

# Masalai i tokaut

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**Number Twenty Eight: 1 June 2004**

## Lau admits Chief Secretary and Chamber of Commerce complicit in illegal logging by Rimbunan Hijau

*In an astonishing series of revelations, James Lau, the Managing Director of the Rimbunan Hijau group of companies, has admitted that:*

- *He has direct access to the Chief Secretary, Joshua Kalinoe*
- *That Rimbunan Hijau relies on Kalinoe to interfere in the proper process of government to protect their commercial interests*
- *That Kalinoe has manipulated the PNG Forest Authority and National Forest Board to prevent due process against illegal logging by Rimbunan Hijau*
- *That the PNG Chamber of Commerce provides Rimbunan Hijau with confidential National Forest Board papers.*
- *This allows Rimbunan Hijau to interfere in the workings of the Forest Authority to protect its illegal logging operations.*

*The fact that Rimbunan Hijau uses politicians and public servants to protect its illegal logging operations has been revealed many times in the past.*

*But the company and its allies have always fervently denied the truth.*

*Now James Lau has provided us with the proof and Masalai is able to present for you his startling admissions.*

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In April this year Rimbunan Hijau was faced with a very serious situation. The PNG Forest Authority was moving to enforce compliance with the law in two of RH's largest logging operations, Vailala Blocks 2&3 and Wawoi Guavi.

The Forest Authority organized a meeting of the National Forest Board for it to consider the recommendation that the Forest Authority issue Rimbunan Hijau with 'Show Cause' notices.

These would require RH to account for the numerous breaches of forestry, environmental and labor laws in its logging operations and justify why its timber permits should not be cancelled.

The Forest Board meeting was organized for the 28<sup>th</sup> of April 2004.

### **Chamber of Commerce intervenes to protect RH**

The PNG Chamber of Commerce has a representative on the National Forest Board.

That representative, as chosen by the Chamber of Commerce, is the President of the Forest Industries Association (FIA).

As soon as the Chamber of Commerce Representative received his Board papers he realized the perilous situation that Rimbunan Hijau was facing and he immediately contacted James Lau to tell him what was in the Board papers.

This was a serious breach of the confidential status of the Forest Board papers. The Board papers clearly state on the cover of every volume that:

*“THESE BOARD PAPERS ARE STRICTLY CONFIDENTIAL AND ARE ONLY FOR THE INFORMATION OF BOARD MEMBERS”*

The Chamber of Commerce representative flagrantly disregarded this in a serious breach of his position of trust as a Board member and Board protocol.

How do we know that this happened?

Because James Lau has written a signed letter dated 26<sup>th</sup> April in which he states:

*“I have been informed by the FIA (sic) representative on the National Forest Board that the State Review Team has forwarded a submission to the Board for deliberation during its meeting scheduled on the 28<sup>th</sup> of April 2004”*



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28 04 2004

The Chairman – National Forest Board  
Dr. Wari Iamo  
Papua New Guinea Forest Authority  
P. O. Box 5055  
BOROKO / NCD

From: James Lau  
Date: 26 / 04 / 2004  
Ref: JLC'S2604

Dear Sir,

**Re.: - National Forest Board Meeting / Submission Vailala Block 2 & 3. TP 2-16 -**

I have been informed by the FIA representative on the National Forest Board that the State Review Team has forwarded a submission to the Board for deliberation during its meeting scheduled on the 28<sup>th</sup> April 2004.

The submission recommends to issue a show cause notice to Frontier Holdings Limited and to proceed with the termination of the Timber Permit TP 2-16 based on the findings and recommendations of the Independent Review Team. The recommendation for termination is obviously based on grounds that:

We also know that the Chamber of Commerce representative did far more than just inform James Lau of the contents of the National Forest Board papers; he actually gave a copy of the papers to him. This is a gross breach of trust and position.

How do we know that this happened?

Because Lau's letter to the National Forest Board runs to seven pages in total and provides a paragraph-by-paragraph rebuttal of every issue contained in the submission in the Board Papers. Lau could only do this if he had a copy of that submission from which to work.

So by breaching his position of trust and Board protocol, the Chamber of Commerce representative was able to give an unfair advantage to Rimbunan Hijau. He allowed RH to write a letter attempting to influence the National Forest Board. No such opportunity was given to the landowners or to the authors of the Board Submission or even the officers of the National Forest Service.

## **Involvement of the Chief Secretary**

James Lau was not content to rely on just a letter to the National Forest Board to deal with the situation that Rimbunan Hijau was facing.

He immediately contacted the Chief Secretary to get him to interfere in the processes of the National Forest Board and the workings of the Forest Authority.

How do we know this?

Because James Lau has written that:

*“We have consulted the Chief Secretary and Chairman of the Inter Agencies Forest Committee, in order to seek his immediate intervention”*

The Chief Secretary has no statutory role in the administration of the forestry sector or the workings of the National Forest Board or the National Forest Service. But James Lau has clearly admitted that he contacted the Chief Secretary and expected him to use his position to interfere in the workings of the Forest Board.

Indeed, James Lau has specified for us exactly what it was that he required the Chief Secretary to do on his behalf. The Chief Secretary was:

*“To object to the show cause notice and / or termination of the timber permit  
Direct the state negotiation team to resume negotiations immediately  
To direct the state negotiation team to address the annual allowable cut  
To conclude and finalize the project negotiations as soon as possible”*

So James Lau was confidently expecting the Chief Secretary to unlawfully interfere in the forestry sector and protect the interests of Rimbunan Hijau. This was to ensure that that any action against Rimbunan Hijau for illegal logging was immediately stopped. The Chief Secretary was also to ensure that RH is allowed to continue their logging operations in defiance of PNG laws and to the detriment of the landowners.

How do we know this?

Because James Lau has written it all down in his signed letter and we reproduce for you below the relevant section:

**Fact is:** The suggested time frame of six months to commission such a resource project even by an operator maintaining presence in Papua New Guinea is insufficient. A much more prolonged period of time would be required by a bidder from offshore for gearing up. In addition, the cost projection for the PNG Forest Authority to follow due process is a gross underestimation and far beyond economic reality.

## 11. Conclusion

The submission to the National Forest Board and its recommendation to show cause is not justified, unwarranted and not in the interest of all stakeholders.

Therefore, we have consulted the Chief Secretary & Chairman Inter Agencies Forest Committee, Mr. Joshua Kalinoe, in order to seek his immediate intervention. The intervention should facilitate the following:


- To object to a show cause notice and / or termination of the timber permit in the best interest of all stakeholders including the Papua New Guinea Government
- To direct the state negotiation team to resume negotiations immediately
- To direct the state negotiation team to address the annual allowable cut by considering economic parameters as matter of priority.
- To conclude and finalize the project negotiations as soon as possible

We are confident that consensus will be reached as soon as the negotiations resume and the state negotiation team is genuine in its considerations of stakeholder contributions and inputs.

We are looking forward to fruitful negotiations in order to expedite the completion of the review process.

Meanwhile, I assure you of our cooperation and remain.

Yours sincerely,

  
**James Lau**  
Managing Director  
Kimbunan H... (PNG) Group

As a result of the actions of the Chamber of Commerce, James Lau's letter and his instructions to the Chief Secretary have proved effective.

To date, political interference has ensured that the National Forest Board has not even met to consider the issue of Vailala Blocks 2&3 and Forest Authority insiders tell as that all plans to issue a 'Show Cause' notice in relation to Wawoi Guavi have been totally dropped.

***As an addendum to this sorry tale of political interference and corruption we offer below a short summary on Rimbunan Hijau's logging record, its political links and the involvement of the Chief secretary with the logging industry.***

## Rimbunan Hijau's logging record

Rimbunan Hijau is the largest logging company operating in Papua New Guinea. It dominates the forestry sector and has control of more than fifty percent of all log exports.<sup>1</sup> Last year Rimbunan Hijau exported logs worth more than K110 million<sup>2</sup> and an unknown quantity of sawn timber and veneer.

Rimbunan Hijau is already infamous for the appalling environmental damage caused by its logging operations<sup>3</sup> and its human rights abuses<sup>4</sup> including the use of police mobile squads to repress local people<sup>5</sup>.

Masalai has recently reported on Rimbunan Hijau's unlawful use of illegal foreign labor<sup>6</sup> and its manipulation of local landowners and the way that the company lies, cheats and bribes in order to avoid the scrutiny of the law<sup>7</sup>.

A recent government review has found that all the Rimbunan Hijau logging projects surveyed are totally unlawful:<sup>8</sup>

- (i) The timber permit have expired or been unlawfully extended
- (ii) The timber permit conditions are not being met
- (iii) There are no current approved environmental plans
- (iv) The Logging Code of Practice is being routinely ignored
- (v) There is no sustainability in the log production or maintenance of the forests ecological balance
- (vi) Royalty payments are not distributed fairly to all landowners and many levies are not paid at all
- (vii) Other legal breaches identified include serious human rights abuses, failure to lodge performance bonds, use of foreign labour in restricted positions, general infringements of workers rights, failure to provide any health and safety equipment, failure to register vehicles

These findings of course came as no surprise to local landowners who have to contend with the appalling consequences of Rimbunan Hijau's logging operations around PNG.

## Rimbunan Hijau's political links

Rimbunan Hijau is able to operate its logging operations in total defiance of the law because of a tight network of political allies and public servants that protect its interests.

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<sup>1</sup> High profile logging operations controlled by Rimbunan Hijau include Wawoi Guavi in Western Province, Vailala and East Kikori in Gulf Province, Alimbit Andru in West New Britain, Manus South Coast, Manus West Coast and Kali Bay on Manus Island, Cape Orford and Tokai Matong in East New Britain and Sagarai Gadaisu and Gara Modewa in Milne Bay.

<sup>2</sup> In 2003 Rimbunan Hijau exported from PNG over 240 ships loaded with raw logs worth more than K113 million. PNG exported over 600,000 cubic meters of sawn timber and veneer with a value that could exceed K600 million

<sup>3</sup> Erskine P (1999) An environmental impact assessment of logging operations in Block 3 of the Wawoi Guavi TRP. Pwesei C L (2000) Environmental and social impact assessment of logging operations in the West Coast of Manus Area. Melick D (2003) Environmental impact assessment of logging operations in the Wawoi Guavi TRP

<sup>4</sup> See for example SGS Dateline (2001) Wilderness laid waste

<sup>5</sup> See for example National Intelligence Organisation Reports

<sup>6</sup> Masalai Number 26 Rimbunan Hijau abusing local workers and exploiting labor laws, 16 April 2004

<sup>7</sup> Masalai Number 27 Vailala landowners bribed, 15 May 2004

<sup>8</sup> Review of Current Logging Projects. Individual Project Review Reports, 2003/2004

Many senior politicians are known to have intimate links with the logging industry. The Prime Minister was criticized in the Barnett Inquiry for his involvement in questionable logging deals in East Sepik. His son and Sepik governor, Arthur Somare is a logging company director<sup>9</sup>. Sinai Brown, Minister for National Planning, has links to illegal logging through his wife's company directorships<sup>10</sup>. The Minister for Justice is the Chair of the timber permit holder for East Kikori that has a logging contract with Rimbunan Hijau.<sup>11</sup> Alan Marat is the director of a company involved in illegal logging in East New Britain.<sup>12</sup> The Gulf Province governor was found by the National Intelligence Organisation to be on the pay role of Rimbunan Hijau<sup>13</sup> and Mekere Morauta is linked to company through his close friend and ally, Jamie Maxton Graham<sup>14</sup>.

Last year a National Court judge roundly criticized the Minister for Forests in case involving Rimbunan Hijau. The Minister "is not concerned with the interests of the simple village people who own the forest resources" and "the State and its Ministers turn a blind eye to the cries and concerns of ordinary people who are being denied their rights to any reasonable compensation" said the judge.<sup>15</sup>

### **The Chief Secretary's logging links**

The Chief Secretary, Joshua Kalinoe, has long standing links to the logging industry.

Kalinoe was company Secretary for Stettin Bay Lumber Company. A company responsible for arsenic poisoning of village water supplies in West New Britain.

He is also a director of Meda Assets a company that holds the Kapuluk Timber Permit. Meda Assets has a contract with Bismarck Industries, a Malaysian company that is part of the same group as the infamous Concord Pacific.

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<sup>9</sup> Heybridge Limited

<sup>10</sup> Kerawara group of companies involved in illegal logging at Simbali, Pondo and Worongoi

<sup>11</sup> Gopera Investments

<sup>12</sup> Nangal Limited the permit holder for Seraji

<sup>13</sup> NIO, ibid

<sup>14</sup> See Masalai 27, ibid

<sup>15</sup> Post Courier newspaper, 23 September 2003