

# Masalai i tokaut

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## Pruaitch shows how the corruption works K 967,700 demanded for Timber Permit

*We have all heard about the terrible plague of corruption that is afflicting our Nation and former Treasurer, Bart Philemon, has described the logging industry as the most corrupt sector of the economy.*

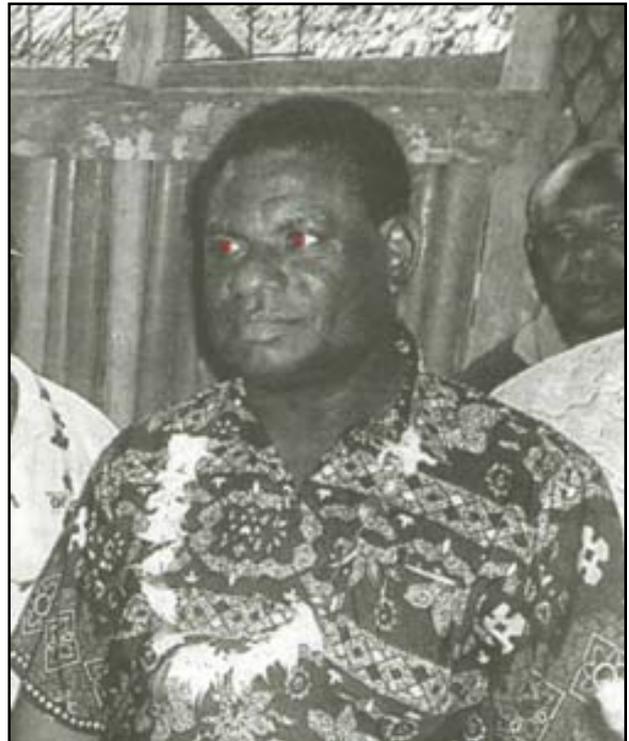
***Masalai I tokaut** has often been asked how the corruption works in practice and to provide the evidence. Now, after exhaustive research we have obtained the documents that show how controversial Forest Minister, Patrick Pruaitch, makes corruption works for him.*

*Forest Minister Patrick Pruaitch has been criticised over the past four years for committing just about every sin in the Book.*

*He has unlawfully interfered in due process, bullied the National Forest Board, abused his position, and lied and cheated – all to protect the Malaysian owned logging industry from proper scrutiny. He has also handed out illegal logging permits against the advice of his own officials and the Chief Secretary, prevented lawful debate and even cheated on his own expenses and entitlements.*

*But how has he been able to justify his self-styled image as 'bagman' for the National Alliance government and maintain the copious sums of cash that literally drips from his pockets?*

*Below, we reveal how Mr Pruaitch unlawfully demanded two separate illegal payments totalling K 967,700 from a logging company before he would hand to them a Timber Permit.*



In September 2003 Minister Pruaitch signed a new Timber Permit granting the logging rights in the East Awin timber concession to a company named G.L.Niugini.

Signing Timber Permits is one of the very few functions that the Minister has in the administration of the forestry sector. Under the Forestry Act, the day to day supervision of the forestry industry is taken care of by the National Forest Service whose Managing Director reports, not the Minister, but the National Forest Board. The role of the Minister is in fact, largely ceremonial - he signs Permits and reports to the National Executive Council and table documents in Parliament and that is about all.

The East Awin Timber Permit was signed by the minister on the 11<sup>th</sup> of September – as shown below.

**INDEPENDENT STATE OF PAPUA NEW GUINEA**  
**FORESTRY ACT 1991**

Act, Sec. 73  
Reg. 118 FORM 115

**TIMBER PERMIT**

Permit No: PNGFA- TP4-1

I, Hon. Patrick Pruaitch, CBE, MP Minister for Forests, by virtue of the powers conferred by Section 73 of the Forestry Act 1991 and all other powers me enabling, grant a timber permit to G. L. Niugini Ltd (in this permit referred to as "the holder").

This permit relates to the project area described in Schedule 1. Pursuant to or as conditions of this permit:

- (1) the amount of allowable cut is as specified in Schedule 2;
- (2) the term is as specified in Schedule 3 or no more than the term of any Forest Management Agreement relating to the project area (whichever is less);
- (3) where the term specified in paragraph (2) and Schedule 3 exceeds ten years, the term and conditions of this permit shall be reviewed by the Board on the expiry of ten years and on the expiry of every successive period of five years;
- (4) the rates of royalties, levies and charges to be paid are as specified in Schedule 4;
- (5) the infrastructural requirements of this permit are as specified in the accompanying conditions or in Schedule 5;
- (6) this permit is subject to the provision of a performance bond for an amount specified in Schedule 6 which the holder shall lodge within 14 days with the Authority;
- (7) this permit relates to the project agreement specified in Schedule 7;
- (8) this permit is subject to the conditions prescribed in the Regulations;
- (9) this permit is subject to and conditional upon the holder throughout the period of the permit, observing and complying with all standards and practices as determined from time to time by the Authority including but not limited to the P.N.G. Logging Code of Practice, Procedures for Exporting Logs and Procedures for the identification, scaling and reporting (including royalty self-assessment) on logs harvested from Natural Forest Logging operations or any revisions or replacement documents thereof.

Dated this 11<sup>th</sup> day of September, 2003.

  
**MINISTER FOR FORESTS**

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**NOTE: A PROJECT STATEMENT UNDER SECTION 100 OF THE ACT, A FIVE YEAR WORKING PLAN UNDER SECTION 101 OF THE ACT, AND AN ANNUAL LOGGING PLAN UNDER SECTION 102 OF THE ACT ARE REQUIRED TO BE SUBMITTED TO THE BOARD IN THE PRESCRIBED FORM BEFORE ANY RIGHTS IN THE TIMBER PERMIT MAY BE EXERCISED.**

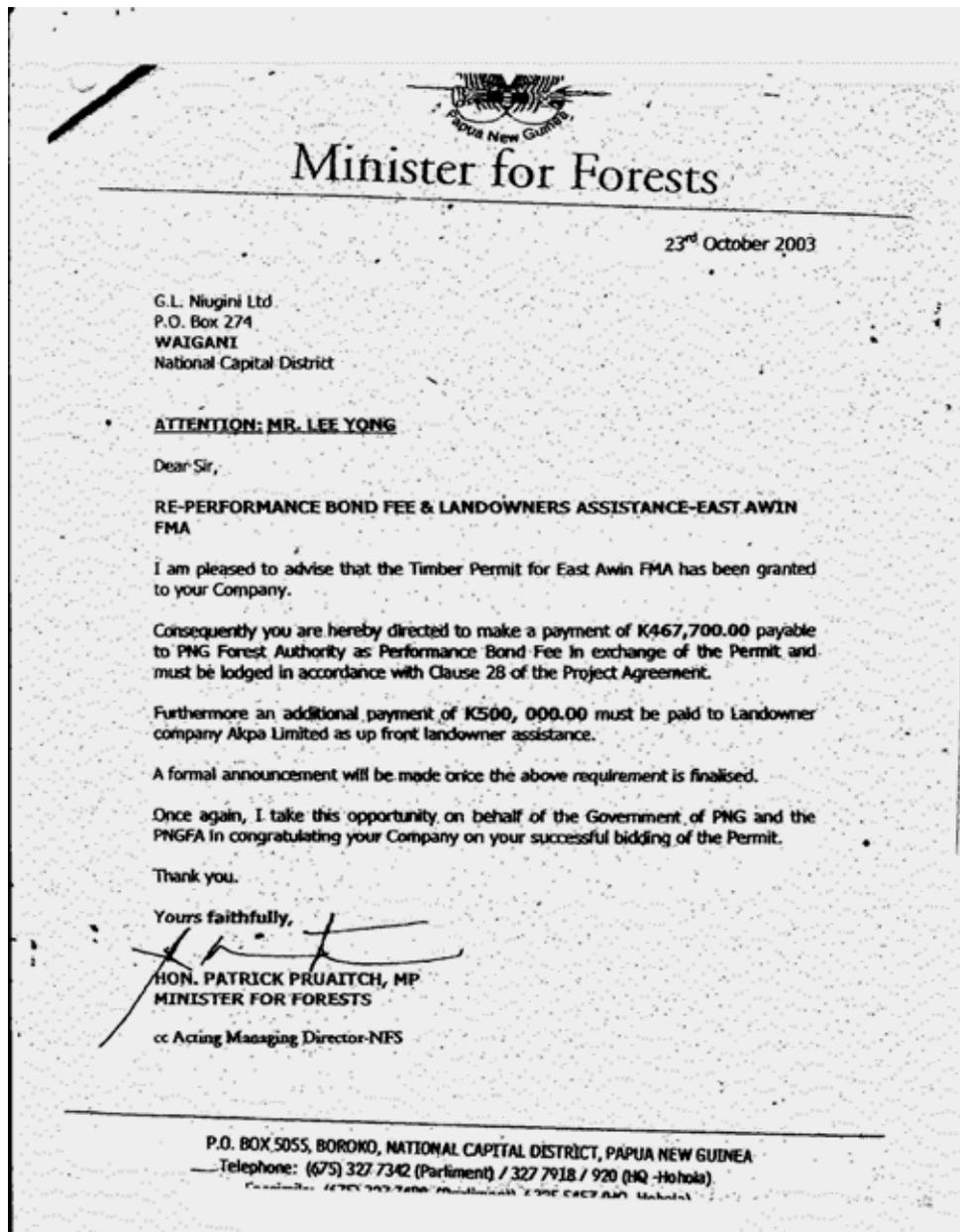
After it had been signed, the Permit should have been immediately delivered to the logging company to allow them to take the next steps in preparation for harvesting, including lodging a performance bond with the NFS.

In this case, instead of handing over the Permit the Minister hung onto it, seeking an opportunity to personally profit.

The first that the logging company knew of the signing of the Timber Permit was six weeks later when they received a highly unusual letter from the Minister himself.

The letter made two highly suspicious and totally unlawful demands. The Minister informed the logging company that the Timber Permit had '*been granted*' but demanded two cash payments be made in exchange for the Permit and before any formal announcement could be made.

#### LETTER FROM THE MINISTER WITH HIS UNLAWFUL DEMANDS



Firstly the Minister directed the logging company to make a payment of K 467,700 to the PNG Forest Authority as a 'Performance Bond Fee'.

Although the terms of the Timber Permit did require a 'Performance Bond', this was to be provided AFTER the company received the Permit not BEFORE.

Equally strange was the Minister's demand for a payment to the Forest Authority. This is not the way Performance Bonds are normally lodged with government agencies. Developers simply provide a Bank Guarantee.

Why was the Minister unlawfully demanding the Bond be lodged before rather than after the Permit was given and why was he demanding a payment to his Department rather than the usual Bank Guarantee?

It is important to remember that the PNG Forest Authority has not presented any audited accounts since the year 2000 and Pruaitch has been accused by the Parliamentary Public Accounts Committee of personally blocking plans for an internal audit of the Forest Authority books.

**The second demand made by Minister Pruaitch in his letter is even more blatant.** He instructed the logging company to make "*an additional payment of K 500,000 to Landowner company Apka Limited as up front landowner assistance*".

The letter went on to state "*a formal announcement will be made once the above requirement is finalised*", i.e. if you don't make the payments as demanded you will not get your Timber Permit.

The demand for a payment of K 500,000 to Apka Limited was totally unlawful on a number of grounds:

- The Minister had no lawful power to make such a demand
- The Timber Permit did not require any payments to Apka Limited
- Landowner companies are no longer recognised under the Forestry Act and resource owner payments for East Awin are supposed to be paid to a trust fund
- Apka Limited is not a landowner company as claimed

It is perhaps unnecessary for us to ask the question why the Forest Minister would make two separate unlawful demands for cash payments to be made to third parties before he would perform his legal duty and hand over a Timber Permit that he had already signed.

It was bad enough that he wanted K467,700 in cash sloshing around in the Forest Authority while he blocked any internal audits; to demand an additional K500,000 be paid to a small private company was just greedy.

Of course this is just the latest scandal concerning our Forest Minister – a man who is clearly dishonest – and further proof the forest industry is completely riddled with corruption on a massive scale.

### **Other scandals concerning the Forest Minister**

*Masalai has previously revealed how Rimbunan Hijau has direct access to senior Government figures and public servants and regularly directs them on how they should act (Masalai 28).*

*We have shown how Pruaitch has unlawfully manipulated the National Forest Board to protect Rimbunan Hijau from sanction over its illegal logging operations (Masalai 29).*

*We have also exposed how an independent audit of the Forest Authority accounts found Pruaitch was 'double dipping' and branded him "wrongful, dishonest and corrupt" (Masalai 36).*

Last year we exposed how Pruaitch allows Rimbunan Hijau to write his media releases (Masalai 48) and how he gags public servants to prevent them discussing the logging industry and possible reform (Masalai 49).