



**NATIONAL PARLIAMENT**

**REPORT OF INQUIRY INTO LOG EXPORT  
MONITORING**

**REPORT TO THE 11<sup>TH</sup> PARLIAMENT**

**SPECIAL PARLIAMENTARY  
COMMITTEE ON PUBLIC SECTOR  
REFORM & SERVICE DELIVERY**

**MARCH 2026**

## Table of Contents

|   |    |
|---|----|
| <b>CHAIRMAN’S FORWARD</b> .....   | 4  |
| <b>ACRONYMS AND ABBREVIATIONS</b> .....   | 7  |
| <b>EXECUTIVE SUMMARY</b> .....  | 8  |
| OVERVIEW AND KEY OBSERVATIONS FROM THE HEARINGS.....  | 8  |
| FINDINGS.....   | 8  |
| RECOMMENDATIONS.....  | 9  |
| OVERVIEW AND KEY OBSERVATIONS FROM THE INQUIRY .....  | 11 |
| <b>CHAPTER ONE - INTRODUCTION</b> .....   | 12 |
| 1.1 Background to the Inquiry.....  | 12 |
| 1.2 The Inquiry Process.....  | 13 |
| 1.2.1 Submissions and Invitations to this Inquiry .....   | 15 |
| 1.2.2 Public Hearings .....   | 16 |
| 1.2.3 Questions-on-Notice and Further Follow-Up Questions.....                                      | 17 |
| 1.3 Directives Following the Hearing for Follow-up: .....   | 17 |
| 1.4 Structure of the Committee’s Report.....  | 20 |
| <b>CHAPTER 2 – THE MACRO-ECONOMIC AND REGULATORY CONTEXT</b> .....                                  | 21 |
| 2.1 Introduction.....   | 21 |
| 2.2 The Regulatory Framework: PNG Forestry Act 1991 and Associated Legislation .....                | 22 |
| 2.3 Historical Overview of Export Monitoring and Surveillance (1993–2024) .....                     | 22 |
| 2.4 The Policy Pivot: Government Intent to Ban Round Log Exports by 2025.....                       | 22 |
| <b>CHAPTER 3 – DETAILED FINDINGS OF SYSTEMIC FAILURE</b> .....                                      | 23 |
| 3.1 FINDING 1: CESSATION OF INDEPENDENT MONITORING (REVENUE VACUUM)<br>.....                        | 23 |
| 3.2 FINDING 2: LACK OF PENALTIES AND ZERO PROSECUTION .....   | 24 |
| 3.3 FINDING 3: UNACCEPTABLE EROSION OF INSPECTION CREDIBILITY.....                                  | 25 |
| 3.4 FINDING 4: NATIONAL REPUTATION AND 'GREY LIST' RISK.....  | 26 |
| 3.5 FINDING 5: CONTEMPTIBLE FAILURE TO IMPLEMENT DOWNSTREAM POLICY                                  | 26 |
| 3.6 FINDING 6: PERVASIVE ABUSE OF LAND RIGHTS .....   | 27 |
| <b>CHAPTER 4 – COMPREHENSIVE RECOMMENDATIONS AND LEGISLATIVE REFORM</b> .....                       | 28 |
| 4.1 INTRODUCTION .....  | 28 |
| 4.2 RECOMMENDATION 1: RE-ENGAGE INDEPENDENT MONITORING<br>IMMEDIATELY WITH RING-FENCED FUNDING..... | 28 |

|   |           |
|---|-----------|
| 4.3 RECOMMENDATION 2: CONDUCT A COMPREHENSIVE FORENSIC AUDIT AND RECOVERY MANDATE .....     | 29        |
| 4.4 RECOMMENDATION 3: IMPOSE PUNITIVE PENALTIES AND CANCEL LICENSES .....                   | 29        |
| 4.5 RECOMMENDATION 4: MANDATORY SYSTEMIC REDESIGN TO ELIMINATE POLITICAL INTERFERENCE ..... | 29        |
| 4.6 RECOMMENDATION 5: ENFORCE DOWNSTREAM PROCESSING POLICY AND LAND RIGHTS .....            | 30        |
| <b>CHAPTER 5 – CONCLUSION .....</b>   | <b>31</b> |
| <b>ANNEXES .....</b>  | <b>32</b> |
| A.1 COMMITTEE TERMS OF REFERENCE.....   | 32        |
| A.2 COMMITTEE PUBLIC HEARING SCHEDULE.....  | 32        |
| A.3 THE COMMITTEE’S MEMBERS AND TERMS OF REFERENCE .....                                    | 34        |
| A. 4 LOG EXPORT INQUIRY - HEARING 1 TRANSCRIPT .....  | 35        |
| A.5 WITNESSES BEFORE THE COMMITTEE HEARING 1 .....  | 88        |
| A.6 LOG EXPORT INQUIRY - HEARING 2 TRANSCRIPT .....   | 89        |
| A.7 HEARING NO. 2 WITNESS LIST .....  | 154       |

## CHAIRMAN'S FORWARD



The privilege of chairing the Special Parliamentary Committee on Public Sector Reform and Service Delivery comes with the solemn duty to confront systemic failures that threaten the sovereignty and prosperity of Papua New Guinea.

Let me be unequivocally clear: This Committee, the Special Parliamentary Committee on Public Sector Reform and Service Delivery, is here to function in the space of reform, not to be a policeman.

Our core mandate, as enshrined in our terms of reference, is to investigate and report to Parliament on public service reform, to research and survey public service performance, and to enhance and review its functions to improve service delivery. We are tasked with reviewing public sector performance, making recommendations to the Public Service Minister, Cabinet, and this Parliament, and ensuring good governance and accountability across government authorities. This is our lane. It is this mandate - the responsibility to look into the functions and failures of the public service - that enables us to look into the PNG Forestry Authority, specifically focusing on the collapse of the Pre-shipment inspections regime. We are here to fix the system, not merely to arrest individuals.

My committee takes this solemn duty seriously, and it is with deep concern for the status quo and where we are heading in the Forestry sector in terms of monitoring and reporting on round log export, and, as a consequence, the state of preparation for 100% downstream processing, that we table this report.

### **Cessation of Independent Log Export Monitoring:**

This Committee, vested with the mandate to enforce Public Sector reform and accountability in public service delivery, has exposed a state of financial and legislative paralysis within the very agencies entrusted with protecting one of our nation's most valuable, yet finite, resources: our forests.

The inquiry into the cessation of the independent pre-shipment monitoring service - a service implemented after the Barnett Inquiry of 1994 to curb massive fraud - has revealed what appears to be wilful neglect or institutional incompetence, resulting in a K15 million contractual debt that led to the termination of the very service designed to protect hundreds of millions of kina in national wealth. This directly led to a period of a monitoring vacuum.

This vacuum has not only risked the State hundreds of millions in potential revenue loss but could also facilitate the abuse of customary landowner rights and undermine the sovereign intent to transition to downstream processing by 2025.

For nearly thirty years, independent monitoring bodies, at a minimal cost to the State, have reported consistent, egregious discrepancies in log exports, indicating a systematic evasion of taxes and duties. Yet, in March 2024, the pre-shipment inspection service ceased from all log monitoring. This gap ushered in an unmonitored period - a vacuum of enforcement that can only be described as a potential license for theft, benefiting foreign logging interests operating with absolute impunity.

My committee firmly asserts that the absence of independent monitoring primarily benefits a handful of foreign-owned entities engaged in calculated economic crime, operating with government agency-enforced impunity and the certainty that they face zero prosecution for forestry crimes.

The findings of this Inquiry into Log Export Monitoring are not merely administrative observations; they constitute an alarming catalogue of dereliction of duty and willful negligence that has created a national revenue catastrophe.

- The Committee recommends that PNGFA immediately engage an independent Pre-shipment inspection of all log exports until the proposed ban is in effect and review all log exports in the last 2 years of absence.
- The Committee recommends that PNGFA start prosecuting past revenue offences as are clearly reported as discrepancies.

### **State of readiness to ban Log exports and transition to 100% downstream processing**

From the evidence presented at its hearings, the Committee is convinced that PNGFA is not ready to legislatively or operationally impose the ban of round logs despite more than 5 years of notice to do so.

- The Committee is not convinced that PNGFA is prepared to move into 100% downstream processing of PNG's logs by the due ban date of 31<sup>st</sup> December, 2025.
- The Committee discourages the downstream log processing business from being vested in the Regulator, but rather be structured as a subsidiary under an existing State-Owned Enterprise, specifically Kumul Consolidated Holdings Limited (KCHL).
- The Committee discourages all timber operators or their proxies to be in the downstream processing and export of timber business. We need to close off transfer pricing, and we now have an opportunity.

This report is not a set of gentle suggestions; it is a prescription for emergency surgery.

The recommendations contained within this Report are a prescription for immediate and comprehensive change. They require not merely administrative tweaks but a fundamental shift in political will, legislative courage, and the unwavering commitment to dismantle the structures that encourage corruption that seem to plague this vital sector.

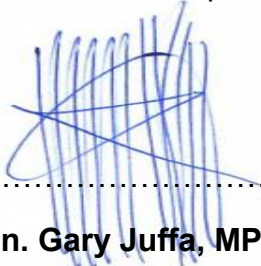
The time for deliberation is over; the time for resolute action in defense of our people's wealth is now.

On behalf of the members of the Special Parliamentary Committee on Public Sector Reform and Service Delivery, I thank all representatives of government departments and non-government organisations who prepared submissions to the Inquiry and who appeared before the Committee to answer questions at the public hearings in May and August 2025.

I would also like to personally thank my fellow Committee members for their contribution and cooperative approach to this Inquiry.

The Committee is also very appreciative of the research and administrative support provided by the Committee Secretariat and Parliament Secretariat staff.

I commend the report to the House.



Hon. Gary Juffa, MP

**Chairman, Special Parliamentary Committee on Public Sector Reform & Service Delivery**

**Governor for Northern Province**

## ACRONYMS AND ABBREVIATIONS

| Acronym | Full Term  |
|---------|--|
| AML/CTF | Anti-Money Laundering and Counter-Terrorist Financing                        |
| DIMES   | Digitally Integrated Monitoring and Enforcement System                       |
| FCA     | Forest Clearing Authorities  |
| FATF    | Financial Action Task Force  |
| FDI     | Foreign Direct Investment  |
| FOB     | Free On Board  |
| FPIC    | Free, Prior, and Informed Consent  |
| INA     | Institute of National Affairs  |
| IRC     | Internal Revenue Commission  |
| MD      | Managing Director  |
| NEC     | National Executive Council   |
| NRI     | National Research Institute  |
| PNGFA   | PNG Forest Authority   |
| SABL    | Special Agricultural and Business Lease                                      |
| SGS     | SGS PNG Ltd.   |
| SPCPSR  | Special Parliamentary Committee on Public Sector Reform and Service Delivery |

## EXECUTIVE SUMMARY

This report summarises the findings and critical recommendations of the Special Parliamentary Committee on Public Sector Reform and Service Delivery (the Committee) following its inquiry into the termination of independent pre-shipment log export monitoring services by Société Générale de Surveillance (SGS) PNG Ltd. The inquiry exposed a dereliction of duty across government agencies, resulting in a systemic collapse of national revenue protection mechanisms.

The persistent issues are rooted in weak legislative enforcement, possible systemic corruption, and a fundamental lack of political and bureaucratic will to prosecute offenders, effectively turning a vital natural resource into an illicit revenue stream for foreign interests.

## OVERVIEW AND KEY OBSERVATIONS FROM THE HEARINGS

The inquiry was carried out through two public hearings (May 29, 2025, and August 6, 2025), summoning representatives from the PNG Forest Authority (PNGFA), the Department of Treasury and Customs, the Department of Finance, and SGS PNG Ltd. The Committee observed a significant lack of accountability, institutional capacity, and inter-agency coordination. Key testimony confirmed that the PNGFA lacks the necessary technical system that SGS possesses and that the failure to establish a secure payment pathway for fulfilling contractual obligations was the direct cause of the crisis.

## FINDINGS

- 1. Cessation of Independent Monitoring (Revenue Vacuum):** Independent log export monitoring services were formally ceased on March 12, 2024, due to the State's egregious failure to settle approximately K15 million in accumulating unpaid contractual bills to SGS. This administrative negligence or incompetence created an unacceptable, unmonitored period of over 23 months (and by the time of the inquiry, approximately 18 months), posing an explicit, quantifiable, and immediate risk to national revenue and forest stock integrity.
- 2. Lack of Penalties and Zero Prosecution:** Despite nearly 30 years of SGS independently monitoring and reporting consistent discrepancies which constituted possible economic fraud, the Committee confirms a zero-prosecution record for forestry-related offences. The hearing established that this profound failure of enforcement by all responsible state agencies has resulted in not a single prosecution against companies engaged in possible tax evasion, misdeclaration, and illicit activities. This grants foreign operators'

absolute impunity. State agencies appear to have fallen short of their executive duties.

3. **Unacceptable Erosion of Inspection Credibility:** The reliance on an internal, self-policing mechanism by the PNG Forest Authority (PNGFA) in the absence of SGS since March 2024 constitutes an unacceptable step backwards from the mandatory independent oversight established after the Barnett Inquiry. The Committee is of the view that the current internal monitoring by PNGFA since March 2024 is non-transparent and lacks the necessary technical capacity and political and bureaucratic independence.
4. **National Reputation and 'Grey List' Risk:** The failure to maintain independent pre-shipment inspections, a key anti-corruption function, directly risks placing Papua New Guinea on the international 'grey list' (High-Risk Jurisdiction) with the Financial Action Task Force (FATF), undermining the nation's integrity and access to international finance.
5. **Contemptible Failure to Implement Downstream Policy:** Despite the clear 2025 government directive to cease round log exports and the three-year transition window (2022-2025), the committee, through its inquiry, has noted a general trend among logging companies that there appears to be limited preparation for investment in downstream processing. This observation raises concerns about a focus on immediate resource extraction and export rather than fostering long-term sustainable practices. Furthermore, the continued issuance of permits by PNGFA suggests a need for a more coordinated approach to address these crucial matters effectively.
6. **Pervasive Abuse of Land Rights:** The challenges related to illegal logging through Forest Clearing Authorities (FCAs) have positioned Papua New Guinea as a significant exporter of round logs—a distinction that warrants concern. There are potential indications that FCAs may be misused to mask illegal logging, often framed as agricultural development, which could disenfranchise customary landowners and undermine sustainable forestry regulations. It is crucial to foster dialogue and pursue solutions that uphold our environmental and social responsibilities.

## RECOMMENDATIONS

Given the above findings, the Committee makes the following 5 recommendations;

1. **Re-engaging Independent Monitoring IMMEDIATELY:** Immediately Re-engage SGS or such other competent monitoring organization, to restore independent monitoring services under a new, legally binding terms of reference, and mandate the Digitally Integrated Monitoring and Enforcement System (DIMES) to ensure real-time data transparency across all regulatory

bodies (PNGFA, Customs, Treasury). The funds for this contract must be Ring-Fenced to ensure sustainable service continuity.

## **2. Conduct a Comprehensive Forensic Audit and Recovery Exercise:**

- a. A detailed, non-negotiable forensic audit of round log exports, spanning a minimum of the last ten years, must be commissioned. The Terms of Reference for this audit must underpin the sole purpose of precisely quantifying and recovering all potentially lost State revenue and evaded duty, with a clear mandate to pursue criminal and civil recovery against perpetrators. This exercise must be led by an internationally reputable firm, managed by an interagency Task force reporting to the NEC.
- b. The National Executive Council (NEC) must mandate the introduction of robust, punitive financial penalties (e.g., fines 5x the evaded duty) and establish a dedicated interagency Task Force to prosecute possible corruption and financial irregularities.

## **3. Impose Punitive Penalties and Cancel Licenses:** In line with recommendation 2. The PNGFA, PNG Customs, and IRC must be directed to immediately conduct investigations and impose severe, punitive financial penalties and sanctions, including license cancellations and asset forfeiture, against companies demonstrating habitual non-compliance, thereby establishing a legal deterrent.

## **4. Redesignation of Current Permitting Process and Data Transparency:**

- a. The authority for log export permit approval must be reassigned from the Minister for Forests to the PNGFA Board to eliminate political interference and discretionary abuse.
- b. PNGFA to promptly resume public reporting of the Monthly Log Export data as previously generated by SGS till March 2024.

## **5. Independent review of the Viability of Downstream Processing Policy:**

- a. Independent Review of all FCAs: A reputable independent firm be engaged through an interagency Task Force to audit all FCAs and determine if the terms of the respective FCA have been met by the so-called agriculture companies and if agriculture projects have actually been established and commitments contained in the FCA to land owners have been honoured.
- b. The PNGFA must be directed to immediately cancel the licenses of companies that have failed to transition or invest in downstream processing, thereby enforcing the 2025 ban. Concurrently, all FCAs and SABLs used for logging must undergo immediate, independent review to confirm legitimate landowner consent.

- c. NEC to commission NRI and INA report to Parliament through this Committee on the state of readiness by PNGFA to implement the policy of 100% down-stream processing.

## OVERVIEW AND KEY OBSERVATIONS FROM THE INQUIRY

### (FINDINGS AND RECOMMENDATIONS)

| <b>FINDINGS AND RECOMMENDATIONS</b>  | <b>Page Numbers</b> |
|--|---------------------|
| <b>FINDING 1:</b> CESSATION OF INDEPENDENT MONITORING (REVENUE VACUUM)                         | 22                  |
| <b>RECOMMENDATION 1:</b> RE-ENGAGE INDEPENDENT MONITORING IMMEDIATELY WITH RING-FENCED FUNDING | 27                  |
| <b>FINDING 2:</b> LACK OF PENALTIES AND ZERO PROSECUTION                                       | 23                  |
| <b>RECOMMENDATION 2:</b> CONDUCT A COMPREHENSIVE FORENSIC AUDIT AND RECOVERY MANDATE           | 28                  |
| <b>FINDING 3:</b> UNACCEPTABLE EROSION OF INSPECTION CREDIBILITY                               | 24                  |
| <b>RECOMMENDATION 3:</b> IMPOSE PUNITIVE PENALTIES AND CANCEL LICENSES                         | 28                  |
| <b>FINDING 4:</b> NATIONAL REPUTATION AND 'GREY LIST' RISK                                     | 25                  |
| <b>RECOMMENDATION 4:</b> MANDATORY SYSTEMIC REDESIGN TO ELIMINATE POLITICAL INTERFERENCE       | 28                  |
| <b>FINDING 5:</b> CONTEMPTIBLE FAILURE TO IMPLEMENT DOWNSTREAM POLICY                          | 25                  |
| <b>RECOMMENDATION 5:</b> ENFORCE DOWNSTREAM PROCESSING POLICY AND LAND RIGHTS                  | 29                  |
| <b>FINDING 6:</b> PERVASIVE ABUSE OF LAND RIGHTS   | 26                  |

# CHAPTER ONE - INTRODUCTION

## 1.1 Background to the Inquiry

The Special Parliamentary Committee on Public Sector Reform and Service Delivery (SPCPSR) initiated this inquiry in response to the public reports of operational collapse of the independent log export monitoring regime. This system, established following the traumatic findings of the 1994 Barnett Inquiry, was the single most vital tool for protecting national revenue from endemic corruption. Its failure, detailed in this report, signals a return to the dark days of uncontrolled resource exploitation.

The Special Parliamentary Committee on Public Sector Reform and Service Delivery (SPCPSR) is established under the authority of the Papua New Guinea National Parliament to investigate systemic failures and propose reforms within the public sector that impede national development, erode public trust, and compromise national revenue.

The current inquiry was initiated in response to the abrupt cessation of the independent pre-shipment inspection and monitoring service for all round log exports in March 2024, a service critical to the protection of state revenue and the integrity of PNG's Forest resources. The Committee's legislative authority empowers it to summon witnesses, demand the production of documents, and formulate binding recommendations to the Parliament and the National Executive Council (NEC).

The inception of the Export Monitoring Agreement was a direct result of the findings from the Barnett Commission of Inquiry, which highlighted significant issues such as transfer pricing, under-declaration, and corruption within the sector. It is the Committee's view that the State's inability to uphold the independent monitoring mechanism—deemed essential following the inquiry—represents a missed opportunity to safeguard the national interest. This situation underscores the ongoing presence of the fundamental institutional vulnerabilities identified in 1994. Furthermore, the lack of action regarding past recommendations, including those stemming from the SABL, has contributed to the current challenges we face.



Picture: 1 Log Export Monitoring Hearing

Photo 1 Log Export Monitoring Hearing

## 1.2 The Inquiry Process

The Committee’s approach to the Inquiry has involved evidence gathering and analysis of information sourced from government departments and agencies and non-government organisations.

The SPCPSR conducted the Inquiry primarily through public hearings. Two hearings were held in the National Capital District. Details of the hearings are as follows.

- Public Hearing 1 was held on 29<sup>th</sup> May 2025 at C Block Private Theatre, Parliament House, Port Moresby. Table 1 lists the organizations present as witnesses before the Committee at this hearing.

| Organization                      | Represented by:                                    |
|-----------------------------------|--|
| Papua New Guinea Forest Authority | Magdalene Maihua, Chief Operating Officer          |
|                                   | Verolyne Daugil, Director Economic and Investments |
|                                   | Mark Pilon, Corporate Strategic Planner            |
| SGS PNG Ltd.                      | Foe Oii, Country Manager                           |
| Department of Treasury            | Andrew Oaeke, Secretary                            |
|                                   | Hans Marbis, First Assistant Secretary             |

Table 1: List of witnesses present at Hearing No. 1

In making its findings and recommendations, the Committee considered:

- Summon Letters to government departments and non-government organizations.
- Evidence taken at public hearings held in **May and August 2025**;
- Responses to questions-on-notice and follow-up questions sent to various organizations.
- Responses to follow-up specific questionnaires;
- Information gathered through desktop research

The Committee is appreciative to all parties providing information through submissions, questionnaire responses and evidence at public hearings. The information received has greatly assisted the Committee in undertaking the Inquiry.



*Photo 2 Swearing-In of Witness for Log Export Monitoring Second Hearing*

Further details in relation to this information follow.

The Committee's investigation focused on the precise mechanics of the SGS contract cessation, the resultant unmonitored period, the institutional capability of the PNGFA to fill the void, and the enforcement history (or lack thereof) regarding violations of the Forestry Act. The inquiry focused primarily on two interconnected areas:

- 1. The Termination of Independent Monitoring:** Investigating the administrative, financial, and institutional failures that led to the cessation of the monitoring contract with SGS PNG Ltd., and assessing the risks and actual losses incurred during the subsequent unmonitored period.

## **2. The Policy on Downstream Processing:** Examining the government's stated intent to ban round log exports by 2025 and the current challenges in transitioning the sector towards a sustainable, value-added downstream processing industry.

The methodology included:

- Review of official correspondence, including the SGS contract, notices of intent to arbitrate, and inter-agency payment requests.
- Detailed cross-examination of witnesses regarding financial liabilities, enforcement actions, and internal audit procedures.
- Review of previous inquiry reports (e.g., the Tos Barnett Report) to identify persistent systemic issues.

The findings rely heavily on evidence-based testimony and documentary proof of financial negligence and institutional inaction.

### **1.2.1 Submissions and Invitations to this Inquiry**

In July 2025, the Committee summoned the key organizations, including:

1. Papua New Guinea Forest Authority (PNGFA)
2. SGS PNG Ltd.
3. Department of Treasury
4. Department of Finance
5. PNG Customs Service

In August 2025, the Committee wrote to organizations, including the Commissioner of Customs, the Managing Director of PNGFA, the Country Manager of SGS, and the Secretary of Treasury, Secretary of Finance, inviting them to attend the second hearing and provide responses to specific queries. These queries covered areas such as log export duty collections, post-audits, pre-shipment inspections, trust accounts, reporting of discrepancies, post-shipment reconciliation, and the future of independent inspection services given the log export ban.

The Committee conducted two public hearings, summoning key personnel from the PNG Forest Authority (PNGFA), the Department of Treasury, and the former service provider, SGS PNG Ltd.

## 1.2.2 Public Hearings

The Committee held two main public hearings in the National Capital District on May 29, 2025, and August 6, 2025, with the following government departments and non-government organisations:

- SGS PNG Ltd.
- The Department of Treasury
- The Department of Finance
- The PNG Forest Authority (PNGFA)
- The PNG Customs

The hearings provided the Committee with an opportunity to further explore issues associated with the Inquiry.

- **Public Hearing 1:** Held on **May 29, 2025**, at C Block Private Theatre, Parliament House, Port Moresby. Witnesses included representatives from the Papua New Guinea Forest Authority (Magdalene Maihua, Verolyne Daugil, Mark Pilon), SGS PNG Ltd. (Foe Oii), and the Department of Treasury (Andrew Oaeke, Hans Marbis).
- **Public Hearing 2:** Held on **July 28, 2025**, and **August 6, 2025**, at the B2 Conference Room, Parliament House, Port Moresby. Witnesses at these hearings also included representatives from PNGFA, SGS, and the Department of Treasury. The Commissioner of Customs also appeared at the August 6, 2025, hearing.

The focus of the first hearing was on the financial non-performance by the State and the termination notice (which was noted to have been initiated by SGS's intention to proceed to arbitration). Committee members, including Hon. Marsh Narewec, emphasized the need to renew the contract and fix the payment pathway, acknowledging that PNGFA lacked the necessary independent system.

In the second hearing, the PNGFA Managing Director (MD) was asked to provide a report on the claimed social benefits (roads, bridges, agriculture projects) delivered by logging companies, and critically, their strategy for managing the ban on round log exports and ensuring the transition to downstream processing. The Committee observed significant evasiveness and a lack of clear strategy on the downstream ban. Transcripts of the hearings can be found on the website [www.spcpsr.gov.pg](http://www.spcpsr.gov.pg). The hearings provided the Committee with an opportunity to further explore issues associated with the Inquiry. Transcripts of the hearings, together with any accompanying slide presentations, can be found on the website.



*Photo 3 Forestry Hearing*

### 1.2.3 Questions-on-Notice and Further Follow-Up Questions

Following the public hearings, the Committee remitted any questions taken on notice together with requests for further information to the relevant government departments and non-government organisations attending the hearings.

The Committee also sent out follow up specific questionnaires to relevant government departments with questions arising from the Committee's in-depth investigation for this Inquiry and matters arising from the public hearings. The responses to these questions on notice and follow-up questions will be provided in writing to the committee.

The Chairman indicated that questions held by the Secretariat would be framed and issued to the attendees for their comprehensive responses. This process was put in place to ensure all necessary information and clarifications were gathered for the ongoing inquiry, with further notices for information and clarification expected as the committee continues its work.

### 1.3 Directives Following the Hearing for Follow-up:

Here are the specific questions on notice for follow-up and requests for information from the relevant stakeholders:

1. **FOR Treasury (John Uware):**

- i. Provide a detailed response regarding the **budgetary support** for the financing of SGS's work, specifically addressing allegations of **underfunding** that led to contract arrears and termination.
  - ii. Clarify the **discussions and agreements with various agencies** on the retention ratios of their generated revenue, particularly concerning the pushback from revenue-generating agencies regarding how much they should keep versus what Treasury collects.
  - iii. Detail Treasury's stance and planned actions to **reintroduce pre-shipment inspections** and ensure funding is made available for this vital role, recognizing its importance in keeping PNG off the "gray list".
  - iv. Confirm whether Treasury has conducted an **independent analysis of log export discrepancies** and the potential for penalties and additional revenues.
  - v. Provide **projected export figures for 2025 and 2026** and analyze the potential loss of revenue in the 2026 budget if the government's intention to stop round log exports by 2025 is implemented.
2. **From PNG Forest Authority (Mr Mosoro):**
- i. Provide **further information or clarification** on the thorough report previously submitted to the committee.
  - ii. Conduct a **verification and review of the SGS discrepancy report**, particularly the example concerning Pacific Region Development's shipment, given the significant percentage discrepancy.
  - iii. Submit **copies of monthly inspection reports** conducted by NFA officers since SGS's contract ceased, to identify any detected discrepancies and allow for comparison with SGS's previous findings.
  - iv. Provide a **historical account explaining why ministers are required by law to sign log export permits**.
  - v. Furnish a **comprehensive list of all companies involved in logging activities** across the country, detailing their operating locations and the specific types of agricultural activities they claim to be undertaking.
  - vi. Provide **reports on the audit of agro-forestry projects** and the board's decisions regarding the cancellation or termination of licenses

- for non-compliant companies, especially those that have only cut timber without engaging in claimed farming activities.
- vii. Submit a report outlining **NFA's strategy and action plan to manage the impending ban on round log exports** by 2025, including efforts to ensure companies transition to downstream processing.
  - viii. Provide **details of NFA's general trust account**, including annual amounts, how it's managed, and who is responsible, as well as the flow of royalties to landowners.
  - ix. Submit a copy of the **guidelines for spending the Log Export Development (LDL) levy funds** and the records kept by the trustees.
  - x. Provide **statements detailing all trust monies received** and their specific utilization to date.
  - xi. Provide **reports on how discrepancies detected by NFA officers during inspections are resolved** to clarify that all duties and levies are accounted for and no revenue evasion occurs.
3. **From Customs (Commissioner David Towe):**
- i. Provide a **report detailing the amounts of Log Export Development (LDL) levies** collected and remitted to the National Forest Authority's trust account.
4. **From SGS (Foe Oii):**
- i. Provide an **explanation of their discrepancy reports**, particularly concerning specific examples like the Pacific Region Development shipment, and the methodology used to obtain such information.
  - ii. Be **available to verify their information** and the methods used for data collection.
  - iii. Provide **clarification on the historical context and reasons for their initial engagement**, especially concerning allegations of criminal infiltration in the forestry department and the necessity of independent oversight.



Photo 4. Committee Members during the Inquiry into log export monitoring

Picture 4: Committee Members during the Inquiry into log export monitoring

## 1.4 Structure of the Committee's Report

The structure of this report has been defined largely by the Inquiry's Terms of Reference.

The report comprises 5 chapters as follows:

- This chapter, Chapter One, provides details about the establishment and conduct of the Inquiry.
- **Chapter Two** – This chapter details the macro-economic and regulatory context of the forestry sector, including its economic significance, the governing legislation, the history of monitoring, and the government's policy on downstream processing.
- **Chapter Three** – This chapter provides the detailed findings of systemic failure, grouped into six key areas: the cessation of monitoring, the zero-prosecution record, the erosion of inspection credibility, the national reputational risk, the failure to implement downstream policy, and the abuse of land rights.
- **Chapter Four** – This chapter outlines the Committee's comprehensive and urgent recommendations for structural, punitive, and legislative reform.

- **Chapter Five** - This chapter serves as the conclusion, summarising the severity of the crisis and issuing a final call to action.



*Photo 5. Inquiry into log export monitoring at B2 Conference Room, Parliament*

## **CHAPTER 2 – THE MACRO-ECONOMIC AND REGULATORY CONTEXT**

### **2.1 Introduction**

The forestry sector remains one of Papua New Guinea's most significant sources of non-mining export revenue, contributing substantially to the national budget through levies, royalties, and export duties. The sector is critical for rural employment and provides royalties to customary landowners. However, for decades, this economic benefit has been undermined by pervasive illegal logging, transfer pricing, and under-declaration, practices which directly haemorrhage revenue away from the State and the people. The integrity of the log export monitoring system is the frontline defence against these practices.

## 2.2 The Regulatory Framework: PNG Forestry Act 1991 and Associated Legislation

The sector is primarily governed by the PNG Forestry Act 1991, which established the PNG Forest Authority (PNGFA) to manage the sustainable use of forest resources. While the Act provides a robust framework for licensing, management, and enforcement, the Inquiry found that the application of discretionary powers within the Act, combined with weak regulatory oversight, has consistently been exploited to facilitate non-compliant and illegal logging operations. Loopholes related to Forest Clearing Authorities (FCAs) further weaken the sustainable management mandate.

## 2.3 Historical Overview of Export Monitoring and Surveillance (1993–2024)

Since 1993, the PNG Government has engaged independent, world-class inspection firms, culminating in the contract with SGS, to monitor and verify all round log exports. This pre-shipment inspection mechanism was put in place specifically because internal PNGFA and Customs checks were deemed incapable of preventing massive revenue evasion. The consistent finding of these independent reports over 30 years—that systemic under-declaration is endemic—underscores the failure of the State to transition from dependency on external monitoring to building credible internal capacity.

## 2.4 The Policy Pivot: Government Intent to Ban Round Log Exports by 2025

The Marape-Rosso Government announced a policy to ban all round log exports by 2025 to compel the industry to transition to downstream processing, thereby capturing greater value-added revenue and creating more local jobs. While commendable, the Inquiry found that this ambitious policy is compromised by a severe lack of planning, infrastructure development, and failure to enforce a phased-out approach, making the 2025 deadline increasingly unachievable and creating regulatory uncertainty.



Photo 6. Inquiry into log export monitoring at B2 Conference Room, Parliament

## CHAPTER 3 – DETAILED FINDINGS OF SYSTEMIC FAILURE

### 3.1 FINDING 1: CESSATION OF INDEPENDENT MONITORING (REVENUE VACUUM)

The termination of the SGS contract on March 12, 2024, was not a strategic decision but a predictable and catastrophic failure of financial governance and basic administrative incompetence.

- **3.1.1 Gross Financial Negligence and Quantum of Arrears:** The Committee confirms that the accumulated debt owed to SGS was approximately K15 million. Internal documents also cite a figure of K12.5 million owed over six years, which confirms the long-term, structural nature of the financial negligence and administrative incompetence. This figure represents two years' worth of contract fees that the State through PNGFA refused to pay, despite the service protecting annual revenues of hundreds of millions of Kina. The Committee finds this financial negligence and administrative incompetence to be unconscionable.
- **3.1.2 The Apparent Failure of Treasury**

Testimony indicated that the Treasury, which centralises revenue, contributed to the delay in the ability of the PNGFA to secure funding for the monitoring

service. The Committee finds that the Department of Treasury failed to recognise the monitoring fee as a critical, revenue-protective cost rather than a discretionary operational expense. This contributed to delays in the release of funds from treasury to enable PNGFA to service its contract with SGS.

- **3.1.3 The Unmonitored Period and Quantifiable Financial Exposure**

The cessation of SGS's services created an unmonitored period of over 14 months (or 18 months, as referenced in internal notes, by the time of the full inquiry), during which the State had zero independent assurance regarding log exports. This period represents an explicit, quantifiable financial exposure that could have resulted in:

- Systematic Undervaluation: Misdeclaration of the Free On Board (FOB) price.
- Species Switching: Trading high-value species (e.g., Kwila) declared as low-value species to evade duty.
- Volume Theft: Manipulating log scaling measurements to reduce declared volume.

The Committee accepts the preliminary findings in the submitted reports that this service protected an estimated 5% to 15% of annual export value, confirming the service's high return on investment.

## 3.2 FINDING 2: LACK OF PENALTIES AND ZERO PROSECUTION

The inquiry has revealed that the forestry sector is defined by a culture of absolute impunity and zero state agency deterrence, where corporate economic fraud is treated as a minor administrative infraction.

- **3.2.1 The Zero Prosecution Record (30 Years of Impunity):** Despite nearly 30 years of independent monitoring providing detailed reports of consistent, fraudulent discrepancies that constitute economic crime, the Committee confirms that not a single prosecution has occurred against logging companies or their directors. This failure spans multiple governments and administrations. This persistent institutional paralysis guarantees that logging companies view non-compliance and tax evasion as a low-risk, high-reward business model.
- **3.2.2 The Nature of the Enforcement Failure:** State agencies—including the PNGFA, PNG Customs Service, and the Internal Revenue Commission (IRC)—have collectively failed to translate irrefutable evidence provided by SGS into legally robust criminal or civil proceedings. The response to fraud

has consistently been limited to merely collecting the differential duty, thereby legalising the attempted fraud post-facto.

- **3.2.3 Abuse of the Discretionary Powers:** The systemic failure is compounded by the abuse of discretionary powers within the PNGFA, often influenced by political figures, to shield known non-compliant companies from penalties and license cancellations. This corruption is enabled by a legislative framework that concentrates undue approval authority in political hands. The bottom line is that a handful of City Slikers from Waigani and foreign logging companies continue to win. While the land owners and the nation of PNG at large continue to lose.

### 3.3 FINDING 3: UNACCEPTABLE EROSION OF INSPECTION CREDIBILITY

The Committee dismisses the PNGFA's assertion that its internal mechanisms can compensate for the loss of independent monitoring as untenable and structurally unsound. It is evident that PNGFA has neither the technology, work processes or competent and uncompromised staff to implement the function of monitoring and reporting of the export of round logs to the international standard established by SGS.

- **3.3.1 Loss of Technical System and International Standards:** As noted in the hearing transcripts, PNGFA lacks the sophisticated technical system and international credibility that SGS provided. This includes access to global market price databases necessary to verify FOB values (transfer pricing risk), advanced log scaling technology, and adherence to internationally verifiable chain-of-custody standards.
- **3.3.2 The Fundamental Flaw of Self-Policing:** The current reliance on internal PNGFA officers constitutes self-policing. This mechanism is inherently vulnerable to corruption, lacks the necessary political independence, and cannot provide the necessary assurance to international trade partners or to the national government. This is a direct reversion to the highly corrupt practices that necessitated the Barnett Inquiry reforms.
- **3.3.3 Abrogation of Inter-Agency Reporting:** The cessation of the SGS contract immediately terminated the mandatory, comprehensive, and consistent flow of log export and discrepancy data to PNG Customs and the IRC. The PNGFA has failed to restore this transparent reporting mechanism, leading to critical information silos that make cross-agency fraud detection virtually impossible.

### 3.4 FINDING 4: NATIONAL REPUTATION AND 'GREY LIST' RISK

The failure to maintain independent anti-corruption safeguards carries severe, non-negotiable international consequences that will impact the entire national economy and contribute to the threat of PNG being grey-listed. It is apparent that PNGFA, PNG Customs and IRC all appear to be oblivious to the strong positive correlation to their combined lack of enforcement and prosecution is contributing towards the country being grey listed.

- **3.4.1 Dismantling Anti Money Laundering /Counter Terrorist Financing Safeguards:** Independent pre-shipment inspection is recognized internationally as a vital Anti-Money Laundering and Counter-Terrorist Financing (AML/CTF) safeguard, certifying the legitimacy of trade flows. The removal of this safeguard signals to the international community that Papua New Guinea's trade sector is open to illicit financial flows.
- **3.4.2 Direct Threat of FATF 'Grey Listing':** The Committee finds that the documented failure to maintain this critical safeguard is contributing to placing Papua New Guinea at high risk of being formally designated a 'High-Risk Jurisdiction' (Grey List) by the Financial Action Task Force (FATF). Such a designation would immediately:
  - Increase the cost of all international banking transactions.
  - Deter reputable Foreign Direct Investment (FDI).
  - Increase the Sovereign Risk Premium, raising the cost of government borrowing.

### 3.5 FINDING 5: CONTEMPTIBLE FAILURE TO IMPLEMENT DOWNSTREAM POLICY

The conduct of logging companies and the lack of enforcement by the PNGFA demonstrate a collective contempt for the government's policy to ban round log exports by 2025 and encourage domestic value addition.

- **3.5.1 Lack of Transition and Investment:** Despite the clear directive and a three-year transition window (2022-2025), logging companies have demonstrated a profound and deliberate failure to invest in sawmilling, veneer, or furniture manufacturing infrastructure. Their continued operations are purely focused on high-volume, low-value extraction of raw material.
- **3.5.2 Betrayal of Socio-Economic Objectives:** The failure to enforce the round log ban and implement downstream processing sacrifices national employment (where processing creates up to ten times more jobs per cubic metre than raw export), forgoes higher corporate and payroll tax revenues,

and condemns the nation to perpetual raw resource dependency. Furthermore, the countries that are importing our round logs are converting the round logs through downstream processing to manufactured products that are then exported from their countries to the Americas and Europe. PNG misses out of all these potential revenues. The PNGFA MD's testimony regarding the social projects (roads, bridges, etc.) built by companies, while noted, does not negate the core policy failure to transition the industry.

### 3.6 FINDING 6: PERVASIVE ABUSE OF LAND RIGHTS

The Committee finds that the systemic lack of oversight enables the continued, widespread abuse of customary land rights and wilful breaches of lawful contracts.

- **3.6.1 Illegitimate Use of Permits Forest Clearing Authorities:** Large-scale logging is often concealed under the pretext of Forest Clearing Authorities (FCAs), which were intended for agriculture. This is a mechanism to bypass legitimate forestry permitting and environmental regulations and warrants close scrutiny by enforcement agencies. However, this does not appear to be the case.
- **3.6.2 Lack of Free, Prior, and Informed Consent (FPIC):** The logging operations frequently proceed without the free, prior, and informed consent (FPIC) of the customary landowners, violating their constitutional rights and depriving them of equitable benefits and control over their traditional resources. This practice is perpetuated by opaque permitting and a lack of transparency in the consent verification process.
- **3.6.3 Possible Breach of Lawful Contracts:** Where agreements are in place. Landowners often complain that the logging companies do not fulfil their agreed terms by constructing schools and or health facilities. Once again. This practice is perpetuated by opaque permitting and a lack of transparency in the consent verification process.

# CHAPTER 4 – COMPREHENSIVE RECOMMENDATIONS AND LEGISLATIVE REFORM

## 4.1 INTRODUCTION

The Committee demands the immediate, non-negotiable implementation of the following structural, punitive, and legislative reforms.

## 4.2 RECOMMENDATION 1: RE-ENGAGE INDEPENDENT MONITORING IMMEDIATELY WITH RING-FENCED FUNDING

- **4.2.1 Emergency Contract Restoration and Due Diligence:** It is recommended that the NEC resolves to instruct the Department of Treasury and PNGFA to finalise a contract with SGS or an internationally accredited equivalent within 60 days. Prior to signing, the Department of Treasury is mandated to conduct an urgent, independent analysis to quantify the total financial exposure during the unmonitored period (as referenced in internal notes) and confirm the high return on investment of the SGS service.
- **4.2.2 Legislative Amendment for Payment Pathway Protection (Ring-Fencing):** It is recommended that the NEC resolve to instruct the Minister for Treasury and Minister for Forestry to introduce an immediate amendment to their respective relevant legislation to establish a legally binding, non-discretionary, ring-fenced payment pathway for SGS's payments. The monitoring fee shall be deemed a mandatory first charge on all forestry revenues, deposited into an independently managed Trust Account to ensure zero risk of future arrears.
- **4.2.3 Temporary Legislative Amendment for Payment Pathway via Tax Credit for Mining, Oil and Gas Companies.** It is recommended that the NEC resolve to explore the merits of temporary Legislative amendments to be in place while recommendation 4.2.2 is being implemented. This is for Payments to SGS for the monitoring and reporting of round log exports to be accepted as under the Tax Credit for companies that currently qualify for the Tax Credit Scheme projects.

## 4.3 RECOMMENDATION 2: CONDUCT A COMPREHENSIVE FORENSIC AUDIT AND RECOVERY MANDATE

- **4.3.1 Scope and Mandate of the Forensic Audit:** The NEC must commission a Detailed Forensic Audit by an international firm managed through an interagency Task Force, spanning the period from January 1, 2015, to the present. The audit's terms of reference shall spell out the sole purpose to precisely quantify and provide legally admissible evidence for the criminal and civil recovery of all lost revenue and evaded duty from misdeclaration and transfer pricing.
- **4.3.2 Establishment of the Forestry Revenue Recovery Task Force:** A Forestry Revenue Recovery Task Force must be established through NEC, comprising experts from the Department of Justice, the Office of the Attorney-General, PNG Customs, and the IRC. This Task Force shall be granted the necessary powers and resources to immediately pursue criminal prosecution, asset freezing, and forfeiture against companies and individuals identified in the audit.

## 4.4 RECOMMENDATION 3: IMPOSE PUNITIVE PENALTIES AND CANCEL LICENSES

- **4.4.1 Introduction of Mandatory Criminal and Administrative Penalties:** It is recommended that the PNGFA Act be amended to redefine any significant misdeclaration (volume or species) as Prima Facie Evidence of Attempted Fraud, triggering automatic investigation. It is recommended that the NEC resolve to direct the PNGFA to immediately impose punitive financial sanctions (three times the evaded revenue) and mandatory license cancellation/asset forfeiture for habitual non-compliance. This must go beyond mere payment of the differential duty.
- **4.4.2 Implementation of Penalties and Deterrents:** It is recommended that the National Executive Council resolve to direct the PNGFA, PNG Customs, and IRC to immediately conduct investigations and impose a robust system of punitive financial penalties and sanctions, including license suspensions, for habitual discrepancies and non-compliance in log declaration, thereby establishing a genuine legal deterrent that goes beyond mere payment of duty.

## 4.5 RECOMMENDATION 4: MANDATORY SYSTEMIC REDESIGN TO ELIMINATE POLITICAL INTERFERENCE

- **4.5.1 Removal of Ministerial Discretion:** It is recommended that the NEC amend the PNGFA Act to remove the Minister for Forests as the approving authority for log export permits, licenses, or exemptions. This authority must

be formally transferred to the PNGFA Board, operating under strict, publicly verifiable, and objective legislative criteria, eliminating potential for discretionary political abuse.

- **4.5.2 Digital Register and Transparency Protocol:** It is recommended that the NEC resolve that a publicly accessible digital real time register of log exporters and their volumes shipped to date, against budget and the revenue generated from these exports. This register is to show actual discrepancies of logs exported.
- **4.5.3 Timely Sharing of Information** It is recommended that the PNGFA must immediately restore the provision of comprehensive, monthly log inspection and discrepancy reports to the Customs Service, the IRC, and the Department of Treasury to ensure transparent accountability and data integrity across government agencies.

## 4.6 RECOMMENDATION 5: ENFORCE DOWNSTREAM PROCESSING POLICY AND LAND RIGHTS

- **4.6.1 Review and Rectification of FCA Abuse:** It is recommended that the NEC resolve to direct the Minister for Lands and the Minister for Forestry and PNGFA to launch an immediate joint review of all logging operations currently being conducted under FCAs. This review must specifically verify the legitimacy of the underlying land title and the existence of free, prior, and informed consent from the customary landowners. Where logging is found to have occurred without legitimate consent, the corresponding logging permit must be immediately revoked, and the company involved must be subject to the punitive measures outlined in Recommendation 3.
- **4.6.2 Policy Enforcement and License Cancellation:** It is recommended that the NEC amend relevant legislation as required that enable the PNGFA Board to immediately cancel the licenses of companies that have been proven to have defrauded the state or have breached their lawful agreements with landowners or have to establish an agriculture business or have failed to demonstrate substantial and verifiable investment in downstream processing infrastructure by the final deadline of December 31, 2025. No exceptions or extensions should be granted.
- **4.6.3 Review of Past Inquiry Recommendations:** It is recommended that, to address the systemic issues plaguing the forestry sector, the PNGFA is directed to present a comprehensive status report to Parliament on the implementation of all outstanding recommendations from the Tos Barnett Report and the SABL Report, with specific attention to actions taken against identified bad actors

## CHAPTER 5 – CONCLUSION

The findings presented in this report constitute a national crisis, born from institutional timidity and financial recklessness. The cessation of independent log export monitoring is a symptom of a deeper malaise: a systemic failure to protect the national interest against calculated exploitation by foreign entities that operate with absolute impunity.

The Committee's recommendations are a prescription for emergency reform. They require not merely administrative change, but a fundamental shift in political and bureaucratic will and judicial courage to dismantle the structures that facilitate this endemic corruption.

This Parliament is now presented with a clear choice: to endorse these punitive and structural reforms to protect the national wealth, or to condemn the State to perpetual revenue haemorrhage and international disgrace.

The time for further inquiries is over; the time for resolute action is now.



*Photo 7. Inquiry into log export monitoring at B2 Conference Room, Parliament*

# ANNEXES

## A.1 COMMITTEE TERMS OF REFERENCE

The Committee's mandate and scope serve as the Terms of Reference for this Inquiry.

### **Committee Mandate and Legislative Authority**

The Special Parliamentary Committee on Public Sector Reform and Service Delivery (SPCPSR) is established under the authority of the Papua New Guinea National Parliament to investigate systemic failures within the public sector that impede national development, erode public trust, and compromise national revenue.

The current inquiry was initiated in response to the abrupt cessation of the independent pre-shipment inspection and monitoring service for all round log exports, a service critical to the protection of state revenue and the integrity of PNG's forest resources. The Committee's legislative authority empowers it to summon witnesses, demand the production of documents, and formulate binding recommendations to the Parliament and the National Executive Council (NEC).

### **Scope of the Inquiry: Log Export Monitoring and Downstream Processing**

The inquiry focused primarily on two interconnected areas:

1. **The Termination of Independent Monitoring:** Investigating the administrative, financial, and institutional failures that led to the cessation of the monitoring contract with SGS PNG Ltd., and assessing the risks and actual losses incurred during the subsequent unmonitored period.
2. **The Policy on Downstream Processing:** Examining the government's stated intent to ban round log exports by 2025 and the current challenges in transitioning the sector towards a sustainable, value-added downstream processing industry.

## A.2 COMMITTEE PUBLIC HEARING SCHEDULE

### **Hearing No. 1: May 29, 2025**

- Hearing Transcript
- **Witnesses:** Representatives from SGS PNG Ltd., the Department of Treasury, and the PNG Forest Authority (PNGFA).

### **Hearing No. 2: August 6, 2025**

- Hearing Transcript

- **Witnesses:** PNGFA Managing Director (MD) and other high-level official



**PAPUA NEW GUINEA**  
NATIONAL PARLIAMENT

Post Office  
Parliament House  
WAIGANI, NCD  
Telephone : 327 7377  
Facsimile : 327 7480

## Terms of Reference

### Special Parliamentary Committee on Public Sector Reform

#### Functions of the Committee

The Committee;

- (a) Shall have responsibility for matters relating to the Public Service Reform generally; and
- (b) Such matters as may be referred to the Committee;
  - I. By the Minister for Treasury
  - II. By the Minister for Public Service
  - III. By the Resolution of the Parliament; and

To investigate and report to the Parliament on such matters as the Committee considers appropriate.

The Committee has power to appoint sub-committees consisting of two or more of its members and refer to such sub-committees any of the matters which the committee is empowered to consider.

The Committee has power to send for and examine persons, papers and records, to move from place to place and to transact business in public or private sessions and to act during recess.

The Committee Chairman, or, in his absence, a Member of the Committee, may represent the Committee on appropriate National Executive Council Ministerial Committee providing liaison between the Parliament and the Executive in matters relating to Public Service and Public Sector Reform generally.

A Member of the Committee may, with approval of the Speaker, represent Papua New Guinea at International or Regional forums.

Research and Survey and engage Public Service for enhancement, review performance of Public Service and make findings for recommendation to the Public Service Minister, the Cabinet and the National Parliament.

Any other findings that will contribute towards improvement of Public Services performances and productivity.

### A.3 THE COMMITTEE'S MEMBERS AND TERMS OF REFERENCE

The Members of The Committee are;



**Hon. Gary Juffa, MP – Chairman,**



**Grand Chief Sir Peter Ipatas, MP,**



**Hon. Allan Bird, MP**



**Hon. William Powi, MP**



**Hon. Rufina Peter, MP**



**Hon. Marsh Narewec, MP**

## A. 4 LOG EXPORT INQUIRY - HEARING 1 TRANSCRIPT

Date: 6<sup>th</sup> August, 2025

Time:

Venue: Parliament House, B2 Conference Room

00;00;40 – 00;01;30

Gary Juffa

Please be seated

*[inaudible]*

00;01;30 – 00;02;08

Gary Juffa

Right. Thank you all for coming to the this particular inquiry. It is the inquiry carried out by the Special Parliamentary Committee on Public Sector Reforms. And just to introduce members of the committee, I have on my left Governor Rufina Peter of the Central Province and on my right the member for Wau-Waria, the Honorable Marsh Narewec, who himself is also a chairman of a parliamentary committee on ICT. Am I correct?

Marsh Narewec

Yep

00;02;08 – 00;03;06

Gary Juffa

Yep. So, this particular inquiry, the format will be quite simple in that we have asked three departments to come today, the Treasury Department, the PNG Forest Services or PNG Forest Authority, my apologies, and SGS. And it's in regards to a specific area that we are probing into, wanting to seek answers about, and this is to do with the inspection of round logs or inspection of all log exports from Papua New Guinea. And we've come to the notice of the committee that the inspection services that used to be carried out by SGS has come to an end or has been terminated or has ceased for some time. So we would like to know why that has happened and what's happening in this regards.

00;03;06 – 00;04;28

Gary Juffa

We would also like to hear from the Forestry Department as to any plans they have in regards to a statement made by the Government whereby it was determined or it was proposed that round log exports would end in 2025. So we want to hear from the forest services how they prepared for this or what they're doing in this regards to comply with this particular directive and we would also like to hear from the Treasury as well as SGS, their views, some thoughts on that. So thank you all for coming. Thank you Media. Again, this is a you know, this is an inquiry to find some answers and look at ways where we can work together to improve systems of government that we feel need attention in regards to this particular subject matter. So without further ado, I will commence, perhaps, team. Okay. If we could have everyone turn off their phones or put them on silent, I mean, you can't turn them off, but put them on silent.

00;04;28 – 00;05;20

Gary Juffa

I also want to point out that we've received a note from the managing director for forestry, Mr. Mosoro who is unable to attend today because for medical reasons and he has asked for deferral of appearance and we take note of that. And in the future we will inform the PNG Forest Authority as to exactly when we can have the when he when he has recovered. He is also attached his medical certificate and it's here. I will hand that over to the Secretariat and it's noted and accepted and in his stead he has sent his Director for legal services, I believe, and the rest of his team. So who is the Director for Legal Services? That's yourself?

00;05;20 – 00;05;26

Magdalene Maihua

No, I'm the Chief Operating Officer

Gary Juffa

Oh, you're the Chief Operating Officer, my apologies. Is the director for Legal services here?

00;05;26 – 00;05;32

Magdalene Maihua

He's supposed to be here, but he is, he had the Supreme Court case

Gary Juffa

Oh, he's got a court matter?

Magdalene Maihua

Yes, yeah

00;05;32 – 00;05;47

Gary Juffa

Okay, Well, that's a very important matter, too. So we'll also accept his apologies for this. We also have here, Andrew Oaeke, like the secretary for Treasury, am I correct?

Andrew Oaeke

Yes

Gary Juffa

Secretary, did you come with anybody else?

00;05;47 – 00;05;53

Andrew Oaeke

I'm here with the First Assistant Secretary, Budget Division, Mr. Hans Magis,

00;05;53 – 00;06;11

Gary Juffa

Okay. Thanks. Welcome, Hans. And we have from SGS. Mr. Sir, I

Foe Oii

Foe. Foe

Gary Juffa

Foe Oii. It's a very easy name to remember. I'm guessing you're from Gulf.

Foe Oii

Yes

00;06;11 – 00;07;05

Gary Juffa

All right. So Mr. Foe Oii from SGS is also here. And the way the format works is there's a series of questions that we have based on this particular inquiry. We will get straight to it and I will ask some of the questions and then I will have my two co-members here if they have any questions that they wish to ask, they may at any time intervene and do so. Okay. So the basic story here is SGS used to inspect our logs or all log exports, leaving our country for the last 30 years, quite a long time, but their services were terminated recently. Mr. Foe, can you advise us when your services were, came to an end, when you stopped inspecting all ships leaving our shores?

00;07;05 – 00;07;44

Foe Oii

Chairman, the services, we provided notice as required under the contract. The log export monitoring surveillance contract between the state and SGS, and forest authority are the regulatory agency. It was brought to an end when we exercise our right on the 12th on the 12th of March 2024 and took it to arbitration.

00;07;44 – 00;07;57

Gary Juffa

Please repeat those dates again. 12th of March, did you say?

00;07;57 – 00;08;19

**Foe Oii**

12th of March

**Rufina Peter**

2024

**Foe Oii**

We gave notice of our intention

**Gary Juffa**

To cease?

**Foe Oii**

Yes, to stop due to a financial distress of a large amount of money that the Forest Authority and the state owed SGS for services already rendered.

00;08;19 – 00;08;26

**Gary Juffa**

So it came to an end because you were not being paid your bills essentially?

00;08;26 – 00;08;30

**Foe Oii**

Absolutely.

00;08;30 – 00;08;33

**Gary Juffa**

How long were these bills not paid for

00;08;33 – 00;09;06

**Foe Oii**

This goes back to about six years. It accumulated over six years, but got to a point where it reached almost 12 and a half million Kina. So we chose to stop providing the service and ask the authority to seek funds to pay us for the services that were already rendered.

00;09;06 – 00;09;14

**Gary Juffa**

Mr Oii, the services that SGS provided, could you explain them? What were the specific services?

00;09;14 – 00;09;29

**Foe Oii**

The specific services are monitoring of round log exports by volume and species and the equivalent of it in foreign exchange earnings on behalf of the state.

00;09;29 – 00;09;34

**Gary Juffa**

So monitoring of round log exports by volume and species?

**Foe Oii**

Yes.

00;09;34 – 00;09;42

**Gary Juffa**

And you carried out the services for how long?

00;09;42 – 00;09;58

**Foe Oii**

We started back in July of 1994, so we'd almost been 30 years providing the service.

00;09;58 – 00;10;10

**Gary Juffa**

Okay. And Mr. Foe, can you explain how SGS came about getting engaged or being engaged by the state for these services?

00;10;10 – 00;10;42

**Foe Oii**

The services of SGS was engaged as an outcome of the Barnett inquiry in 1994, where the state sought an independent, notable, global organization to provide a monitoring service for all its round log exports due to the abuse of systems and services in the forest authorities.

00;10;42 – 00;11;01

**Rufina Peter**

So did you say it was 12th of March 2024 that you gave notice to

**Foe Oii**

Yes

**Rufina Peter**

Okay. And that you have because you had 12 million, approximately 12 million outstanding

**Foe Oii**

12 and a half million

**Rufina Peter**

in outstanding bills

00;11;01 – 00;11;12

**Foe Oii**

For services rendered.

**Rufina Peter**

Okay. So how much a year was the average cost, average contract cost

00;11;12 – 00;11;26

**Foe Oii**

The average contract cost is in the vicinity of about 6 and a half to 8 million, depending on the cost of CPI increases in that largely due to that

00;11;26 – 00;11;38

**Rufina Peter**

Is that an annual cost? Annual average cost?

**Foe Oii**

Basically annual

**Rufina Peter**

Okay, about 6 million.

**Foe Oii**

And over time it had grown

00;11;38 – 00;11;48

**Rufina Peter**

About 6 million average cost. So if you are 12.5 million in outstanding, that would be like approximately two years cost?

00;11;48 – 00;11;50

**Foe Oii**

Yeah, basically yeah.

00;11;50 – 00;12;18

**Rufina Peter**

Out of the out of the 29 years you've been in operation?

**Foe Oii**

Yeah. But this cost accumulated because of underfunding over time

**Gary Juffa**

Underfunding or you mean payment of your services?

**Foe Oii**

Payment of our services, the costs of providing the service increases because the government funds were not made readily available for us to be paid for our services, over time.

00;12;18 – 00;12;40

**Gary Juffa**

Mr. Foe, so your services were provided and then you would be paid after like you wouldn't perform your services before being paid, after being paid, you'd perform them as the shipments were going out? That was the contract arrangement?

00;12;40 – 00;13;12

**Foe Oii**

The ongoing arrangement under the contract was that we would be required to provide on a fortnightly basis a replenishment record of what we'd spend to carry out the services.

**Rufina Peter**

Okay

**Foe Oii**

Replenishments were provided every fortnight, fortnightly basis. So in a month you get two replenishment and that we provide to the Forest Authority so they can replenish the account, so we can go on for the purpose of relationships.

00;13;12 – 00;13;25

**Rufina Peter**

So when you say the average cost was 6 million, that's including all of the activities you had to do, plus your payment for the service you provided?

00;13;25 – 00;13;34

**Foe Oii**

Yes.

**Rufina Peter**

Okay. So of that 6 million, how much was, what proportion of that was your payment for the services?

00;13;34 – 00;14;07

**Foe Oii**

The actual margins that we applied under the contract would be payable at the end of each year. The margins would be applied, but the cost, the contract was set up in a way, it was a cost plus contract, for example, if we paid K100 for something we did, we'd charge the government or the Forest Authority another 20% for providing the service. It's a cost plus contract, okay.

00;14;07 – 00;14;25

**Gary Juffa**

Cost plus contract. Mr. Foe, could you get a copy of the contract for us and hand it in to the team so that we can go through that contract some later date?

00;14;25 – 00;14;36

**Rufina Peter**

So in your experience, how much do you think you were saving the country by providing those monitoring, surveillance services?

00;14;36 – 00;14;59

**Foe Oii**

It's best if we go back to and have a look at our annual reports and compare what the state would outlay to a formal budgetary allocation and our returns on the basis of inspection services and the value of it by way of returns from round log export

00;14;59 – 00;15;07

**Gary Juffa**

You would have copies of this, no doubt?

**Foe Oii**

We would have all the copies. The last report we did, chairman, was the end of 2023.

00;15;07 – 00;15;23

**Gary Juffa**

Thank you. Could we have copies of all the reports, the annual reports that you

produced?

**Foe Oii**

Yes.

**Gary Juffa**

Okay. That also accompanying that contract to help us understand more.

00;15;29 – 00;15;47

**Marsh Narewec**

So SGS is a international company?

**Foe Oii**

SGS Papua New Guinea is a wholly owned subsidiary of SGS in Australia, which is an affiliate of the Global group SGS Group, Society General de Surveillance, which is a Swedish company.

00;15;47 – 00;15;55

**Marsh Narewec**

Okay. Society General Surveillance. Okay

**Gary Juffa**

Swiss company?

**Foe Oii**

Swiss company.

00;15;55 – 00;16;02

**Marsh Narewec**

So you operated across the world?

**Foe Oii**

We are a global company.

00;16;02 – 00;16;13

**Marsh Narewec**

So when PNG Forest contracted you, how many operations or bases in PNG you operate in?

00;16;13 – 00;16;35

**Foe Oii**

Our largest here is in the Forest Authority building. We've got little offices in West New Britain because the volume of logs exported from West New Britain is high. We also have another similar little office in Vanimo, given consideration volume of logs that are exported from there. Everywhere else, it's fly in, fly out.

00;16;35 – 00;16;47

**Marsh Narewec**

Oh okay. So when a ship is about to send log overseas, you go and monitor? Please elaborate on what you do. I'm new to the industry so.

00;16;48 – 00;17;20

**Foe Oii**

There is a government procedure called the Procedures for Export of Round Logs. The procedure was set up with three people in mind. The groups of people are the state, the Papua New Guinea Forest Authority and the logging companies. And we are the watchdog. The eyes and ears of the state. We're engaged for that reason, to check to see that everybody is doing the right thing, simply.

00;17;20 – 00;17;29

**Marsh Narewec**

Like exporting.

**Foe Oii**

Yes, the declaration is right, the scale measurements are right, the volumes of logs

are right, the species of logs are right.

00;17;29 – 00;17;51

**Marsh Narewec**

Okay. So during your whatever service that you provide, you found some irregularities.

**Foe Oii**

Yeah, everything we find, we report as a discrepancy and in each of those monthly reports and annual reports, we detail all the discrepancies we discover in the course of our inspection services.

00;17;51 – 00;18;50

**Marsh Narewec**

Okay, In the course of your service, have you been not being paid for, I mean, how long has that issue of nonpayment of bills been going on?

00;18;50 – 00;18;22

**Foe Oii**

That's part of the service. Our cost is paid on the basis of the money we spend on providing the state the service like we fly people everywhere, basically everyday.

**Gary Juffa**

Inspectors?

**Foe Oii**

Yes. If you want them in the Oro province, we put them on an airplane and send them there.

00;18;22 – 00;18;29

**Marsh Narewec**

So who request the service? The Forest Authority request the service or it's something that you have to go in? Somebody invites you or

00;18;29 – 00;18;56

**Foe Oii**

The procedures outline as to how it all starts.

**Marsh Narewec**

The contract.

**Foe Oii**

Yes. The procedures, the round log export procedures. If the forest authorities go over, they provide the guidelines on how to do it. The exporter comes and notifies us that they have a pending shipment. So we arranged for someone to go and inspect the logs

00;18;56 – 00;19;06

**Marsh Narewec**

So the experts have to come to you?

**Foe Oii**

Yes

**Marsh Narewec**

You don't just go?

**Foe Oii**

No.

**Marsh Narewec**

What if the exporter doesn't come to you?

00;19;06 – 00;19;19

**Foe Oii**

Well, that's yet another issue. But it's mandatory that all exporters, the industry participants are required by the procedure to come and report to us of a pending log shipment.

00;19;19 – 00;19;25

**Marsh Narewec**

But what if they don't? Who monitors the exporters if they don't come to you?

00;19;25 – 00;19;42

**Foe Oii**

Well, we have no other way of doing except that as industry participants, they are required by the Forest Authority to report any pending shipment.

00;19;42 – 00;19;50

Does PNG Forest also come in and get you guys to go and do the inspection?

00;19;50 – 00;20;08

**Foe Oii**

When we go to the different inspection sites, there's already Forest Authority people there, projects people

**Marsh Narewec**

Do they initiate you

**Foe Oii**

They don't initiate, the industry participants initiate. We take over on behalf of the government.

00;20;08 – 00;20;57

**Gary Juffa**

I believe what happens is that for every shipment to be authorized for export, it requires a SGS report. Am I correct?

**Foe Oii**

Yes. Let me just go back and explain this. When an exporter wants to export round logs, they first go to the Papua New Guinea Forest Authority and ask for a endorsement. Ask for a price approval to sell logs at a prevailing market price. Once that process starts, they also are required to notify us of when that ship is due and where it's due so we can arrange to go and do that inspection on behalf of the State and the Forest Authority.

00;20;57 – 00;21;25

**Marsh Narewec**

Okay. During an inspection, when you find those discrepancies, when you report them, you don't bother following up whether they get penalized or fined or something

**Foe Oii**

That responsibility falls back on the Forest Authority.

**Marsh Narewec**

Not the government? You represent the state so, you say that you represent the state, there is a forest authority, and there is the industry, I mean, loggers.

00;21;25 – 00;21;47

**Foe Oii**

I understand where you're coming from, but the law belongs to this state. Whatever action they want to do to deal with, it's actually upon them. We are a neutral party. We're a neutral party, but we are reporting to the relevant regulatory authority that there's something that's wrong, something that's out of work.

00;21;47 – 00;21;52

**Gary Juffa**

Do they get back to you if they take action or they're not required to?

00;21;52 – 00;22;19

**Foe Oii**

They're not required to

**Gary Juffa**

Okay, so your services end there?

**Foe Oii**

Yeah.

**Gary Juffa**

You conduct an inspection of a shipment of logs about to be made. You identify the discrepancies, and then you inform the authority, and then your responsibility stops there until the next inspection, etc

**Foe Oii**

Yeah. Taking of corrective action for any discrepancies found is the responsibility of regulatory

**Marsh Narewec**

Which is the PNG Forest Authority

**Foe Oii**

Yes.

00;22;19 – 00;23;16

**Rufina Peter**

So maybe if we can ask PNGFA to clarify for us the process so we can understand, get a better picture of the total process from start to finish.

**Gary Juffa**

I think we can do that, Governor, now that SGS has outlined where their responsibilities starts and ends, then we could probably move into where forestry starts and ends as well. I mean, theirs is continuous because they are the state. SGS has a specific service that they provide. And if I may, the Mr. Oii, Mr. Oii is the country manager. If you can please provide those reports of the, the annual reports and you also have data, I would assume, on all shipments that you have inspected?

00;23;16 – 00;23;20

**Foe Oii**

All shipments.

**Gary Juffa**

Would you have electronic copies of this data?

**Foe Oii**

Yes.

00;23;20 – 00;23;40

**Gary Juffa**

You would have electronic copies of this data. It would be very useful for us to have a look at those electronic copies as well. So if you can gather all that data together and then liaise with my secretariat, our secretariat here, so that we can transfer that data and then we can have a look at it, that would be very, very good for us.

00;23;40 –

**Foe Oii**

Chair, can I ask you to give me a couple of minutes to especially explain the inspection process for the sake of the

**Gary Juffa**

Yes, please, so we have an appreciation of what you do.

00;23;54 – 00;26;48

**Foe Oii**

The inspection process is undertaken in two phases. One, the exporter provides a list of logs to be exported. The first stage of our inspection process requires what we call a pre shipment inspection. This is before the ship arrives. We go and inspect one, the species of each of those logs of the log list that's provided by the industry participant, the exporting company. And we also do a sample check of 10% of the volume of logs that's declared for shipment. If it's 6000 cubes, we have a scale

check of the equivalent of 600 cubic meters of logs, and that that check must be within plus or minus 3% of the total volume of those logs that we've scaled. That's the forestry requirement. The second stage of the inspection process is when the ship is ready to load, there are no log identification tags fixed onto the face of the log and as the logs are moved out of the stack to go on to the ship, we draw tags to make sure that those logs are included in the log list and at the end of the process, after loading is completed we go back and we sit down and calculate the final report of the logs that have been put onto the ship. In the field, in the field we have generated a field audit database because some of those volumes are large. One person could end up having to account for 9,000 – 10,000 pieces of log depending on the average diameter size of the logs so we do it with using a field computer, a database that would capture everything. And we use a scanner to make sure that the logs, when we draw the tags, the inspector scans the log to make sure if the laptop realizes that that log is not part of the shipment. Before we finalized the report, we go back to the exporter to say we've discovered there are ten logs that have not been part of the declaration. We want you to declare it or otherwise if you want to take them off, we can take them off the log list and then prepare a final report.

00;26;48 – 00;26;54

**Gary Juffa**

What happens in instances where you find restricted or banned species of timber?

00;26;54 – 00;27;12

**Foe Oii**

That typically, chairman, takes place at initial stages. When we go to check the species, we check to see the banned species. The Ebonies, the Pines.

00;27;12 – 00;27;32

**Gary Juffa**

And are they required, say you find them and detect them then and there, what happens to those logs then and there?

**Foe Oii**

We issue a notice of discrepancy and they are told that the log is a banned species, and because it's banned, the expectation is for them to remove the log.

00;27;32 – 00;27;39

**Gary Juffa**

Do you check to see if they've actually done that?

**Foe Oii**

Yes.

**Gary Juffa**

And in most instances, do they comply?

00;27;39 – 00;27;44

**Foe Oii**

Oh yeah, of course.

**Rufina Peter**

And where does it go?

**Gary Juffa**

Then what do they do with those logs when they remove them?

00;27;45 – 00;27;49

**Foe Oii**

They take it and they manage it away from the process of exporting round logs.

00;27;49 – 00;28;08

**Gary Juffa**

So they manage it. And how do they manage it? How do they manage it? Do you know?

**Foe Oii**

They take it away, the log is physically moved from the site.

**Gary Juffa**

Okay. It's not on the ship?

**Foe Oii**

No, it doesn't go on the ship

**Marsh Narewec**

But unfortunately it cannot be grown again because it's already cut down

00;28;08 – 00;28;11

Gary Juffa

That's, that's quite interesting.

00;28;11 – 00;28;43

Marsh Narewec

So what's the most common discrepancies that you

Foe Oii

The largest discrepancies is exceeding the volumes that are authorized by the authorities. That's the biggest one. They take more than the logs that they're supposed to.

Marsh Narewec

So they declare that certain amount and they take more than that

Foe Oii

Yeah. It's beyond the plus or minus 10% naturally, because all our logs are from natural forests they're not the same. The dimensions of all logs are different.

00;28;43 – 00;29;19

Marsh Narewec

So they take more than they declared?

Foe Oii

Yeah, sometimes. Yeah. The biggest discrepancies is that they load more than the normal volume of logs that are or the allowances provided by the authority. Species misidentification is another one. And in this case the Forest Authority, the regulation says that our species will be the final species if they disagree that they just take the log away so we just take it out the log list, it's not part of the shipment until they want to manage the way they want to manage it.

00;29;19 – 00;30;04

Marsh Narewec

Okay. When you travel to site, do you go with the forest officers?

Foe Oii

There's already a forest guy there.

Marsh Narewec

Do you accommodate them in your invoices?

Foe Oii

They are the people that accommodate us. We're basically the eyes and ears of the state.

Marsh Narewec

So you meet their expenses or they meet your expenses?

Foe Oii

They meet their own expense. Ours is passed on through the process of replenishment and say this was what's spent in the last fortnight, 200,000, 250,000. And then they go and find funds.

00;30;04 – 00;30;33

Marsh Narewec

During the course of your contract, how often you come to close to where you want to cease operation because of nonpayment?

Foe Oii

You mark my words, we've kept it going in good faith. But at this time we said, no, it's too large. We cannot continue in good faith. They must pay us the money.

00;30;33 – 00;30;45

Gary Juffa

Have you been paid and has the bill been settled?

Foe Oii

The bill has been settled.

Gary Juffa

So that 12 million you were owed has been paid?

Foe Oii

It has been settled. Clean slate.

Gary Juffa

But you have not been reengaged?

Foe Oii

No, we have not been reengaged.

00;30;45 – 00;30;57

Gary Juffa

How long since your last inspection till now?

Foe Oii

14 to 15 months now

00;30;57 – 00;31;10

Gary Juffa

So in these 14 to 15 months, if any logs were exported, they would have been exported without any inspections by you?

Foe Oii

No inspection by us.

33;30;10 – 00;31;55

Gary Juffa

Okay. So in this last 14 to 15 months, all log shipments, is it fair to say that all log shipments leaving Papua New Guinea in these last 14 to 15 months had no inspection whatsoever by SGS?

Foe Oii

No, not audited by SGS.

Gary Juffa

So the discrepancies that you mentioned, species, prohibited species, restricted species and volumes, they obviously couldn't be detected because you weren't conducting these inspections?

Foe Oii

No, we weren't. We have a fairly comprehensive system where it actually goes to calculate the volume of the logs on the basis of the information of the data provided by the exporter. So before we start, we know where the problem logs are.

00;31;55 – 00;32;17

Gary Juffa

Has PNGFA contacted SGS to try to re-engage or have they given any indication that there will be a re-engagement or that they've got another system from your knowledge, that has replaced what SGS was doing?

00;32;17 – 00;32;31

Foe Oii

We've consultations with the hope of getting the contract back on track, but at this stage nothing, no positive outcome.

00;32;31 – 00;34;36

Gary Juffa

I have one question of a series of questions, but going back to the history of the engagement of SGS, if you can elaborate, your engagement took place after the Tos Barnett Inquiry. Now, from my knowledge, and PNGFA and Treasury and Mr. Oii, you can clarify or you know, correct me, from my knowledge, Tos Barnett Inquiry was an inquiry carried out to investigate the presence or the activities of organized crime within the forestry sector. That's from my understanding of having read the report. In fact, it's quite an interesting inquiry because during the inquiry the Forestry Office was burgled, am I correct? The forestry office was burgled, the Fraud Squad office where the documents were being held and the investigations were being conducted was burnt and Tos Barnett himself was stabbed in his accommodation facility at Korobosea and had to be medevacked to Australia. Do you recall this? Is that is that a correct description of some of the highlights of that inquiry?

Foe Oii

I have no knowledge of that, what you are talking about, but I've all I've heard about it is the positive outcome of it in our engagement.

Gary Juffa

Okay. So because of that engagement, because one of the recommendations of that report was that a inspection entity or facility had to be established to inspect and ensure that PNG interests were protected in the export of all logs shipments leaving Papua New Guinea and that's how you came to be engaged. Am I correct in saying this?

00;34;36 – 00;36;05

Foe Oii

Yes, correct.

Gary Juffa

But I do assure you that what I described did happen, the burning down of the forestry office. And I know that the forestry officers will agree to that because that was their building that was burnt down. Am I correct? The building was burnt out, not

burnt down. Sorry. It was burgled. A burglary had taken place. That was one of the inquiry occurred around 1990, thereabouts. Do you have a copy of the Tos Barnett inquiry? Forestry, you should have a copy. So I would ask you to check on that. We have copies that we can get hold of and then we can hand over to all of you because this inquiry will continue for some time as we get to the bottom of where we are in terms of protecting PNG interests with the export of this resource of ours. That's what's supposed to happen. You know, that's the whole reason why PNG Forest authority is in existence, and that's the whole reason why SGS has been engaged, all for the purposes of ensuring that PNG interests are protected.

But you do know that your engagement occurred because of that inquiry?

that you are aware of?

00;35;53 – 00;36;58

Yes, I am aware of the fact that there was widespread malpractices in the industry.

Gary Juffa

Thank you, Mr. Oii. My committee members might want to ask

Marsh Narewec

That dispute you have in terms of your payments, how do you resolve it? Do you have disputes all the time?

Foe Oii

I agree that it's been ongoing, but it had not reached this stage. The goodwill that's generated by the success of the project enables us to be able to talk to Treasury and say, listen, fellows, we haven't got any money to continue to operate. Are you able to do something?

00;36;58 – 00;37;33

Marsh Narewec

When you send your invoice or your bill, do they dispute it or they accept it?

Foe Oii

I'll be fairly honest, I don't think they pay attention to it.

Marsh Narewec

So they don't check the records whether you were there or?

Foe Oii

We've done what is required by the contract and provided them fortnightly replenishment and many a times we said we're waiting the payment of these replenishments, they say oh who did you give it to?

00;37;33 – 00;37;58

Marsh Narewec

They will come and say that no, this charge is too high or you didn't go there

Foe Oii

Previously there were people that came and disputed some of these things. We were able to sit down and resolve them. But in the more recent past, nobody's paid any attention to them and we are constantly chasing money.

00;37;58 – 00;38;21

Marsh Narewec

They never disputed your claim, but it's just that they did not pay?

Foe Oii

Yeah, exactly, what you're saying is right. They never disputed it. But it just does it just doesn't get paid on time. Paid on time.

00;38;21 – 00;39;30

Rufina Peter

For the logging companies that I guess continued to, to break existing laws in terms of maybe harvesting species that they were not supposed to harvest or loading more than they declared and which you then picked up by those tagging of the logs etc.. Was there any prosecution at all for repeated offenders?

Foe Oii

Not that I know of, but I know of an instance where we said, look, someone in the authority should do something and we were asked to provide a proposal of what may form a way to address these ongoing practices that were not right. It went to the forest board and got knocked on the head

00;39;30 – 00;39;51

Rufina Peter

Okay, so the responsibility lay with PNGFA to do the prosecutions based on your reports and recommendations?

Foe Oii

Yes, we were providing them with the objective evidence and it's up to them to prosecute. If they had reason to believe that that is the corrective action that ought to be taken.

00;39;51 – 00;40;22

Rufina Peter

But on the surveillance on the ground when the shipment was being done, you would have forestry officers plus SGS, is that correct?

Foe Oii

Yes, there are people there, projects people who are there, monitoring people who are there. They have their own monitoring people. We only become exposed to those logs as soon as they're declared for export, as soon as they're declared for export, it becomes our responsibility.

00;40;22 – 00;41;02

Rufina Peter

Okay. Which means that the information you have at the time of export is the same information that PNGFA officers have?

Foe Oii

No, because they outsourced that responsibility to SGS.

Rufina Peter

But in terms of being on sites, you are there together at the time of export?

Foe Oii

Yes. There are other people around. People who, by way of the procedure are responsible to look after other core requirements of the timber permits, the licenses, whatever else is the important requirement that remains the responsibility of the authority.

00:41;02 – 00:42;16

Rufina Peter

So my line of questioning is I'm assuming that because you are there at the same time, and PNGFA officers I understand would be there longer than when you come in because you come at the time of export or preparation for export, so I'm of the view that, or, I'm understanding that the information that's collected on site, when the vessel is going in, would be known to both yourself and the PNGFA officers on the ground at that point in time.

Foe Oii

They don't necessarily have to get involved with the inspection. That's the sole responsibility of the contractor, us the contractor. We only become aware of these things on the basis of the information that's provided to us. When we do our own checks, then we become aware and we look at the logs, the species is not right, the volumes, we put it through a computer and it shows us that this log may be slightly out of measurement because of scaling discrepancies that were introduced at some stage of the process.

00:42;16 – 00:42;58

Rufina Peter

Okay. So what does the PNGFA officers do on the ground while they are there?

Gary Juffa

Well, that could probably be an answer that the PNGFA could, because they are all here. So maybe Magdalena could probably elaborate on. But, but sorry before we go there. Marsh?

00:42:58 – 00:43:35

Marsh Narewec

At any point did PNGFA suggest to take over the role of SGS? You were contracted to do this inspection, at any point did PNGFA want to do that role by itself not contracting you like this. When you have disputes with payments and all this, uh not disputes but when they don't pay you and they want to take over, did they in any way show some interest in taking over your role?

00:43:35 – 00:45:02

Foe Oii

It would not be wrong to say that I don't think they have the capacity to do that as comprehensively as we would do.

Marsh Narewec

But did they suggest or give you some idea that they want to take over that role? Because I can recall sometimes back they put an advert on the newspaper to do some database on logs and do a system on logs or, is that part of

Gary Juffa

That would be different because what they do is inspect the shipments going out and it would be a function that in time and if I may cut here, sorry Foe, to my understanding when SGS was contracted, one of its responsibilities was to develop the capacity of PNG Forest Authority to carry out this responsibility. Was that ever the case? Did they ever feature? Was that something that was supposed to happen or was that suggestion ever brought to you?

Marsh Narewec

Maybe, Governor, was it included in your contract for you to build the capacity of PNGFA to take over that role?

00:45:02 – 00:46:13

Foe Oii

Okay, I'll answer this question indirectly because we have to go back to the original stages of the contract. The original idea of the state was that it was going to be developed as a turnkey project. Turnkey meaning we start it up, get it fully functioning, then we hand over to the Forest Authority.

Gary Juffa

So but this never happened?

Foe Oii

After some time, government came back and said, no, we don't want to do that. We must have this independent monitoring service because it will improve our image and our reputation with our development partners. That's a decision of the State. We stayed on because they moved away from this turnkey idea into State funding it and independent monitoring

00:46:13 – 00:47:01

Marsh Narewec

When they made the decision, is that decision official? Can you submit evidence that that decision has been made?

Foe Oii

I think we have to go back and find out exactly how that decision was made. Initially, when I got involved, it was a turnkey operation, get it going and we'd recruited enough people and train them for that reason. And then after that decision was made, we kept the people, included as part of the contract arrangement was that every log that we inspected out in the field, we'd bring it back to our head office and it all is captured into our database.

00:47:01 – 00:47:21

Marsh Narewec

Okay, so the state changed the idea?

Foe Oii

Yes, they changed the idea of it being a turnkey project into a outsourced service provided by a third party, independent with reputation.

00:47:21 – 00:48:59

Gary Juffa

Thank you, Mr. Oii. We're here to have a conversation to find out, you know, where we are, what's been happening, and how we can improve. It makes sense at that time, I think it makes sense that a third party should, for the purposes of transparency and good governance, it's always good to have an independent party carry out their inspection activities. So SGS is a fairly reputable organization, international organization. They carry out these types of services in many parts of the world, you know, so it does give a tick. What we will then do is come to the PNG Forest Authority and then find out what they did so that this tick that was given was a valid tick, you know, so to speak. So we'll be coming to PNG Forest Authority. Magdalene, if I may start. Magdalene, how many years have you worked for the PNG Forest Authority, if I may ask?

Magdalene Maihua

Almost 30 years.

Gary Juffa

So about as long as SGS has been engaged. During your time in, I would assume, in various capacities, but would it be fair to say that during your time you are fairly aware of what SGS does? Is that correct?

Magdalene Maihua

Definitely, chairman.

00:48:59 – 00:49:55

Gary Juffa

Okay, and you're fairly aware of the services they provide and the reports they produce, am I correct?

Magdalene Maihua

That's right.

Gary Juffa

Okay. So in the reports, according to what we just heard, there is discrepancies that are highlighted. I think the question we want to get to is what happens with these discrepancies? What does PNG forest authority do with these discrepancies? Because I'm assuming and then I'll come back to you again, the discrepancies detail

the value, am I correct? So for instance, if you've got volume of timber, say this particular company is supposed to export 2000 cubic meters, they end up putting 3000 cubic meters, that 1000 extra cubic meters. That is the discrepancy. What happens with that information? What does PNG forest authority do with that information?

00:49:55 – 00:52:45

Magdalene Maihua

Thank you, chairman. Before I answer, I have two of my officers who actually deal with SGS matters and export matters too, with me here. The director for economic and trade and Investment, as well as our corporate strategy planner. And if there's anything that they will explain on this SGS engagement Ms Daugil will come in. But on the operational aspects of it, on the discrepancies, I will take that. Per the log export procedures, yes SGS does the export monitoring and surveillance, but whilst on the ground, that's one thing that is not written out in the report, all the discrepancies are always being remedied before the logs get loaded onto the ships because apart from the PNGFA officers, the SGS officers, and other stakeholders, the landowners' eyes are on us all the time because of the fact that if there's any discrepancies and they are not receiving the right benefits, they will come back to us maybe through the courthouse here at Waigani or elsewhere in the district. So because of that, our officers on the ground, a lot of them have been, when we started, they were on secondment to SGS, but over time they've migrated back to PNGFA. So we have officers there and we have project monitoring officers and boarding offices in all the provinces in which SGS provides the service monitoring and surveillance services.

So in terms of discrepancy, that is all been sorted out in the field prior to the logs being loaded. Without that, even the customs would not allow the logs to be loaded onto that ship. That's the other party that's in the field as well to. And in terms of SGS, how they came through and where we are today, may I ask Ms Daugil to go through and expound on that

00:52:45 – 00:53:35

We will continue with you first and then just get to the. So all these issues are resolved before the shipment goes out?

Magdalene Maihua

That's right.

Gary Juffa

So there are no penalties applied to companies who have discrepancies?

Magdalene Maihua

If those discrepancies are all being sorted out, from our end, we realize that that's been sorted out so we can't be penalizing the company again.

Gary Juffa

So when you say they've sorted it out, that means obviously another inspection is carried out to make sure it's sorted out?

Magdalene Maihua

It's normally been discussed between SGS and our projects supervisors on the ground. And it's sorted out before the logs are loaded onto the ship.

00;53;35 – 00;54;12

Marsh Narewec

When you say sorted out, what do you mean? Give an example. Like the volume, if they declare the volume as say 3,000, but they are trying to ship 6,000. So that's the discrepancy of 3,000. So when you say sorted out, what does that actually look like?

Magdalene Maihua

The logs are actually removed from the pile of logs that are destined for export before the ship leaves

Gary Juffa

And then what happens to that pile of logs that are removed?

00;54;12 – 00;55;25

Magdalene Maihua

They are sent to the sawmills. Most of the companies have got sawmills, so the reject logs, even in line with project agreements and the timber conditions, all the reject logs must not be wasted. They must be all sent back to the sawmill for sawmilling.

Gary Juffa

So what if companies don't have sawmills in those locations? What happens to the logs then, do they ship them coastal shipping to another facility, to a processing facility somewhere else, or

Magdalene Maihua

We have provisions in the project agreement that allows for local or in-country local log sales. So when that happens, if there's an excess of reject logs they have it sold to other destinations or other provinces that have sawmills.

00;55;25 – 00;56;00

Gary Juffa

So none of these discrepancies are ever exported. Is it fair to say that?

Magdalene Maihua

No.

Gary Juffa

Okay. So once discrepancies are discovered, they are consumed in country. And, forgive me if I'm not familiar with the how PNGFA works or the laws or policies. But can PNGFA take those logs and then sell them? From the back of my head, I thought that there was a provision that allowed for that where PNGFA can actually take those discrepancies and sell them. Is that the case or not?

00;56;00 – 00;56;46

Magdalene Maihua

No, chairman. The fact that the timber permit is held by the company or the logger, the log belongs to them. That's why the permit also always emphasizes that there should be a processing mill in most of the provinces so that if one company does not have a processing mill, they sell it to the other counterparts within the province where there is a sawmill.

Gary Juffa

Okay. And you do confirm that? Do you have a means by which you can confirm that

that actually happened and it wasn't loaded on the barge and shipped out, for instance?

00;56;46 – 00;58;12

Magdalene Maihua

Yes, we have reports from the project supervisors that work with SGS to provide that. And without that, the ship will not set sail. And without that, as I've said earlier on, customs will not allow the ship to leave.

Marsh Narewec

Okay. What if they have discrepancies, can they at that point then modify the declaration again? Instead of, like they declare 3000, but they're shipping 6000. Can they, instead of removing those 3000 additional, can they modify the declaration so that it can go through?

Magdalene Maihua

That can be done depending on SGS and our projects supervisors on the ground, if they can be able to allow and make sure that those logs are actually being identified and if there's a species misidentification, that must be identified because royalties are paid based on the different species. Without that, PNGFA as well as customs will not allow the ship to leave

00;58;12 – 00;59;00

Marsh Narewec

But they can modify the declaration?

Magdalene Maihua

It can be modified. So long as it's remedied in the field before the logs have been loaded and they must be recorded for monetary benefit payment purposes.

Rufina Peter

So if it's a case where it was intentional, has there been any prosecutions done, especially for repeated offenders, like whether it's species or whether it's numbers, the volume. has there been a case where there is strong evidence for PNGFA to prosecute?

00;59;00 – 01;00;20

Magdalene Maihua

Honourable member, there's no case that I'm aware of at the moment because of the fact that many of those issues are sorted out in the field before the ship sets sail with the logs unless maybe it's happening in the middle of the sea that's outside of our interests. It's beyond PNGFA's control, but if it is at the log pond, that's been sorted out. Recently we have not had any of those because the misidentification of species as well as maybe the volume that's been sorted out before the ship is cleared by customs for it to set sail.

Rufina Peter

So in terms of the reports that SGS does to PNGFA, have you been satisfied with their reports or are there aspects of what they do that you may have issues with and how did you address those, if any?

01;00;20 –

Magdalene Maihua

Member of the discrepancies? In terms of discrepancies, we all sort it out before they leave because we have to come to some agreement, meaning that those problems must be sorted out. That has been done. So at the moment there's issue, I mean, in the recent past I should say.

Rufina Peter

So the reporting that SGS does to you, you don't have any issues with it?

01;00;55 – 01;01;35

Foe Oii

Can I say something supplementary? What the committee has to understand is what she's said is basically that procedure says if in the event the exporter declares more than what has been authorized, endorsed by the Papua New Guinea Forest Authority, in a case like that the procedures got very clear criteria on how that is managed, one of them is that if the project supervisor says that's okay they can take those logs, with our system, it captures all that so the state is not losing any money.

01;01;35 – 01;02;14

Marsh Narewec

Okay, very good. So you don't go into dispute with them for not paying your bills? I mean they don't dispute your bills, but they have not paid you. So my question to the chief operating officer is you don't dispute their bills, but you're not paying them. Is there some issues why you're not paying them? Have they not performed according to their contract?

Magdalene Maihua

Thank you, Member. I'll get Ms Daugil to answer that question.

01;02;14 – 01;06;48

Verolyne Daugil

If I may go back to 2022, SGS Country Director mentioned that there was an outstanding of 12 million. During that time we were given funding from the government. Allocation for SGS was about 8 million, there was a supplementary budget that cut that funding. Former country director was Mr. Bruce Telfer, from PNG Forest Authority, we communicated that to SGS that the government gives us the funding to fund the contract. The contract basically is a 5 million contract engagement that's been there since 1994, and the funding allocation comes through under a budget appropriation for PNG Forest Authority to fund. As our country director for SGS has mentioned, during the years the price of providing those services has gone up. Their budget has roughly gone up to 8 million to 10 million. Despite the cost going up, the contract stands at 5 million. So PNG Forest Authority has more or less as been trying to pay off that shortfall. We have had a lot of good discussions with Department of Treasury to do funding assistance to provide to SGS. There has been communications which we have copies of given to the country director, including Department of Treasury Secretary as well stating that we can only fund whatever the government allocates us in the annual budget.

And despite those communications, SGS has not been willing to continue their services with PNG Forest Authority. We have made full payment of the outstanding as of December of last year, noting that of the appropriations that's given to PNG Forest Authority for SGS is catered. When we get delays in our warrants being released, delaying our funding being given, that delays our ability to pay our contractual obligations.

And so PNGFA is strategically having those discussions with our service providers, including SGS as well, talking with them to continue providing reasons. But this is a result of those discussions coming to an end. PNGFA has in place certain actions to take, under the contract, we were not able to engage any other independent log export monitoring company because we're still under contract with SGS.

You will note that there is a supplementary information on the ending of the SGS

contract in April and that then allows us to get a new contract. But there is an NEC decision that's appointed for SGS to be contracted to PNGFA to undertake this log export monitoring services. It's initially a function of the PNGFA. As a result of the Barnett inquiry, that's been outsourced now to an independent company, as part of, like the country director said, part our good governance and reporting, etc.

So we did pay the full amount of 12 million. In actual fact, when we actually did our balance reconciliations, we paid the total of 15,000,000 to SGS. There are several correspondences that's been written from the managing director to the SGS Country director to re-engage their services to continue, however the response coming back has not been positive, and I believe that is why we are here today.

PNGFA knows the importance of the work that SGS does in terms of providing those important services, not just for the government, but there are other stakeholders as well like our chief operating officer mentioned, there are resource owners who depend on those reports as well.

01;06;48 – 01;07;46

Gary Juffa

Okay. From what SGS have mentioned, the few things I've gained that this service is for purposes of good governance and transparency so that we are deemed by our partners, development partners or international organizations to be doing the right thing. So for 14 to 15 months, it's just has not been operating, have we had log exports during this period of time? I'm assuming that logging companies are exporting logs in these 14 to 15 months. Am I correct, Madeleine?

Magdalene Maihua

There has been.

Gary Juffa

And how are they being accounted for if SGS is not doing the inspections? Who's doing the inspections?

01;07;46 – 01;08;56

Magdalene Maihua

Chairman, our officers, some of them were ex SGS officers that were part of the secondment batch in 1994 and 1995

Gary Juffa

So we've just heard that SGS themselves have said that they feel that being GFA does not have the capacity to do this. So now we're moving away from a good governance mechanism that was in place and we're now doing this ourselves. So how does that affect the good governance mechanism? You know, from what I understand, we have an independent entity conducting these inspections. The whole reason why we have an independent entity conducting these inspections is because there was corruption, fraud and organized crime activities exposed by the Barnett report. So have these issues been rectified, so now we are okay to be able to do these inspections ourselves? I'm just trying to understand this.

01;08;56 – 01;09;36

Magdalene Maihua

We use our own officers to do the work. But the question of whether it's credible or not credible, it's subject to another party or this committee to determine.

Gary Juffa

Okay, so your officers are now carrying out the work of SGS. They are deployed and doing the work of SGS. And they are trained do this. They have the knowledge of how to do this?

Magdalene Maihua

Yes, over time, they've been working with SGS in the field. Those are the same officers now taking up the export surveillance and monitoring on the ground at the log export sites.

01;09;36 – 01;10;11

Gary Juffa

We can say, for instance, we would feel comfortable that we've got an independent party picking up the discrepancies, are your officers picking up the discrepancies now? Have there been any discrepancies detected by PNGFA since they've been doing this inspections?

Magdalene Maihua

No, it's just since March last year that they took up that responsibility.

Gary Juffa

March, last year or March, this year?

Magdalene Maihua

Last year up to today.

01;10;11 – 01;10;48

Gary Juffa

Okay. So from March last year to now did PNGFA pick up any discrepancies in log shipments?

Magdalene Maihua

That's subject to verification and reporting again.

Gary Juffa

I'm assuming you have the reports and verification. Are you able to produce the same sort of reports that SGS has been producing? They produce a monthly report. And in the monthly report, they detail all the species of logs and the volumes per shipment that leaves PNG. So I would assume that PNGFA would have similar reports of their inspection of every shipment leaving Papua New Guinea.

Magdalene Maihua

That's right.

Gary Juffa

Okay. Can we have copies of those reports? We'd like to have a look at it.

01;10;48 – 01;11;58

Magdalene Maihua

We can be able to provide that.

Gary Juffa

And then we want to see if they've picked up any discrepancies as well. To your

knowledge, have they picked up any discrepancies?

Magdalene Maihua

Not that I know.

Gary Juffa

Okay. So when SGS was conducting the inspections, from my recollection, almost every shipment there was a discrepancy. Am I correct, SGS?

Foe Oii

Yes

Gary Juffa

But now, since PNGFA is doing the inspections, there are no discrepancies. You know how interesting that sounds that for 30 years SGS does inspections and every shipment that goes out, there's a discrepancy. And now when PNGFA takes over the inspection responsibilities, there are no discrepancies. This is very interesting and unusual. The other question I wanted to ask, Magdalene, just going back to the first discussions in regard to royalties and customs involvement, royalties are paid per cubic meter, am I correct?

Magdalene Maihua

That's right.

Gary Juffa

And they differ according to the species to the landowners?

Magdalene Maihua

Yes

01;11;58 - 01;13;31

Gary Juffa

Okay. Now, if logs are not exported, are the royalties still paid?

Magdalene Maihua

Thank you, chairman. Royalties paid and it's based at the stump level, where the logs are cut. And the measurements that are being taken at the stump is the volume that is used to pay. Pay is based on log harvest. Different species have different rates. With more prime species like Kwila ranging around K42 per cubic meter.

Gary Juffa

So if they're not exported and the discrepancies are sent to some other, the same royalties applied. It doesn't matter. Right?

Magdalene Maihua

That's right.

Gary Juffa

Thank you. Sorry, I'm not familiar with how this works. I'm trying to understand how it works. It's quite useful information, but yeah, it's interesting what we have just revealed here, because I would imagine that Pengfei would still be detecting discrepancies, you know, so I'm assuming and forgive me for being overly suspicious, but they're not discovering discrepancies, that mean no logs are being taken off the ships. They're all loaded and just sent off because there are no discrepancies. Is that a fair comment?

01;13;31 – 01;15;41

Magdalene Maihua

Chairman, it's fair. But again, it's subject to us going back and verifying it with the officers on the ground.

Gary Juffa

Okay. Maybe when we get those reports, they will probably elaborate. I think they might have them in the report. We don't have the benefit of having those reports so maybe we can have a look at those reports. Going back to the image of good governance, we are now at a stage where PNG, you know, is in danger of being put on the grey list. And Secretary for Treasury, you'll be the one to pay attention to this. One of those concerns would be because of the fact that we don't have a third party conducting these inspections. So I'm curious to know if that's the case, what are we doing about preventing, I mean, we must be doing everything correct so that we don't get on the grey list. Am I correct, Secretary? We are very worried about that.

We don't want to be on the grey list. Once we're on the grey list, there's going to be some problems for all of us.

So one of the things that would get us on that grey list is not having a transparent, good governance mechanism for the inspection of our logs, because now the world is very worried about what's happening with the environment, with the forestry sector, and they want to make sure that we're doing everything right. In fact, I believe in Europe and you may correct me, Magdalene, in certain parts of the world, they're not going to accept our timber, you know, because they're very concerned that it didn't come about through proper processes and means, etc.

And from my own knowledge and I might be speaking out of turn and if so, you can correct me, but I would imagine that we have to be doing everything possible to maintain an entity that's a third party, that's an international organization that's trusted to carry out these inspections. So any one of you can answer this, but what are your thoughts on that?

01;15;41 - 01;17;27

Andrew Oaeke

Thank you, chair. I think what you have mentioned is very critical. And I think that it boils down to the reputation of the sovereign nation, it's because, you know, Papua New Guinea is recognized as one of those biggest if not second or third to the Amazon forest in terms of the climate change agenda.

And I think more recently, as you are aware, that, you know, the government has been engaging a lot of our development partners in terms of the support that we receive, not only on the monetary basis, but also from the technical basis that we have had with the IMF. There is a couple of things that we have in place, what we call a structural benchmark in terms of how we go through these IMF reviews. Now we are into review number four. And one of those involves structural benchmarking, which has some reference to what we call the Resilience Sustainable Fund, which is very much climate climate related in terms of our infrastructure development and any reforms development that is undertaken, they should have that aspect of climate component in that. So it does and we have brought in to look at it very closely as well.

01;17;27 – 01;18;31

Gary Juffa

Thank you. Secretary. From your perspective, we have SGS engaged for the last 30 years. Funding has always been made available. Is there a reason why that's no longer happening from your perspective? Or maybe PNGFA. Why we no longer have SGS engaged because in my opinion, and I'm sure my colleagues here share the

sentiment, that third party entity carrying out those inspections is very important. And from what I've just understood here and again, we have to look at the reports from PNGFA. But if PNGFA, in the last efforts of it conducting its inspections cannot pick up discrepancies, that in itself is an alarm bell that I would say warrants reconsideration of engagement of SGS or a reputable third party, you know, that does similar work. So are you aware of any efforts to re-engage SGS or ensure that this funding is available so that that mechanism for good governance purposes is in place?

01;18;31 – 01;21;48

Andrew Oaeke

Thank you, chair. I think it's uh, we were concerned when this contract was terminated or is not in place anymore because from where Treasury sits, there are a couple of things we see the value in terms of this report being provided, one in terms of our revenue projection, two in terms of the contribution it does to the general economy, in terms of our GDP. It was out in the non-resource sector, which is our revenue base and, of course, one aspect of it is we are trying to make sure that there is always budget available for it. Because of the value, the importance that attracts to this engagement, annually we make provisions for that, about 5 million in a budget.

There was some references made to a supplementary budget where this funding was cut. I will go back and look into that very closely because when we come to a budget process in terms of supplementary budget, there's a number of things when we consider supplementary budget. And as you know, in November every year the government passes the budget and that's based on revenue projections. But very much in terms of our expenditure, it's fixed. It's the projection that's estimated, we try to see throughout the year whether we are able to meet our bottom line in terms of our deficit and throughout the year, what we call a mid-year economic review, MYEFO, which happens in the sixth month and based on that we see a projection based on the performance of the economy or the revenue for the first six months, we will recast again to see whether our budget, the bottom lines in terms of our deficit, whether it's on a whole. So again, to protect the integrity of our budget. So in the process when we realize that there is going to be a revenue shortfall and what we do is that we then adjust the budget. So then we have a supplementary budget that can be done only with our expenditure.

Certainly, when we go into that, we look at categories that we try to and some of this is mainly we look at our development budget in terms of the projects, their performance, where they are at the moment or we can make some adjustment. But what we have in terms of some of our contractual expenditures, for example, such as the SGS contract, we will definitely protect that and not to be touched.

So I think that was one of the reasons I tried to get my officers to look at that in a

short period of time to make sure that we had that available. But going forward for this year, we have an appropriation of 10 million set aside and we will await because as you know, Treasury relies on entities who are out there working closely with those industries. They have the knowledge and expertise in that regard. So we rely on their expertise to come forward and then we try to assist in meeting those special contractual obligations.

01;21;48 – 01;22;37

Gary Juffa

Thank you, Secretary.

Rufina Peter

Just in terms of the importance of the services that are provided by SGS, just seeking clarity from you, Magdalene, whether at the board level or at the management level, discussions were held around the outstanding and the vacuum here for the 14 to 15 months of them not being operating.

01;22;37 - 01;23;48

Magdalene Maihua

Thank you. Member. I would like to say that my managing director, before he fell sick, for the last one or two weeks, he has been in communication with the general manager, Australia SGS and hopefully by next month he should be down in Australia to renegotiate this agreement again. So there is some communication with SGS Australia, with my managing director and we are looking at reengaging them again.

We have realized that the vacuum that they have left is, you know, it's not a good image for the nation itself, as chairman has said. So that's why my managing director has gone ahead to liaise with SGS Australia. So hopefully within the next two weeks they should be able to meet together to pave the way forward for reengagement of SGS, which means that we have to relook at the agreement

01;23;48 – 01;24;31

Rufina Peter

So during the gap that has been prevailing, the 14 to 15 months gap, in terms of the volumes of exports and other key indicators, is there much difference from what SGS doing and what PNGFA is doing trying to fill the gap?

Magdalene Maihua

Member, as I said earlier on, at this point in time I can't be able to answer your questions directly, but we will come back. We have do our homework on the ground first.

01;24;31 –

Rufina Peter

Okay. So one of the key things that I think I'm understanding here is the cost of the contracts I understand that in 1994 it was 5 million per month, I assume contract and now is at the value of almost 10 million per year. Is that correct? And how has that been captured in terms of the resource allocation through the annual budgets?

Magdalene Maihua

The funding is actually coming from Treasury. I believe secretary would be in a better position to address that.

Andrew Oaeke

Yes, we have for 2025 an appropriation of 10 million that's in the budget for this year. And I think that's the information that we gathered from the Forest Authority in terms of the contract. So that's based on that, we have made that. So we do have a funding provided for in this year's appropriation.

Rufina Peter

Okay. And it's reflective of the increasing costs.

Andrew Oaeke

I think so. That's why we have provided. It was in the past, what, 5 million and of course, honourable governor, any time a price increases, we like to know about it, were they able to justify that increase in their cost, because also what we do realize is that across globally, I think the demand in terms of the export logs have kind of subsided a little bit. So we're trying to see these and try to understand some of the cost that's associated. And I think this is a timely inquiry into these and we'd like to have a good appreciation of that cost.

01;26;39 – 01;27;51

Marsh Narewec

So, you actually ceased the contract? SGS, you stopped working and that's how the contract gets ceased?

Foe Oii

Yeah, because of the nonpayment of funds. We exercise our right.

Marsh Narewec

Am I right to say that previously you have the ability to pay the bills, but then all your fees are now being transferred to Waigani accounts?

Gary Juffa

Treasury has always paid them?

Magdalene Maihua

As per the NEC Decision. The NEC came and then the contract, followed by the NEC Decision in 1994.

Marsh Narewec

So that's the responsibility for the Treasury to pay?

01;27;51 - 01;28;41

Magdalene Maihua

Through PNGFA

Marsh Narewec

So you have not been receiving funds from Treasury, so that's where you have not paid them? My question to you. Because Treasury has to pay you, release funds to PNGFA to pay SGS. So, my question is, have you not been receiving these funds from Treasury?

Magdalene Maihua

Thank you. I'll let Ms Daugil answer that question.

Marsh Narewec

Can you make it short? Have you been receiving this? We know you have those budget items, did those funds for SGS come to you and you release to them or they have not been coming to you so you have not been releasing them?

01;28;41 – 01;29;23

Verolyne Daugil

As I stated, in 2022 supplementary, there was a cut, which they provide the service and then we kind of reimburse. They provided the service but because there was a supplementary budget cut we were not able to pay that amount, that's how there's a accrual of all those bills. In 2023, funding was provided, it was delayed until December. We've cleared all the outstanding and actually paid 3 million exceeding the actual bill.

Marsh Narewec

What about 2024?

Verolyne Daugil

2024 as well.

01;29;23 – 01;30;38

Marsh Narewec

That was after they ceased the contract, you paid them all the bills

Gary Juffa

The bills were still outstanding. The contract hasn't ceased, am I correct? It's just on hold at the moment.

Magdalene Maihua

Yeah the contract was never ceased. But their services was terminated by themselves. They ceased to provide that even though we have sent numerous letters for them to provide the service, it fell on deaf ears so we never bothered. Until April because of their non provision of services, we terminated that agreement in view of engaging another party. But then, as I said earlier on, we realized that we still

need their services because they're the ones that have all the facilities, infrastructure, everything already in the country. And the other thing is that the facility that they're occupying in PNGFA has no rental fees, you know, against the company, it's free.

01;30;38 – 01;30;58

Marsh Narewec

I think it's just a matter for you guys to negotiate a new contract.

Gary Juffa

I think that's what's going to happen eventually, there's discussions for that.

Marsh Narewec

You don't want the problem from previous contract to move on to new contract.

Gary Juffa

Well, I think PNGFA has already cleared the all fees am I correct?

Foe Oii

That's right

01;30;58 – 01;32;02

Marsh Narewec

But still the issue of paying is not coming directly from PNGFA. It's from Treasury to PNGFA to them.

Gary Juffa

We have the Treasury office here and they've just advised how important they feel this is so which should be good. Thank you very much, all. We'll be wrapping up shortly unless we have any more questions here. But just a curiosity, I wanted to ask SGS. SGS, with your reports, you normally point out the customs duties that have been saved as a result of your work that you've performed. So I'm just curious about that if you can elaborate, because if the discrepancies are not exported, but are consumed internally, that means there's no customs duty payable on that. So I'm just

curious, how have customs duties been saved?

01;32;02 – 01;32;58

Foe Oii

The process is set up in a way that we calculate and compare what duty

Gary Juffa

Would have been evaded if they had?

Foe Oii

Yes.

Gary Juffa

Okay, I see. If those discrepancies had not been detected and they had been shipped out. Okay. So say for instance, the certificate I remember would say 3000 cubic meters, but 4000 cubic meters was shipped and that 1000 was not detected, then what you're saying is that the customs duty applicable on that 1000 would have been evaded had that detection not have occurred. Okay. So I just wanted to clarify that. None of us are experts in your field. So we have to ask these questions. So thank you for your patience and for bearing with us on this.

01;32;58 - 01;33;31

Rufina Peter

Just about going from logs into downstream products in forestry, because that's really the government's push now, how has PNGFA taken that on board in light of what we are doing now, it will obviously affect the contract going forward, but I just wanted to know how exactly are you moving into that direction of moving away from logs and moving into downstream?

01;33;31 – 01;35;23

Magdalene Maihua

Thank you, member. It's the responsibility of Ms Daugil, Director for Economic and Trade and Investment so she will answer that.

Verolyne Daugil

Member, we have in place a downstream processing strategy that was approved by the Prime Minister for 2019 to 2024. We're currently reviewing that. Just to make note, the last 6 forest management agreements have all been under 100% downstream processing. And currently we have the state marketing agency that's known as PNG Diwai Holdings Limited, that will be responsible for driving the four industrial paths that will be established throughout the four different regions. That's been approved by NEC Decision 114 of 2023. Currently, we have in place strategic plans to implement the downstream processing plans that the Government has for the forestry sector. We know that currently we export about 300 million cubic volumes of logs. So if we are going to the downstream processing, that means we have to absorb that kind of capacity we are currently exporting. So the processing facilities that we'll be building has to strategically cater for that kind of volume. So currently we're processing, if I'm correct, 5% to 10% of our current volumes. So that is a challenge for PNGFA, but we have strategic plans in place on how to address that in the medium term.

01;35;23 - 01;38;12

Gary Juffa

Thank you. We'd like to see those plans and that would be the next step. Thank you. Governor. Do you have any further questions? Okay. So, in our next meeting, we would like the reports that we've asked for and also those plans. We want to see what your plans are to be able to ensure that we have the downstream processing facilities being built. I mean, the strange thing is we actually did have downstream processing facilities until for some reason we decided to scale them down and allow round log exports to take over. I think the next question would be how do we determine that these logs are coming through a process, a legal process, so that when we downstream process because certain markets are going to be very keen to understand where these logs came from, you know, how they came, you know, and I can't speak about other provinces, but I can tell you about my province. There are two illegal logging operations. I insist they're illegal. You guys have issued permits and licenses. To me, they're still illegal because they are delving into traditional land. And I have got report from my landowners, we've taken the matter to court. One of these matters is stuck in court still. And as far as I'm concerned, the companies that are operating there are not operating according to how they ought to operate. For instance, they're logging in incline areas. They're logging along waterways, they're going past their permit areas into traditional land. And, you know, those, in my opinion, become tainted logs. If you get logs from, these areas it's tainted logs that we are now going to be processing and exporting. It doesn't do well for good governance.

Reforestation. Again, we just recently won another court case in Oro. The Ifane

project. These characters that were there were supposedly embarking on tree planting programs. There is not a single tree that has been planted by these companies. Your organization is not making an effort to get on the ground and inspect and stop these habitual offenders from carrying out their activities. It's still happening, you know, and there are many somewhat similar incidents, not just in Oro province, but throughout the country where you have very bad actors that are running around completely blatantly disregarding our laws and just basically plundering our forests, you know? And I'm sad to say that PNGFA is not anywhere to be seen, you know, the one Collingwood Bay, we found that the Provincial Forest Management Committee had not endorsed that particular project.

01;38;12 - 01;40;02

Gary Juffa

So these are some of the discrepancies. I've written to MD several times about this. So I would like from this moment I want reports coming to me as well, and I will declare that I have a conflict of interest because it's in my province. But I want to know all the documentation in regards to these two logging operations that are taking place in my province and how they came about.

So if we're going to be doing similar things going into downstream processing, how are we going to assure the rest of the world that our timbers are coming from properly mandated logging operations or forestry development operations. Yeah, so that'll be our discussion for the next session onwards. In the meantime, if you can all the information you have and forward them to our secretariat, we would really appreciate that.

And thank you so much guys for turning up and giving us this time. It's been a pleasure to understand how you work and also, please don't hesitate to highlight, this is also your opportunity to highlight the challenges you face as an organization. You're supposed to be protecting our interests, but if you don't have the tools or the means to do that, then you have to come and say so. You have to say, well, we could do a better job if we have this or that, you know, so this is also an opportunity for the organizations to come and say these are some of the challenges we face. So collectively we find solutions to the problems that are confronting us. Other than that, thank you very much, ladies and gentlemen, for coming to our inquiry.

Thank you very much, Governor. Thank you very much to the chairman, my colleague, Chairman, for another parliamentary committee that he is chairing. Very important one, ICT. Sorry, communications. If there's any further comments, Governor.

01;40;02 – 01;40;56

## Marsh Narewec

think I just hope you guys work together to renew the contract, and all the problems of previous conduct can be addressed in the new contract, especially the payment pathway, so they can do their work. You're doing good work. You should continue. They have the system, I don't think you guys have it so you need their system.

## Gary Juffa

Thanks, team and thank you to the media who stayed and reported or who are going to report. We will be reconvening at some future date and then hopefully your MD will be able to attend. I'm sure he will be better by then. We can have more robust discussions on how we can go forward.

~ End ~

## A.5 WITNESSES BEFORE THE COMMITTEE HEARING 1

Table 1 lists the organizations present as witnesses before the Committee at this hearing

| Organization                      | Represented by:                                    |
|-----------------------------------|--|
| Papua New Guinea Forest Authority | Magdalene Maihua, Chief Operating Officer          |
|                                   | Verolyne Daugil, Director Economic and Investments |
|                                   | Mark Pilon, Corporate Strategic Planner            |
| SGS PNG Ltd.                      | Foe Oii, Country Manager                           |
| Department of Treasury            | Andrew Oaeke, Secretary                            |
|                                   | Hans Marbis, First Assistant Secretary             |

## A.6 LOG EXPORT INQUIRY - HEARING 2 TRANSCRIPT

Date: 6<sup>th</sup> August, 2025

Time:

Venue: Parliament House, B2 Conference Room

00;10;48 - 00;11;37

Gary Juffa

First and foremost, I will introduce my colleagues, Governor William Powi, governor for Southern Highlands, and Governor Sir Peter Ipatas, Governor for Enga province and we formed the Quorum. The other members, unfortunately, Governor Rufino Peter is ill and she could not make it so she has passed her apologies. Honorable Member for Wau Waria the Honorable Marsh Narewec is attending to another matter at the moment, but he is on his way here once he has attended to that matter, he will be here. So just to set the pace, I'll make a few comments and then we can continue from there on. I am the chairman of the Special Parliamentary Committee on Public Sector Reforms. My name is Gary Juffa and I am the governor for Northern Province.

00;11;37 - 00;12;21

Gary Juffa

First and foremost, I want to welcome you all here and basically assure you that this effort is an effort to try to find solutions to problems that plague our nation, and specifically, what are the issues confronting your organizations in, you know, in relation to this particular subject matter that we are inquiring into. And this is into the PNG Forest Authority and the engagement of SGS on round log exports. This is cognizant of the fact that it is the Marape-Rosso government's intention to put a stop to round log exports in 2025 and look at encouraging downstream processing.

00;12;21 - 00;12;44

Gary Juffa

This is also cognizant of the fact that we have had two inquiries into the forestry sector and the activities in the forestry sector that have brought concern to decision makers and concern to the people of Papua New Guinea in regards to how the sector is managed and how the sector is managed in such a way that benefits the stakeholders, especially the people of Papua New Guinea.

00;12;44 – 00;13;33

Gary Juffa

We've had many reforms proposed. The inquiry's themselves have made recommendations and we want to know what has happened to the recommendations since those inquiries. A lot of taxpayer money was spent and there are always allegations, as we know, allegations of improper dealings by various organizations in that grouping. So this will be a protracted hearing. It's not going to be a hearing that's going to be over after this. And then we go back to work and everything's fine. This is going to continue for some time until we bring about necessary reforms that will ensure that the people of Papua New Guinea are benefiting as much as they possibly can from this very important sector, the forestry sector.

00;13;33 – 00;13;45

Gary Juffa

One of the major reforms in the forestry sector imposed in 1994 was the introduction an independent pre shipment inspections of all round log exports.

00;13;45 - 00;14;25

Gary Juffa

This vital service ceased since December 2023 and appears to be publicly unavailable evidence on the urgency to fill this vital gap. There is risk to revenue, risk to national forest stock and risk to potential fraudulent export of extra logs and misdeclaration of logs species. So we are applying here to sorry, we're meeting here to basically go through this and determine accountability so that we can renew pre shipment inspection after 18 months of the absence of the independent monitoring of shipments.

00;14;25 - 00;15;01

Gary Juffa

And we aim to discuss this afternoon is pre shipment inspections going to be restored at all, status of export permits signed by the Minister, Audit Trails, and PNG Forest Authority trust account funding, roles and responsibilities of organizations such as Customs, Treasury, Finance. Eventually, down the line we will also be having discussions with organizations such as the Environment and Conservation Ministry and the Internal Revenue Commission as well, and perhaps even the central bank.

00;15;01 - 00;15;26

Gary Juffa

We will also be considering bringing in few of the key players in the industry, many of whom claim to be involved in agro forestry projects. But from my information, they are hardly doing anything agro. There are a lot of forestry but very little agro. For instance, I can say this from my own experience in my own province where two logging operations claim to be involved in agro activities.

00;15;26 - 00;16;03

Gary Juffa

I could tell you on the ground there's no evidence of any activities that indicate that there's some agricultural activity taking place in those areas that are being logged. So that's basically setting the pace for our discussions. The government organizations, established authorities, ministries, departments, etc. are designed specifically to protect the interests of Papua New Guineans. Is that adequately being done? While we invite investors into our country, we invite them to come and behave in accordance with our laws.

00;16;03 - 00;16;25

Gary Juffa

We ask them to come and carry out their activities in such a way that they abide by these laws. They pay their taxes, they acquire their licenses and permits in a transparent manner, and they respect this country. Are they doing that? And are the government organizations and entities responsible ensuring that they are doing that, for instance?

00;16;25 - 00;16;49

Gary Juffa

That's what we hope to achieve with this inquiry, and we represent the people of Papua New Guinea. This committee. We do not report to executive government. We report to the people of Papua New Guinea, the summons that we issue carry significant weight. They carry the weight of the expectations of the people of Papua New Guinea who have elected us here to serve them without fear or favor.

00;16;49 - 00;17;19

91 | Page

---

Gary Juffa

Just as many of you who are public servants have signed an oath to serve your country without fear or favor. So thank you very much for coming. There is going to be no finger pointing. There's not going to be any accusations of wrongdoing here. There's basically going to be a discussion of what can be done so that we can improve in how we serve our country and our people, especially on the eve of the 50 years that's about to come by.

00;17;19 - 00;17;50

Gary Juffa

What's going to happen in the next 50 years? Consideration of such questions as the natural environment. What are we doing to protect the third largest rainforest? 7% of the world's biodiversity. What are we doing to ensure that our activities in harvesting our timber resources are done in a sustainable manner? That those stakeholders operating in this space of being responsible are being genuine and considerate of the interests of the people of Papua New Guinea.

00;17;50 - 00;18;22

Gary Juffa

Thank you. Now, from time to time, the - my colleagues here will interject whenever they feel like it. They will be going through all the documents they have and they may ask questions at any time they feel it's necessary. And when when they have a question that they feel needs to be answered to any of you out here. Our inquiry will commence with Treasury.

00;18;22 - 00;18;57

Gary Juffa

Is Treasury here? John? John, you're with Treasury? Sorry, I keep forgetting. I always confuse you with finance. Yeah, My apologies, John. My apologies. John, I think we've sent documentations to Treasury in regards to the information we wanted or we've asked for, and we will be making reference to some of that information, including reports that were presented by SGS and also by forestry.

00;18;57 - 00;19;24

Gary Juffa

Mr. Mosoro, I want to thank you and your team at Forestry for putting together a very thorough report and sending it to us. We've gone through the report and we will be requesting further information or clarification. And at the end of this inquiry, which will probably be, you know, some months from now, we hope to put together our contributions as to how things can be done in such a way that we are comfortable, our people's interests are protected.

00;19;30 - 00;20;10

Gary Juffa

I'll start the questions. And gentlemen, you may jump in at any time. We are talking to the Treasury Office, so we wish to ask the address or to address the allegations regarding Treasury's role in the underfunding and termination of SGS contract and their assessment of PNGFA's current capacity. Question number one John, the committee would like to hear from you on inferences that your department is the main reason for not providing adequate budgetary support, culminating in years of contract arrears resulting in contract termination.

00;20;10 - 00;20;17

Gary Juffa

Could you clarify or give us some thoughts in regards to that question?

00;20;17 - 00;20;32

Gary Juffa

Thank you, Mr. Narewec. Do we need to swear him in? Oh you already swore him in. Sorry, sorry. Thanks. John, please commence.

00;20;32 - 00;20;52

John Uware

Well, thank you. Thank you, Chairman and members of the committee. Firstly, I want to take this time to convey Secretary's apologies that he's unable to be present. Yes, some important matters relating to the MYEFO report. So he had to stay back and so he asked me to come on his behalf.

00;20;54 - 00;21;22

Gary Juffa

Uh just very sorry for interrupting, Governor Ipatas has a very urgent matter to attend to. So, Governor Ipatas, we will excuse you. We have quorum because Mr. Narewec has just arrived. So, Governor Ipatas, thank you for joining us. And we'll appraise you on how the inquiry went after at some future date. You may continue, John.

00;21;22 - 00;22;49

John Uware

Sorry, uh, I think your question, you ask about the budgetary support that Treasury is supposed to ensure is provided for financing of the work that SGS does. I suspect because of the the revenue the revenue situation that we we have I know we tried to address revenue here, shortfalls in here, but the reality is that our revenue that we collect to to finance the budget for the government, we've been we've been struggling especially on non-tax revenue collections, dividend collections that have been over the last few years. There have been struggles in making sure government collects these adequate revenue. And so making sure adequate budgeting is provided to not only forest but the different department that the government is responsible for and the people of this country. Year in, year out, we've had to struggle through making sure that adequate budget is allocated to our different departments to make sure that they they finance their expenditure that's necessary going forward.

00;22;49 - 00;23;25

John Uware

And so I'll probably get our department, our team responsible to provide a detailed response. But at a high level, the Government currently is struggling to finance the expenditure that is expected by our people. And so over the years, maybe reductions have been have been made in making sure there's adequate money to finance the team that's here. And so I totally agree with the mandate of the committee to making sure that the all the necessary questions that need to be raised are raised.

00;23;25 - 00;23;52

John Uware

And we collectively as government entities take steps to making sure that adequate budget is made available. That's on the one side, that's the expenditure side. But we're also making sure revenue on the other side is coming in regularly from people

who are supposed to bring in the revenue that would help Treasury ensure that funding is made available to finance this critical expenditure that our people deserve.

00;23;52 - 00;24;03

John Uware

Maybe, Governor, I'll probably stop here and probably expect a few other questions. If you have.

00;24;03 - 00;24;23

William Powi

Gov, let me emphasize, the question here is, is Treasury appropriating budget to SGS as it is now, that's what we or you have stopped in the appropriation and funding. I think the question is specific. We need to know on this one.

00;24;23 - 00;25;10

John Uware

Yes. I was say, you know, we need to have adequate revenue coming in in order to make money available. That's the gist of what I was. I know it's specific to SGS here, but we in Treasury, we wait for people to submit the budgets. And based on different submissions, have come from various agencies, various provinces, allocations are made based on what is available. At the end of the day, if I had all the money available, I could easily fund everybody. That's the question I'm trying to answer here. But if I am not getting the adequate revenue coming in, although Customs and IRC have been really good, they've been doing their bit, but it's the other revenue that are not coming in. So we have gaps.

00;25;10 - 00;25;46

John Uware

And so when we have gaps, we have to go and borrow. And so sorry Governor, that was where I was coming from. Sorry, if I'm not really addressing directly the question, but at the end of the day, it's a funding issue. We have to make sure there's money available to finance the different expenditure priorities that government has. And so when Treasury doesn't have the money, because we take care of everybody. It's not it's not just one department we are worried about. We're worried about the whole country making sure adequate money is going down to all the provinces, all

the departments and everybody that's in the budget in line with the annual budget.  
Thank you.

00;25;46 - 00;26;30

Gary Juffa

I'll ask a few more questions. It's interesting you mentioned this because this is the first time this has happened since SGS was initially engaged some 30 years ago. John, are you aware that it's very important that we have this function in place for purposes of ensuring that we maintain a great record? It's one of the key indicators to keeping us off the grey list. You're aware of that? Not having this function actually moves us towards putting us on that grey list. Am I correct in saying that?

00;26;30 - 00;26;45

John Uware

Yes, chairman, I think you're absolutely right that this is a critical function and the role the SGS or whichever company that comes in plays a critical role in ensuring that we get value for money. Yes, I agree.

00;26;45 - 00;27;16

Gary Juffa

So having said that, I believe that in the past forestry did have funds to be able to fund this engagement but after the new laws came in whereby all funds were swept to Treasury, I believe there was this, I forget the particular term, the NTRA, but the when that happened then forestry do not have the funds to be able to engage SGS. Is that a correct assertion? Could I say that?

00;27;16 - 00;27;43

John Uware

I'm not sure about it because NTRA just came in a few, I think it was '23 March of '23, and so it started around there. So that could be correct. But I think the department of Finance and Treasury, between them have been engaging regularly with all the revenue raising agencies lately. And so, however, we've been having some push back.

00;27;43 - 00;27;59

John Uware

We ideally, we want all the money to come in. Yes, we want to fund everybody, just that we've had push back from various agencies on the different ratio determinations on how much they should keep, how much Treasury should collect to finance the budget. And so there's been challenges in managing that process.

00;27;59 - 00;28;25

Gary Juffa

So, John, if, just a simple question here, if forestry retain some of its funds that it was managing to raise as an authority, which is what many authorities are doing and say it kept components for taking care of very important engagements like this, it then would be able to do that. Am I correct, rather than having to wait for Treasury to find funding to fund this engagement?

00;28;25 - 00;28;34

John Uware

Yes. Under the NTRA arrangement, Yes. Are they're supposed to there's the engagement I'm talking about. They're supposed to be talking and then determine how much.

00;28;34 - 00;28;36

Gary Juffa

So that hasn't happened yet.

00;28;37 - 00;28;49

John Uware

No, that has happened lately. For the last two, two years we've had that discussion. But that's where determinations need to be made and treasurer signs off on ratio arrangements. What they can keep and what they give to government yet.

00;28;49 - 00;29;15

Gary Juffa

Thank you, Joe. I think two years is a long time for having discussions. This matter needs to be resolved as soon as possible so that this engagement can continue. Is there a future whereby the engagement of a log pre shipment inspection service is going to take place or is Treasury satisfied that this is a function that PNGFA can continue in its absence?

00;29;15 - 00;29;46

Gary Juffa

Because note here, John, that one of the reasons why SGS was engaged is purposes of good governance and transparency that came out as a result of the Tos Barnett inquiry. And the whole reason why SGS was engaged was because there were allegations that forestry one did not have the capacity or two had been corrupted by criminal elements and as a result the inquiry was carried out.

00;29;46 - 00;30;04

Gary Juffa

And then the inquiry made a recommendation that an independent organization for the purposes of good governance had to be engaged so that it can carry out its duties without any allegations of corruption or, you know, illegal influence of any sort.

00;30;04 - 00;19;50;07

Gary Juffa

So now knowing that I mean, for instance, we at the first inquiry we had, we heard from SGS that every shipment, every shipment, there was a discrepancy. They found it. If you go through any of the SGS reports, you will find that there's discrepancies in every shipment. Fast forward to now when forestry have been doing the inspections. Zero discrepancies.

00;30;31 - 00;30;52

Gary Juffa

This is exactly what was happening before the Tos Barnett inquiry. So there's two things here. Either forestry do not have the capacity, so they are unable to get out

there and carry out all these inspections in a very thorough manner. And so we can't blame them for that or that system has been corrupted. It's one of the other or both.

00;30;52 - 00;31;18

Gary Juffa

So taking that into consideration, what is Treasury's stance in ensuring that, one, this very vital element of keeping PMG off the gray list is maintained or reintroduced? And the big question will a new contract for pre shipment inspections worth it when PNG is supposed to be banning the export of run logs by end of 2025? Thank you.

00;31;18 - 00;32;03

John Uware

Chairman, I think in relation to the first question, I think the role that SGS plays or that particular mandate is an important role if we are to continue to collect good revenue and we need somebody independently doing all those checks. So I understand that's what they do. So it's an important role that we need to still maintain until the ban. I don't know what the impact of the ban will be, but as long as it's necessary, I think that the role should continue. Yes. Sorry, governor, and on top of that, funding be made available to finance that particular role, yes. Sorry.

00;32;03 - 00;32;32

William Powi

Pre-shipment, Mr. Chairman, and the arrangements and the importance of pre-shipment scrutiny, now, we are looking at it in terms of forestry, but for other sectors as well. This is a fundamental function of government. We can't just sit back coming here in 50 years and allowing things to happen at will and whim. This is important, SGS plays a fundamental role.

00;32;32 - 00;32;55

William Powi

When I was in the Prime Minister's department, we had this inter-agency meeting dealing with this SGS before I went up to Mendi. It plays a very important role safeguarding our resources for this country. We cannot allow Treasury and Finance to, you know, say that there is no money in the appropriation and all that is. This one brings money.

00;32;55 - 00;32;36

William Powi

It safeguards the interest of the country. If it is not happening, who does this? Is it forestry or finance or Treasury? What we want to know, because this is a mini parliament, we are parliament sitting here looking at this very important national issue that we need to be guided properly. If it is not happening, speak out and say that this is lacking. It's an important function of government and we need to be guided. I don't say we look at revenue coming or not coming. You know, it's an important function of government. If it is not happening, tell us we are not doing this.

00;33;36 - 00;33;54

John Uware

I note the concerns you've raised. Yes, I'll convey that to the department and we will ensure that that is made known to others. And when submissions are coming in, that is considered on that basis.

00;33;54 - 00;34;38

Marsh Narewec

Chairman, just one clarification. So this NTRA Act is there to bring in all the revenues from the, those guys who, or those agencies who generate revenues, back to Treasury. So PNGFA generates revenue but all gets into Treasury and now because that's the revenue that PNGFA generates, so why can't it send back, keep it, PNGFA so they can pay SGS?

00;34;38 - 00;34;55

John Uware

As I was saying earlier, the agencies, when they make the submissions, they come and they talk to the Treasury and determine how much they should keep. So it's an agreement that needs to happen. So if it's 50% they want to keep, they have come and justify that and then they get it.

00;34;55 - 00;34;56

Marsh Narewec

Did they make that agreement?

00;34;56 - 00;34;05

John Uware

Well, they've had some meetings. I'm aware that the different agencies have been have come in and met with Treasury and Finance.

00;35;05 - 00;35;09

Marsh Narewec

So did you guys meet with the finance or treasury department and have the meeting?

00;35;09 - 00;35;22

John Mosoro

Thank you, Chairman and the committee members, I believe the decision was taken by Treasury and Prime Minister's Department without consulting Forestry. They have taken, uh, they gave us zero. I can say, zero.

00;35;22 - 00;35;25

Marsh Narewec

So, you're saying that they consulted with

00;35;25 - 00;35;42

John Mosoro

I have the letter written from the Treasurer advising me that you will not retain any money and it's zero and we are now appealing to that, to the Treasury and to the Prime Minister's Department.

00;35;42 - 00;35;44

Marsh Narewec

When did that start?

00;35;44 - 00;25;20;02

John Mosoro

It started back in 2023, the NTRA Act came into force. First it was anti-money laundering act, they removed almost about 80 million from forestry.

Gary Juffa

80 million?

John Mosoro

80

Marsh Narewec

80, eight-zero or one-eight?

00;36;02 - 00;36;24

John Mosoro

From Forestry

Marsh Narewec

Eight zero?

John Mosoro

And we had no nothing to operate, so they forestry, chairman, they put forestry in a very awkward position at the time when we had all the money and all the money was taken out and we have suffered all throughout. We try to cannibalize all our accounts from the Bulolo plantation, from our levies and all that to survive.

00;36;24 - 00;36;30

Marsh Narewec

Is that the reason why we, the districts, are not receiving our levies?

00;36;30 - 00;36;32

John Mosoro

That may be, but that's different.

00;36;32 - 00;36;37

Marsh Narewec

We are not receiving the forestry levies for two years now.

00;36;37 - 00;36;40

John Mosoro

That's different matter, member, committee, that's a different matter

00;36;40 - 00;36;42

Marsh Narewec

But you're saying that NTRA is collecting all these

00;36;42 - 00;36;59

John Mosoro

I just wanted to say that we have not received any or we have not return any money that we've collected. As you know, Chairman, we have contributed in the last how many years, 400 million, 500 million every year from the log export. And we get nothing from the budget.

00;36;59 - 00;37;05

Gary Juffa

From that 400 million, it could easily, um SGS, their fees

00;37;05 - 00;37;23

John Mosoro

Oh, yes, chairman, definitely chairman, with that money we've retained, we can take over SGS. We have an agreement with SGS to fund their operations. Now that all the funds had been taken out, we are now going back to the Treasury to ask for funding. It has been a real problem for us.

00;37;23 - 00;37;38

Marsh Narewec

Okay, back to Treasury. Who makes the decision on what percentage of money collected should be paid back? Who makes the decision? The minister or the secretary or who makes the decision for how much money can be paid back and how much can be kept?

00;37;38 - 00;38;00

John Uware

Minister Treasury signs off on after consultation. That's the process that NTRA states in the NTRA law. After they consulted, an agreement is made on which ratio that the agency gets, which one comes into government and then the minister signs off on that decision.

00;38;00 - 00;38;12

Marsh Narewec

Okay, good. So the consultation process, how does the consultation process starts? During budget session or during planning session? How often do you have consultation session with the PNGFA?

00;38;12 - 00;38;30

John Uware

Before the budget is finalized for an annual like for instance, for 2026, the consultation would have taken place in the early part of the year until a decision is made and then the ratio is factored into the budget for next year.

00;38;30 - 00;38;34

Marsh Narewec

Okay, good. Did you have any consultation with the Department of Treasury with regards to that for 2026 budget?

00;38;34 - 00;38;43

John Mosoro

Chairman, we have written a number of letters, we requested and we have not received any formal response.

00;38;43 - 00;38;52

Marsh Narewec

So which officer in Treasury is responsible for PNGFA for such? Secretary or the deputy secretary or?

00;38;49 - 00;39;10

John Mosoro

As an MD I talk straight to the Secretary and from my colleagues, they talk to the deputy secretary and we decide on the funding. So it has been, chairman it has been a real challenge for forestry to get funding to support our programs.

00;39;10 - 00;39;19

Marsh Narewec

Okay forget about the funding, let's talk about the consultation. Have you, any consultation happening for that 2026 budget?

00;39;19 - 00;39;20

John Mosoro

Yes, we have.

00;39;20 - 00;39;21

Marsh Narewec

With with Treasury?

00;39;21 - 00;39;23

John Mosoro

With Treasury.

00;39;23 - 00;39;32

Marsh Narewec

Okay. So did you come up with a final figure? Well, now you want to reach out to split your revenue.

00;39;32 – 00;39;44

John Mosoro

We have the budget submission with my director for our budget. So we have.

00;39;44 - 00;39;48

Marsh Narewec

Did that same thing happen last year in 2024.

00;39;48 - 00;39;49

John Mosoro

Yes.

00;39;49 - 00;39;53

Marsh Narewec

And how much was the percentage split in the consultation?

00;39;53 - 00;40;13

John Mosoro

What would be the percentage of...if I can recall the percentage was around 35...oh, you mean the...yes, sorry, currently 0%

00;40;13 - 00;40;20

Marsh Narewec

That was in 2024, 25 zero. But for 26 you did you come up with.

00;40;20 - 00;30;01;26

John Mosoro

Not yet. We requested but they have not given us the percentage yet and there's a discussion still going on with Treasury and PM's Department that they will respond formally to my letter. I'm asking for percentage sharing to retain certain component percentage and they have not responded to me.

00;40;39 - 00;40;47

Marsh Narewec

Okay, chairman, I think you might, your committee might, you know, call whoever is supposed to respond to the letter.

Gary Juffa

Thank you

00;40;47 - 00;41;20

William Powi

Chairman, can I just state from gathering since SGS has not been engaged, we are now hearing appropriate state agencies telling us that pre-shipment has been going on without being monitoring. Is that the general conclusion we are getting that pre-shipment and the functions of SGS has not been carried out in two years or how many years because of this funding thing.

00;41;20 - 00;42;07

William Powi

So meaning that, I'm trying to get to the point that we as a country have not been monitoring our log export because of this funding thing that we are raising. Is that right? Who does this now? Who does this on behalf of the independent state of PNG? We're just allowing companies to come in and cut trees and just go like that. Oh, who's doing it for us? For the people of PNG. I think that's the fundamental thing. Yumi lose control or sampla man mekim blo mipla?

00;42;07 - 00;43;36

John Mosoro

Chairman, thank you. Let me answer this question in a more holistic way. actually, before SGS came into the country after the Barnett inquiry, all the monitoring was done by PNG Forest Authority. Our officers were trained for monitoring and surveillance, export at FOB value at the log ponds. So, my officers were already trained. When SGS came in, they play the same role as my forestry officers out in the field. But they did the independent. They did independent just to verify that what my officers are doing on the ground is correct. So they did only the independent verification so due to the funding system, the funding was not on time. SGS was spending their own money and we, Forestry, we to support them a little bit. However, they couldn't because they have other commitments they have to wind up themselves. We did not, Chairman, we did not terminate the contract. They themselves could not sustain their operation so they left and we're struggling to, backpedaling, trying to get them back in slowly, which we will explain later on. Now, in terms of illegal export and all that, I can say that my officers are expert, they've worked in that, they know and they've given me all the tallies.

00;43;36 - 00;44;26

John Mosoro

I think it's only one and a half years, almost two years I think of non-monitoring done by SGS. But as soon as they left, my officers stepped in and you know, I have officers throughout the country and they did all the monitoring and surveillance work at the log pond. And you'll see that in our report, we have stated that although SGS have claimed discrepancies and miscalculation and all that, but my officers have gone in and identified some issues also from SGS which we will provide and we will also explain a bit more on that. So in other words, sorry, chairman, we did the surveillance and monitoring ourselves as we have trained.

00;44;26 – 00;45;39

Gary Juffa

Thank you. We will come back to you. Uh, when we finish our line of questioning with Treasury. Just for clarification, MD, from my knowledge of the history of SGS and how it came about and the reasons why it was engaged was and we will have to revisit the Tos Barnett inquiry, you know. Why was this inquiry carried out? The inquiry was carried out because of allegations of criminal infiltration of the forestry Department. I think at that time forestry probably came under agriculture, or was it already a standalone organization? I can't recall. Was it still part of agriculture or lands or? It was a department before it became an authority? So from my understanding of the Tos Barnett inquiry, SGS was engaged as a recommendation so that it could be stated confidently that the inspections were done at Arm's length by an independent organization without the influence of the department or without the influence of the the stakeholders at that time.

00;45;39 - 00;46;08

Gary Juffa

So that's my knowledge of how SGS came to be engaged. And we will come to that line of questioning later because we're very curious about the discrepancies that SGS has identified. Whenever they do a inspection of a shipment and they are discrepancies, there's significant discrepancies like you're supposed to export, say, for instance, a thousand cubic meters, they find 2000 cubic meters instead, example.

00;46;08 - 00;46;30

Gary Juffa

What happens to that other additional 1000 that where we're going to come to eventually. And this is why Customs is here, because they play a very key role in this. You know what happens to those discrepancies? We're talking about a commodity of very high value that's leaving our country. These high value commodity attracts customs duties. Okay.

00;46;30 - 00;46;06

Gary Juffa

And the customs duties are charge per cubic meter. And also according to the species of the high value commodity that's leaving, the discrepancies picked up by SGS are additional cubic meters or misclassification of the species of timber, you know. So we're going to narrow down to that because we want to understand what's

happening here. Part of our role going forward as a committee is to identify revenue gaps or areas where we can tighten the belt so that we can make savings for the country, etc. This is one of those exercises.

00;46;06 - 00;47;27

Gary Juffa

So Managing Director, thank you for your answers. We will come back to that. We'll just wrap up with Treasury again. Now we are going into the subject area of trust accounts here, but we understand that PNGFA has a trust account. Am I correct? John, are you aware of that or

00;47;27 - 00;47;30

John Uware

I think probably Forestry will be the best people to answer that

00;47;30 - 00;47;36

Gary Juffa

Okay, so managing director, you've got knowledge of a trust account that PNGFA has?

00;47;36 – 00;47;52

John Mosoro

Chairman, We do not have a specific trust account for uh on log export or SGS

00;47;52 - 00;47;58

Gary Juffa

But do you have a trust account? Does your department or does your authority have a trust account? Trust account?

00;47;58 - 00;48;00

John Mosoro

We have a normal trust account.

00;48;00 - 00;48;01

Gary Juffa

A normal trust.

00;48;01 - 00;48;02

John Mosoro

Not specific for

00;48;02 - 00;48;06

Gary Juffa

Okay, what is that normal trust account for?

00;48;06 - 00;48;12

John Mosoro

The trust account is mainly for royalty.

Gary Juffa

For royalty

John Mosoro

For royalties.

00;48;12 – 00;48;18

Gary Juffa

Okay, so all royalties collected on every shipment is paid into the trust account, am I correct?

John Mosoro

Correct.

00;48;18 - 00;48;20

Gary Juffa

And then those royalties are paid to?

00;48;20 – 00;48;30

John Mosoro

The landowners.

Gary Juffa

Okay, so the trust account is merely a processing facility to pass on to landowners the royalties that are due to them?

John Mosoro

Yes.

00;48;30 - 00;48;42

Gary Juffa

Okay. How much annually is paid into that account? Does your department retain any of those funds, any of those royalties, say, for administration costs or anything like that?

00;48;42 - 00;48;48

John Mosoro

Chairman, unfortunately, we don't we don't retain or we don't hold any of this royalty money. It belongs to the people.

00;48;48 - 00;48;52

Gary Juffa

Okay. So you pay them directly to the

John Mosoro

We pay them directly

Gary Juffa

To the landowners.

John Mosoro

To the landowners.

00;48;53 – 00;48;59

Gary Juffa

Okay.

John Mosoro

And 5% tax. We pay 2% tax.

00;48;59 - 00;48;37

Gary Juffa

Do you have oversight over the trust account? I'm assuming that Treasury or is it finance is supposed to always have oversight over trust accounts.

John Uware

Finance department.

Gary Juffa

Okay, so head of Secretariat, take note that we will have to ask Finance to come in so they can explain at some later date. Okay. Thank you. John, from your understanding, just going back to this again, has Treasury indicated that they will look at funding the reengagement of SGS?

00;48;37 - 00;49;42

John Uware

Because of the publicity that this matter has raised uh

00;49;42 - 00;50;27

Gary Juffa

Well, it should not be because of the publicity, but it should be because it's a very vital element of ensuring that we are not moving towards the grey list. As much as possible, we as a country want to stay off that grey list. And this is one of the indicators that keeps us off that grey list. But we've now removed it. We are moving, you know, faster and closer towards that gray list. So I would assume that Treasury would do everything possible to stop that, you know, movement by looking at paying for this engagement again. So is that happening? Is Treasury having conversations that are going to have a positive outcome in the very near future? Not two years, but like as soon as possible? Is that happening to your understanding?

00;50;27 - 00;50;53

John Uware

Yes. Sorry. Chair. Look, I said I was going to explain that the publicity has brought this to the fore again. And so internally there has been various discussion amongst our key people to do with our budgets, and so we will even after this meeting, I'll go and reinforce that and making sure that this matter is addressed properly. You know, we don't want this to be repeated again going forward.

00;50;53 - 00;52;22

Gary Juffa

Thank you, John. As the organization that's basically responsible for policy on revenue matters, would Treasury have conducted an analysis of, say, log exports, discrepancies and potential penalties? Because, for instance, the managing director has advised that about 400 million is collected every year or generated yeah, of

which you would think that paying SGS, which is about 30 million per year. Am I correct? Is it? Um 12, 12 million. 10. Sorry, 10, 12 million. 10 million from 400 million is absolutely nothing, if you think about it, for cost, for rate of return, for instance, for their services. But they're picking up discrepancies. Now from my understanding, these discrepancies, if they were processed, would also result in additional revenues. And then you'll you'll have to guide me in this. I'm not an expert in this area, and customs will probably be looking at this as well. Say, we're shipping out 1000 cubic meters. SGS picks up and says, hang on, we found 2000. So the discrepancy is 1000, but permits have already been signed, etc.. Well, what happens to that additional 1000? We heard from the last inquiry that what Forestry insists is that that 1000 is then dispersed internally for processing internally. Am I correct in assuming this?

00;52;22 - 00;52;55

Mark Pilon

Thank you, Chairman. So with the discrepancies. I'm sorry, I'm the corporate strategy planner. Thank you. Yes. With the with the discrepancies, what happens is when SGS identifies that there are discrepancies, what is due from those discrepancies is paid. Yes. Before the ship leaves with the logs.

00;52;55 - 00;52;59

Gary Juffa

So it's paid, the duties are paid then and there?

00;52;59 - 00;53;03

Mark Pilon

Duties are paid, levies are paid before the ship leaves with the logs.

00;53;03 - 00;53;32

Gary Juffa

Okay. And this is why I want the Treasury to take note, because I think they should do an independent analysis of this. Now, the discrepancies are frequent. You know, particular companies are habitually having these discrepancies. What is deterring them from carrying out this discrepancy? So that, you know, we get the right shipment off all the time. Do we apply penalties of any sorts?

00;53;32 - 00;54;10

John Mosoro

Chairman, yes. We give them lawful directions. We give them the notice that in the next shipment you try as much as possible to reduce your variance, the volume, the amount that we calculate from the source and what amount that goes must almost similar. So we give notices to the companies and they're starting to comply, try to reduce as much as possible the discrepancies.

00;54;10 - 00;54;52

Gary Juffa

Now, I'm curious, chairman, when a shipment is about to leave, normally what you would do is fill up an export entry. Okay, So with the discrepancies, is this corrected before the export entry is filled, or is there another export entry field for the correction? and permits as well because I think there's a shipping permit that goes out with every export. Am I correct?

00;54;42 - 00;54;55

Mark Pilon

So, chairman, if I may just explain. So the discrepancies basically figures that are not consistent with the export price endorsement and the export permit.

00;54;55 - 00;54;56

Gary Juffa

Okay.

00;54;56 - 00;55;57

Mark Pilon

And you will notice that there are a lot of discrepancies because when buyers come to buy the logs, there can be instances where they also would like to purchase an extra amount of logs. So those discrepancies will always be there in terms of variances between the actual values that were initially applied for and what the buyer would like to take when they are onshore. So you would have discrepancies.

Discrepancies don't mean that there is an illegal act happening, those discrepancies are basically values that are not consistent with the initial application for, it's like a packing list. You're saying that basically this is what I want to put on the ship and then you decide to add something else on, but it's not consistent with your initial original list.

00;55;57 - 00;56;31

Mark Pilon

So the adjustments are made. You pay for whatever adjustments that you have now consider to be on that list. And once that duty is paid, once that levy is paid, then it gets exported. SGS's role is, it would be irresponsible of it to allow logs that are not captured by way of duty, by way of levies onto a ship in the first place.

00;56;31 - 00;57;23

Mark Pilon

But what they do, their role is to report that there was an inconsistency between the original supplied list and what the companies have now taken on by way of new species, maybe new volume and value, and then those are accounted for by way of the actual payments for levies and duties before they actually ship. So the discrepancies don't, yeah, so, so for example, there could be a discrepancy where if a ship comes in and a company has like by your example, a company has said, you know, I'll get 2000 or a thousand, and then there is a there's a business sort of decision made said, you know what, I would probably want to get another thousand because there's a thousand available.

00;57;23 - 00;57;58

Mark Pilon

But that thousand available is not consistent with this list that you had submitted earlier. So that becomes a discrepancy. And so, SGS knows that there's a discrepancy to that list. And then it is required now that the company pay the duty, the levies for that discrepancy and then they're allowed to ship the logs. Those discrepancies are captured by customs entries as well. So the whole figure that we get for the total values that PNG gets is inclusive of the discrepancies as well.

00;57;58 - 00;58;52

Gary Juffa

I see. That's quite interesting. I mean, SGS, you can jump in any time for further clarification if you wish to give us more insight, to enlighten us more about what goes on here. It's very curious to me because, for instance, you've got a buyer here, say a buyer wants 1000 cubic meters, then the company should be supplying 1000 cubic meters. Why does the company suddenly turn up with 1500 cubic meters and then the buyer suddenly changes their mind and say, Oh no, we'll buy that as well? You know, it just doesn't make sense unless the buyer and the seller are actually owned by the same people. Could that be the case? Transfer pricing, for example, say one company owns the same company that is doing the logging and also buying on the other side?

00;58;52 - 00;59;21

Gary Juffa

They could do this easily. You know, I mean, because if you have an agreement to purchase a certain amount, it's a contract. And then the company says, yes, we can provide that amount. Then the company goes and from its pool of timber that it has available from its logging activities. It should have that exact amount, those exact species that it should be able to provide.

00;59;21 – 01;00;24

Gary Juffa

What's happening here is that consistently, I mean, every shipment we're seeing these discrepancies, these are high value commodities, very high value commodities. And whilst we are saying that there's nothing illegal that has happened here, the information and intelligence out there suggests otherwise, that there is a lot of things that are happening that shouldn't be happening. You know, so if you've got, say, for instance, 1000 cubic meters ordered of Kwila, but suddenly there's 1500, you know, Kwila that's ready to be shipped off and then the company suddenly changes its mind and then that discrepancy is sorted out before it goes to customs, you agree that there are, you know, there is cause for suspicion. You know. That's why we are curious about this. We want to understand what's happening here, you know, And yeah, so so SGS is could probably give us an explanation of the chart there, the report.

01;00;24 – 01;01;29

Gary Juffa

So. Mr. Foe, sorry, John, thank you. We are done with Treasury. You can observe, but I would suggest that you take notes that Treasury should do an independent inquiry into what's happening here as the entity responsible for revenue policy. And perhaps, SGS, you can lead us through this particular example. If you look at that particular example there, of all the shipments done by all these companies here, very, you know, logging companies who call them, many of them like to call themselves agro forestry companies. There's no agro involved in many instances. They're not planting anything up there. They're just cutting. But we'd like to understand what they're doing. Yes. So if you look at the if you look at the reports there, is it clear or is it too small to understand. The discrepancy. Anyway, we go down. Foe, if you, you probably have your own documents similar to this.

01;01;29 – 01;02;32

Gary Juffa

The last row there, where it says discrepancy, if you look at every line, the on the left hand side which is company and grouping, those are the companies that are exporting. Okay. Say for example, is the Pacific region. Okay. And they've exported Malas. It's a species of timber and they're supposed to ship out 10 cubic meters. Yes, but they've shipped out 290. There's a big difference between ten and 298 cubic meters and the discrepancy is 2,887%. So perhaps, Foe, just get us to understand what that means. And it also says grade is Saw Veneer. Is this a round log or is this, this is a round log? Right? Okay. So Foe, you could probably get us to understand that. It's sawn timber, but that's what the purpose is for.

01;02;32 – 01;02;45

[inaudible]

01;02;45 – 01;02;47

Gary Juffa

What the purpose is for, I guess

01;02;47 – 01;02;56

[inaudible]

01;02;56 – 01;03;36

Foe Oii

That's a classic example of overloading.

Gary Juffa

Of overloading

Foe Oii

Of overloading where the exporter was permitted to take 10 cubic meters but they actually took 298, almost 300 cubic meters and so we've highlighted the fact that there is there is additional volume that has been taken and that the the authorities should be aware of the fact that that's what's happened.

01;03;36 – 01;04;04

Gary Juffa

Now, I want to understand this. When the permit is signed and I believe an export permit is signed by the minister, am I correct? So when the permit is signed, is it signed for the ten cubic meters or is it signed for the 298 cubic meters? It's signed for the ten? Okay. So the minister signs believing that ten cubic meters is leaving the country.

01;04;04 – 01;04;48

Mark Pilon

So technically, yes, the minister would be signing off on that figure. Probably the word believing would be a little bit too. But yes, he is, he has signed off on the 10. Yeah, but by practice, in the event that the values differ above ten plus or -10%, then the companies are required to submit for an amendment of the of the permit.

01;04;48 – 01;04;49

Gary Juffa

And does he sign the amendment as well?

01;04;49 – 01;04;50

Mark Pilon

Yes.

01;04;50 – 01;04;55

Gary Juffa

So he will sign another permit for the discrepancy?

01;04;55 – 01;05;01

Mark Pilon

It will supersede the former one to take on now the new ones.

01;05;01 – 01;06;34

Gary Juffa

This is where it gets interesting because the minister is signing based on a contract, an agreement between the buyer and the seller, that ten cubic meters is going to be cut and exported. Okay. So how do they jump from ten cubic meters to suddenly 200 cubic meters? I'm just really struggling to understand this. They're going to provide, say company, ABC in Singapore or Malaysia decides to purchase ten cubic meters from Pacific Region Development, and then all of a sudden they've got 298. That's a huge jump. And then it comes back to the minister again to sign for the 298. Why didn't they just say 298 in the first permit? Why did they suddenly say 298 after? This is where it gets confusing. If you going to have a contract to purchase ten, then why don't you just buy ten and then you have another contract to buy 298 later or something. You see where I'm coming from? I'm trying to understand this. It doesn't make business sense, you know, if if they're shipping, if they have a contract to provide ten cubic meters, why have they suddenly decided to ship 290 cubic meters instead? Now, here's where it gets interesting. SGS is now no longer doing this. Okay? Forestry is doing this.

01;06;34 – 01;06;55

Gary Juffa

So according to forestry, there are no discrepancies because we established that in the last inquiry we had where according to forestry, you aren't picking up these

discrepancies. So does that mean that they're just signing for the 298 or are they signing for the ten and not worried about the 200 extra cubic meters?

01;06;55 – 01;08;02

John Mosoro

Chairman, let me address this issue here. I strongly believe that I have to get this data from SGS. I think that's a biased data. I have to verify with SGS on this datasets. I am just aware of this. It was not given to me to verify before I come here, so I would like the data to be reviewed again. I wouldn't want to come in here to present to you, chairman, something that has not been verified by the authority. It's like you are abusing the process, providing a table like this, saying that. This is 2022 when SGS was not doing the monitoring so how can they have this data up here?

Gary Juffa

23

John Mosoro

So how can SGS have these? They were not doing the monitoring yet they can go in and do that and say that we have the data sets. To come and say that we are presenting this. So I need to verify this Chairman in order for us to discuss this. It's a massive increase and I'm quite concerned about this.

01;08;02 – 01;08;58

Gary Juffa

Yeah, we're very concerned. Yeah. Imagine. We're like you. Yeah. Because, you know, at the end of the day, let's get this straight. All of us are interested in protecting our people's interests. Okay? So we all performing different roles. And even SGS, they are Papua New Guineans there like Foe who are also doing that. So what we will do is we will make this report available to you and you can have a look at that report and come back to us. And SGS will be on standby to verify their information, how they got that information, etc..And we will be curious to know what happens, you know, for instance, and also if if possible, Chairman sorry, M.D., if you can get copies of your reports. Okay. So we want to see forestry to give us monthly reports on your inspections. Okay. So now you're doing the job instead of SGS, we want to see your reports.

01;05;58 – 01;09;48

Gary Juffa

We want to see if you're picking up any discrepancies, because if SGS is picking up discrepancies with every shipment, I can't imagine that this company has suddenly overnight become angelic, law abiding citizens, honest, never making a mistake. All of a sudden, they have no discrepancies. So I want to see your reports and then we want to compare them because we're interested. So and MD, you're absolutely right. You should have a look at this data so you can verify, because from ten cubic meters to 290 cubic meters, that's a big jump. And it seems as if these companies can do that whenever. Why do they keep doing that? It makes no sense. I'm trying to understand why do they have a contract to supply ten cubic meters? Suddenly they have 200 cubic meters.

01;09;48 – 01;11;47

William Powi

Okay. Uh, Mr. Chairman, can I just make a question here to the MD of Forestry. I don't know, but you need to correct me on this one. Why do you people use ministers to sign off on very important matters like this? Politicians should not be coming to sign off on important things like this. You are supposed to be the CEO looking after the organization because you have a preview of all the things that are going on. Keep the politicians away. If it is empowered by law, then you can correct me. Law tok osem minister ba sign. You're telling ministers to sign this and that, here and there. Em wanpla issue me pickim up here lo you. The other one is. Mr. Chairman, through you, I think we need to we need to go back to the Treasury people and also to forestry. Do you need this pre-shipment monitoring done by SGS or is the Forest Authority has the capacity to do it and provide that reliable information to us? I think that's critical on the part of government. The people of this country need to have a firmer idea that our forestry is protected. We want to get from you, now forestry is doing the monitoring, these discrepancies, this data is not right. We are doing it, we'll present to you that's what the assurance, we want to get it from you, because seeing a discrepancy like this is very alarming. Someone is not doing their job. You don't need rocket science. and so is it Treasury through you, Mr. Chairman, He has conceded that this is an important functions of government.

01;11;47 - 01;12;14

William Powi

It has not been budgeted. So we take that point and they are in the, John, correct me, you are in the process of correcting it. So this thing is done correct. So this idea but SGS needs to be mapped out clearly here with the MD of Forestry, you are telling us and giving us the assurance that you have capacity to do it.

01;12;14 - 01;13;19

John Mosoro

Thank you, committee and chairman. I have the capacity. Uh, the officers are well-trained. However, like I said earlier on, we need independent, independent person to verify those export, it's good because when you provide an independent assessment, then you can, you can tell whether there is transfer pricing or is there is undervaluing and all that. So another checks again by the independent body.

So I would prefer to retain SGS because if the government policies say log export ban by 2025 it doesn't happen, I need SGS. You know the policy. So I need SGS to continue to do the surveillance and monitoring for the government and including not only that, once you go to downstream processing we'll expand their scope of work into the processed wood as well, all the plywood, the chipped mill and everything that goes out of this country. So we'll extend that and some minor forest products as well.

01;13;19 - 01;13;26

John Mosoro

So SGS's function is very important for us and chairman we will retain SGS.

01;13;26 - 01;13;51

Gary Juffa

Thank you managing director. Finally, for Treasury, just a couple of more questions for John, I thought we are finished with you but we have a few more just before we continue. Head of Secretariat, it's getting a bit warm in here, is the aircon getting restored or? We don't want anyone in here to

01;13;51 - 01;14;04

William Powi

So the important thing, SGS and Treasury position must be clear seeing what he is saying...

Marsh Narewec

Tupla wanbel pinis lo olim ol stap so gim money lo ol na...

01;14;04 - 01;14;51

Gary Juffa

With the Treasury, the final questions that I want to ask you, John, is, uh, and you may provide them now or at a later date, how much is projected for log export in 2025 and 26 and has treasury factored in this potential loss of revenue in the 2026 budget if we decide to impose the round log exports. That's another issue. Managing Director stated that there's about 400 million that's paid as a result of these round log exports. What will happen if round log exports are stopped and therefore the 400 million is not available anymore from round log exports? So I guess, is Treasury discussing this or, you know, considering this?

01;14;51 - 01;15;17

John Uware

Yes, like you said, I'll get our team, our revenue team to actually prepare an appropriate response for this and taking note of all the questions you raised. So can I request that, chair? We'll get a team to properly review these and provide a better response in case I say something that's not, yeah.

01;15;17 - 01;15;44

Gary Juffa

I totally agree. Now, we've got quite a lot of questions, but we've also got time constraints. And so what we will do is the questions that we have, Head of Secretariat, we will be framing them and issuing them to all of you and you can put your information together. You've got your information already. Sorry, Head of Secretariat just advised me that the questions we're asking are actually based on questions we've already sent to you.

01;15;44 - 01;17;01

Gary Juffa

So, so thank you, treasurer. I think for my purpose and my two colleagues may come in at any time. Uh, Managing Director, you've actually provided a lot of the answers to some of the questions that we wanted to ask, you know, and your statement that you would rather engage SGS I think that's something that also appeals to us because it's an arm's length entity that continues to perform those responsibilities for purposes of good governance, keeping us off that grey list. Treasury, nod. Now, I would like to just touch on a few questions that we will ask to our friends from Customs. And again, my colleagues may ask as well. Welcome, Commissioner Towe and your team to this inquiry. Just a few questions that I want to ask. The subject area specifically is Customs log export duty collections and question, Commissioner, can you inform the committee total export duty on export of round logs for the years '22, '23 and '24, projected also in '25?

01;17;01 - 01;18;36

David Towe

Thank you. Thank you, governor and chairman and thanks to the members of the committee. For export in the year 2022, export duty collected by Customs was 455.99 so almost 456 million. That's for the year 2022; 456 million. For the year 2023, the export duty collected by Customs and revenue to Treasury was, there was a drop, so 347.79 million, almost 347.8. For the year 2024, we collected 300 million. 300.38 million and for the year 2025 to date June, we are now in August, so for the first half of 2025, we collected 145 million from log export.

01;18;36 - 01;18;48

Gary Juffa

So it can be said that there's a declining revenue flow as per the information giving us.

01;18;48 - 01;20;23

David Towe

So governor and chairman, in 2023, the export duty on logs the budget amendment 2023 to 2024 budget, there was a decrease from almost, a significant increase there. I think there's bit of a mistake here.

*[inaudible]*

Sorry, chairman, there's a bit of uh...2023 to 2024, in the 2024 budget, 2023 budget for 2024,

*[inaudible]*

Okay, so, so the tax rate increased from 50% to 70% in 2023

01;20;23 - 01;20;27

Gary Juffa

Okay, so, when the tax rate increase, the revenues decline?

01;20;27 - 01;20;55

David Towe

Correct, correct

Gary Juffa

It'd be interesting to see the volumes and whether the volumes remained stagnant or not. And this is where, SGS, you could probably give us some insight, and forestry. For these periods, the volumes of exports decrease or were they the same, or did they increase. I'm trying to understand if there's a correlation or not.

01;20;55 - 01;21;22

John Mosoro

Chairman, I just want to inform the committee also that tax increase. From 2022; 45% tax. 2023; 50% tax. 2024; 50-71%, and then 2025, 50% tax. So that has resulted in the decrease in volumes export.

Gary Juffa

The increase in taxes?

John Mosoro

Increase in taxes.

Gary Juffa

What about the volumes?

01;21;22 – 01;21;35

John Mosoro

The volume also reduced. The company applied for force majeure that cannot they cannot operate because it's too high. The tax is too high.

01;21;35 - 01;21;38

Marsh Narewec

So how many companies applied for that?

01;21;38 - 01;11;03;23

John Mosoro

I think more than 50%

Marsh Narewec

So they close up shops?

01;21;43 - 01;22;30

John Mosoro

We've given them, we've given them force majeure for three months to allow them to recover, recoup. And if they don't come within three months, we'll give additional months. And then we hope that the government change the tax and allow the operation to kick off

1;22;30 - 01;23;14

Gary Juffa

MD, it's quite interesting because that the companies haven't gone into downstream processing they could actually earn more from downstream processing than from round log exports. So, is there a reason why companies, I mean, it was, prior to, I'd

say, in the early seventies, in the early seventies, up until eighties. And then it was, I think towards the end of the eighties when suddenly round log exports really took off. Prior to that, we had companies, am I correct? Correct me if I'm wrong, but we had companies that were engaged in downstream processing. We had veneer mills, plywood mills, woodchip mills, and then these companies folded. They couldn't operate anymore because they were not given licenses and permits. You know, these were companies from New Zealand, the US, Japan, etc. When we had Malaysian companies coming in, suddenly these companies exited our Malaysian companies focused around log exports, primarily, no downstream processing.

01;23;14 - 01;23;38

Gary Juffa

In this instance, you know, it's common knowledge that downstream processing value adds you make more money from downstream processing rather than just exporting raw resources. From your understanding, why didn't these companies go into downstream processing? Why were they only interested in exporting round logs? Is there any reason?

01;23;38 - 01;24;37

John Mosoro

Chairman, I think from historical evidence we have is that at the time the government went for a percentage export facility downstream processing. So, back in 2021 upwards, it was, uh government allowed, every year they allowed 10% reduction from 100%. So after all these years, now it comes up to 30%, 35 to 40%.

Gary Juffa

For downstream processing?

John Mosoro

For downstream processing. 60-40, 40% downstream processing 60% for export, that's a government policy directive to forestry.

01;24;37 - 01;24;43

Gary Juffa

To basically encourage a shift away from round log exports and focus on downstream processing?

John Mosoro

Correct

01;24;23 – 01;25;40

Gary Juffa

If you look at the basic ideology of how companies operate, if these companies aren't compliant, if they're not interested in downstream processing, which is a government directive, then we have really no problem if they shut shop and leave because they're not complying with us. Our interest as a developing country, as a progressively developing countries to go into processing processing because that's the trend towards becoming a developed nation. You go into downstream processing, eventually you go into industrialization and then you are a developed nation, We are being prevented to get there by examples like these, where these companies refuse to go into processing and insist instead on exporting raw resources, as in this case, timber.

01;25;40 - 01;26;15

Gary Juffa

So for me, I personally have absolutely no sympathy for companies that are not interested in downstream processing. If you're not interested in downstream processing and you shut down shop and leave, too good. I have no problem with that because you are not complying by government directives to go into downstream processing, which earns more revenue for the country, which generates more income, sorry, which generates more taxes for the country and greater earnings from value added products that we are able to export, creating jobs as well.

01;26;15 - 01;27;56

Gary Juffa

If you did an analysis of a company that's say just purely round log exporting and compare that to a company that's into downstream processing, you will find that the downstream processing company is actually creating more jobs for Papua New Guineans. It is paying more in taxes, it's paying customs duties if necessary, and it's

doing far better for the country than, say, the round log exporting company that's just purely cutting down logs, putting them on a ship and shipping them to some company that they also own down there, transfer pricing taking place, etc.. So for me personally, I have no sympathy for the companies that are shutting down and leaving because you're not compliant with the government gave you directives, I think it was in 2022, it was said that we should shut down, so they've had 2022 to now 2025. They've had three years to go into downstream processing, value add and they haven't done that. Are we able to get a list of those companies that have shut down and understand, because I'd like to know they are around. Why did they shut down? Why didn't they go into, why didn't they establish a veneer plant? Why didn't they establish a woodchip mill? Why didn't they establish, you know, timber processing entity, maybe even furniture making, exporting high end furniture from very high value? Our tropical timber is one of the highest value products in the world, but we're not getting true value from these products because we allow these characters to keep exporting our raw resources.

01;27;56 - 01;28;11

Gary Juffa

So thank you, MD. In regards to the, Commissioner Customs, going back to you again, do you receive any notices from SGS reporting on post shipment logging discrepancies? Is this information that comes to you?

01;28;11 - 01;28;28

David Towe

Chairman, we receive some reports some time ago, but lately we have not, I think two or three years ago we did. But after that we have not been receiving the SGS reports.

01;28;28 - 01;18;20;19

Gary Juffa

So it would be fair to say that after SGS ceased its contractual obligations, you're no longer receiving any reports?

01;28;36 – 01;29;01

David Towe

Maybe. Maybe not.

Gary Juffa

Okay. Do. So. Do you recall getting any reports from forestry? And then, forestry, you may also, I'm assuming that since you are now carrying on these functions, that you would be producing inspection reports and sending them to Customs, as SGA may have done in the past years. SGS, I believe you used to send reports to customs. Is that correct?

01;29;01 - 01;29;05

*[inaudible]*

01;29;05 – 01;29;14

Gary Juffa

On a monthly basis and those MD, are you providing those reports on a monthly basis to Customs and other government agencies?

01;29;14 - 01;29;33

John Mosoro

No, based on our own monitoring, we have not actually provide any reports to the customs.

Gary Juffa

Okay. So that's a backward step, then. We're not performing that function. And you're saying that it's consistent with SGS no longer being contracted. You're not receiving any reports at all?

01;29;33 - 01;29;42

David Towe

We were not aware of the disengagement of SGS, but we have stopped receiving the SGS reports.

01;29;42 - 01;29;57

Gary Juffa

Okay. So now can you recall if there are customs post audits that were conducted on log exports since SGS has been in operation? They've been in operation for 30 years. So do you recall any instances?

01;29;57 - 01;30;08

David Towe

We only do our post audit on imported cargo. We have not done post on export cargo.

01;30;08 - 01;30;24

Gary Juffa

Thank you. Does customs receive or sight SGS pre-shipment discrepancy reports prior to processing export duty and clearance of logging vessels to sale?

01;30;24 - 01;30;36

David Towe

No, we don't get them reports at the time of the lodgment of declarations. When we do get the reports, we get them two or three months after the vessel had left.

01;30;36 - 01;30;50

Gary Juffa

And does customs calculate log export duty on the volume prescribed in the PNGFA log export permit? Or is the SGA discrepancy report sighted and taken into account?

01;30;50 - 01;31;09

David Towe

The log export duty is calculated based on the entry lodged by the exporter. So we have a system that automatically calculates the export duty based on the export declaration.

01;31;09 – 01;33;00

Gary Juffa

Okay. And according to M.D. and Forestry, those discrepancies are sorted before it gets to customs. Okay.

Finally, we're um, thank you, Commissioner and your team. Thank you. We are now back to director, managing director, Forestry. Mr. Mosoro, we're almost there. We're looking at the log export permit and discrepancy resolutions and, you know, just to clarify the process of amending permits and contracts when discrepancies are detected and the effectiveness of administrative resolutions. So, gentlemen, forgive us not understanding how this works. You help us, enlighten us, and slowly through the process, we're beginning to understand things, you know, so that we're all in the clear about this. Uh, are log export permits issued by the PNGFA Minister amended to reflect the SGS-detected discrepancies. And also I must highlight that there are instances where discrepancies are not always above and beyond because sometimes they say 100 cubic meters and then they end up exporting only 50 cubic meters. So the discrepancies also go in the other direction as well. So I just wanted to point that out. So when you talk about adjustments, it probably takes into consideration this situation. So managing director, if you will, please humor me. Are log export permits issued by the PNGFA Minister, amended to reflect the SGS-detected discrepancies?

01;33;00 - 01;22;25;21

John Mosoro

Yes

Gary Juffa

They are?

John Mosoro

They are

01;33;03 – 01;33;31

Gary Juffa

And are these changes, if any, you could probably give us some examples in at a later inquiry, that would be useful. Are these changes, if any, shared with SGS or customs like these discrepancy adjustments, are they shared with SGS or customs?

John Mosoro

No, that's not done.

Gary Juffa

That's not done. So SGS or Customs has no idea that discrepancies have been attended to.

01;33;31 - 01;33;34

John Mosoro

But it's done at the log ponds. They do it.

01;33;34 - 01;33;40

Gary Juffa

Oh, that's done at the log ponds before the permit

01;33;40 - 01;34;03

John Mosoro

For instance, when the logs get out from the bush, it lands on the log landing, they do the calculations for the royalty payments, and then it goes down to the wharf. So the royalties, levies are already paid and the logs are taken down to the wharf. When there's a discrepancy at the log pond, that's when they will address it.

Gary Juffa

Then and there?

John Mosoro

Then and there.

01;34;03 - 01;34;10

Gary Juffa

Okay. Is a log export permit a legal document? I would assume so.

01;34;10 - 01;34;21

John Mosoro

Yes, it is. It's under the Forestry Act. Section 7(1)(g) of the Forestry Act. It's a lawful instrument.

01;34;21 - 01;35;11

Gary Juffa

So, now this is, uh, and then so the SGS discrepancy, how it's dealt with, I don't see that reflected in the SGS reports. That's where the confusion comes about. Because when we don't see that, then we assume that there's a hanging discrepancy that has not been dealt with. So SGS, maybe that's where you can help us understand or MD, because I think there is the problem that this information is not getting back to SGS who are then recording this information in such a way that would say, for instance, people like ourselves who are doing an inquiry or auditors, they can say, oh yes, this is what happens to the discrepancy and they can understand what's going on. Are You ever informed, SGS in instances where discrepancies are corrected or?

01;35;11 - 01;35;15

Foe Oii

It's not a general practice.

01;35;15 – 01;36;08

Gary Juffa

Okay, It's not a requirement either?

Foe Oii

No

*[inaudible]*

01;36;08 - 01;36;40

Gary Juffa

So what I would think is that a report should be formulated every month or if not, it should be part of your report detailing that these discrepancies have been recorded, these discrepancies have been treated accordingly, and there was no evasion of customs duty. I think that's what needs to go in the report. So there's no uncertainty, there's no confusion. Because of this lack of reporting that's where this confusion is. And many of us are assuming that this, you this foul play or something wrong that's happening.

01;36;40 – 01;37;55

Foe Oii

There is, in fact, chair, similar to this shipment report, discrepancies. There's also a section of the report generated by SGS on customs duty

Gary Juffa

Oh, yes, I've seen that. And the potential of what could have been evaded. But because that's a gray area, it doesn't detail what has happened. That's why it gives this perception that needs to be clarified. You know, that's why I think going forward, say if SGS is reengaged, this has to be contained in your reports so that we know how these discrepancies are dealt with, you know, you know, so customs doesn't feel uneasy that they're missing out on duty that they should have collected, including penalties that they should have applied, etc.. Now, here's the curious thing. Managing director, do you get your monthly reports from your team on the inspections that they're conducting now that SGS is no longer engaged? Does the team send you a monthly report like you used to get from SGS or not?

01;37;55 - 01;38;08

John Mosoro

Yes. Yes. Chairman, I get monthly reports from all the shipment from all those log ships that arrive at the log pond.

01;38;08 - 01;38;13

Gary Juffa

And is it possible to get copies of those log shipment reports? Because we would like to see them.

01;38;13 - 01;38;26

John Mosoro

Yes, we have produced a report. We have done some comparative analysis of monthly reports, and we can provide the report. In fact, the report is complete, which we will provide you.

01;38;26 - 01;38;40

Gary Juffa

Thank you. And from your best of knowledge, did your report or did your efforts did the efforts of your officers detect any discrepancies?

01;38;40 - 01;39;17

John Mosoro

Yes, chairman

Gary Juffa

So you did detect discrepancies?

John Mosoro

We detect some minor, minor discrepancies and we on the spot requested to rectify that issue before the logs get on the ship. So we did on the spot, for instance, the FOB value that calculated and additional logs or the logs that were taken off because the log ship is too heavy, cannot get additional logs, and all these things we calculate and report every day. I get every day report however for SGS I get after three months.

01;39;17 - 01;39;47

Gary Juffa

Okay. Thank you, MD. Now, MD, finally for me and again my colleagues may have their questions to ask. I understand that you met with the SGS team perhaps in Australia. Was it to look at re-engagement or to discuss ways forward. Can you perhaps elaborate on that and what were the outcomes of that meeting?

01;39;47 - 01;41;56

John Mosoro

Chairman and Committee members, it's a government policy, it's a government decision, um, I had to travel personally to Australia, personally to Australia to meet the SGS boss in Brisbane, he is from South Africa. He traveled all the way to meet me in Brisbane in Australia. We discussed the draft contract, renewal of the contract. And we also discussed looking at widening the scope of work, not only on round log export but only on wood products, downstream processing as well. So we agreed on a whole range of works to be undertaken by SGS. Yes, we agreed. So we, we drafted a draft contract, from our legal team, we send a copy to the, the head office in, in Geneva and they had their legal team also had a look at it and send their comments back to us. I also want to inform you, Chairman, that we have increased the scope as a result of the cost that the fees has gone up a bit. And now the request that the contract to be to be signed by the Governor-General and our view Chairman, is this it's a contract that is approved by NEC, by the Cabinet, whether we want to hold it at the forestry level, at a board level, forest board level, not to take it up to the Governor-General because um, the it's not a high impact project, more than 300 million and all that. It's only less than that. So we are now discussing with them to, they put in the contract for the Governor-General to sign, and we realized that and we said no, we will discuss with the state solicitor tomorrow. We'll finalize the contract, we'll send it back to them and hopefully we can sign the contract this week.

01;41;56 - 01;42;02

Gary Juffa

Okay. Thank you. Thank you, MD. It's good to hear that. Yes.

01;42;02 - 01;42;36

William Powi

Just a small passing question. MD, wonem law em tokim Minister lo signim ol shipment yu tok long e mya, em wonem National Forest Authority Act or and what

gives them the power? Because I said this previously before the legislation came on board, there used to be some ministers ol sa go wokim lo laik blo ol. So you guide your ministers, every time they signed this.

01;42;36 - 01;42;58

John Mosoro

Yes. Thank you, committee member. I do my best to provide the guidelines to the minister. However, as the minister, as you know, minister, what they're doing is required by law under the Forestry Act. So I have not much authority

01;42;58 - 01;43;02

William Powi

What do you mean? Hang on, hang on. Just qualified that. What do you mean what they are doing is qualified by law.

01;43;02 - 01;43;11

John Mosoro

Signing the permit under section seven.

William Powi

But you are the CEO, you should be in front, yeah?

01;43;11 - 01;43;28

John Mosoro

Yes I, I prepare

William Powi

You don't expect politicians to go and sign left, right, center and everywhere. We don't know. Mipl em raun, raun lo ogeta hap. Have you come across instances, I'm not saying you are doing that, have you come across instances like this?

01;43;28 - 01;43;43

John Mosoro

Yeah. Yeah. We have all the checks and balances, however, the minister, under the act, is required to, we otherwise we make a major amendment to the Forestry Act and it cause a lot of problems so

01;43;43 - 01;44;05

Marsh Narewec

Good. Can I ask a question? Uh.

Gary Juffa

Thank you. Thank you, MD

Marsh Narewec

For a company, how many export permits does he have to sign every year? I mean

Gary Juffa

Every month

Marsh Narewec

Every month. How many export permits minister has to sign for one company for a year?

01;44;05 - 01;44;23

John Mosoro

[inaudible]

From 2024, minister signed 618 export permits

01;44;23 - 01;44;32

Marsh Narewec

Just year 2024 only

Gary Juffa

600

Marsh Narewec

So one company can apply for 2, or maybe 10, 20 permits in a year?

01;44;32 - 01;44;38

John Mosoro

It depends on the cargo, if they are subsidiary or they, depends on the cargo, they can apply.

01;44;38 - 01;34;10;18

Marsh Narewec

So the minister has to sign off on all 600 permits?

John Mosoro

Correct

01;44;42 – 01;44;48

Marsh Narewec

Does somebody signs on behalf of the minister or just, minister has to sign himself?

01;44;48 - 01;44;56

John Mosoro

Himself, Wherever he is, we have to take the permit to him to sign, or he or she is, take the permits in the plane

01;44;56 - 01;45;16

Marsh Narewec

Why did we create this? Who advised us to create this law like this?

*[all talking at once]*

01;45;16 - 01;45;46

Gary Juffa

Well they will probably maybe perhaps managing director if I may provide us a historic account of why the situation exists whereby ministers have to sign the permits. You know, your team wrote a very good report that we have, so I'm sure they can go and do some more research and find out how this came about so that the permits are being signed by the ministers. I think that that would give us some understanding of why it's the case.

01;45;46 - 01;45;48

John Mosoro

We'll do that, governor.

01;45;48 - 01;45;54

Marsh Narewec

Does it affect your work, you know, you have to go and look for ministers to sign your permits. Does it affect your work?

01;45;54 - 01;46;10

John Mosoro

Um, it's, it's part of our duty. Responsibility. That when the ship comes in, it doesn't wait out there for too long, demurrage costs. So I have to send my officers immediately where minister is.

01;46;10 - 01;46;15

Marsh Narewec

But it will cost you to send your officers

John Mosoro

Sorry?

Marsh Narewec

It will cost you to where the minister is.

01;46;15 - 01;46;20

John Mosoro

I have to send my officer to go down, just sign and get on the plane and come back the same day.

01;46;20 - 01;46;30

Gary Juffa

And then he has to do it again for the discrepancies.

*[laughter]*

Gary Juffa

Am I correct? That's quite interesting. No, we want to understand

01;46;30 –

Marsh Narewec

We have to look into this and see

Gary Juffa

I agree. In fact, we want to understand how the sector is tracking. Okay. And where it is going. Or is it going anywhere, for instance, the government has insisted on a ban on round log exports. I believe in 2020. The last time was 2020 they mentioned and

then now is 2025. And has the department or organization, do you have any plans in place to ensure that these companies are complying with PNG government directives and that they are moving into downstream processing? How would we be going with that? Do you guys have a plan to do that? Do have a dedicated team that's making sure that all these companies operating, you know, throughout the country cutting all our trees, are they actually moving to downstream processing or is the department got a plan for this?

01;47;30 - 01;48;01

John Mosoro

Yes, chairman, we have a plan. My director, legal is here. We have a plan of action. What we are doing now, we are currently going through all the project agreements, some project agreements is for 50 years and 35 years, the others 50 years. So we try to get those project agreement in order because these are these are contracts signed with the companies.

01;48;01 - 01;48;06

Gary Juffa

Okay. But it's also contingent upon the companies doing their part, right? They're supposed to comply.

01;48;06 - 01;48;38

John Mosoro

They're supposed to comply

Gary Juffa

We will have this discussion later because a lot of the companies that you've signed these agreements with claim to be involved in agriculture. This is the interesting part. If you go and look at the SABL inquiry, you'll find out that large tracts of land were basically given or gifted to these companies on the assumption or on their proposal that they would be involved in agricultural activities. So I'm assuming that you're also reviewing whether that's the case or not. Does your department do that?

01;48;38 - 01;49;00

John Mosoro

Yes, we are. Currently we have put a moratorium, we've got a two-year moratorium on all, what we call FCA, forest clearance authority. Which, chairman, now you're saying, they just go and cut the trees down, not even one oil palm standing. So in the last two years, no more, no more FCA, no more license, I put moratorium, it's still effective.

01;49;00 - 01;49;34

Gary Juffa

In fact, managing director, I would like to comment that not just moratorium, but it's obvious that these companies had no intention of planting oil palm. So if they had no intention of planting oil palm, but they came and cut the timber anyway, that means that their applications were, from the very beginning, they were acts of fraud because their intention was not to plant oil palm or cocoa or tree farming or whatever else they claim. Their intention was to cut timber. Would that be the case?

John Mosoro

Yes

01;49;34 – 01;49;39

Gary Juffa

And if that's the case, what do you do with these companies that have perpetrated this fraud upon this country?

01;49;39 - 01;49;46

John Mosoro

Chairman, we have imposed on them a heavy bond fee.

01;49;46 - 01;51;43

Gary Juffa

How much is the heavy bond fee?

*[inaudible]*

Gary Juffa

1 million? Which is what they put in place before they go into this business, am I correct?

John Mosoro

Correct

Gary Juffa

Okay. So, for instance, let's say Ifane, it's close to my province, in fact, it's right in my province. And I know for a fact that the company that's operating there claimed that they were engaged in tree farming and cocoa production. Now I drive past Ifane every day, I'm going to Girua airport or back and I can tell you, MD, there's no tree farming taking place and they have not planted a single cocoa tree and they've been operating there. In fact, if you look at those, there's a Ifane agroforestry company there that's operating, it says there in one of their shipments. The SGS reports there and they are shipping logs out. So they're claiming to be involved in agricultural activities. They're not doing agricultural activities. They're simply cutting timber and then they're procuring permits, licenses to ship out this timber essentially under false pretense because they procured these licenses and permits on the assumption that they were going to be involved in these agricultural activities.

So what is your organization doing about this? Like all these companies that are pretending to be involved in logging, uh, farming activities or agricultural activities, but instead they're only cutting timber. They're not doing any farming whatsoever, like you admitted in one instance. And even with the oil palm, I would go as far as saying with some of the companies that they're not even compliant with RSPO, which we are required to do so as a RSPO partner.

01;51;43 - 01;51;52

William Powi

Yes.

Gary Juffa

So in fact, the oil palm they're planting cannot be sold on the international market because it's not compliant with RSPO laws. Am I correct?

01;51;52 - 01;52;08

John Mosoro

Correct.

Gary Juffa

So what's your organization doing about these bad actors? You would agree with me that these are bad actors. They are not operating with respect to this country, with respect to our laws, and definitely they don't seem to respect our people.

01;52;08 - 01;52;51

John Mosoro

Uh, yes, chairman, thank you. For the final one, I have taken this matter to the board and the board has now taken a decision to cancel their license and number of them. We have a whole list of FCA projects in the country.

Gary Juffa

That's good to hear.

John Mosoro

We've gone through that and we are, we will be shortly, the board will make a decision to cancel or terminate the licenses. We have all the audit report. We've done the audit of all the FCA projects in the country. In the next board meeting, we will present to the board to recommend for termination and cancellation of, I think almost 65 to 70% of FCAs in the country.

01;52;51 - 01;53;57

Gary Juffa

That's the way, MD. That's what the people of Papua New Guinea expect. While you're doing that, may I add that you will also look at the Wanigela Agro forestry

project carried out over there by Northern Province, I forget what the name of the company is. Northern Forest, yes. They're using an outdated permit, environment permit. I can tell you this. I will send you the letter on this. That outdated environment permit was issued to another company and now the same company is going into traditional land and using that same permit. So I will be sending you a report on this. It seems that we have been very accommodating with investors, but, you know, ol kam inside lo country blo yumi ol no respectim yumi, ol pipol blo yumi, ol law blo yumi. So I'm quite happy to hear that your organization is taking this action, MD, if you can provide reports on what you are doing in regards to this, that would definitely help us as we collectively tighten the belt on what's happening in this sector.

01;53;57 - 01;54;29

Gary Juffa

Now, my two colleagues may add their thoughts and comments, but from me I would like you to avail yourselves of the Tos Barnett report report and the SABL report, because what we want to do next is going to those recommendations and find out what's happened with those recommendations from those reports and how far we are progressing with with implementing those recommendations so that we can on the one hand we can work well with the genuine investors and on the other hand we can identify the bad actors and deal with them.

01;54;29 - 01;55;12

Gary Juffa

Thank you, MD. I think we had the head of Secretariat, if I may.

*[inaudible]*

Yes, thank you. The final question to Customs was if customs, if you pay any fees into a trust account owned by forestry, is that something that happens? Are you aware of that or is that a misinformation that we have? Does customs collect any fees that it pays into any trust accounts owned by forestry?

01;55;12 - 01;55;43

David Towe

Yes, chairman, we do collect what we call LEDL levies, log export development levies, per export entry and we remit those to a trust account held by National Forest Authority on a regular basis.

01;55;43 - 01;56;04

Gary Juffa

Okay. We'd like to see a copy of a report detailing how much has been paid, etc. and managing director, these funds are for LEDL, I guess and then they're all are they all swept by Treasury as well, taken by Treasury, or do you disperse them to the..

01;56;04 - 01;56;19

John Mosoro

Chairman, the trust accounts is operated under the finance, the trust account. The trustees are secretary for Planning and myself, MD for Forest. We are the trustees to that trust account

01;56;19 - 01;56;25

Gary Juffa

And the payments made from there are to landowners or to government organizations?

01;56;25 - 01;56;52

John Mosoro

K8 per cubic meter from the log export is paid into this trust account. There's a bit of confusion, however, the trust account is managed by uh. Yeah, by that line, yes. So the Trust account trustee, is owned by the Department of Finance.

01;56;52 - 01;57;04

Gary Juffa

Can you provide us details of this trust account, how the funds that are placed in there are utilized and who's responsible for them, etc.. This would also help us.

John Mosoro

Yes

Gary Juffa

Understand what's happening.

01;57;04 – 01;57;50

John Mosoro

Yes. The payments, chairman, is done through a LEDL guideline that was approved by NEC. So all the payments done through that and it supports those provinces where there's log exports. There's, recently NEC has approved, made some changes to that, becomes like a development kind of a levy where the government policy on 'Painim graun, planim diwai'. So it applies now also. So we plant trees on degraded forest area for the purpose of later plantation for carbon trading and all that purpose. So, the guideline is there. We will provide a copy of the LEDL guidelines, how we spend the money and the records are kept here by the two trustees.

Gary Juffa

Thank you.

01;57;50 - 01;58;14

William Powi

Chairman, we can ask the MD to provide the payments to date of all those trust monies. Yes, trust that funds are specifically established for a specific purpose.

John Mosoro

Yes.

William Powi

We can't just pay here and there. So we would want to know as part of the inquiry how much, how much has been paid by IRC and, you know, we can determine that and what has been used. That is.

01;58;14 - 01;58;18

Gary Juffa

Thank you very much. Uh, Commissioner, please.

01;58;18 - 01;58;44

David Towe

Chairman, we understand there's been a change to a trust instrument, so for this year, from January to current, we have not, um, we have not transferred the LEDL funds, we still hold on to them until MD Forestry inform us of the amended trust instrument then we will transfer the funds to the trust account.

01;58;44 - 01;59;31

Gary Juffa

All right. Thank you very much, Commissioner. And thank you all gentlemen, for this opportunity. And ladies, at the back and everywhere else who came. The team from SGS. Thank you for your time. Treasury Office, thank you. I think we will be having a call out for continuation of our inquiry as we try to narrow down on the issues affecting the industry and how we can best help the organizations that are responsible, what we can do. We've learned quite a lot. We understand that the, PNG Forest Authority is in dire need of financial, you know, assistance, I would say, so that it can perform its roles and responsibilities to the country.

01;59;31 – 02;00;33

Gary Juffa

And is there any other questions? And, uh, I'll leave that to my two colleagues. But other than that, please accept our apologies for any, uh, confusion here. Chairman, finally, for me, I want us to have a list of all the companies that are involved in logging in the country. If we can have a listing of all the companies, where they operating, and in that list, you want to tell us what type of agricultural activities they're undertaking. Because I understand from my knowledge that FCA, SABLs, SABLs are no longer operating or we don't use them anymore. But FCA especially was specifically for the purposes of agriculture. So I'm curious to know what agricultural activities these companies are undertaking because we want to ask some of them to come and tell us what exactly they've been doing out there with their agricultural activities, uh, you know, whether they've been planting oil palm or looking after cows or what have they been doing, they're can to explain to us.

02;00;33 – 02;00;50

John Mosoro

Chairman, may I also add to that, thank you very much for the opportunity to come and present. I have the report on for, uh, for the entire country, all the provinces, number of roads built, number of bridges built, agriculture projects.

Gary Juffa

Very good.

02;00;50 – 02;01;18

John Mosoro

All in a, sort of a submission form, that's been written already, which will be provided to you. Um, so you can appreciate what sort of projects in all throughout the country. So for Kerema, we have a number of projects, for Morobe, projects, how many roads they build, how many bridges they build, how much money they spend, how much money they generated. All this in a report that we presented to you.

02;01;18 – 02;01;57

Gary Juffa

So thank you, Managing Director. I look forward to that report. Uh, also your strategy or your report on how you're going to manage the ban on round log exports. You know, how you're working with the companies to ensure that they go into downstream processing. Okay. Yeah. Thank you very much, Governor Powi. Chairman Narawec. Okay. Thank you very much all and we look forward to our next hearing, and we will send notices for further information, for further clarification. Thank you.

~ End ~

## A.7 HEARING NO. 2 WITNESS LIST

| No. | Name           | Organization           | Position   |
|-----|----------------|------------------------|--|
| 1   | Gewa Gamoga    | PNG Forest Authority   | Director - Reforestation                             |
| 2   | Jim K. Menge   | PNG Forest Authority   | Director - Allocations                               |
| 3   | Tobias Dalid   | PNG Forest Authority   | Director - Legal                                     |
| 4   | Ivo Kusip      | PNG Forest Authority   | Chief Scaler   |
| 5   | Foe Oii        | SGS PNG Ltd.           | Country Manager                                      |
| 6   | Dambis Kaip    | PNG Forest Authority   | Acting Chief Operating Officer                       |
| 7   | Mark Pilon     | PNG Forest Authority   | Corporate Strategic Planner                          |
| 8   | John Mosoro    | PNG Forest Authority   | Managing Director                                    |
| 9   | David Towe     | PNG Customs Service    | Chief Commissioner                                   |
| 10  | Benjamin Sine  | PNG Customs Service    | Commissioner Border Security and Regional Operations |
| 11  | Nelson Kapo    | PNG Customs Service    |  |
| 12  | Rai Shaho      | PNG Forest Authority   | GSMA?  |
| 13  | Esther Beni    | PNG Forest Authority   | Board Secretary                                      |
| 14  | Verolyn Daugil | PNG Forest Authority   | Director Economic and Investment                     |
| 15  | Donny Kowuropa | PNG Customs Service    | Director   |
| 16  | James Barasuru | PNG Customs Service    | Assistant Commissioner                               |
| 17  | William Maino  | PNG Customs Service    | Director   |
| 18  | John Uware     | Department of Treasury | Deputy Secretary - Economic Policy Wing              |

### Media and Observers

| No. | Name         | Organization                             | Position          |
|-----|--------------|--|-------------------|
| 1   | Solomon Gali | Forest Ministry                          | Executive Officer |
| 2   | Mais Konor   | Southern Highlands Provincial Government | Executive Officer |
| 3   | Joel Andrew  | Media                                    | Journalist        |
| 4   | Hura Kwarara | NPS Media                                | Broadcast Officer |