

PAPUA NEW GUINEA REVIEW OF CURRENT LOGGING PROJECTS

CARRIED OUT UNDER THE AUSPICES OF THE DEPARTMENT OF NATIONAL
PLANNING AND MONITORING

Office: At National Forest Service, Frangipani Street, Hohola Ph 327 7980 Fax 327 7973

FINALISED INDIVIDUAL PROJECT REVIEW REPORT No 13.

TIMBER PERMIT (TP) : TP 10 - 08 VANIMO
TP HOLDER : VANIMO FOREST PRODUCTS LTD
LOGGER AND MARKETER (L&M) : VANIMO FOREST PRODUCTS LTD
L&M PARENT COMPANY (If Different) : WTK REALTY LTD
DATE OF FIELD REVIEW : MARCH 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	Yes
Timber Permit Holder	(*)	
Landowner Company	Yes	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.

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 Port Moresby, PNGFA field officers, the Department of Environment and Conservation, Vanimo Forest Products Ltd, the Sandaun Provincial Government and Administration and the landowners of the Vanimo timber 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, and the Environmental Contaminants Act 1978 (as amended), and the Water Resources Act, chapter 205. The relevant documents enabling and prescribing TP 10-8 Vanimo are set out in Tables 1 and 2.

The logging project is governed by the Timber Permit issued to Vanimo Forest Products Ltd (VFP) and the terms and conditions applying under the permit are set out under the Project Agreement between the State and VFP dated 5 October 1990.

Under the Project Agreement VFP is required:

- To construct all roads and bridges required and used in the logging (cl. 4.1(a)).
- To construct the East-West Highway from the eastern bank of Pual river to the eastern boundary of the timber area (cl. 4.1 (b)).
- To construct a bridge over the Pual River by project year 3 and such other bridges within the project area as agreed between the company and the State (cl. 4.1 (d)(e)).
- To maintain the roads and bridges constructed by it (cl. 4.1(f)).
- To construct a saw mill (cl. 4.3).
- To establish natural regeneration areas in Block 6 of the TRP (cl. 4.2(a)).
- To pay reforestation levy to a trust account managed by PNGFA (cl. 4.2(b)).
- To establish residential, community and recreational facilities (township) for workers, employees and families in Vanimo and Serra (cl. 4.4).
- To establish wharf, berthing and loading facilities at Vanimo and Serra (cl. 4.5).
- To upgrade and construct educational, health facilities specified under clause 4.6.
- To lodge a performance security bond of K500,000 (cl. 11).
- To pay reforestation levy, infrastructure maintenance levy, agriculture development levy, provincial government levy and the 5% premium of fob price under clause 21.

TABLE 1 : KEY DOCUMENTS

DOCUMENT	PARTIES	DATE OF ISSUANCE/SIGNING/ APPROVAL	DATE OF EXPIRY	DOCUMENT LOCATION
TRP Agreement	Landowners and the State	February 1967	February 2007	Held at PNGFA
Timber Permit	Issued to Vanimo Forest Products Ltd	31 October 1991	30 October 2011	Held by PNGFA
Project Agreement	State and VFP	5 October 1990	No expiry date	Held at PNGFA
Logging and Marketing Agreement	Nil	N/A	N/A	N/A
Environmental Plan (EP)	Prepared and Submitted by VFP for Approval by Minister for Environment & Conservation (E&C)	11 th October 1991	TP Period	DEC Archives
EP Approval Conditions	Set by Minister for E&C	11 th October 1991	TP Period	DEC Archives
Environmental Plan (Veneer Mill & Plywood)	Prepared and Submitted by VFP for Approval by Minister for Environment & Conservation	14 th June 2000	Operation Period	VFP File
Environmental Management & Monitoring Programme	Set by Secretary for E&C	22 nd October 1996	TP Period	VFP File
Waste Management Plan	Set by Secretary for E&C	22 nd October 1996	TP Period	VFP File
Water Use Permits (WUP)	Set by Minister for Environment & Conservation	WUP No WR29/326 1987		DEC's record/ file

		10 th Dec. (Take) WUP No. WR 29/659 26 th Sept 1994 (Discharge)	10 th Dec 1997 26 th Sept 1999	
5 Year Logging Plan	Approved by PNGFA Acting Managing Director (D. Kari)	26 th May 2003	22 nd May 2007	VFP
Annual Logging Plan	Approved by PNGFA Acting Managing Director (T. Warra)	21 st August 2003	20 th August 2004	VFP
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
Logging sub-contract	VFP and Minho Investments Ltd	2 February 1993	No expiry date	Held at PNGFA
Logging Agreement	VFP and Vanimo Jaya Ltd	5 March 1995	No expiry date	Held at PNGFA
Shareholders Agreement	State and WTK Realty Ltd	5 October 1990	No expiry date	Held at PNGFA

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 1967, and the Timber Permit issued to Vanimo Forest Products Ltd allowed the resource to be cut over a period of 20 years (October 1991 to October 2011).

Vanimo Forest Products Ltd initially contracted Vanimo Jaya Ltd to carry out logging at Block 1 of the TRP for VFP for a specified fee. All permit conditions relating the payment of all royalties, premium, levies and other dues to the Authorities remained with VFP (Clause 14 Logging Agreement). The Shareholders Agreement (1990) was essentially for the parent company to guarantee funding support for VFP. At the time of the Review, Vanimo Forest Products Ltd was carrying out its own logging operations.

The current Annual Allowable Cut for the project is 250,000 m³ log harvest, 165, 000 m³ log export and 85,000 m³ sawmill Input. The average for total volume harvested annually from 1997 to 2003 has been 203,000 cubic metres, with an average of 43,000 m³ (mainly Kwila) being processed through the sawmill.

The dates outlined in paragraph 1 above and Table 1 indicate that the Timber Rights Purchase Agreement will expire (2007) prior to the expiry of the Timber Permit (2011). The Managing Director of Vanimo Forest Products Ltd expressed the view that there would be no time for this anomaly to be corrected by, for example the signing of an FMA over the area of resource remaining. If this is in fact the case then VFP must be aware that their operations will cease to have legal foundation in 2007.

The alternative is to regularise the situation before 2007 and the use of s137 (2) of the Forestry Act 1991 (as amended) must be considered in this context.

3. FIELD WORK

The field inspection was undertaken during the period 10 March to 17 March 2004. 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 prepared for logging but not yet approved (Set-ups 31 & 32 Block 4 and 18 Block 2).
- An inspection of a currently logged and incomplete set-up (Set-up MS 34 Block 4).
- An inspection of a set-up applied for closure and not yet closed (Set-up MS 08 Block 4).
- An inspection of a closed set-up (Set-up 2 Block 2).
- An inspection of logging bush-camps and the main base camp at Vanimo.

- An inspection of the sawmill.
- An inspection of roads and bridges currently being used, and no longer being used.
- Meetings with Villagers, and interested groups (see Chapter 5).
- Discussions with the Provincial Government and Administration officers in Vanimo.

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 10-08 Vanimo, the Review Team's observations were that:

- It is a project based on Timber Permit granted under the old Forestry Act which will expire in October 2011. It will be advisable for PNGFA and the company to regularise the project under the current Act beginning with the Forest Management Agreements to see through the remaining resources.
- Proactive steps to regularise the project are necessary in view of the fact that the TRP is set to expire 4 years ahead of the permit in 2007. Action should be taken immediately under the authority of s137 (2) to ensure compliance with new Act by, inter alia,-
 - The incorporation of ILGs.
 - The consideration of Project Guidelines and a Development Options Study (DOS).
 - An assessment of an allowable cut to meet the requirements of sustainability.

4.2 LOGGING COMPANY

The logging company (Vanimo Forest Products Ltd), is responsible for observing the requirements of the Timber Permit.

The observations of the Review Team are that:

(a) Planning and Control of Logging

- There was lack of compliance with, and understanding of, the Planning Monitoring and Control Procedures with regard to laying out or preparing individual set-ups in the field prior to seeking approval to log.
- A number of set-ups prepared by the company and applications lodged with NFS (Vanimo) for approval were not consistent with Planning Monitoring and Control Procedures¹.

Other Key requirements not being met were observed to be:

- Logging within Class 1 Stream/ River buffer zone (photo 5). (Note: VFP is of the view that photo 5 shows a Class 2 stream).
- Soil blocking waterways thus creating ponding. (Note: VFP notes that there is opportunity to rectify this before the set-up is closed).
- Debris inside watercourses.
- Log clusters used as crossing (photo 10). (Note: VFP states that it has given up the use of log clusters for culverts).
- Lack of vines cutting from trees of commercial size (photo 8). (Note: VFP comments that the trees shown are not commercially saleable species, and therefore were not due to be felled).
- Lack of directional felling of marked trees.
- Topsoil pushed and piled on edges of log landings instead of spreading evenly on landings.
- Log landings lack ripping.
- Roadside drainage requires cleaning to enable runoff to flow freely.
- Lack of chain for a log truck².

(b) The Log Pond

- The log pond was generally well set up and managed.

(c) The Logging Camps

- It was observed that prior to the Team's visit, there was a major clean up undertaken by the company at all camps. Key requirements not being met in the camps were observed to be:
 - Variations to the approved Environmental Plan in new camps being established without approval from DEC (EP Approval Condition #3).
 - Lack of bund for the fuel storage tanks.
 - Old and dysfunctional machines and parts inappropriately disposed of³.
 - Lack of safety gear⁴ for employees (photos 6&7).

¹ Regional Inspector (Momase) directed the Project Supervisor to return applications to VFP for rectification.

² The truck was stopped and the driver cautioned by the Regional Inspector (Momase).

³ Guidelines for the appropriate disposal do not exist.

⁴ VFP notes that all employees are issued with safety gear, but they either lose them or do not bother to use them for work.

- Lack of maintenance to some of the houses for the national employees.

(d) Landowner Financial Benefits

Financial benefits received by landowners of Vanimo TRP are from Timber Royalties and Log Export Premiums. Initially all levies except the Reforestation, Infrastructure and Timber Tied Levy (Provincial Levies) were paid through the umbrella landowner company Becil Holdings Ltd. Dissatisfaction over the accountability and performance of Becil Holdings resulted in the current arrangement whereby the export premium and the agriculture levy is being paid direct to landowners.

- Timber Royalty of K10 per cubic metre of log harvest volume.
- Under the proposed Deed of Variation, Agriculture Levy of K1.00 per cubic metre of log harvest volume is to be paid directly to landowners where the trees are felled.
- Premium payment of K5.00 per cubic metre of the gross FOB price of logs exported. Out of this, 70% is paid to landowners where the trees are felled and 30% is distributed to landowners in the project area.

The Review Team was informed by landowners and PNGFA, that the 30% component of the export premium distributed to landowners over the whole project area is often a small amount because of the vast area covered by the project. The first person from a particular area that is around at collection time takes the money. The meetings attended by the Review Team in the village suggested that this money be directed to community projects and agriculture projects.

A summary of the payments received from 1990 to 2003 is given in the table below (Source: Vanimo Forest Products Ltd):

SUMMARY OF PAYMENTS RECEIVED BY LANDOWNERS, PROVINCIAL AND NATIONAL GOVERNMENTS

Year	Export Duty Nat. Gov.	Premium L/owner	Agri. Levy L/owner	Refores. Lev PNGFA	Timber Tied Lev. Prov. Gov.	Infrastr. Levy	Royalty	Additional projects funded by VFPL/owner
1990	3,346,476	00.00	00.00	18,000	00.00	00.00	838,870	00.00
1991	2,114,832	339,065	101,243	43,632	151,864	00.00	485,625	12,432
1992	1,944,662	311,138	93,986	93,986	140,979	00.00	485,256	86,403
1993	5,430,986	1,376,332	212,738	212,738	319,108	00.00	988,183	174,270
1994	10,579,628	1,520,034	256,986	256,986	385,475	00.00	1,215,756	56,287
1995	16,933,354	2,317,009	274,130	274,130	524,318	00.00	1,302,851	30,788
1996	15,471,031	1,986,266	272,690	272,690	545,556	00.00	2,088,502	6,010
1997	13,767,440	1,937,568	257,525	257,525	511,641	00.00	2,555,357	27,062
1998	4,032,672	697,672	110,785	110,785	222,324	108,344	1,115,229	3500
1999	11,396,524	1,830,458	259,652	263,986	522,777	262,212	2,496,669	348,293
2000	17,684,309	2,244,985	280,977	281,871	573,739	281,871	2,821,941	523,839
2001	8,478,140	1,260,483	211,342	214,166	528,771	211,342	2,083,403	197,859
2002	4,001,857	551,042	68,122	68,122	170,306	68,122	681,227	132,994
Total	115,181,919	16,372,058	2,400,183	2,368,875	4,596,865	931,8932	19,159,874	1,599,742

[It should also be noted here that besides the above, VFP has records to show that it has made donations to individuals genuinely in need of assistance, religious groups, village and clan groups for a variety of needs such as transport, sports, medical transport and even burial. The amount of cash and in-kind contribution to date amounts to approximately K300, 000.00].

(e) Landowner Infrastructural Benefits

Under the Project Agreement the Infrastructure Maintenance Levy shall be paid into a trust account operated solely by the Provincial Government for the sole purpose of infrastructure maintenance in the project area. The Infrastructure Levy under the Project Agreement is K1 per cubic meter of logs harvested.

Further to the above, the Infrastructure Maintenance Levy was to have been implemented commencing in Project Year 7. According to the head of the Technical and Planning Division the Infrastructure Levy was not paid into the Provincial Government account until 1998, 9 years after the Project Agreement was signed.

Because the Trust account for the levy was not established all the incoming revenue was going into the Provincial Government's consolidated revenue account. Shortfalls in the Provincial Governments budget were being covered partly from this levy. In 2001, about K720,000.00 was allocated towards the road leading from the company sawmill to Passi High School. Technically the levy should not have been spent on this road because this road is considered a national highway, which is the responsibility of the national government.

**PROJECTS CONSTRUCTED USING THE TIMBER TIED LEVY FOR
INFRASTRUCTURE DEVELOPMENT AS PER THE PROJECT AGREEMENT**

A. Block 1 (Provincial Government)	Outcome	Remarks
1. Division of Education		
1.1 Pagei Community School	Completed	Satisfactory
2.Division of Health		
2.1 Bewani Health Centre		
1x20 bedroom ward	Completed	Satisfactory
1XL40 house	Incomplete	Further work to be done
1 X ablution block	Completed	Incomplete
1 x ration store	Completed	Satisfactory
2.2 Ilup Aid Post (ELP)		
1XAid Post Orderly's (APO) house & water tank	Completed	Satisfactory
3. Village Water Supply		
3.1 Elan village - 1x1000 gal. Water tank & catchment	Completed	Satisfactory
3.2 Isi/Ilup villages - 1x1000 gal. Water tank & catchment	Yet to be started	Requires funding allocation
3.3 Ainbai village - 1x1000 gal. Water tank & catchment	"	"
3.4 Awale village - 1x1000 gal. Water tank & catchment	"	"
B. Block 2		
1. Division of Education		
1.1 Imbinis		
4xTeachers houses	Only one completed	Lack of funding & existing building is not up to standard.
1.2 Sumomini		
2xTeachers houses	Yet to be constructed	No logging operation yet in the area.
4x1000 gal. Water tanks	"	"
42xSchool desks	"	"
1.3 Osima High School		
1x GBS	Yet to be built	Lack of funding
2xstaff kit houses	"	"
2. Division of Health		
2.1 Sumomini Aid Post		
1x1000 gal. Water tank	Yet to be implemented	No logging operation yet in the area.
1XAPO's house & a 1000 gal. Water tank	"	"
2.2 YO Aid Post		
1x1000 gal. water tank	"	"
1XAPO's house & a 1000 gal. Water tank	"	"
2.3 Imbinis Aid Post		
1x1000 gal. Water tank	"	"
1xAPO's house & a 1000 gal. Water tank	"	"

C. Block 3		
1. Division of Education		
2xTeachers houses	"	Education Division to advise whether to proceed or not.
3x1000 gal. Water tanks	"	"
42xSchool desks	"	"
1.2 Imbio 2		
4xTeachers houses	2x Construction started	Incomplete
4x1000 gal. Water tanks	2xInstalled	2 yet to be purchased
2. Division of Health		
2.1 Imbio 2		
1xAid Post	Completed	Not furnished
1xAPO's house	Completed	Satisfactory
2x1000 gal water tank	1xInstalled	1x yet to be purchased.
2.2 Rawo Aid Post		
1x1000 gal. Water tank	Completed	Satisfactory
D. Block 4. Tasked to VFP (see summary of VFP Community Projects)		
E. Block 5. Same as Block 4		
F. Block 6.		
1. Division of Education		
1.1 Osol Community School		
6xTeachers houses	Completed	
1Xgiels toilet	Completed	
1xAdmin block	Completed	
1.2 Dapu Dasi Community School		
4xTeachers houses	Completed	
4X1000 gal. Water tank	Completed	
Perimeter fencing of the school	Yet to be done.	
1.3 Vanimo High School		
1x Girls dormitory	Yet to be constructed	
2xBoys dormitory	"	"
1xGirls toilet	"	"
1xboys toilet	"	"
2xTeachers house	"	"
Water drainage system	"	"
Perimeter fence	Completed	
1.4 Ningiera Community School		
2xTeachers houses	Completed	
2x1000 gal. Water tanks	Completed	
1.5 Krisa Community School		
2xTeachers houses	Not known	
2x1000 gal. Water tanks	Not known	

2. Division of Health		
2.1 Osol Aid Post		
1xAid Post	Completed	Satisfactory
1xAPO's house & 2x1000 gal. water tanks	Completed	"
2.2 Vanimo Hospital		
1xIntermediate ward	Yet to be implemented	No decision made to proceed with the project.
1xOperating theatre	"	"
4xStaff houses	"	"
6XL40 houses	"	"
1xMotuary unit	"	"
2.3 Krisa Aid Post		
1xAPO's house	Yet to be constructed	Health Division to advise if this is required.
2.4 Dapu Urban Clinic		
2xStaff kit houses	1xCompleted	1x to be built
2.5 Lido Aid Post		
1x1000 gal. Water tank	Not purchased	
2.6 Ningera Aid Post		
1xAid Post	Completed	
1x100 gal. Water tank	Installed	
1xAPO's house & 1x1000 gal water tank	Completed & installed	
3. Village Water Supplies		
3.1 Sossi village		
1x1000 gal. water tank & catchment	To be constructed	
3.2 Lido village		
Reticulated water supply	To be constructed	
3.3 Ningera village		
1x2000 gal. water tank & catchment	To be purchased	
3.4 Krisa village		
2x1000 gal. water tanks & catchment	To be purchased	
3.5 Kilidan village		
Install water tanks and catchment (no figures)	To be purchased	
3.6 Osol village		
3x1000 gal. water tanks	To be purchased	

Source: Sandaun Provincial Administration and VFP, PNGFA compliance reports.

**COMMUNITY SERVICE FACILITIES (ADDITIONAL PROJECTS) FUNDED AND
CONSTRUCTED BY VANIMO FOREST PRODUCTS LTD**

Block 1.	Status	Comments
Pagei village 2xDouble classrooms	Completed	Satisfactory
Ilup village		
1xAdministration Block with library	Completed	Satisfactory
Block 2.		
Imbinis village		
2xDouble classroom	Completed	Satisfactory
1xAdministration Block with library	Completed	Satisfactory
1xAid Post	Completed	Satisfactory
Block 3.		
Imbio Village		
3xDouble classroom	Completed	Satisfactory
1xAid Post	Completed	Built but unfurnished.
Rawo village		
1xAid post	Completed	Satisfactory
Samararo village		
1x Church building	Completed	Not part of P/Agreement.
Block 4.		
Mamuro village		
1xAid Post	Construction started	Not part of P/Agreement.
Sumo Community School		
1xDouble classroom	Completed	Job unsatisfactory according to Sandaun Provincial Admin.
3x1000 gal. water tanks	2 installed	One yet to be purchased.
24xschool desks	Supplied	
Savamui village		
1xAid Post	Proposed	Yet to be funded
1XAPO's house and 2x1000 gal. water tanks	Yet to be funded	
Sumo Village		
1xAid Post and 1x1000 gal. water tank	Completed	
Block 5.		
Onie village		
2xDouble classroom	Completed	
Leitre village		
1xDouble classroom	Completed	
2xTeachers houses	Not constructed	
3x1000 gal. water tanks	Not supplied	
Serra village		
2x Teachers houses	Yet to be funded	
1xDouble classroom	Completed	Maintenance only
1xLibrary	Completed	

1xAblution Block	Completed	
1xAid Post	Completed	
1x10 bed ward clinic	Completed	
1XL40 house	Completed	
1xChurch building	Completed	
Sumo-Mori villages		
2xDouble classrooms	Completed	
1xLibrary	Completed	
1xAblution Block	Completed	
1xAid Post	Completed	
Block 6.		
Osol village		
3xDouble classroom	Completed	
Pasi		
6xDouble classrooms	Completed	
1XAdministration Block with storeroom	Completed	
1xAblution Block	Completed	
Ningera Village		
1xDouble classroom	Completed	
Krisa village		
2xDouble classroom	Completed	
1xAid Post		Upgraded
Lido village		
1xAid Post		Upgraded
Dapu village		
1xSchool administration block	Completed	

Source: Sandaun Provincial Administration and VFP, PNGFA compliance reports.

(i) Main Roads

The company has constructed 108 kilometres of the East-West Highway from the Arnold Bliri River in the East to the Pual River in the West. The original road alignment was made and approved by the National Works Department in Port Moresby despite advice from the company that the alignment would run into rock walls, swamps and rugged terrain. In the end the original alignment was changed due to heavy landslides and construction difficulties. The company still maintains this road although it considers this a national government function.

(ii) Village Roads

Under the Project Agreement, village roads were constructed by the company under the arrangement that once the roads are in place, the community or the Provincial Government would be responsible for their ongoing maintenance. Funding and maintenance for any other village roads were to be funded from the Infrastructure Maintenance Levy.

(iii) Bridges and Crossings

The Pual Bridge was constructed by VFP and supervised by the National Works Department as stated under the Project Agreement. Other major bridges constructed by the company include the Boap and the Bellie Bridges.

(f) Royalties:

Total royalties paid to landowners from 1990 to 2002 amount to K19,159,874.

(g) 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 Vanimo Forests Products Ltd has complied with this requirement. VFP claims that a bond is in place. However the copy shown to the Review Team expired in 1995.

(h) Environmental Monitoring & Management Plan and the Wastes Management Plan.

- Currently there is no active Environmental Management & Monitoring Officer⁵ to oversee the requirements of the Environment Plan.

(i) Company Search

A company search shows that VFP has a current registration. It has a share capital of 3.4 million issued shares held by WTK Realty Ltd and Kie Yik (Datuk) Wong. Its Directors are Kie Chie Wong, Chin Huat (Robert) Yong, Philip Chiong Tee Tiong, Kei Nai (Datuk) Wong and Wong Kie Yik (Datuk). Its last annual return was lodged in July 2002 for the year 2001.

The company is currently registered as a Forest Industry Participant under the Forestry Act 1991 (first listed in August 1993 – Registration Number FI 050).

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 logbook by the PNGFA Project Supervisor.

The observations of the Review Team are that:

- There are five officers based in Vanimo with responsibility for monitoring the project. Three of these officers are project supervisors. The officers share vehicles with other officers at the Provincial Forest Headquarters. At the time of

⁵ VFP notes that it has employed an Environmental Officer, but that the person employed is on a 2 year study break.

the Review Team's visit one project vehicle had been impounded by police because the registration had run out.

- Field inspections revealed that VFP were regularly submitting applications for approval of set-ups without doing the necessary preparation in the field. For example, the Review Team inspected set-ups in Block 2 and Block 4 which had been submitted for approval but which had no log landings or snig tracks marked on the ground.
- Approvals for re-entering of closed set-ups for further logging even including where areas of natural regeneration have been treated, using reforestation levies to pay landowners, are a regular occurrence within this project (see sections 7,8 and 9 of this report. (Note: VFP notes that these are agricultural developments).
- PNGFA officer/s based in Vanimo have assisted in the scheme whereby landowners have been able to obtain advances on royalty payments resulting in landowners paying 100% interest on the short-term loans.

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 was unable to locate a copy of the Environmental Plan Approval Conditions including the EMMP and the WMP approvals.
- DEC last visited the project site for monitoring purposes in July 2003.
- The EP Approval conditions not observed by the company were:
 - Any variation from the approved EP must have prior written approval of the Secretary, DEC as stated in Approval Condition number 2. The company has not observed this (e.g. Hua, Sereri logging camps).
 - Lack of compliance with the *Water Resources Act, 205* (EP Condition number 15).

4.5 LANDOWNER COMPANY

The umbrella company (Becil Holdings Ltd) of landowners within the Vanimo TRP was liquidated not long ago. All Block companies have also closed business except for Bushman Resources Ltd, which remains registered under IPA.

This confirms the need for s137 (2) to be applied so that immediate steps are taken to form Incorporated Land Groups (ILGs). The company's assertion that time does not permit this should not be accepted. The company should be aware of all landowners and of their particular interest in certain parts of the project area.

With the assistance of the NFS it should be feasible to incorporate ILGs in a relatively short time. This would remedy the current unacceptable situation concerning the organization of landowners for this project. It would also bring the project into line with the current Act.

5. LANDOWNER VOICED CONCERNS

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

- Landowners at Sumumini village.
- Landowners at Imbio 1 & Imbio 2 villages.
- A meeting at Onip where landowners and their representatives from Poko, Leitre, Rawo, Puare and Ningra villages were present⁶.

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 about the failure to establish a Trust account as per the Project Agreement for the Infrastructure Maintenance Levy so that the projects and programs for which this levy is earmarked for can be implemented.
- Landowners expressed concern that they had not been adequately consulted and made aware of the issues that are contained in the proposed Deed of Variation. They would like to see that the Deed of Variation takes into account all the outstanding issues from the original Project Agreement and an improvement in revenue benefits to resource owners.
- Landowners expressed concern that PNGFA monitoring officers are not adequately resourced on the ground to monitor the logging operation. They would like to see this area strengthened so that PNGFA is seen to be managing the forest resources on behalf of the landowners.
- Landowners would also like to see the Division of Primary Industry adequately resourced to enable officers to carry out field extension work in the villages. Provision of an appropriate vehicle to carry out extension work was suggested as one such resource.
- Landowners at Imbio 1, Imbio 2 and Sumomini do not want the landowner company Bushman Resources Ltd to have anything to do with the distribution of any benefits due to them. Such benefits should be banked into their bank account for the development of agriculture and community projects.
- The above landowners claimed that Bushman Resources Ltd no longer represents their interest nor are they part of Bushman Resources Ltd. They

⁶ Local Level Government (LLG) Councillors and LLG Presidents were at these three meetings.

claimed that Bushman Resources Ltd is misrepresenting their views in parts of the legal proceedings.

- Landowners expressed concern about the long delays it has taken PNGFA to release timber royalty payments. At the time of the Review Team's visit, the royalty payment for the 3rd quarter of 2003 was still outstanding. Landowners have been frustrated by the response to their enquiries from PNGFA on this issue. The Project Agreement that clearly states that royalty will be paid every quarter.
- Landowners wanted to know who is gaining from the interest from the delay payment of timber royalty and reforestation levies. They would like to see part of the interest, especially the interest from the timber royalty go to them.
- Several landowners who had worked for Vanimo Forest Products Ltd and received serious injury claimed that the company and its insurers have yet to pay compensation to them. Some have waited longer than 12 months for any outcome.
- Landowners claimed that in their opinion Vanimo Forest Products Ltd is too involved in other business activities besides its primary objective of logging and sawmilling.
- Landowners complained that the company frequently uses police to threaten villagers with guns to address issues that could easily be resolved through normal dialogue.
- Landowners claimed that PNGFA and the company have failed to adequately address the issue of log wastage in the logging operation. This issue has been outstanding for years and they would like PNGFA take a proactive role in resolving the issue.
- Landowners expressed their desire to increase the proposed sawn timber levy from K5.00 per cubic metre for premium species and K3.00 per cubic metre for mixed species to K15.00 per cubic metre and K7.00 per cubic metre respectively.
- Landowners from Imbio 1&2 and Somumini requested through the PNGFA officer present at the meeting not to release any more funds from the 30% premium to individuals as the community has written a number of letters for the fund to be saved for Agriculture projects.
- Landowners expressed a desire to be involved in conducting and monitoring activities such as tree felling and log scaling. The company's response to this is that it has been tried on a number of occasions with no success.
- Landowners claimed that they are missing out on potential premium payments because there has been excessive waste in the logging operation and excessive docking taking place in the log landings and yet again in the log ponds prior to export.

- Landowners in Block 4 and 5 at the meeting in Onip want the 30% premium and the Agriculture Levy allocated to their area set aside for agriculture and community programs through their Local Level Government. PNGFA advised the meeting that this is only possible if the landowners were serious about implementing such a move.
- Landowners were not satisfied with the current rate of K10 per cubic metre for the timber royalty. They suggested a more realistic rate that takes into account the falling rate of the kina since 1996.
- Landowners claimed that certain individuals in PNGFA (Vanimo office) and VFP and an expatriate are involved in an illegal "money market" that involves advancing landowners' money against the timber royalty and charging 100% interest when the advance is repaid. Only the involvement of PNGFA officers was able to be confirmed.
- Landowners further claimed that landowner agents are committing timber royalty without the knowledge and approval of landowners in the village.

Spin-off opportunities:

While spin-off opportunities have existed throughout the lifespan of the project, landowners failed to invest part of their income in business development. Becil Holdings Limited that operated as the umbrella landowner company invested millions of kina outside the province with the intention of saving landowner funds from the regular demands by landowners for Becil Holdings Limited to release funds to them. Becil Holdings has recently been liquidated and its assets sold.

6. PROVINCIAL GOVERNMENT DISTRICT OFFICE

The Review Team met with the Provincial Governor, Deputy Governor, a/Administrator, the Deputy Administrator and all the Divisional Heads of the Sandaun Administration.

Relevant comments offered by the Provincial Government and Administration representatives were as follows:

- The Provincial Government and Administration expressed their strong support for the logging company, Vanimo Forests Products Ltd as a major contributor to the economy of Vanimo and the West Sepik Province.
- The following is a list of problem areas that the Provincial Government and Administration would like to see addressed by the company:-
 - Poor rates of pay for national workers compared to expatriates.
 - Harvesting the same area two to three times before the forest has time to regenerate (there is no evidence that this is happening).
 - Lack of permanent bridges infrastructure developments.
 - Social problems particularly the casual relationships between many expatriate workers and national women, often resulting in abandonment of illegitimate offspring.

- Operation of trade stores and other businesses by foreign workers of the company.
- Non forest-industry businesses such as the Mobil fuel depot, Vanimo Hotel, supermarkets, etc. operated by Vanimo Forest Products Ltd (an IPA issue).
- Male expatriate workers often seen walking around logging camps ‘dressed’ only in their underpants, this is considered offensive behaviour.

The fact that VFP denies most of the above assertions indicates that there is significant scope for improved communications between stakeholders.

- The following is a list of issues that the Provincial Government and Administration would like to see addressed by the PNGFA:-
 - Lack of adequate reforestation to sustain the resource despite the company paying the reforestation levies.
 - Inadequate monitoring of compliance of the company with the Code of Logging Practice.
 - Involvement of PNGFA officers in the “money scheme” whereby landowners obtain advances on royalty payments at considerable cost.

- The following is a list of issues that the Provincial Government and Administration would like to see addressed by the national government:-
 - More effective involvement of Provincial Government in allocation of forest resources in the province.
 - PEC resolution No.16/2003 “that the National Government be requested to share a portion of the Export Tax derived annually from Timber Sales out of Vanimo”, followed up by a letter to the Minister for Treasury and Finance, the Hon. Bart Philemon MP, for 50% share of export duty tax on timber from Vanimo, sent on 11 November 2003 by Hon. Carlos Yuni MP, Governor of Sandaun.
 - More effective monitoring of the PNG border and immigration by national government officers based in Vanimo.

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 Review Team noted that the damage to the residual stand caused during selective logging was similar to that caused in logging operations in other areas of PNG that the team had visited.

- More than 8000 hectares of logged over forest has been treated using reforestation levies and the technique of “Reforestation Naturally”. An example of the rate of growth achievable in this project area is shown in photo 4.

- Several of the treated areas have been re-entered and logged a second time. Thus even though regeneration work is carried out under an agreement signed between landowners and the Reforestation Management Branch of the PNGFA, other PNGFA officers have approved destruction of the regeneration, through the approval of re-logging. VFP notes that these are agricultural developments.
- Other areas have been re-entered after set-up closure for purposes of agricultural development; which often fail to materialise (the agricultural development) once the set-up has been re-logged and advanced regeneration destroyed.

8. BROAD RECOMMENDATIONS FOR TP 10-08 VANIMO

The forest resources of Vanimo Timber Permit area is recognised as one of the largest and most valuable timber concession areas in PNG. The associated development through logging, log export and downstream processing of the resource has contributed significantly to the economy of the Sandaun Province.

The company was formed as a subsidiary of Bunning Brothers (Australia) and taken over by WTK Realty Pty Ltd (a multi-national corporation based in Sarawak, Malaysia) in 1990. Two sawmills have been constructed in Vanimo, the first by Bunning Brothers, which has undergone major upgrading and a new sawmill built in 1995, producing a combined total of 20,000 m³ of sawn timber annually. The company has diversified into the Hotel Industry and Supermarkets.

Despite the company payment of reforestation levies and efforts by the PNGFA to treat logged over forests to improve the future timber yield, it is likely that the logging operation will cease in 2007 (see section 2 of this report).

The company has plans for a veneer mill and has already constructed a building for this purpose, which will rely on the timber resources of the Amanab FMA.

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

- That the PNGFA carry out an urgent investigation into the involvement of its officers in the advancement of cash based on royalty calculations, which is then recovered subsequently by the money lenders at a short-term interest rate of 100%.
- That the IPA and RPNGC also investigate this and other alleged money markets being operated in Vanimo.
- That the PNGFA monitoring officers strictly adhere to the requirements of the Planning Monitoring and Control procedures.
- That the PNG Code of Logging Practice be amended to clarify that a closed set-up should not be re-entered until the required 35 year cutting cycle has passed (this is currently only implicit in both the COLP and the PMCP manuals).

- That no approvals are given to re-enter areas where regeneration has been treated using reforestation levies.
- That PNGFA carefully consider any applications to log areas for agricultural purposes and assess the authenticity of both the application and the capacity of the landowners involved to carry out agricultural activities listed in the application, before such approvals are made.
- That the Department of Labour and Employment and Vanimo Forest Products Ltd discuss the need for the employment of expatriates in positions which could be occupied by non-citizens such as dozer drivers (see also Appendix 2 of this report).
- That the Provincial Government set up a Trust Instrument immediately for the Infrastructure Maintenance Levy along similar arrangements for the Project Development Benefits in the Ania Kapiura Consolidated Timber Permit Deed of Variation.
- That a Trust Fund Committee be appointed thereafter to manage the fund. Fair representation of landowners in the Trust Committee must be a requirement, including a women's representative.
- That incomplete community projects specified in the original Project Agreement be completed even though some of these projects may be in areas where there is no active logging.
- That the landowners seriously consider investing the cash income from the Agriculture Levy into sustainable agriculture projects in association with the Provincial Government through its Livestock and Agriculture Division.
- That landowners and the Provincial Government collaborate to purchase a designated vehicle (from the Agricultural levies) for use by agriculture extension officers for the purpose of visiting farmers in the field.
- Final consultation with landowners be made prior to the signing of the proposed Deed of Variation to allow for some of the concerns raised by landowners in this report to be taken into account.
- That the PNGFA provide adequate transportation so effective monitoring can be carried out in the logging operation.
- That the current practice of Advancing Royalty and Premium payments to landowners and charging 100% interest be stopped so that proper control mechanism can be put in place to prevent further abuse.
- That PNGFA look into the problems that has caused the long delays in Royalty payments that has resulted partly in the need of cash advance to landowners.
- That Vanimo Forest Products Ltd rehabilitate all abandoned logging camps.

- That the PNGFA inform Vanimo Forest Products Ltd that the life of the project will cease in 2007 on expiry of the TRP unless remedial action is taken, as noted in this report (section 4.1).
- That the PNGFA Board should take action under s137 (2) to require:
 - Due incorporation of ILGs.
 - The formulation of Project Guidelines and a DOS, particularly in relation to the opportunities of agricultural development and the establishment of forest plantations.
 - The execution of an FMA.
 - Due re-assessment of annual allowable cut.

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 10-08 Vanimo, 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.

- Cash advances by “money lenders” both registered and unregistered, to individuals and groups which are then recouped from Royalty and Premium payments with excessive interest charges.
- Role of Landowner Companies in logging projects, with particular reference to new projects established under the new Forestry Act (1991 as amended) and Guidelines.
- The need for explicit guidelines to be issued to all stakeholders for dealing with applications for clear felling for agricultural purposes.

APPENDIX 1: SELECTION OF PERTINENT PHOTOGRAPHS

**APPENDIX 2: DRAFT REPORT FROM THE DEPARTMENT OF LABOUR
AND INDUSTRIAL RELATIONS**



DEPARTMENT OF LABOUR AND INDUSTRIAL RELATIONS

Private Sector Training and Monitoring Division

2nd Floor, Credit House, Curthbertson Street
P.O. Box 5644, BOROKO, National Capital District, Papua New Guinea
Telephone: 6753202033, Facsimile: 6753201062

INSPECTION REPORT

INTRODUCTION

The Department of Labour and Industrial Relations (DLIR) is a member of the review team on ongoing logging projects in Papua New Guinea. The Department (DLIR) is mandated by the Employment of Non Citizens Act, Chapter 374, National Training Policy, section 6.101 and 6.102 and the Gazetted guidelines for Three Year Training Plan and Work Permits.

Our operational and administrative performance is guided by the three-year training plan format and guidelines 2000 and the work permit guidelines 2000.

The issuance of work permits for engagement of non-citizens is in essence, importation of skills and skilled personal to impart those skills to PNG citizen employees to acquire through various modes of training.

The inspection is part of the review of current logging projects undertaken under the auspices of the Department of National Planning and Rural Development and facilitated by the Forest Review Team. The Department of Labour and Industrial Relations is a member of the review team that undertook the inspections on Vanimo Forest Products Limited (VFP) logging operations at Vanimo in the Sandaun Province.

The Department of labour and Industrial Relations (DLIR) conducted the inspection to:

- Verify and ensure that the non-citizens currently employed by VFP do have valid work permits and are physically performing in the position occupations approved under the company's three-year training plan submission
- Determine if the company is actively conducting and implementing their training program

- Address training and related issues
- Determine the level of safety practices and implementation
- Address general employment issues and concerns.

This report is for the respective stakeholders and relevant state agencies including the logging project review team leader and the Top management Team of the Department of Labour and Industrial Relations to peruse and make appropriate decisions consistent with the recommendations for the company (VFP) to comply and take corrective measures (if any) to conform to respective legislative requirements/ agreements and obligations.

1. Background to Inspection

The current term of position approvals and work permits for non-citizen employees at Vanimo Forest Products Limited (VFP) will expire at the end of June 2004. In order to renew their positions and work permits for another three-year term, the company is required to submit a company three year training plan review submission for position approval three months before the expiry of work permits. Upon approval of positions, they will then apply for work permits renewal. Vanimo Forest Products has since lodged their company training plan submission on the 19th March 2004, referenced 0316, for assessment and decision.

This inspection on Vanimo Forest Products (VFP) is timely and appropriate to enable the DLIR to compile data and make a physical assessment on their company operations before making a decision on their company submission for renewal of positions and work permits.

The inspection on Vanimo Forest Products Limited (VFP) was undertaken from Friday 12th to Tuesday 16th March 2004. We began with formal introductions and the review team briefing with the Company's (VFP) Resident Director Mr. Tee Chiong Tiong (Philip Tiong), the General Manager (Administration) Mr. Ching Huat Yong (Robert Yong) and the General Manager (Operations) Mr. Siew Hui Ling (Jeffery Ling) commencing at 7.30pm on Friday 12th March at the Vanimo Beach Hotel in Vanimo in the Sandaun Province.

On Saturday 13th March 2004, I held discussions with the General Manager (Administration) Mr. Robert Yong in his office at Vanimo. My discussions with Mr. Robert Yong featured mainly on the various aspects of training and localization, company safety policy and applications and non-citizen position occupation.

Supporting documents were requested to verify their non-citizen employment status, position occupation and safety aspects of their operations, both in the logging sites as well as in the sawmill. On Sunday, 14th March 2004, we inspected their logging site, camp and site workshop facilities and held discussions with the camp operations manager, Mr. Ling Kwong Toh.

On Monday 15th March 2004, I met and held discussions with the company personal manager, Mr. Bonny Leki in the morning and visited the sawmill facilities in the afternoon.

We had the privilege of meeting with the Provincial Government delegation led by the Governor, Hon Carlos Yuni, the Deputy Governor, Mr. Gubon and the Provincial Administrator, Mr. Joe Sungi. This meeting took place on Tuesday 16th March at 9.00 am in the Governors office.

The Information contained in this report was obtained through discussions with the General Manager (Administration) Mr. Chin Huat Yong (Robert Yong), the General Manager, (Operations) Mr. Siew Hui Ling (Jeffery Ling) and other resource personal of the company, various land owning group representatives, the employees, concerned citizens and other reliable sources.

We also obtained information through visual observation, photographs (not available) and documents made available to us for this purpose. The consultation with the company management was held in their office at the company headquarters at Vanimo and included discussions on their Training Plan Review Submission and current position occupation.

2. Brief Statement of Main Findings

The findings from the inspection covers broad range of issues including:

- ◆ *Employer information*
- ◆ *Counterpart training and position localization*
- ◆ *Position occupation by non citizens*
- ◆ *Implementation of company safety policy*
- ◆ *Workers compensation, wages and unfair dismissal issues*

B. METHODS

At the time of this inspection, the company's training plan review submission was not finalized and presented to us to source data and information for discussion purposes. The non-citizen work permit expiry, position occupation and on the job physical performance formed the basis of our discussions. We were mindful with our approach to the company management by not disrupting their normal duties however, their willingness and cooperation ensured that all aspects of the issues were discussed.

We discussed issues with the company management through organized meetings, held informal sessions with various other stakeholders and concerned citizens during the day as well as in the nights at Vanimo hotel premises.

The company's General Manager (administration) and the General Manager (operations) were requested to provide information in the company office at Vanimo, while employees and other sources provided information at different times and at different venue including the camp operation sites.

Questions relating to non-citizen position occupation and issues relating to citizen counterpart training arrangement formed the core part of our discussion with reference to the renewal of work permits and non citizen physical performance.

The questions asked to them differed depending on the subject and issue at hand. The consultation session with the company management lasted more than 3 hours, as it required thorough consultation on the company's pending training plan review submission and work permits which is due to expire at the end of June 2004.

C. FINDINGS

The findings in this report on Vanimo Forest Products is confined to issues that fall under the jurisdiction of and is administered by the Department of labour and Industrial Relations. Likewise, these findings are from information obtained from the company and concerned citizens as indicated and has no element of bias and fabrication in it.

The various attachments are evidence of information that can be used for referral and cross-references.

1. Employer Information

Company Name	-	Vanimo Forest Products (VFP)
Address	-	P.O. Box 41, Vanimo
Head Office Location	-	Section 4, Lot 2, Vanimo Town Sandaun Province
Contact Person	-	Mr. Philip Tiong
Designation	-	Resident Director
Telephone Number	-	8571318
Business Industry	-	Forestry/ Logging
Year Commenced	-	1990 (as Vanimo Forest Products)
Date of Inspection	-	Friday 12 th to Wednesday 17 th March 2004

2. Company Training Plan Review Submission

Vanimo Forest Product Limited's training plan submission is due for review in May 2004, as the work permits for their non-citizen employees shall expire at the end of June 2004. The company's Training Plan Review Submission will be assessed and evaluated for renewal of work permits for existing and additional positions and shall be done in accordance with the findings of the inspection and recommendations in this report.

Information obtained during the inspection and verified in the company training plan submission indicates that there are 79 non-citizens and 918 citizens employed by Vanimo Forest Products Limited (VFP) in various occupational capacities at various operational facilities and logging sites. All of these employees are physically based in Vanimo and the logging camps.

The inspection was timely and undertaken as part of the review of ongoing logging projects to address non-citizen employment and general employment related issues in the forestry/ logging industry. Similarly, the inspection was also done to assess the progress on the implementation of general training and counterpart training arrangements for position localization by citizen employees who had been identified

as understudies to respective positions and who have been employed for many years.

3. Position Occupation by Non Citizens

The non-citizens employed by Vanimo Forest Products Limited occupy positions ranging from technical and supervisory to management. The company's top-level management positions and certain middle and supervisory level positions are genuine, while most other positions are exaggerated to obtain approval to employ non citizens. Certain non-citizens have been visually identified performing duties that should be done by citizen employees. Thus, raising questions on the genuineness of training implementation by the company. The 79 non-citizens employment also raises questions on the company's efforts and credibility in training and transfer of skills to Papua New Guineans as a pre requisite for renewal of work permits. The exaggeration of position titles and occupation to obtain position approval demonstrates disrespect for the spirit of training and process of training implementation provided for under the gazetted three year training plan and work permit guidelines.

We acknowledge and appreciate the positive aspects of training undertaken by the company in providing employment and teaching new skills to citizen employees especially the landowners and people of Sandaun Province. However, this has not been fully realised through delocalisation and continued occupation of positions by non-citizens.

We visually saw citizen employees skilfully and competently performing and demonstrating their skills on various machines and equipment including the following:

- Bandsaw machine operators and mechanics
- Jinker drivers
- Loaders and bulldozers
- Saw doctors
- Heavy duty and light vehicle Mechanics
- Chainsaw operators and mechanics
- Millwright workers, machine installation and maintenance workers

At the time of this inspection, the following irregularities were detected in relation to position occupation by Non-citizens and are a reflection of position exaggeration by Vanimo Forest Products.

Names	Approved position	Duties performed
Jippin Ak Bugong	Chief bandsaw operator	Recovery supervisor
Ramlan Sudiono	Chief townyard coordinator	Electrical works
Ajah Manja Anak	Saw doctor	Saw doctor
Yohanis Pariding	Saw doctor	Bandsaw operator
Joseph Lumowa	Chief sawmill supervisor	Bandsaw operator
Hii Heng Kiong	Chief sawmill supervisor	Sawmill mechanic

Ali Walla	Chief millright	Bandsaw operator
Balo Anak Jab	Chief Technical Instructor	Assistant camp manager
Naing Ambau Anak	Other Forestry Workers	Dozer operator
Sipang Ak Kayan	No records	Dozer operator

An employee, Mr. Adraincem Ritchel Antipala whose work permit (06060003) was issued under Vanimo supermarket was caught working in the sawmill.

Mr. Lau Libau, work permit number 04060369, has delocalised a citizen employee Mr. John Kewe as deport manager at Mobil Oil Limited. His work permit is for Vanimo Forest Products as Production and Operation Department managers NEC. The above cases are classic example of work permit abuse by the company arising from their management's involvement in other business engagement involving Vanimo Forest Products subsidiaries.

Circumstances could not allow us to physically check all non-citizens individually. However, the above is an indication of the conduct of the company in so far as citizen employment and training implementation is concerned.

4. Citizen Employees Training Implementation

At the time of this inspection, no documented listing of citizen employees were made available, however, verbal consultations reveal that there are more than 800 citizen employees employed in various capacities in respective departments of the company's operations. Our consultations with the citizen employees at various work locations including the sawmill and logging camps reveal that issues on training, training implementation and localization is unheard of at Vanimo Forest products.

The citizen workforce is not aware of any information or consultation on training or counterpart training arrangements, let alone any formal training arrangements.

The number of citizen employees (800) compared to the 79 non-citizens is not impressive in so far as training implementation is concerned. While only one (1) citizen employee is occupying a management position as the personnel manager, the bulk of citizen employees occupy mainly the middle level and semi skilled occupations. This scenario has created doubt on the company's genuineness on the counterpart training arrangements.

The high turnover rate for the company's citizen labour force is another issue worth mentioning as it creates an atmosphere of uncertainty for employees to perform to capacity whilst the company also cannot make counterpart appointments due to the unstable employment environment arising from the turnover situation. This situation contributes to a general lack of organised training by the company to identify potential persons for counterpart training arrangements to localize designated positions.

So many issues were raised in relation to training and localization, indicating a general dissatisfaction on the current training arrangements within the company.

There is no person employed in trade skills areas as apprentices at present while the last batch of apprentices were employed some years ago.

The demise in apprenticeship training may be attributed to the following factors:

- Lack of dialogue between the company and DLIR through the National Apprenticeship and Trade Testing Board Secretariat (NATTB).
- Lack of understanding by the company on the usefulness and benefits of the apprenticeship concept of training.
- Lack of awareness on the new concept of trade testing by the NATTB to recognize people with trade skills.

5. Position Localization

As a consequence of lack of organized training by the company and the high rate of turnover, there is no evidence of position localization by citizen employees and most importantly the resource owners, considering the length of time the company has operated in the area. The lack of training implementation and position localization was also echoed by the Provincial Government delegation and an aggressive collaborative effort is needed by respective stakeholders to address this matter.

6. Implementation of Company Safety Policy

There was so much raised on training related issues. Likewise, workplace safety and hygiene is a component of training that should be practiced and implemented to compliment quality work output and increased productivity in any formally organized institution and operations. We were told of so many negative issues on the company's ignorance to personal and workplace safety and hygiene, let alone the visual observation on employees working without safety boots and earmuffs.

Physical observations on the various job sites reveal absolutely no regard for safety and safe work practices. Reliable information from discussions reveal that the company has done very little to facilitate and promote safety at the workplace, leaving the employees vulnerable to accidents and injuries. Discussions also revealed that the company does not have a company safety policy to manage and implement various aspects of safety and hygiene.

At the time of this inspection, the company was not able to provide documented evidence of their efforts in purchasing safety apparels and equipment to substantiate their claim of purchasing safety apparels for employees. ***We also discovered that the company painted "safety first signs" in the sawmill and the various workshops just before the inspection team arrived in Vanimo for this inspection.*** In doing so, the company has acted in false pretence just to satisfy us and portray a good image during our presence. This behaviour by the company is totally unacceptable and must be penalised by the department under the appropriate provisions of the Occupational Safety and Hygiene ACT

Some of the safety issues identified include but is not limited to the following:

- Almost all the employees, both citizens and non-citizens were working without safety boots, earmuffs, glasses helmets etc under very hazardous conditions.
- No safety signs/ posters or markers in the entire operational locations.
- Workshop is not concreted and therefore cannot be line marked
- No safety or training coordinator within the company to oversee the aspects of safety
- No safety practices applied while working in the logging camps
- Where safety apparels are supplied, there is no strict adherence supervision by the respective supervisors.

7. Concerns

Concerns were raised on various issues to be addressed by respective stakeholders and agencies but the concerns in my report relate to only labour and employment related matters.

7.1 Concerns Raised by Vanimo Forest Products Limited

The concerns by Vanimo Forest Products included the following:

- a) Lack of consultation, support and coordination from the Provincial Labour Officer in Vanimo on non citizen employment and safety issues
- b) Employees non adherence to safety instruction and practices
- c) No consultation with NATTB on apprenticeship and trade testing matters

7.2 Concerns by VFP Employees and Others

Concerns raised by the employees included the following:

- Labour turnover
- Unfair dismissal
- Wages disparity and irregularities
- NASFUND contribution and deduction for food rations

1. Concerns on workers compensation

All matters relating to workers compensation application and payment was referred to the Provincial Labour Officer for registration before he can liaise with the workers compensation office in Port Moresby.

2. Unpaid leave entitlements

No leave tickets and entitlements are paid to citizen employees hired by the company from outside of Sandaun Province. These included employees from East and West New Britain, Morobe, Manus and East Sepik Provinces.

The employees are left to spend their entire leave period in the camps while awaiting the resumption of duties.

3. Unauthorized excessive salary deductions

The company has also deviated away from its core business of harvesting and processing timber and has set up consumable retail canteens in all logging camps. The employees are forced into receiving food rations from the company canteens without being told or making any form of agreement on the prices of goods received. When the employees receive their pay slips, they realise that the deductions on the goods are exorbitantly higher than the normal prices of goods. There are no prices of goods displayed in the canteen for the employee's convenience to budget their salaries before receiving the goods from the canteen.

This issue is to be addressed collectively by the DLIR, IPA and IRC consistent with their legislative mandate and powers.

4. CPI Increases

Numerous matters were raised on the non-payment of consumer price index awards and increases. This matter was raised in all the areas visited within the company operations. Citizens who were employed some eight or ten years ago are still being paid on the same wage rate and have not seen any increases despite the various CPI awards over the years.

This matter has been brought to the attention of the Provincial Labour officer and needs to be aggressively pursued by the DLIR to eliminate wage discrimination and have the company penalised for their discriminatory behaviour

5. NASFUND Contributions

There are two categories of employees within the Vanimo Forest Products operations. One category is employed on a fixed wage and the other is paid on a piece meal arrangement. The employees paid on piece meal arrangement are paid on the volume of logs cut, hauled and transported. They include the sawyers, haulers, loader operators and jinker drivers. The company for unknown reasons does not deduct this category of employees NASFUND contribution. We discussed this matter and have sighted payslips to verify this matter. This matter must be brought to the attention of authorities at NASFUND to have the company justify their actions.

6. Unfair Dismissals and Turnover

There are a lot of claims on unfair dismissal of employees by the company management resulting in a big turnover of citizen employees. This is a concern amongst employees especially the landowners of the project area who deserve to be given a fair treatment.

The Provincial labour officer has been notified and is fully aware of this matter. However, he needs to be given the support at the head office level and including the Provincial Government to effectively address this issue.

8. Personnel Matters

There was not much expressed on issues concerning citizen employees living conditions. While the company management maintains its commitment to the

employees, the employees concerns cannot be openly addressed and verified for fear of intimidation and reprisals.

The citizen employees concerns are reflected in the issues raised in the findings in part 7 (concerns) of this report.

D. CONCLUSION

The participation by the Department of Labour and Industrial Relations in the review of ongoing logging projects is worthwhile and important. While DLIR is faced with resource problems, collaborative opportunities like this review is important to implement policies to ensure compliance of regulations and policies.

The lack of follow up action on the concerns raised by the employer and employees portrays a negative image on the responsibilities and commitment of the Department of Labour and Industrial Relations.

Vanimo Forest Products corporate responsibilities to training, training implementation and training and localization are very minimal. Likewise, their responsibilities towards their employees welfare, safety and hygiene and employment conditions leaves a lot to be desired.

The company is not adhering to facilitating their corporate responsibilities with other Government Agencies as well.

The company has violated provisions of the Employment of Non-Citizen Act, Section 5B, Subsection 3(a), Section 7, Subsection 3(a).
Work permits guidelines, clauses 5.1, 6.1 and 6.2

E. RECOMMENDATIONS

1. The Department of Labour and Industrial Relations to direct Vanimo Forest Products to make a company presentation on the findings in this report.
2. Vanimo Forest Products 3YTP review submission for position and work permits renewal is put on hold until after the outcome of the above presentation.
3. The Department of Labour and Industrial Relations to attend to the concerns raised by the employer and employees and liase with other Government Agencies.
4. The Department of Labour and Industrial Relations to direct respective divisional heads to conduct routine inspection visits to the company operational sites.

APPENDIX 3: DRAFT REPORT FROM THE DEPARTMENT FOR COMMUNITY DEVELOPMENT



DEPARTMENT FOR COMMUNITY DEVELOPMENT

P.O.BOX 7354 BOROKO, NATIONAL CAPITAL DISTRICT PH: 325 4566 FAX: 325 0133

GENDER AND DEVELOPMENT DIVISION

DRAFT INDIVIDUAL PROJECT REVIEW REPORT

COMPANY: VANIMO FOREST PRODUCTS

**LOGGING SITE: VANIMO
SANDAUN PROVINCE**

DATE OF FIELD TRIP: 10 - 17 MARCH, 2004

INTRODUCTION

The Department for Community Development is a member of the Inter Agency Forestry Review Team put together by the Government of PNG to review ongoing logging operations in the country. The DfCD is a social sector Department which is mandated by the Government to advocate for Social Welfare Development in the country. The operation of the Department is governed by the following legislations and Policies; National Womens Policy (1990) PNG National Council Of Women Act (1979) PNG Platform for Action: A Decade of Action for Women towards National Unity and Sustainability (1995-2005), Convention on the Elimination of All Forms of Discrimination Against Women/CEDAW (1995) Social Development Policy (1993) Child Welfare Act Chapter 276 (1976), Convention on the Rights of Children /CRC (1993), the Civil Registration Act and the Marriage Act of PNG.

Large Project Developments such as mining, petroleum, and logging affect women and children disproportionately. The well being of children and women provide the most sensitive indicators of the human impact of development yet they tend to be neglected in the planning and development process of these projects and issues that directly affect them are generally accorded low priority.

This report will highlight the social impact of the logging operation within the vicinity of the operation (logging population), forest resource owners, employees and their families and the community at large. This individual review report will be circulated to all the major stakeholders of the logging operations before the final Project Review Report is finalised by the Review Team.

PROJECT REVIEW FIELD TRIP

The field trip to Vanimo took place from the 10 – 17 March, 2004. Vanimo Forest Products is very accessible to the township of Vanimo. In other words, the small township of Vanimo the capital of Sandaun Province is located in the TRP area, therefore there is strong presence of Government Authority.

DATA COLLECTION METHOD

Data contained in this report was collected or obtained through meetings/discussions with landowners, forest resource owners and the community at large. Several meetings were organized and held with all the major stakeholders. At these forums, women were mainly asked to talk about their stories based on their lived experiences in relation to the Forest Logging Companies. Issues were picked from the stories told, which were clarified with short questions and answers particular when it was necessary to establish the negative and positive impacts of the logging operation on the lives of people.

FINDINGS

- Sandaun Province is a patrilineal society where royalty payment means “mens Business” and women are not allowed to receive the royalty payment on behalf of their clans. Women are not given due consideration when it comes to royalty payment.
- A large number of Manus women have been recruited from Manus province to work in the logging camps in Sandaun Province.
- There is a large number of illegitimate children who have been borne to Sandaun women from foreigners employed by VT. At least 14 of these have laid formal complaints to the welfare office in Sandaun Province. There was also one case of child sexual abuse by a foreigner of Malaysian origin employed by VT.
- There is allegation that women are employed by expatriates as domestic servants and are expected to provide sexual favours to the expatriates in the logging camps. (See attached report)
- There is allegation that phonographic material, which are smuggled across the border is widely used in the bush camps.
- Inadequate Accommodation for employees and their families. All families live in one- bedroom houses which is overcrowded. Very poorly ventilated.

- There are no schools and Aid Posts in the logging camps. Local employees (Sandaun) leave their school age children with relatives in their villages while those from outside of Sandaun send their children to Vanimo town schools (lodging with friends for a week).

Environmental Destruction

- Logging has caused destruction to plants, which were once used as herbs for medicinal purposes.
- The logging operation has affected the local river systems. After logging was introduced, river systems have dried up.
- Poor sanitation. In Sippi Base Camp, the sewerage from the expatriates camp overflows to the national employees camp on rainy days then onto the nearby river where national employees bath and do washing.

Income Generation Activities

Landowners are starting to develop cocoa plantations. In the village of Imbio 2, a 200 x 250 meters cocoa plantation is been developed by the village community.

Landowners have also been involved in spin off businesses in Stevedoring and Public Motor Vehicles (PMV).

Recommendations:

- The issues relating to Logging operation must go beyond the boundaries of the National Forest Authority (NFA). The Department for Community Development must have an input in the Project Agreement. At that moment, social issues are addressed in terms of Infrastructure development (schools, aidposts, etc). The social Impact Studies of these logging operations must be part and parcel of the whole package from the very beginning (negotiation phase). This will enable the developer and organizations like DfCD to develop appropriate strategies to minimize the negative impacts of these big developments.
- Certain percentage of the revenue from the Forestry resources must be put aside and be used for the purpose of on site monitoring. These resources will assist other relevant government agencies to monitor the activities of the logging operations. Monitoring at logging sites is not only the responsibility of the Forestry Authority.
- The negative impacts of big developments is felt by people (men, women, girls, boys, children) first. It is the responsibility of the DfCD to ensure that problems, which result from large developments like logging are controlled or minimized to a level where people are able to continue enjoying what life can offer them. With all the many large developments in the country, there is a need for the DfCD better resourced and equipped to be able to effectively monitor logging

operations in the country. The DfCD needs upgraded communication system, which includes having internet access.

- Women must be included in all major decision-making from the very beginning of the project negotiation. Women are the closest gender to the environment. The land is their livelihood. Men must never be allowed to proxy for women, they will not be able to represent women's issues.