6, Waigani; and John King Yu Hii of section 516, Lot 6, Waigani. Its last annual return was filed on 6 November 2002.

The company has current FIP registration (FI 01062) since June 1999.

According to PNGFA officers Everwell Ltd did not hold a forestry licence for its logging operations pursuant to s91 of the Act.

A company search on Deegold Enterprises (PNG) Ltd shows that it has current IPA registration and has a share capital of K100.00 held by Isherwood Investments Ltd of British Virgin Islands (99) and Yii Ann Hii of Section 38, Lot 30, Hohola (1). Its only director is Yii Ann Hii. Its last return was filed in July 2002.

The company is currently registered as a Forest Industry Participant under the Forestry Act 1991 (first listed in March 1994 – Registration Number FI 127).

Discussions with PNGFA officers indicate that Deegold Enterprises (PNG) Ltd's s91 licence expired on 18 November 2003.

After the most recent resumption of logging in April 2003, Tactical Services Limited became the "Sub-Contractor to Deegold Enterprises (PNG) Ltd" and is operating in the concession area. According to Deegold² there is no Sub-Contracting Agreement between these two companies.

Tactical Services Ltd has current IPA registration and its registered address is Section 21, Lot 61, Kimbe, West New Britain Province. It has an issued share capital of 10,000 ordinary shares held by Luis Kee Hui Wong being the only shareholder and director. It has not filed any annual returns. The company has current FIP registration (FI 01508) since May 2003.

Discussions with PNGFA officers indicate that Tactical Services Ltd has no current s91 licence.

² Letter from David Ting, on Deegold Enterprise (PNG) Limited letterhead to the Divisional Manager, Field Services, PNGFA, dated 8th November 2003.

Deleted: (Is it still registered/ Have shareholders changed/ Have new company executives been registered / have annual accounts been submitted??). ¶

4.3 PNG FOREST AUTHORITY (PNGFA)

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

The observations of the Review Team are that:

- The Project Supervisor does not have accommodation on site but visits the project by dinghy as required to monitor the operation; and that
- The Project Supervisor has approved set-ups for logging even though the set-up plans are inadequate and the operator admits to not following the Code of Logging Practice.

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:

- DEC's copy of the Environmental Plan has been lost.
- DEC was unable to locate a copy of an instrument of approval of an Environmental Plan.
- There is no record or report on file to show any field visits by DEC. There may not have been any visits at all since the commencement of the project in 1995.

4.5 LANDOWNER COMPANY

The Landowner Company is Nangal Limited. In theory the Landowner Company represents the landowners, and on their behalf holds the Timber Permit, collects the Log Export Levy, and co-manages (with the Logging Company) the Infrastructure Levy.

A company search shows that Nangal Limited has current IPA registration with a share capital of K2.00 held by Allan Marat (1) and Luana Salem (1). Its directors are Allan Marat and Mrs Salem Luana. No annual returns were filed as of the date of the search on 11 July 2003.

The company has current FIP registration (FI 174) since July 1994.

Nangal Ltd is recognised as the landowner company by villagers from Takis and Walmatki villages. IPA records show nothing about landowners being shareholders and ultimate beneficiaries of Nangal Ltd.

Nangal Ltd provided the following comments in response to reading the draft of this report:

- That the issue of shareholding would be considered; and
- That they allow logging in steep areas (over 30 degrees) to secure additional funds which provide an opportunity to bring some development to this very remote area.

Nangal Ltd also recommends that company directors be given some workshop training regarding their functions.

5. LANDOWNER VOICED CONCERNS

The Seraji TRP consists of two main villages, the main village being Takis. A total of three meetings were held with landowners; two on the project area with landowner representatives from Takis and Walmatki villages and the third with the Chairman of the Lasul Local Level Government, who is also claims to be the Managing Director of Nangal Ltd (but is not according to the IPA Registration data) in Kokopo (two meetings were held). Currently there is a dispute between landowners from Takis and Walmatki villages over an area where there are 18 set-ups remaining.

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

- Landowners-Takis village;
- Landowners-Walmatki village; and
- Landowner Company Manager.

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 expressed concern that Everwell Ltd left the project area without fulfilling its obligations contained in the Timber Permit and the Logging and Marketing Agreement.
- There was also concern about the absence of key personnel of the current logging contractor (Deegold Enterprises (PNG) Ltd) at Seraji or in the province. Issues affecting landowners are being delayed unnecessarily as the responsibility is often shifted to those who live outside the project area or province.
- Landowners expressed concern about the current Camp Manager's lack of cooperation in dealing with them.
- Landowners expressed concern that Tactical Services Ltd (the current Logging Contractor) is not informing landowners of what is going on in the logging operation. They also expressed concern about the lack of dialogue between

themselves and the Managing Director of the landowner company who resides in Kokopo.

- Concerns were raised about Tactical Services Ltd not having a representative on the project site or in Kokopo to deal directly with landowners in relation to their obligations under the Timber Permit and the Logging and Marketing Agreement.
- Landowners expressed concern that as there are only 18 set-ups left in the TRP. The logging contractor and Nangal Limited may not have the funds to implement outstanding commitments under the Timber Permit.

While the Review Team was in the field, the Directors of Nangal Ltd met and made several resolutions relating to the Timber Permit. Resolutions made include:

- 40% from the proceeds of sawn timber be allocated to landowners.
- That 50% of future round logs be put through downstream processing and the other 50% exported.
- That a Reforestation Levy be included in the Timber Permit.
- That 50% of the export tax currently being collected by the National Government from the value of logs exported from the project area be used to carry out social and economic development in the project area (clearly the Directors do not have the power to make this decision).

6. PROVINCIAL GOVERNMENT DISTRICT OFFICE

The President of the Lasul Local Level Government (who is also Managing Director of Nangal Ltd) was located and meetings were held with him in Kokopo.

At the time of the field visit, there was a grand opening of the District Office, which covers the project area, which has been constructed at Kerevat. Preparations for the opening by the Prime Minister were occupying the Provincial Government and Administration. The Review Team made efforts to contact other provincial government officers, particularly the Administrator and the Provincial Works Manager but were unsuccessful.

Relevant comments offered by the District Office representative were as follows:

- The Local Level Government considers that the project is located in one of the least developed areas of East New Britain and that the logging operation is the only form of development that has occurred in the area.
- The Local Level Government requested that 50% of the log export taxes collected from the project area be spent on developments in the project 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:

- Regeneration after logging is profuse, however, species composition shows the normal pattern with non-commercial species becoming predominant and thus slowing the growth of the valuable species. There is potential for silvicultural treatment of the logged over forests.
- The constant interruptions to logging which has led to set-ups being abandoned and then re-entered after regeneration has already been established is detrimental to the successful regeneration of the logged over forests.
- The area is rugged with little flat land available for further development of agricultural enterprises except for small scale-projects such as vanilla. Community based mixed species plantations close to the villages combined with regeneration treatment of the logged forest could provide a steady source of timber and non wood forest products from the logged over forests.

8. BROAD RECOMMENDATIONS FOR TP 15 - 58

TP 15–58 covers two very isolated areas and has been logged in order to provide some form of income and development for the people who have little access to national or provincial governments services.

All available land suitable for agricultural development has been converted to coconut plantations and the logging operation has taken place on steep to very steep slopes, which are unsuitable for extensive agriculture, though some areas are suitable for tree crops such as cocoa.

The current logging operation is not being carried out in an appropriate manner as has been shown in previous sections of this report, in particular the failure by PNGFA to properly monitor the project and the failure of logging operator to follow the 24 Key Standards will inevitably have serious environmental consequences unless immediate steps are taken to rectify the current situation.

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

- That the PNGFA Area Manager for the Islands Region carries out a compliance field visit to the area as a matter of urgency.
- That the PNGFA and the Permit Holder, Nangal Ltd, ensure that the 24 Key Standards are strictly followed in the logging operation.

- That there be no further set-up approvals until there has been a field inspection by the PNGFA Area Manager and Regional Inspector for the Islands Region.
- That concerted efforts, including land mediation, be made to resolve the dispute between the people of Takis and Walmati Villages so that the remaining set-ups can be prepared for logging. More fundamental landowner work appears necessary, including regarding the representativeness of Nangal Ltd.
- That the Permit Holder, Nangal Ltd, in liaison with the Provincial Works Department cooperate to ensure that the logging contractor constructs permanent bridges and installs permanent culverts according to the requirements of the Timber Permit.
- That Tactical Services is properly licensed to carry out its operations otherwise PNGFA should take enforcement proceedings under s. 122 of the Act.
- That Nangal Ltd reach an agreement with Tactical Services as to how much Levy the former should be paid for sawn timber.

9. BROADER FORESTRY SECTOR ISSUES FOR PNG

The following is a list of issues identified by the Review Team during its work on TP 15-58 Seraji & Seraji Extension 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.

- The absence of any requirement for logging contractors to prove that they have an understanding of the PNG Code of Logging Practice before the PNGFA issues Timber Licences.
- Changes in logging contractor without proper handover or takeover procedures and in some instances new contractors having little or no knowledge of the Annual Logging Plan for the area in which they carry out logging.
- PNGFA should ensure that all logging companies and contractors are properly licensed and Logging & Marketing Agreements approved prior to them carrying out project operations.
- There should be clearer and tougher processing criteria and regulations for approving licences and logging & marketing agreements of timber companies.
- The opportunity for cooperation between the University of Papua New Guinea based, UNDP funded Remote Sensing Project and the PNGFA with regard to exchange of information which could be used for more effective monitoring of logging operations.
- In addition to the above there is a need for upgrading the Mapping Branch of the PNGFA, with further training, additional staff and equipment.

- The most common breach of the code of logging practice is the key standard relating to buffer zones along watercourses. Perhaps it is timely for PNGFA and DEC to revisit this section of the Code of Logging Practice in association with the logging industry. For example the classification from the current; less than 1 metre, = Nil Buffer; 1-5 metres = Class 2 Min Buffer, 10 metres; > 5 metres = Class 1 Min Buffer 50 metres. If the classification for Class 2 was “Minor” and the classification for Class 1 was “Major”, this might simplify classification in the field. There could also be an introduction of an “intermediate” classification where people are unsure, with a buffer in between 10 and 50 metres.

APPENDIX 1: SELECTION OF PERTINENT PHOTOGRAPHS