

FIELD TRIP REPORT BAIMURU

09th – 19th JUNE 2000

→ DOE/ADCE 8/4/7

→ A/B

- ① A very impressive report, a reflection of the efforts the officer put into this task.
 - ② It seems, reading from this, we cannot put the blame (of corruption) entirely on the logging companies. Much of this lies on our own people, esp. politicians and people with power.
 - ③ I await your comments, as well as the A/B (AT) before we consider further operations & options, ultimately aimed at exposing this mess.
- ① Good report from Mr one on field trip.
- ② FYI + Research use.

to
3/7

→ Mr one

- ① Complete source sheets for records / future use

to
3/7

A/B (AT)
4/7.

OFFICE OF COUNTER-INTELLIGENCE

TO : DGI ←
: DDG ←
: A/D (CI) ←
: COPS ←
DATE : 26th June 2000

Noted to 03/07/00

FILE NO.: _____

**SUBJECT : FIELD TRIP REPORT – SUSPICIOUS LOGGING DEALS
IN BAIMURU (INTELLIGENCE)**

A. PURPOSE

To brief you on my recent official trip to Baimuru from the 9th to the 21st June 2000.

This is a preliminary fact finding trip following numerous reports of irregular and suspicious dealings by a foreign logging company in accessing and gauging support and consent of the Baimuru Landowners to harvest their timber.

B. INTELLIGENCE

In consistent with directive issued by DDG and questionnaires by ERO.1 on the logging affair and information of interests to NIO. (See ANNEX 1 and 2).

1. **THE (TFI) LOGGING DEAL**

1.1 In 1993, MR. RIDDLER KIMAVE before he became MP, went around all villages in Baimuru area to get support and consent of landowners to allow TURAMA FOREST INDUSTRIES (TFI), an extension into Forest Management Area 3 (FMA3) which covers Purari and Vailala areas.

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- 1.2 After KIMAVE's visits, an Extension Agreement was signed by principle characters involved in discussions with TFI. These principle characters are not genuine landowners nor are they representing genuine and majority landowners consent/agreement, but are all pro-TFI who were paid to influence people.
- 1.3 People were blackmailed and bribed by the principle characters into signing the Policy Management Agreement. All Chairmen of ILG's received payments for signing the agreement. They were told those who do not sign the extension agreement will miss out on Rural Development Funds from Haiveta.
- 1.4 All negotiations and signing were done in Port Moresby between TFI and these characters, without any landowners or their witnesses and consent. Furthermore, there was no separate terms and conditions discussed with ILG chairman of every clans in Baimuru covered by FMA3, neither was there any awareness carried out.

2.

PRINCIPLE CHARACTERS INVOLVED IN SIGNING THE DEAL

- 2.1 MR. CHRIS HAIVETA - Representing Gov't, was acting PM in 1993 when Sir. J. was in China on an official trip.
- 2.2 Mr. RIDLER KIMAVE - Kikori
Haiveta and Kimave are the project coordinators.
- 2.3 SAREA SOI - Lawyer and principle negotiator for the landowners.
(He resigned after sighting certain irregularities).
- 2.4 IAN ONAO NAMARI - (AKOMA VILLAGE)

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2.5 SEILALA IPAI – (ARA'ARA VILLAGE)

2.6 AVAE VAI – (KARURUA VILLAGE)

2.7 LARUPA KAIRI – mediator based in Baimuru

2.8 Seilala, Ian and Avae are all campaign managers for Haiveta and strong Pangu Pati supporters. All above persons represented the landowners, or claimed to be landowners themselves.

2.9 TFI's representatives are:-

2.9.1 RON SNEETH – Resource Manager who was the only one liaising very closely with Haiveta, Kimave and the so-called landowner reps. Negotiations for this extension agreement was only done by him.

2.9.2 WARREN TEP – Financial Rep in Kapuna Health Centre, dealing with all TFI cheques paid by TFI to the principle characters above.

2.9.3 RINUS VALKS – Manager Resource Development Affairs.

2.9.4 TONY HONEY – General Manager, TFI.

2.9.5 WAURO OUMABE – Public Relations Officer based in TFI Morere base camp in Kikori.

2.9.6 Representatives for National Forest Authority (NFA).

2.9.7 ESAU PARR – ILG Supervisor, Port Moresby

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2.9.8 DICKSON KUM – Southern Region Office – POM

2.9.9 MARK PETUELI – Project Supervisor based at TFI logging camp at Morere (Kikori).

2.9.10 There was no representatives from the Department of Forest.

3. **POLITICAL INVOLVEMENT**

3.1 Chris Haiveta gave a sum of K20,000.00, (K1,000.00 cash and K19,000.00 in cheque) on the 20th October 1993 at Kikori Station to one of the principle characters MR. IAN ONAO NAMARI to set up a landowner business company now named as KAIA KORIKI INVESTMENT.

3.2 Kaia Koriki Investment at that time was not registered as a company yet. The cheque was given to proprietor of Baimuru Traders Mr. Phillip Taudevaine who cashed it for them at PNGBC, Kerema and gave all cash to Mr. Ian Onao Namari who deposited in his private Passbook Account at Baimuru Cash Office. The money was not accounted for since then.

3.3 TFI assisted Haiveta and Kimave in their election campaign in 1997. Tony Honey admitted this to one of my sources. Another source, the acting District Manager MR. JOE KOIVI confirmed he handled a total of K500,000.00, assistance from TFI for the two MPs, during the 1997 national elections. Joe was booked in at Granville Motel at that time.

3.4 Another cheque of K40,000.00 was deposited at Kapuna Health Centre, in two separate names; K20,000.00 for Onao Namari and

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another K20,000.00 for Seilala Ipai. This was to assist both men to campaign for Pangu during the 1997 election.

- 3.5 A further K115,000.00 for project fees was given to Seilala Ipai by Chris Haiveta for those who supported in his election and support to get TFI in.

*
TFI's extension into FMA3, Purari and Vailala is a Pangu Party Project. Involvement of Kimave in negotiation was a two-fold plan; One, to get TFI into the area and other, a promotion for Kimave to get into parliament, i.e. primarily an awareness campaign for Pangu Party.

4. **ROYALTIES**

- 4.1 Premiums payable for OMATI and MORERE logs shipments which is FMA2 in Kikori. Even so these payments are for FMA3 which is Purari and Vailala areas. There is no logging operations except for one in upper Purari, which is operated by a different company. (Refer paragraph 7).
- 4.2 Premiums are paid in four (4) different forms:-
- 4.2.1 Business cheque;
 - 4.2.2 Premium cheque;
 - 4.2.3 Annual Benefit cheque; and
 - 4.2.4 School fees cheque;
- 4.3 Business Cheque - Paid after every 3 months to the landowners' company. This is 30% of the Premium paid to ILG groups in each villages covered in FMA3. There are 3 landowner company groups, KAIA KORIKI INVESTMENT, MAEMAE RESOURCE INVESTMENT LTD and GOIHAE INVESTMENT. (Refer ANNEXES 3,

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4, 5, & 6, receipt copies or cheque for the payout for KAIA KORIKI and MAEMAE INVESTMENTS).

- 4.4 Premium Cheque – Is 70% of the premium and is paid after 3 months in cash to all ILG's or clans in all villages. The latest payment was on 14/06/00 with K648.00 for each ILGs. (Refer ANNEXES 3 to 10).
- 4.5 Annual Benefit Cheque - Is paid to purchase materials for each registered ILGs, such as outboard motors, dinghys, freezers, generators, fishing nets, building materials, etc. (Refer ANNEXES 9 & 10 for copy of distribution list).
- 4.6 School Fees Benefit - Paid annually in 3 separate cheques to each landowner companies. This is for school fees assistance for students from each ILG attending Kerema, Kikori and Benia High Schools.

5. **ALLEGATION OF MISUSE OF ROYALTIES AND EDF AND MAL-ADMINISTRATION OF LANDOWNER COMPANIES**

- 5.1 There has been numerous allegation and complaints from landowners against KAIA KORIKI and MAEMAE INVESTMENTS on the distribution and use of royalties received from TFI and RDFs from Haiveta. (Refer ANNEXES 11 & 13).
- 5.2 Landowners are only receiving premium payments. There is no benefits from the other three (3) royalty payments. Business cheques, School Fees cheques and Annual Benefit funds are only received by Mr. Ian ONAO and Seilala IPAI of Kaia Koriki Investment and Avae Vail and Ainaka Maiari of Maemae Resource Investments.

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- 5.3 Kaia Koriki investment is operating from a private residence of Seilala Ipai in ARA'AVA village. TFI and Haiveta funded or provided materials and cash to build the office that is ~~otherwise a~~ private residence now. Benefits are paid to Seilala Ipai. (Refer ANNEX 16, a private account where funds from these cheques are alleged to be deposited into).
- *
5.4 MAEMAE Resources Investment has no established office, although funds given by TFI and Haiveta to establish one. AVAE VAII and AINAKA MAIARI operate from POM. It has no official Bank Account of its own for receiving and accounting of its monies as normal procedures to keep its financial transaction records. All cheques handled in POM by these two men. There is no cooperation of business activities with the people. They represent KARURUA and IPIKO villages, most of which are illiterate.
- 5.5 There is no meeting conducted, no financial statements, no company Operational Reports from these two (2) landowner companies since it's inception in 1993.
The executives of these two (2) landowner companies are:-

KAIA KORIKI INVESTMENT

- 5.5.1 Seilala Ipai – Secretary
5.5.2 Ian Onao Namari – Chairman
5.5.3 Aivo Kaika – Treasurer
- 5.6 The treasurer, however, does not have any knowledge, whatever of the financial transactions of the KAIA KORIKI Investment. He is left in suspense in so far as the company's operation is concerned. He is used as a window dressing (he confirmed himself).

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Only two (2) persons, Seilala and Ian have control of cash and cheque transactions of payments from TFI. The operating account no. is 294006 237316 PNGBC Kerema branch.

- 5.7 Likewise the MAEMAE Resource Investment of which executives are Mr. AVAI VAI and AINAKA MAIARI are implicated of mal-administration as KAIA KORIKI.
- 5.8 Landowners only know of their share of premium payouts. There is no benefits from the Business Cheques, School fee cheques and Annual Benefits. These cheques are cashed and distributed here in POM. Some of these cheques are being cashed at Jimm Trading 4-Mile by AVAE VAI. The only time landowners of Karurua village sighted a Business Cheque was on 14/06/00 while AVAE VAI was out of Baimuru. It is worth K7,200.00. (Refer ANNEX 4, for cheque receipt) normally villagers do not sight this cheques. They are cashed and used up by AVAE VAI himself. The same applies to KAIA KORIKI Investment executives.
- 5.9 People are being told by these characters the RDF from Haiveta is for those who supported Pangu Pati and TFI's extension into FMA3.
- 5.10 There is also allegations that signatures are being forged in RDF application by the characters mentioned above. Signatures are also forged on behalf of ILG leaders who are mostly illiterate when receiving RDF cheques.
- 5.11 Some of these cheques from TFI and Haiveta area cashed in Kapuna Health Centre by the executives of the two landowner company executives named. Mr. DASI KAVOI has all records and documents relating to the KAIA KORIKI account where all cheques

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from TFI and RDF from Haiveta and Kimave are deposited and cashed. (He is willing to assist in any enquiries). Other cheques from TFI are handled by Mr. Phillip TAUDEVAINÉ of Baimuru Trading. (He has all the records of the cheque transactions and is willing to cooperate in any enquiries in future). He also has confirmed mass irregularities in handling of these cheques from TFI and Haiveta, by these principle characters.

5.12 KAIA KORIKI executives now diverting all funds from TFI to another offspring company called DAUREMAI INVESTMENT registered under the name of two executives (named), a clear evidence of fraud, misuse and maladministration of funds paid by TFI to the landowners and most importantly RDF and from Chris Haiveta.

6.

PRESSURE GROUP

6.1 Because of the serious allegations of fraud, misuse and maladministration of the royalties and RDF by the executives of the two (2) landowner companies, people have formed a pressure group called KORIKI Pressure Group to pursue, and to collect relevant documents and information to substantiate all these allegation.

6.2 Main players in this pressure group who are all village-based are:-

6.2.1 Chairman - Patrick KAURI

6.2.2 Secretary - Henry EVOI

6.2.3 Treasurer - Veira AVAE

6.3 They have written to PNGFA, Chris Haiveta, Bill Skate and the Prime Minister about their cause and for financial assistance to pursue their cause. TFI and Rimbunan Hijau have been petitioned

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not to entertain the executives of the two (2) landowner companies.

6.4 The pressure group have an overwhelming support from all villages in Baimuru to change the whole executives of the two (2) landowner companies.

6.5 The pressure group is also afraid that there is no guarantee on the safety of the local people including pressure group members because Kaia Koriki executives and supporters are well armed, e.g. Seilala Ipai carries gun around when travelling with 60 H/P Yamaha O/B Motor. Mr. Henry Evoi of Ara'ava village was hunted down by Seilala Ipai for pursuing pressure on Kaia Koriki Investment on company operations and TFI operations.

Is he a policeman or allegedly carrying a gun

7. **FRONTIER LOGGING COMPANY**

7.1 Besides TFI who only have Extension Permit for FMA3, the only physical logging operation is being carried out by the Frontier Logging Company at KAUMEIA PINA, Upper Purari, without landowners' consent.

7.2 Similar approach was taken as TFI to obtain the timber rights.

7.3 A person named as KEKE KAIRI signed on behalf of KORIKI and IARE people. He was forced and paid substantial amount of money and is now employed as a reserve police, liaison officer mediator at the logging site.

7.4 The company is aware that this is wrong therefore it is operating in frenzy to reap as much timber as it could before authorities find out of the irregularities and close the operation.

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7.5 This logging operation is where all threats of violence have been directed towards. IARE villagers are talking about taking up arms to stop these wild harvest of the timber. Anything will happen very soon. //

8. **MAL-ADMINISTRATION OF BAIMURU LIG**

8.1 There is a real problem with operations of the Local Level Government office at Baimuru.

8.2 Council President Mr. AVAE VAI is alleged to be involved in corrupt deals and misusing money allocated for the LLG. Allegations are that Mr. VAI picks up cheques for Baimuru LLG (Council) at Kerema, goes to POM and cashes the cheques at Jimm Trading 4-Mile, same as others from TFI and RDF.

8.3 There is always too many pre-commitments by the president, while payments are not made according to genuine commitments.

8.4 LLG staff have recommended authorities to go to Baimuru and investigate. They have not been paid for sometime now.

8.5 Certainly, the run-down situation of the LLG building in Baimuru implies mass maladministration and mismanagement of the LLG.

8.6 There is a real need for an internal investigation.

// Yes - The quickest, that I am told of is to write to Provincial Administrator, cc to Secretary Prov Affairs, who will direct that terms of reference be done on internal investigations.

9. **PERSON OF INTEREST**

9.1 NAME : Gilbert VELARDE
D.O.B: 09/05/48
PLACE OF ORIGIN: Canlubang laguna, Philippines

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CONTACT ADDRESS: Calu Holdings

P O Box 136, Boroko (NCD)

PH: 3234129

MOBILE: 6931463

The person was reported in one of my operation report as a possible illegal alien, involved in certain logging deal.

My findings reveal the person is buying logs from people in Kikori and Baimuru. Mostly Rosewood, Kwila and Kempas wood, from KARURUA, Ipiko and Koravake villagers, for K40.00 a meter.

He claim to have a Certificate of Incorporation and a Forest Participant Certificate. (Copies attached ANNEX 14 & 15).

He travels as an ordinary villager, lives in a settlement at Baimuru station with a Mrs. Gegai Arubu and conducts his business.

He has no established business contacts in Baimuru and Port Moresby, claims he deals directly with overseas contacts.

One interesting finding is that the person has no established office location but conducts his business from two (2) sites, at Islander village and Sec. 64 Lot 32, Gabaka St. Gordons. These are both residential areas and business activity, which should not be allowed.

C. CONCLUSION

1. TFI through it's wheeling and dealing basically now control people in Baimuru. People are doing basically nothing. Political manipulation and free handouts from TFI now rendered people corrupt and lazy.
2. TFI has done nothing apart from the cash handouts. No tangible economic or social projects have been started for the people. It has

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created a total "welfare society" in Baimuru. The approaches by TFI is not correct, not representing real landowners' consent.

3. These cash handouts have also created social problem in nearly all villages, where relatives, families are fighting each other for a fair bit of the royalty handouts. Above all, money for nothing, is a very very skeptical deal.

D. RECOMMENDATIONS

1. Since this is a preliminary fact finding mission I recommend another trip by officers of Department of Forest, Fraud Squad, NIO, and other responsible Government Agencies to confirm my findings and prosecute those responsible if found guilty of mis-conduct.
2. Order TFI or Forest Authority to withhold 30% premium payments to landowner companies and have the executives not to deal with the companies since the investigation has started.
3. Fraud Squad to immediately investigate the allegations of bribery, nepotism, fraud and threats of lives. This will set a precedent for others who are attempting similar operation to be more careful and operate within the boundaries of the law. The LLG president Mr. AVAE WAI is widely involved in misuse of Royalties paid for landowners by TFI, RDF from Haiveta and maladministration of LLG funds. This is corrupt enough for investigation by an internal auditor. He has been charged once for similar offence while employed with IRC.
4. Internal auditors from POM to investigate allegations of mal-administration and mis-management of Baimuru LLG. Can we write to Dept of Provincial & LLG Affairs to investigate allegations of such.

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Baimuru station as seen on EM-TV documentary is evidence of corruption and mal-administration by those responsible.

5. Inform appropriate authorities to investigation. GILBERT VALARDE who looks like a struggling businessman. Interestingly a non-citizen with no business contacts/partners in Port Moresby, and yet exports logs overseas. His papers of Forest Industry Participation does not indicate Export of logs or Export license.

John Ove
J. OVE

OPERATIONS

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Joshua,

First thing is to actually find out the extent of logging operations in the area and who is running them.

Try to obtain any information about corrupt or improper practices by these logging companies.

It is important to get specifics. That is which companies involved and what they did. Also try to get information about which is not these logging companies are abiding by the Forestry Act and Agreements with the Landowners.

You have been reporting on this matter so you know what to follow up on. Also KIV operations aspects and up sources who can regularly report to us.


A R HICKS

06 June 2000