

Senator Glen Sterle
Chair
Standing Committee on Rural Affairs and Transport
Legislation Committee

Via email: rat.sen@aph.gov.au

Friday 10 June 2011

Dear Chair,

Illegal Logging in Papua New Guinea

Thank you for your letter to Greenpeace's CEO Linda Selvey dated 24 May 2011 regarding information the Committee has received in regards to illegal logging in Papua New Guinea from ITS Global. I appreciate the opportunity to provide the Committee with additional information on this subject.

The report that the Committee has received and been tabled that was produced by ITS Global for company Rimbunan Hijau (PNG) Group entitled '*Whatever it takes: Greenpeace's anti-forestry campaign in Papua New Guinea*' was published in July 2006. It was produced in response to a report produced by Greenpeace entitled '*The Untouchables - Rimbunan Hijau's world of forest crime & political patronage*' from February 2004.

Attached to this email is that original Greenpeace report. Greenpeace also published a specific response to the ITS report which I've also attached in this email entitled 'Rimbunan Hijau Can't Handle The Truth'.

As you can see from this paper, Rimbunan Hijau is the largest logging company in PNG and has been found to be operating illegally numerous times. It has a notorious record of environmental destruction, corruption and human rights abuses that has been documented by Greenpeace.

Furthermore, I would add that all of this material was produced prior to 2006 and there is more recent documentation and evidence of illegal logging in PNG by this company since then. For example, in late 2008 the Supreme Court of PNG found Rimbunan Hijau had been illegally awarded one of the largest forestry concessions in PNG, an 800,000 ha concession in the Kamula Doso forest. The compensation for affected landowners where Rimbunan Hijau had already begun logging is still ongoing.

I would appreciate it if the Committee could take all of this into consideration.

Reece Turner
Forests Campaigner
Greenpeace Australia Pacific



RIMBUNAN HIJAU CAN'T HANDLE THE TRUTH

RESPONSE TO COMMENTS IN THE ITS-GLOBAL REPORT *WHATEVER IT TAKES: GREENPEACE'S ANTI-FORESTRY CAMPAIGN IN PNG*

In July 2006 an Australian consulting company, ITS-Global, published a report called "Whatever it Takes: Greenpeace's anti-forestry campaign in Papua New Guinea". The report was paid for by Rimbunan Hijau (RH), the largest foreign owned logging company in Papua New Guinea (PNG). Its contents include a number of criticisms of Greenpeace's claims against RH and an attack on our motives and operations in PNG.

The report can be found here:

http://www.forestryanddevelopment.com/documents/pdf/fd-G_peaceReport-final.pdf

Greenpeace believes that ITS-Global report fails to challenge the findings of either *The Untouchables* or *Partners in Crime: the UK Timber Trade, Chinese sweatshops and Malaysian Robber barons in Papua New Guinea's rainforest*, and is instead a deliberate attempt by Rimbunan Hijau to deflect attention from their practices in Papua New Guinea.

Our response below shows that the ITS-Global report to discredit Greenpeace and its assertion that logging in PNG is legal, flies in the face of a mountain of evidence to the contrary.

1) MEDIA CLAIM: 'THIS IS AN INDEPENDENT REPORT'

The report has been called 'independent' by PNG media (The National and Post Courier¹).

- The report is not "independent". It was commissioned and paid for by Rimbunan Hijau and written by an Australian consulting group – ITS-Global (a fact that they disclose within the report).
- The ITS-Global report is based on "unpublished material provided by Rimbunan Hijau" and interviews with the "government and key stakeholders" (without specifying who they met with) and field visits to RH operations ITS-Global clearly did not meet with "the other side", ie. landowners, Greenpeace or other NGOs.

2) CLAIM: GREENPEACE'S CLAIMS THAT LOGGING IN PNG IS ILLEGAL ARE WRONG

Over the last 15 years the problems surrounding the PNG timber industry have been documented time and time again by numerous authoritative commentators. These have included

- The PNG Ombudsman Commissionⁱⁱ,
- The PNG Department of Labourⁱⁱⁱ,
- The Independent Review Teams (acting on behalf on the Government of PNG and the World Bank),
- The PNG National Intelligence Organisation,
- former Australian Supreme Court Judge Tos Barnett^{iv},
- The High Court of New Zealand^v,

And a variety of NGOs including

- The Australian Conservation Foundation^{vii},
- Forest Trends^{viii},
- PNG NGOs including the Eco-Forestry Forum, ELC and CELCOR.
- Between 2000 and 2005 an Independent Review team was mandated by The Government of PNG and the World Bank to audit the operations of the PNG logging industry. The reports collated extensive data across many areas of the PNG logging industry. Their drafts and final reports showed widespread illegalities in the logging industry. These reports have until recently been difficult to access publicly and the government of PNG has not said what, if any, action it has taken to address the recommendations of the reports. This is the key body of work that the ITS-Global report claims is "discredited".

The full set of Forest Reviews are now available at <http://www.forest-trends.org/documents/png/index.php>

- Forest Trends did a comprehensive and recent analysis of the Independent Review and concluded:

The overriding conclusion from the Government of Papua New Guinea's own forestry review process, however, is that although all timber harvesting operations may be officially licensed, there are serious issues of legal non-compliance at almost every stage in the development and management of these projects. For these reasons the majority of forestry operations cannot credibly be characterised as complying with national laws and regulations and are therefore 'unlawful'.

In order to be regarded as 'lawful', a timber harvesting operation needs far more than just an official permit or license. It is generally accepted that these operations must be able to demonstrate:

- Broad compliance with prevailing legal principles in their instruments which underpin the operating rights;
- A general observance of statutory and regulatory controls in the harvesting operation itself; and
- A more general conformity to the legal standards governing all business operations in PNG.

The Reviews clearly show that operators are not achieving compliance in these key areas, and that current commercial forest management is ecologically and economically unsustainable and illegal. Logging is also not serving the long-term interests of landowners or the State.

One Review alone of fourteen active logging projects (including the five largest¹ and eight of the top twelve and covering a gross area of 3.16 million hectares with a population of more than 83,000 people) found that none can be defined as legal and only one project manages to meet more than fifty per cent of key criteria for a lawful logging operation.

(Forest Trends, March 2006. Logging, Legality and Livelihood in Papua New Guinea: Synthesis of Official Assessments of the Large-Scale Logging Industry, Vol. 1, p.1)

- The ITS-Global report regards the findings of The Review Team as not credible because the reports were never adopted by the Government of PNG. The PNG government decided to stop the collaboration with the World Bank and hence lost the Forestry Conservation Project (FCP) grant, worth 55.8 million USD (including funding from the Global Environment Fund). One of the objectives of the FCP was to strengthen governance in the forestry sector.

One may ask, why the government stopped pursuing the Review

process, losing the chance to eliminate all doubts raised in the reports about non-compliance by the industry? If PNG's logging industry had nothing to hide it could have used the review process to clarify so called mis-reporting by the Review Team. The reports painted a damning picture of the forestry industry in PNG and would have been very embarrassing for the government and the forestry industry if made public.

The different Reviews set out a whole series of general governance and project specific recommendations. These range from a proposal to divide the PNG Forest Authority into two separate organisations and the implementation of a Commission of Inquiry with powers to summons documents and cross-examine witnesses through to remedial actions to correct procedural errors in the development process for individual projects.

The majority of these recommendations have been for the most part ignored. This demonstrates government acquiescence, or preference, for the status quo and a lack of political will or leadership to implement reform.

(Forest Trends, March 2006. Logging, Legality and Livelihood in Papua New Guinea: Synthesis of Official Assessments of the Large-Scale Logging Industry, Vol. 1, p.63)

3) CLAIM: GREENPEACE'S INTERNATIONAL CAMPAIGN THREATENS PNG'S DEVELOPMENT AND ECONOMY.

The ITS-Global report states Greenpeace's work to ban illegal timber from entering markets globally threatens PNG's development and economy. According to the report, logging provides between 5 and 9 per cent of PNG's GDP, 6 per cent of all tax receipts, half a billion kina in exports, employs over 10,000 people and provides infrastructure to rural areas. "If Greenpeace succeeds, it will be the people of PNG who pay the price".

- Greenpeace is not against development in PNG. If anything we believe that by getting rid of illegal and destructive logging in PNG the future of the economy will be strengthened. Due to consumer demand most market countries are moving towards sourcing timber that is legal, responsibly logged and follows strict certification procedures. In July 2005, for example, the UK Timber Trade Federation warned members not to purchase timber originating from PNG and the Solomon Islands as:

"our own investigations... found that little evidence can be obtained to give even a minimum guarantee of legality. Any wood from these countries must therefore be deemed very high risk." (note from UK TTF Chief Executive John White to Trader, 28 June 2006)

¹ Largest log exporting projects for the period 2000-2005

It is clear that cleaning up the problem and moving towards credible third party certification for timber like FSC will ensure continued market access for PNG timber.

INFRASTRUCTURE

- The timber industry in PNG claims that it has the best interests of the country at heart, developing infrastructure such as bridges, airfields, schools, aid posts etc. This is a claim that can easily be refuted in most timber concessions where little development has been brought to rural Papua New Guineans. If any development occurs, it is nearly always for the benefit of the operations of the logging company itself, and is rarely long-term infrastructure.

The Independent Review Team made the following observations when it visited the Wawoi Guavi concession area (one of RH's largest concessions and an area visited by the ITS-Global authors) in April 2004:

None of the trunk roads are gravelled and trafficable by all wheel vehicles during the rainy seasons. Roads are only trafficable as long as the company is using them to extract logs from the area. Except for one bridge, none of the bridges are permanent and there are no permanent culverts installed. The quality of building materials used to construct classrooms, teachers' houses and other residential houses are inferior, for example the roofing iron, which shows rust after a few years. Young people from the project area were concerned that the company was bringing in expatriate workers to perform jobs that can be done by qualified Papua New Guineans. They claimed that the company has not demonstrated any effort to train locals for these jobs. Foreigners driving jinkers, dozers and serving behind canteens and trade stores is clear evidence of these concerns.

(Review of Current Logging Projects, 2004. Individual Project Review Report No 14 – TP 1-07 Wawoi Guavi, p.20)

TAX FRAUD

- According to a report in the Australian newspaper on July 20, 2006, logging companies in PNG are suspected of defraud in the government to the tune of a quarter billion Kina (100 million AUD, 63 million Euros) in tax revenue annually (a matter of concern to Australia's Forestry Ministry as well as AusAID, according to the newspaper). They do this by misrepresenting the selling price of timber, usually sold to overseas subsidiaries of their own companies, in order to pay less tax. Prices for PNG timber are reported to fetch three times less than the asking price for comparable Malaysian timber^{ix}.

Logging companies officially exported PNG logs for prices that ranged from USD 60 to USD 112 per cubic metre in 2005. The same logs were imported by China at prices ranging from USD 143 to USD 302 per cubic metre and by Japan at between USD 91 to USD 195 per cubic metre. In the case of Kwila (Merbau) the price tripled on route, after having passed PNG customs and before arriving in China, from USD 116 to USD 302 per cubic metre. These huge differences cannot be explained by shipping costs or other expenses^x.

HUMAN RIGHTS ABUSES

- A large number of people employed in PNG's timber industry are foreign workers some of whom are working illegally in PNG. Local employees receive a pittance in salary - 63 toa per hour (or 30 cents Australian)^{xi}. The Independent Review Reports document many instances of exploitative and unsafe working practice in key logging concessions as well as human rights abuses.

The Department of Labour and Industrial Relations Inspection Report (Wawoi Guavi) made the following conclusion:

“Wawoi Guavi Timbers corporate responsibilities to training, training implementation and training and localisation are very minimal. Likewise, their responsibilities towards employee's welfare, safety and hygiene and employment conditions are appalling and cannot be measured against any standard. The company's treatment towards citizen employees in many aspects of their employment reflects labour exploitation and slavery, and should be condemned at all levels.”

(Review of Current Logging Projects, 2004. Individual Project Review Report No 14 – TP 1-07 Wawoi Guavi, Appendix 2: Draft Report from the Department of Labour and Industrial Relations)

The ITS-Global report states that the above findings by the Department of Labour and Industrial Relations Inspection Report were 'biased' and that a subsequent Department of Labour report on the concession found the Wawoi Guavi operation complied with all relevant labour laws. The new report found all wage rates paid by the company to be 'over and above the current determined minimum wage rates', and that 'the company supplies free food rations for all its workers and respective camps'. This only partly explains a range of issues raised at Wawoi Guavi in terms of salary and benefits but fails to explain the unresolved issues surrounding the company's obligations to provide adequate infrastructure or social development.

However, Wawoi Guavi is not the only RH operated concession where landowners have cited abuse due to logging on their land. At Vailala Blocks 2 & 3 landowners complained about the company's use of the Police Task Force to silence dissatisfied landowners.

At a meeting at Paevera landowners expressed concern that the permit holder Frontier Holding Ltdⁱⁱⁱ is able to access the Police Task Force to silence complaints by the landowners, for example destruction of places of cultural significance.

(Review of Current Logging Projects, 2004. Individual Project Review Report No 8 – TP 2-16 Vailala Blocks 2 & 3)

In a 1999 incident, told to the Australian Conservation Foundation (ACF) by landowner Ben Harevela in December 2005, representatives from Paevera village complained to Frontier Holdings Ltd that logging operations in the Vailala logging concession had destroyed a sacred cultural site, and sought compensation for the damage. In response to the complaint, he alleges, the company flew police task force members from Port Moresby to deal with the 'troublemakers'. In Mr Harevela's own words:

"I was bashed up in my village and they [the police task force members] burn my village – five houses... they came in with force, and the village people, they don't know why the police come in... three of us were bashed up and five houses burnt with all their properties – nothing left..."

Animals were killed – pigs and dogs were shot with M16 rifles and chicken coops sprayed with gunfire.

(The Australian Conservation Foundation & The Centre for Environment Law and Community Rights, August 2006. "Bulldozing Progress: Human rights abuses and corruption in Papua New Guinea's large scale logging industry").

- The problems surrounding the logging sector in PNG are common knowledge. The head of the EU delegation to PNG, Mr Stefano Manservigi, in his closing address to the meeting of African, Caribbean and Pacific (ACP) states in Port Moresby in June 2006 said "[You have] immense and irreplaceable biodiversity in the Pacific Oceans and in your forests. They are truly global public goods because they are of global importance. However, a combination of greedy owners of fishing vessels and ruthless logging companies – mostly foreign – and weak regulations and enforcement means that we are faced with a tragedy now. The whole of humanity is getting poorer in the process and sadly your children and grandchildren will be affected most directly by this destruction."

4) CLAIM: GREENPEACE'S DEFINITION OF 'LEGAL' IS USED IN AN "ORDINARY SENSE"

The ITS-Global report criticises Greenpeace for using the term legal "in an ordinary sense". It says, Greenpeace "has expanded it to mean that no transaction is legal unless, at the time of the transaction, all laws and regulations and international treaties have been properly implemented by the government, including labour rights, indigenous peoples' rights and business payments of all taxes and fees". The report claims that "by this test, a large amount of activity at any one time in the industrialised world would be illegal".

- Greenpeace make no apologies for the belief that adherence to legal requirements is a basic requirement for any forestry operation. PNG has very good forestry laws and the rights of landowners are enshrined in its constitution. The laws are simply not followed or enforced by the companies or the government.
- The ITS-Global report seemingly wants to convince the reader that it is legitimate for corporations to knowingly take advantage of lack of governance on national and local levels, even in cases when there are clear breaches of law on the side of the authorities (eg the lack of informed consent by landowners and the illegal granting of logging licenses).
- PNG is not the only country in the world where Greenpeace campaigns against illegal activities that threaten the environment. We do so in both the North and the South. We believe that the PNG government must combat illegal logging for the benefit of the country's future and that the timber companies should clean up their act. In the meantime a moratorium on all new industrial logging should be put in place.

5) CLAIM: GREENPEACE'S CLAIMS ABOUT CERTIFICATION ARE WRONG AND THAT THERE IS A CONFLICT OF INTEREST

The ITS-Global report says: "Greenpeace argues that timber operations should be endorsed by the Forest Stewardship Council. 'FSC is the only, internationally recognised, forest certification scheme that can give rigorous and credible assurance that timber products come from legal and responsibly managed forests' (Greenpeace International, 2006). (The statement itself is not true. A competing system for certification, the Program of the Evaluation of Certification of Forestry – PEFC – exists.) FSC was set up and is controlled by the WWF. Greenpeace is a founding member, and is currently represented on the FSC Board of Directors."

- WWF was one of the actors that set up the FSC but does not control it. The Forest Stewardship Council is an international association of members consisting of a diverse group of representatives from the timber trade and the forestry profession, indigenous people's organisations, responsible corporations, community forestry groups, environmental and social groups and forest product certification organisations from around the world.
- Greenpeace is on the Board of the FSC. ITS-Global is a consultant to the competing system of certification PEFC. ITS-Global insinuate a conflict of interest with Greenpeace and the FSC without disclosing their own interest in the PEFC.

6) CLAIM: ECO-FORESTRY IS NOT A VIABLE SOLUTION

Greenpeace is more interested in trialing eco-forestry and subsistence forestry. This has been tried for 10 years in PNG and it is not commercially viable.

- Greenpeace sees eco-forestry as one part of the solution to the problems that currently face PNG's forests. Greenpeace was invited by landowners in Lake Murray, Western Province to help set up an eco-forestry project. These people have seen the social problems and destruction caused by industrial logging in neighbouring concessions and illegal logging operations and do not want to see it happen to them or their land. This community has had two international orders for the timber and is about to ship out its first container of eco-timber, for which it will receive 10,000 kina. Money that it can then spend on schools and health care. It is sustainable development that the community controls and owns, and will therefore benefit from in the long term.
- The global demand for good wood is growing. Eco-forestry projects will be able to help supply this demand and in the long term, in combination with certified industrial operations, will be more commercially viable and ecologically sustainable.

ENDNOTES

ⁱThe National 17 July, 2006. "Study backs Pruitich's claim", & The Post Courier 20 July, 2006. "Logging to help PNG". (Note: The National is owned by Rimbunan Hijau. The Post Courier is owned by New Limited).

ⁱⁱOmbudsman Commission (2002), Final Report Investigation into a decision of the National Forest Board to Award Kamula Dosa to Wawoi Guavi Timber Company (a subsidiary of RH).

ⁱⁱⁱIndependent Review Team, 2004, separate reports by the Department of Labour included in the "Review of Current Logging Projects"

^{iv}PNG National Intelligence Organisation report (2000), Office of Counter Intelligence Baimaru Field Report.

^vBarnett T, (1987) Commission of Inquiry into Aspects of the Timber Industry in Papua New Guinea.

^{vi}New Zealand High Court Ruling. The LumberBank New Zealand LTD vs The New Zealand Timber Importers

^{vii}Australian Conservation Foundation, (2003), Submission to the Senate Foreign Affairs Defence and Trade References Committee Inquiry into Australia's Relationship with Papua New Guinea and other Pacific Island countries.

^{viii}Forest Trends, 2006, Logging, Legality and Livelihoods in Papua New Guinea: Synthesis of Official Assessments of the Large Scale Logging Industry, Volumes One and Two. (Note: Forest Trends is an independent research group based in Washington DC)

^{ix}The Australian, 20 July, 2006. "Timber tax scam "costing PNG \$100 m a year". by Greg Roberts.

^xData from: ITTO Market Reports, China Customs and Japan Customs (June 2005).

^{xi}PNG Department of Community and Development, 2004. Draft individual project review report for Wawoi Guavi and Panakawa.

^{xii}Frontier Holdings Ltd is a subsidiary of RH.