



**Uniting Church in Australia**  
SYNOD OF VICTORIA AND TASMANIA

Justice and International Mission Unit  
130 Little Collins Street  
Melbourne Victoria 3000  
Telephone: (03) 9251 5271  
Facsimile: (03) 9251 5241  
jim@victas.uca.org.au

Committee Secretary  
Senate Standing Committees on Rural Affairs and Transport  
PO Box 6100  
Parliament House  
Canberra, ACT, 2600

## **Justice and International Mission Unit Synod of Victoria and Tasmania, Uniting Church in Australia**

### **Second Supplementary Submission to Inquiry into the Illegal Logging Prohibition Bill 2011 13 January 2012**

The Justice and International Mission Unit, Synod of Victoria and Tasmania, Uniting Church in Australia (the Unit) would like to make a second supplementary submission to the inquiry into the *Illegal Logging Prohibition Bill 2011* in response to claims made by the Papua New Guinea Forest Industries Association (PNGFIA).

In appearing before the Committee the PNGFIA claimed that “less than one or two per cent of total volume harvested” was illegally logged”.<sup>1</sup> Further, the PNGFIA claimed all illegally logged timber was used domestically within PNG as “we are one of the few countries in the world that has 100 per cent monitoring of exports, log exports in particular, by an independent auditor that checks every export shipment of logs out of the country.”

Mr Tate went on to argue that an export permit issued by the PNG office of forests should be accepted as proof of legality of timber.

These claims are strongly contradicted by other credible sources.

The UN Office on Drugs and Crime 2010 report on *The Globalisation of Crime, A Transnational Organized Crime Threat Assessment* formed the view illegal logging was possibly increasing in PNG.<sup>2</sup> The report noted that merbau logs from neighbouring Papua are laundered through PNG.<sup>3</sup> This laundering includes organised criminal syndicates using origin certificates from PNG for illegally harvested merbau from Papua, highlighting the weakness of simply relying on government export permits as a stand-alone mechanism that proves legality.<sup>4</sup>

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<sup>1</sup> Mr Robert Tate, Executive Officer, Papua New Guinea Forest Industries Association, Senate Rural Affairs and Transport Legislation Committee hearing 14 December 2011.

<sup>2</sup> UN Office on Drugs and Crime, ‘The Globalization of Crime. A Transnational Organized Crime Threat Assessment’, 2010, p. 161.

<sup>3</sup> UN Office on Drugs and Crime, ‘The Globalization of Crime. A Transnational Organized Crime Threat Assessment’, 2010, p. 165.

<sup>4</sup> UN Office on Drugs and Crime, ‘The Globalization of Crime. A Transnational Organized Crime Threat Assessment’, 2010, p. 166.

The UNODC formed the view “Almost all the timber exported from Papua New Guinea goes to China, and independent reports have found the majority of logging operations there to involve illegalities.”<sup>5</sup>

Global Timber UK estimated 1.7 million m<sup>3</sup> roundwood equivalent illegal timber was exported from PNG to China as logs with a value of US\$200 million in 2005.<sup>6</sup> Total illegal flows from PNG were assessed as 2.3 million m<sup>3</sup> roundwood equivalent. Much of this was due to illegal (re-) allocation of concessions and transfer pricing fraud (a form of tax evasion) and constituted the vast majority of exports from PNG in that year.

Transparency International PNG has concluded the enactment of the *Forestry (Timber Permit Validation) Act 2007* in effect legalised all logging permits and licenses that had been issued in violation of the 1991 Act. The legislation stated the permits would not be invalidated “due to the absence, expiration or defect in a national forest plan or a national forest inventory”.<sup>7</sup> This amendment has enabled the logging industry to pursue lucrative logging for export unabated. An estimated 2.4 million ha is currently earmarked as available for lease for agricultural expansion. Transparency International concluded while licences for this form of forest clearance need approval from the Ministry of Agriculture and the Forest Authority, the lack of a comprehensive National Forest Inventory and ineffective regulation of forest resources means that there is limited information available on which to base decisions, making the sector vulnerable to risks of corruption.<sup>8</sup>

A number of traditional landholders have claimed that they have been forced or coerced into handing over their land to logging companies.<sup>9</sup>

Transparency International PNG also stated in their 2011 report *Forest Governance Integrity Baseline Report. Papua New Guinea*:<sup>10</sup>

*“Although PNG’s independent log inspector claims that there is no illegal logging the monitoring of logs for sale and export is flawed. As a result, companies that deliberately make false declarations and export banned species or miscalculate volumes for export are rarely identified.*

*The tax paid on log exports ranges from 20%-35% and averages about 30% each year. It depends on the volume and species of the logs exported and is paid directly to the Internal Revenue Commission. The state approved monitoring contractor is only obliged to inspect 10% sampling of the total log export volume, - which obviously means that 90% of logs are passed without being inspected. Furthermore, even if discrepancies are identified or reported relating to the 90% un-inspected volume there is no obligation for these discrepancies to be reported. The Forest Authority uses the FD 66 form to record harvest volumes, which are initially filled out by logging companies and then forwarded to the Forest Authority, which calculates the royalty payments due to resource owners. This declaration is rarely audited or inspected by an independent certifying body. There have been a number of legal cases cited whereby landowners have been misidentified as a result of fake landowners claiming*

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<sup>5</sup> UN Office on Drugs and Crime, ‘The Globalization of Crime. A Transnational Organized Crime Threat Assessment’, 2010, p. 166.

<sup>6</sup> <http://www.globaltimber.org.uk>

<sup>7</sup> Michael Avosa, *Forest Governance Integrity Baseline Report, Papua New Guinea*, 2011 Transparency International Papua New Guinea Inc., p.7.

<sup>8</sup> Michael Avosa, *Forest Governance Integrity Baseline Report, Papua New Guinea*, 2011 Transparency International Papua New Guinea Inc., p.7.

<sup>9</sup> Jo Chandler, “PNG’s great land grab sparks fightback by traditional owners”, *The Age*, 14 October 2011.

<sup>10</sup> Michael Avosa, *Forest Governance Integrity Baseline Report, Papua New Guinea*, 2011 Transparency International Papua New Guinea Inc., p.14.

*royalty payments for log harvests. These weaknesses lead to loss of state revenue, reduced benefits (royalties) for resource owners and increased corruption.”*

The International Tropical Timber Organisation (ITTO) reported PNG did not submit its 2010 Joint Forest Sector Questionnaire.<sup>11</sup> The ITTO noted PNG, the Solomon Islands and Gabon were China's main tropical log suppliers, accounting for 64% of China's tropical log imports in 2009. In 2010, Gabon's share of China's tropical roundwood imports declined following the implementation of log export restrictions in May 2010. However, the decline was more than offset by notable increases in imports from Papua New Guinea and the Solomon Islands.<sup>12</sup> The ITTO assessed Papua New Guinea's exports are dependent on virtually one market, China, which accounted for about 80% of PNG's exports of 2.1 million m<sup>3</sup> in 2009. The other destinations were the Republic of Korea, India, Japan and Taiwan, although each accounted for less than 0.1 million m<sup>3</sup> of PNG log exports in 2009. In 2010, PNG's log exports to China increased again to 2.9 million m<sup>3</sup>.<sup>13</sup>

The ITTO stated in 2010 PNG produced 3.55 million m<sup>3</sup> of logs, 81,000 m<sup>3</sup> of sawn product, 81,000 m<sup>3</sup> of veneer product and 13,000 m<sup>3</sup> of ply product.<sup>14</sup> Exports amounted to 2.90 million m<sup>3</sup> of logs, 33,000 m<sup>3</sup> of sawn product, 3,000 m<sup>3</sup> of veneer product and 8,000 m<sup>3</sup> of ply product.<sup>15</sup> The export value of 2.6 million m<sup>3</sup> of logs from PNG in 2008 was US\$520 million, with sawn product exports having a value of US\$23.5 million, veneer exports US\$7.6 million and ply product US\$4.7 million.<sup>16</sup> This puts into perspective the relatively low value of direct timber exports from PNG to Australia, which the PNGFIA estimated at \$20 million.<sup>17</sup>

Dr Mark Zirnsak  
Director  
Justice and International Mission Unit  
Synod of Victoria and Tasmania  
Uniting Church in Australia

<sup>11</sup> International Tropical Timber Organisation, 'Annual review and assessment of the world timber situation 2010', 2010, p.1.

<sup>12</sup> International Tropical Timber Organisation, 'Annual review and assessment of the world timber situation 2010', 2010, p.10.

<sup>13</sup> International Tropical Timber Organisation, 'Annual review and assessment of the world timber situation 2010', 2010, p.11.

<sup>14</sup> International Tropical Timber Organisation, 'Annual review and assessment of the world timber situation 2010', 2010, p.66.

<sup>15</sup> International Tropical Timber Organisation, 'Annual review and assessment of the world timber situation 2010', 2010, p.67.

<sup>16</sup> International Tropical Timber Organisation, 'Annual review and assessment of the world timber situation 2010', 2010, p.94.

<sup>17</sup> Mr Robert Tate, Executive Officer, Papua New Guinea Forest Industries Association, Senate Rural Affairs and Transport Legislation Committee hearing 14 December 2011.