

Masalai i tokaut

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Profiting from Destruction The ANZ Bank and the PNG logging industry

ANZ is the primary banker for PNG's illegal and unsustainable logging industry, and its largest customer in Port Moresby is the notorious Rimbunan Hijau group – a corrupt Malaysian outfit, responsible for terrible human rights and labour abuses and other illegal activities as well as the destruction of the forest.

In October 2005, the ANZ bank announced a record profit of \$3 billion Australian Dollars. This means that EVERYDAY last year the ANZ bank was making over \$8 million in profit. No wonder CEO John McFarlane has a salary of over \$4 million a year and has accumulated a personal fortune of more than \$31 million.¹

But where does all this money come from?

A significant proportion of the money that the ANZ Bank makes every year comes from the rape and pillage of Papua New Guinea's rainforest. ANZ Bank is complicitous in the corruption of the PNG Government and the slave like conditions endured by logging company workers.



Is John McFarlane happy to see the ANZ profit from the illegal destruction of the rainforest and the miserable poverty endured by local people in PNG?

Maybe corruption, human rights abuses, the theft of resources and the rape of women are all easy to ignore from within the air-conditioned glass towers of ANZ Head Office?

Below we present evidence of the special relationship the ANZ Bank enjoys with the Malaysian logging industry in Papua New Guinea and a compelling picture of the terrible abuses that local people and their pristine forest have to endure.

We also discuss the honourable actions that humane Governments and honest corporations have already taken in response to the terrible abuses of the logging industry and the appalling record of Rimbunan Hijau – all of which stand in stark contrast to the continued profiteering of the ANZ Bank

The PNG logging industry

The rampant and unsustainable logging industry in Papua New Guinea has been exposed in series after series of official government reports.

Most of the logging operations are illegal because of their failure to comply with a whole host of legal requirements including the need for sustainability and informed consent as well as non-compliance with harvesting and labour regulations.

The logging operations are supposed to be sustainable and harvesting rules dictate that operations are conducted responsibly so that the forest can supply a continuous flow of timber. These rules are ignored and large areas of forest are continuously being destroyed as the companies, ANZ Bank clients, seize the valuable timber and send the raw logs overseas.

The logging companies, all Malaysian owned, employ hundreds of illegal Asian workers. Only the very worst jobs are reserved for the local people and they suffer the humiliation of appalling low wages, terrible 'housing' conditions and a total absence of any meaningful health and safety measures or welfare benefits.

The Departments of Labour and Community Development have recently investigated employment conditions for workers employed by Rimbunan Hijau, one of the ANZ Bank's largest clients in PNG. This text is from their report:

“Corporate responsibilities to training, training implementation and training and localization are very minimal. Likewise, their responsibilities towards their 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”.

“Discrimination of citizen employees must be eliminated at all cost and non citizens applying discriminatory behaviour be deported out of this country”.

Of course, no action has been taken in response to the findings of this report as the logging industry has corrupted many of PNG's politicians and senior public servants and is immune from any proper governance control.

ANZ Bank involvement

The ANZ Bank is the major supplier of banking services to the Malaysian logging industry in PNG and is the principle bank for the most notorious and worst exploiter of PNG forests, Rimbunan Hijau.

Independent inquiries have recommended a Commission of Inquiry into Rimbunan Hijau's corrupt relationship with politicians and forestry officers in PNG. The country's own Ombudsman Commission has recommended the company be subjected to special scrutiny and barred from further access to new logging concessions. Rimbunan Hijau's strong political ties ensure that none of these recommendations have been implemented and despite the censure, business continues as usual.

The ANZ Bank provides arrange of financial services for the logging industry. One of the easiest and most lucrative is foreign exchange dealings. The logging industry alone

generates exports worth more than US\$120 million each year, much of which flows through ANZ accounts.

In the Table below we detail just a few examples, from September and October 2005, of the involvement of the ANZ Bank in the trafficking of illegal timber and the sums that it regularly handles on behalf of the unsustainable logging industry in PNG.

All the transactions listed relate to the export of round logs.

Specific examples of ANZ Bank involvement in the trafficking of illegal timber

Date	ANZ Branch	Invoice No.	US\$ Value	Date	ANZ Branch	Invoice	US\$ Value
31 Oct	Port Moresby	05/05/OW	42,295	27 Sep	Port Moresby	VL05-21	138,346
31 Oct	Port Moresby	198/05/O	89,500	27 Sep	Port Moresby	VL05-21A	19,178
31 Oct	Port Moresby	23/05/E	43,599	10 Sep	Port Moresby	167/05/M	66,750
31 Oct	Port Moresby	172/05/M	40,718	10 Sep	Port Moresby	18/05/E	55,088
31 Oct	Port Moresby	172/05/M	41,806	10 Sep	Port Moresby	167/05/M	60,381
31 Oct	Port Moresby	23/05/E	64,238	10 Sep	Port Moresby	18/05/E	12,016
24 Oct	Port Moresby	M-732	267,715	10 Sep	Port Moresby	193/05/O	85,659
3 Oct	Port Moresby	M-729	329,680	10 Sep	Port Moresby	193/05/O	11,024
28 Sep	Port Moresby	02/05/OW	29,025	10 Sep	Port Moresby	193/05/O	30,066
28 Sep	Port Moresby	195/05/O	51,579	5 Sep	Port Moresby	M-728	239,002
28 Sep	Port Moresby	20/05/E	41,153	3 Sep	Port Moresby	VL05-20A	43,663
28 Sep	Port Moresby	169/05/M	20,396	3 Sep	Port Moresby	PU22-05A	23,375
28 Sep	Port Moresby	169/05/M	51,027	3 Sep	Port Moresby	VL05-20	5,447
28 Sep	Port Moresby	20/05/E	17,688	3 Sep	Port Moresby	PU22-05	4,055

As well as assisting in the exportation of illegal and unsustainably felled timber, the ANZ Bank also profits from the other business interests of the Rimbunan Hijau group.

There is a daily national newspaper, PNG's largest supermarket and largest restaurant, a printing business, an IT business, a travel agency, property interests, airline and ship building operations. All-in-all quite a little empire has been built, with ANZ assistance, from the profits generated by illegal logging.



ANZ Bank is reaping huge profits from illegal logging deals and the slave like conditions endured by logging company workers in Papua New Guinea

ANZ Bank directly facilitating illegal logging.

In November 2005 the National Court stopping the illegal logging operations of GL Niugini. GL had been able to obtain its unlawful timber licence, in 2003, only when it presented a Performance Bank Guarantee issued by the ANZ Bank to PNG's Forestry Authority.

The ANZ Bank Guarantee that facilitated the illegal logging was worth over K450,000 (about Aus\$180,000).

GL Niugini is also linked to another ANZ Bank customer, CS Bos International. CS Bos operates a timber concession in West New Britain Province where a recent Government Department report has concluded there are no visible signs that local people have benefited from over 15 years of logging.

People are still living in bush material houses with no toilet facilities and the children display common symptoms of malnutrition. Local people are not benefiting from direct employment in the project, women received only a tiny part of royalty incomes, and environmental impacts have affected fish stocks and water quality and access to firewood.

The bottom line is that the ANZ Bank has profited from this operation while the local people have received nothing.

Responsible government and corporations

The involvement of the ANZ Bank in facilitation of illegal and unsustainable logging in Papua New Guinea, and its complicity in the appalling abuses of its major client, stand in stark contrast to the actions that have been taken over the last two years by responsible governments, international institutions and corporations.

The Australian Government; the World Bank; Citibank (the largest financial institution in the world); the Wolseley Group in the UK (one of the top 100 UK companies and the owners of over 200 building material supply centres); and the New Zealand Forest Owners Association have all distanced themselves from the illegal and unsustainable logging practices and human rights abuses of ANZ Bank clients in PNG.

In December last year, Australian Forestry Minister, Ian Macdonald, admitted illegal logging was widespread in PNG. **"We have to stop the slaughter of rainforests"** he said.

McDonald recognised that *"local villagers get little or no value or employment from the illegal harvest,"* and that *"the failure to manage the resource properly means that the forests, once harvested, are gone forever."*

Meanwhile the World Bank has suspended its lending to PNG over the failure of the PNG government to confront the obvious problems in the logging industry. The World Bank also cancelled its Forestry and Conservation Program to assist governance in the forestry sector because of opposition from the Malaysian logging industry.

The ANZ position is also in contrast to the public position taken by the CEO of the world's largest financial group, Mr Chuck Prince of Citibank.

In March 2005, Mr. Prince admitted that Rimbunan Hijau (one of ANZs biggest clients) had a **"well documented history of human rights abuses and illegal logging activities"** and he directed they *"must comply with a set of progressive new environmental policies and seek independent third party certification of its operations"*.

The Wolseley Group, in the United Kingdom, has announced that it will not buy plywood from China because its source has been traced back to logs felled in the forests of PNG and the appalling logging operations of Rimbunan Hijau.

Similarly the New Zealand Forest Owners Association last year threw a Rimbunan Hijau subsidiary company out of their association and successfully defended the decision, based on the activities of the parent company in PNG, in the National Court.

But still the ANZ Bank is happy to just continue counting the profits. Mr John McFarlane should take a little more notice of what is written about his client in its home town newspaper, the Melbourne Herald Sun:

HERALD SUN: Logging slave claim (Melbourne, 26 Feb 2005)

PORT MORESBY – Papua New Guineans are being treated as slaves and forced to live in appalling conditions in logging camps run by a Malaysian timber giant, PNG's parliament has been told. Huon Gulf MP Sasa Zibe called on Forestry Minister Patrick Pruaitch to expel the company, Rimbunan Hijau, or quit. "The company's treatment of citizen employees reflects labour exploitation and slavery and should be condemned at all levels," Mr Zibe said, quoting from a Department of Labour and Employment report. Workers were vulnerable to death and injury because of an appalling lack of health and safety standards, the report said. Living conditions were unsafe and overcrowded with six single workers sharing a room six metres long and four metres across. Two families had to share a single space with only a blanket to separate them and one light switch, Mr Zibe said. The report also found large numbers of illegal workers were in the logging camps, as many as 80 in one camp alone. Mr Pruaitch said he had not seen the report and many unfair criticisms were levelled against logging companies. (AAP)

¹ John McFarlane joined the ANZ Bank in 1997 and in October 2004 his contract was extended for a further two years. His fixed salary is \$2 million each year and on top of that he is entitled to a further \$2 million in annual bonuses and a further \$2.5 million paid in shares. Just to top it all off, the Bank pays an additional \$300,000 each year into his superannuation fund – on top of the compulsory 9% of his salary. McFarlane, according to The Age newspaper, owns company shares worth over \$31 million. These deliver a further income of \$1.6 million each year in dividend payments