

**“We have no problems but just people.  
People just want money”**  
**The local politics of landowning entities  
of the Vanimo Timber Rights Purchase (TRP) area  
in Sandaun Province of Papua-New-Guinea**

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The development of forestry resources in the Vanimo TRP area of Sandaun Province has led to the creation of the landowner company Becil Holdings. This paper first discusses the colonial administration of the forest policy in Papua New Guinea which was geared for the management of forest resources as a national resource with much control by the Department of Forestry. The introduction of the provincial government in 1976 enabled forestry to be a concurrent function with legislation and control shared between the national and provincial governments.

A more specific focus is on the Vanimo TRP in Sandaun province of Papua New Guinea. The history of the Vanimo TRP reaches back to the period of the Australian administration of Papua New Guinea and the subsequent granting of the permit for a period of forty years. The development of forestry resources in other parts of Papua New Guinea is often surrounded with vast uncertainty especially when the prices of timber within a particular locality are unknown, this does not seem to apply to Vanimo given the data that are available.

Landowners' interests have to be accommodated in forestry as well as in other resource development projects in Papua-New-Guinea. Landowner participation in the Vanimo Timber area takes place directly through the establishment of Becil Holdings. However, several court battles have resulted in the establishment of block-landowner companies in the Vanimo TRP area. Logging operations were suspended in the Vanimo TRP in December 1997 and commenced again in May 1998. Just before the

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suspension as a result of the drought, resource owners in the area called for a meeting to discuss the review of the agreement. The issues on the review seem to aim at greater benefits for the resource owners which seems to fall on the deaf ears of the loggers.

### **Colonial administration and forest policy in Papua-New-Guinea**

The exploitation and development of Papua-New-Guinea's extensive forests in the colonial period was low key and small scale with an emphasis on the development of local processing industry. This enabled the development of plantations by the government at Bulolo, Kerevat and Brown river. The emphasis was on protecting the forestry resource by means of centralised government control to prevent excessive exploitation by landowners (Barnett, 1992 : 90).

Colonial policy received its final statement in a 1974 white paper titled, "*The National Forest Policy*" (Department of Forests, 1974), based on the Carson report of 1973/74 (Carson, 1974). The report emphasised the need for centralised control which the 1974 policy framework tends to reinforce, to protect the forest as a national resource under national control. Carson (ibid.) was critical of the Forestry (Private Dealings) Act 1971, that allowed customary owners to sell their timber directly to outsiders subject to the approval of the forestry minister. This act bypassed the timber rights purchasing procedures (TRP) which had previously governed all exploitation of timber. The TRP system enabled forestry officers to consult owners and purchase timber rights for a period of about 40 years by gaining the signatures of all customary owners, with the minister granting a permit to exploit the timber subject to appropriate conditions imposed on the timber company.

In the colonial era, the administration of forestry legislation, the supervision of operations and enforcement of permit conditions was undertaken by the Department of Forestry, a national forestry service led by expatriate foresters responsible to the Secretary of the Department of Forestry (Barnett, 1992 : 91). The post-independence situation and the development of Papua-New-Guinea's natural resources (including its forests) were enshrined in the "National Goals and Directive Principles" under the National Constitution. It therefore required that forest be protected and developed as a national resource. In a country where there is diversity in social, political and cultural identity this did not go down well with many of the forest resource owners, who often argued that forest was their resource and they could do whatever they wanted in the name of development (Filer, 1996).

Independence also provided a whole new set of aspirations for national leaders who created an urgent requirement to increase the national

income to finance them. It was also recognised that the forestry act and regulations needed to be revised as they were unsuitable for the newly independent state. With independence there was a rapid pace of localisation in the public service. The introduction of provincial governments in 1976 was a major change in the government after independence affecting the forestry sector.

Forestry was a concurrent function which meant that the power of legislation and control was shared between the national and provincial government. However, there was no proper division on each of the concurrent functions. This meant that there was additional staff posted to the headquarters in Port Moresby responsible to the national minister, while staff of the provinces were under the control of the provincial forestry departments headed by the provincial premier. The policy and planning functions were with the Department of Forest secretary while the implementators of the decisions were removed from their control and responsible to the provincial governments.

Barnett (1992 : 94) highlights that the break between Port Moresby and the provinces had effects on the development of policy and the concept of co-operative planning. With no properly developed plans with predetermined projects in place, the door was opened for ad hoc decisions, which allowed foreign loggers to bribe or influence customary landowners, provincial premiers, National and provincial ministers, Politicians and public servants in order to gain access to the timber resource. (Barnett, 1987). Leaders tapped into the system and influenced or undermined the national minister and secretary for their own reward. This resulted in the manipulation of the development of forest resources by leaders for their own benefit and gain, leaving resource owners to fight for themselves. This became obvious in the Barnett inquiry (1987).

A revised National Forestry policy (1979) was published which recommended an increase in the volume of log exports as a means of raising revenue for the state. Exploitation and development of forest resources was seen as a means to further developmental goals. The white paper also required the log exporters to process a substantial proportion of their harvest in Papua-New-Guinea and also to undertake infrastructural development. It also allowed provisions for timber operators to establish reforestation projects. There was recognition as early as 1979 that the state should become involved in marketing through a marketing authority.

Log exports were actively encouraged, environmental legislation was enacted which in theory was strong enough to have ensured that all major forestry projects were approved by the minister responsible for environmental protection after the preparation and submission of an environmental plan. However, the department which was understaffed and without field officers to police environmental requirements, could not achieve much. New initiatives were implemented, such as the promotion

and development of local enterprises. The National Investment and Development Authority (NIDA) was also required to control the establishment of foreign owned business.

A great deal of work was put into the National Forestry policy 1990. The white paper states that the basic principles of the new policy would be taken from Goal 4 of the National Constitution (Conservation of National Resources and the Environment). The broad policy aims appear to be consistent with those previously identified by the Commission of Inquiry (1997). The new forest policy 1990 attempted to set out strategies for achieving policy aims and also accommodates the recommendation of the Commission of Inquiry.

### **History of the Vanimo TRP**

The Vanimo Timber area is located on the north coast of Papua-New-Guinea between eastern longitude 140 degrees, 0 minute and the southern latitudes 2 degrees, 40 minutes and 3 degrees, 10 minutes. The timber area is triangular in shape and extends westwards to 20 kilometres from the Indonesian border and eastwards to the Sissano Subdistrict, inland it extends 40 Kilometres to the foot of the Bewani mountains. The Vanimo Timber area includes 287 240 hectares gross area with a net productive area of 207 080 hectares.

In the mid 1960s a series of investigations were carried out in the Vanimo Timber area and some adjacent areas to establish the nature of the timber resources of the region. Enriched by the results of those investigations, the government purchased from the landowners in February 1967, the timber rights for a period of forty years. Such undertakings were done during the period of colonial administration which began to be reinforced further by the colonial forest policy of 1974, after the inception of what became known as Carson report. The area was investigated by several agencies with resultant findings produced by Forestal International Limited of Canada in report n° X 37491 in 1975. Over 10 years of this forty year permit was spent for research and establishment of the company. Timber species and their market values were determined by baseline and feasibility studies

The findings enabled the government to call for tenders. An attempt to develop Block 6 through the West Sepik Development Corporation (Wesdeco) met with mixed results and the venture wound up. The Department of Forest prepared a new prospectus which caused seven timber companies to submit their tenders. The Bunning Brothers group of Australia through the local company Vanimo Forest Products (VFP hereafter) got the tenders to develop the area. The bulk of the harvest was

undertaken by the Bunning Group between 1986 and 1990 in Block 6 under TP N° 10-6. This was the first major timber extraction from the area. From 1980 up to 1990, Bunning Brothers have developed the timber resources of the area but mostly confined to Block 6 of the TRP.

Share transfer between VFP and its owner the Bunnings Group of Australia and WTK reality Group of Malaysia took place. The company retained its name VFP. WTK Reality is owned by the Wong family in equal shares of 4 to 25 % each. The Wong family also owns WTK Group of companies based in Sibul, Sarawak which is one of the largest Malaysian companies. WTK Realty also operates two other timber concessions, Bewani LFA and Pegi Pulan LFA south and south-west of the Vanimo TRP. These three timber concessions are the only ones currently operating within the Vanimo District and registered under the National Forest Service (NFS hereafter).

### **Landowner participation and local interest**

As a requirement under the National Forestry Act (1993) and under the Land Groups Incorporation Act, landowner companies are formed to represent landowners in project areas. Such Landowner companies work in close consultation with NFS and the Provincial Business Development officers (BDO). Landowner companies play the role of “middle men” or “brokers”. They are regarded as the medium of communication between the resources owners and other stakeholders of the timber industry. Landowner companies represent resource owners, thus they have an obligation towards them.

The project agreement placed the landowners' participation as a high priority. This is enhanced by the project agreement where Clause 28 gives exclusive right to the landowners to participate in the economy and likewise clause 21 demands from the developer revenue making levies in agriculture, reforestation, and also premiums. Royalty moneys are to be paid to the landowner company which would dominate subcontracting under clause 28. Clause 21 also favours some revenue to the amount of K 1 million per year to go to landowners. However, there is uncertainty on the capability of spending or managing these funds. Landowners were reckoned to have no difficulty on embarking on any of the projects suitable for the area because they are financially capable (EP, 1992).

For the logging companies it is important to have access to a group that can be portrayed as representative of the landowners and which can be mobilised for lobbying government officials in endorsing company proposals or for signing agreements. Wood (1997 : 98) states that groups of landowner supporters can also be mobilised to either influence policy

direction or to create an impression of disunity amongst the “landowners” as a whole and thereby destabilising investor confidence and also disabling the claims of another investor’s landowner company to representative status.

### ***Becil holdings - Landowner company or sole company***

Becil Holdings was formed in 1990 as required under the forestry act and at the request of NFS after the share transfer between Bunning Brothers P/L and WTK Realty of Malaysia. The formation of Becil was initiated by two prominent local men, Michael Sakelu and Peter Apoe (Kara 1997 : 6), with the intention that people benefit fully from the operations of the timber company. Becil was established with the following objectives :

- To be a channel through which resource owners, the state and the timber developer could establish a working and communicable relationship.
- To help resource owners in the fair distribution of moneys and wealth that comes from both the timber company as well as from the spin off of the timber operations.
- To help local resource owners to set up small scale business that could be more profitable than mere collection of moneys and immediately consuming them.
- To venture into large scale business (e.g. investments, share holding, real estate) for long term benefit of all resource owners of the TRP area.

Thus the purpose of establishing Becil was to serve and help the local resource owners, to properly channel concerns and initiatives of both the landowners and the timber company, and also to receive funds for the people in the Vanimo TRP. Becil Holdings is well established with a board of directors, a management team of executive officers drawn from among the directors, and support staff.

Six directors representing the 6 blocks of the timber area form the board. The management team consists of two or three directors who are responsible for the overall administration, finance and the operational responsibilities. Local landowners play the role of dominating individuals to be directors. The management team during the course of our field visits to Vanimo was headed by Michael Sakelu (Chairman), Alos Mon (Vice Chairman) and Alois Bewa (Secretary) (also cited from Kara 1997 : 7). Becil also has a secretary who is an officer appointed outside of the board of directors, and also other support staff.

The structure of Becil as highlighted by Kara (1997 : 7-8) is a pseudo-corporate which is not so much defined in its structure to be serious in business. This implies that there is interference from the directors in the management of the company. The directors tend to have mixed responsi-

bilities, either to have the company as a strict business entity or to accommodate social obligations within the landowning communities, especially where village politics tend to dominate the running and operation of a landowner company. The comments by Wood (1997 : 98) on a landowner company in the Makapa TRP in the Western Province is also applicable to the Vanimo TRP and its landowners who think that being a “director on a board” includes frequent trips to Port Moresby and Jayapura.

The operational cost of Becil depends to a large extent on the accumulation of premiums. The current arrangement is that out of the premium paid to Becil, 50 % remains with Becil holdings and 50 % goes to block landowner companies. Of these 50 %, 48 % go to the block landowner companies (i.e. 8 % per block) with the remaining 2 % going to the Vanimo TRP Landowners Association (VTRPLOA hereafter). That means that with eight resource owning local stakeholders companies comprising six blocks, Becil and VTRPLOA, Becil keeps 50 % while the others fend over less than 10 % each.

The amount received depends on the price and the volume of timber exported. Apart from such sources of revenue, dividends and interest accrued from investments, real estate and shares also add further income to the company. Premiums from VFP is given at the rate of 5 % FOB price at the rate of K 1.00 per cubic meter.

Becil spends the timber revenue in a variety of ways, it has ventured into buying shares, investment in business, properties, and anticipates to bring in more revenue for the development of the area and its people. As put by Michael Sakelu, they want to “invest into something bigger and better that will stay longer even after the timber company moves off” (personal communication M. Sakelu, 1997 ; Kara, R. 1997 : 11). Becil also receives agricultural levy as part of its timber agreement. However, since December 1996 with the formation of block landowner companies no measures were taken, because the money for agricultural work had been given to individual block companies to administer.

Becil holdings is controlled by a few people who are keyplayers with the company's financial and capital assets. The idea of having directors representing each of the blocks is to imply to the landowners that Becil is a company that represents the resource owners within the Vanimo Timber area.

### **Raging heads : court battles and the formation of block landowner companies**

At the end of December 1996, the local landowners represented by VTRPLOA and Becil Holdings conducted a series of legal battles over several issues. Constant conflicts arose from the frustrations of the

landowners over the lack of proper distribution of funds to landowners. This confirms Filer's (1990) analysis on the distribution of resource rents, in which he highlights that custom can withstand capitalist pressure. In addition, problems over distribution of resource rents would continue to create problems which could cause disintegration effects. Through the years, these court battles and a series of meetings led to the formation of block companies.

The first court order against Becil was taken by the landowners in 1994 over alleged mismanagement and lack of acquittals of the timber moneys held by Becil (Independent July 25, 1995 : 2). The court ruled in favour of the landowners and ordered VFP to cease payments of all premiums and levies to Becil. Becil was ordered to freeze further capital investment until it provided audited copies of all financial reports from 1991 to 1994.

A second court order against Becil was taken by the VTRPLOA 1996, which pressured Becil to think seriously about the formation of block landowner companies. The court decided that the matter was internal without much substance and had to be resolved in an out-of-court settlement. After stakeholder consultation involving landowners and appropriate government organisations, resource owners were allowed to form block companies as of December 1996. This was well received by most stakeholder groups within the TRP.

Michael Sakelu stated in 1997, that since the landowners were headed by self interested people, and have been crying for this, they gave it to them. Despite such assurances by Michael Sakelu, there still is misconception about the purpose of setting up block land owner companies. Executive officers of block landowners companies tend to think that they are a subsidiary of Becil and therefore see their role as trying to ease the burden of Becil. Others do not want to have anything to do with Becil.

There is still not much trust in the operations of each of the block landowner companies. VFP, perceives the formation of the block landowner companies as a hindrance (cited from Kara, 1997 : 25 - personal communication Melchior Kapaith). Kapaith reckons that it is easier to deal with a single registered body than with eight different landowner bodies (i.e. 6 Block companies, Becil and VTRPLOA).

Dealing with a single landowner company is also difficult in an area where there is not much trust in Becil. This is evident where the objectives of incorporation of the company were never fulfilled.

### **Block companies, neopopulism and rural development**

With the court direction and the out of court settlement, block landowner companies have been formed within each of the six blocks of the Vanimo Timber area :

Komofy Pty Ltd was incorporated in October 1996. It includes the villages from the Bewani area within Block 1 of the Vanimo TRP, Isi (1 and 2), Apambo, Sumbo, Nambis, Airu, Amou, Ilup, Awol, Ambai, Alis and Idoli. The objectives of Komofy include investment in the Paga Hill development project in which K 30 000 was paid to the potential developer. However, villagers and the directors of the block landowner company had expected dividends to be paid and such has not been so. The other business objective of the company is to start a beer depot at Wasipi village. There is not much business interest at the local level. Much expenditure has been on vehicles for each of the villages within Block 1 of the TRP. Despite having bought the vehicles, villagers still complain about lack of transport for produce to markets in Vanimo. Complaints directed at Becil include that Komofy as a subsidiary should be financed by Becil.

Bushman Resources is formed by the landowners of Block 2, and includes the villages of Imbinis, Ossima, Imbio 2, You, Isi Daru, Oiru/Omula and Aimbai. The company has seven directors representing each of the villages and a management team of chairman, deputy chairman, secretary and project officer. The objectives of Bushman resources include the encouragement of small agriculture projects within the area. Infrastructure development should be given adequate consideration before provision and facilitation of the development of small scale agriculture projects. The main source of funding is from Becil after the court direction for the payment of premium and levy to the block companies. The first arrangement of payment came into effect with the start of establishment of the block landowner companies when the money withheld by VFP and Becil was paid to all blocks to an amount of over K 200 000. This was the first major funding for Bushman resources.

Sirplany Development Corporation was established in 1996 and is a formation of the villages within Block 3 of the Vanimo TRP that includes Imbio 2, Sumuraru, Krukru and Bapa. Neopopulist ideals tend to be the main objectives behind the establishment of many block landowner companies. Sirplany's objectives include the development of agricultural projects and investment to generate income for the company and to eventually assist the local people in small projects and business spin off. Similar to Komofy and Bushman resources, Sirplany also receives its share from Becil. The premium from export of round logs paid by Becil to Sirplany is used for the operational cost of the company while agricultural levy is used for small agricultural projects.

Summy 4 Pty Ltd was established in December 1996 and represents the resource owners of Block 4 that comprises the villages Mumaru, Savarmu and Mimbo. Summy 4 has provisions for assistance to landowners for the maintenance of schools and aidposts, to purchase school and aid post equipment (e.g. lawn mowers), and to assist disadvantaged parents with the payment of school fees. Similar to the other block companies Summy 4

has also been keen in assisting agriculture projects. The funding arrangement from Becil is similar to the other block companies. Summy 4 has gone into hire car business both in Port Moresby and in Vanimo and has gone into a joint venture with an outside company for the establishment of Orchid Pharmacy in Port Moresby. Premium is commonly used for the operational cost and investment while agriculture levy is utilised for the provision of assistance to the resource owners.

Molsyp Pty Ltd comprises the villages of Serra, Samararu, Rawo, Pake, Puare, Leitre and Oneii of Block 5. The company has 7 directors representing the different villages. The structure of Molsyp comprises the executive or the management and the directors. The chairman and the deputy chairman are elected from the board of directors and form, supported by a secretary, the management team. The company's main objective is to assist in small agricultural projects from the agricultural premium received from Becil. Molsyp has not taken any initiative for investment and has relied mostly on funding from Becil in a similar arrangement as the other block companies.

Knomi Development Corporation comprises the villages of Block 6 of the Vanimo Timber area, amongst others Omula, Imbinis, Osima, Osol, Krisa, Sosi and Kiliwes. The company was formed in January 1997 with five directors, and three executives : chairman, deputy chairman and secretary who take care of the administration. The objectives of Knomi focus on assisting village people with small scale agriculture projects such as piggeries, chicken projects, cocoa fermentry or fish ponds. Plans in the disbursement of income from Becil include the establishment of a service station or a possible joint venture with Mobil.

### ***Agriculture and rural development - The sole objectives***

Block landowners companies have laid an emphasis on small scale agriculture as means to generate income for rural resource owners. There were previous small scale ventures such as the Bewani Food Crops Association. This association was established under the auspices of the Department of Primary Industry (DPI hereafter) in 1987, who then began its program to assist rural farmers in vegetable farming. The association was formed and led by chairman Mopai Dou of Isi village, and each farmer had to pay K 30 to become a member.

During the operation of the association, village produce was bought by the association and then sold at Vanimo. The association faced problems and collapsed. Gardens were too small to sustain the demand in town, which meant that supply was continuously reduced with increase in cost especially for the hire of vehicle from the provincial administration. The association was faced with financial problems to continue its activities. In addition, DPI ceased its extension work due to financial constraints.

Agriculture and small scale project activities are not new to the Vanimo Timber area. Agriculture was described by D.A.M. Young Whitfordes as being abundant with sago swamps (1946-47 patrol). As far as commercial agriculture is concerned, patrol report n° 8 of 1957-58 by J.A. Erskine stated that two groups from the Kilimeri area were producing copra at Vanimo. Men from the area were loosely grouped under the leadership of Yeraman of Osol village. The group made copra in Vanimo station and planted sufficient coconut on their own land to provide for themselves and their children.

The block landowner companies are not different in their emphasis on agriculture than the Australian administration. However, after the formation of block landowner companies it has taken a new twist in which there is substantial capital derived from premiums and agriculture levy which block landowner companies could easily utilise to meet development targets and aspirations. The development aspiration in material did not eventuate under Becil. The establishment of block landowner companies was thought to realise the goals.

The overemphasis on agriculture and small scale development in the vicinity of the project area has not meant much and there is nothing practical at this stage. Since 1996 most of the block landowner companies have not done much in agriculture and business extension work in their villages. Much time up to April 1997 has been taken by business travel.

### **Creeping organism, politics and differing interest : Becil versus block landowner companies**

Becil was the only landowner company established prior to the court direction and the formation of the block landowner companies, The block landowner companies tend to be surrounded by many misconceptions about their relationship with Becil. Executive officers of the block landowner companies take their position as being subsidiary of Becil, while others want the block landowner companies to remain separate.

For the ordinary villager of the Vanimo TRP the whole point of the establishment of the block landowner company is to create separate organisations that will work independently for their benefit (personal communication Mopai Dou of Isi 1 village 1997). Government stakeholders in the forestry sector argue that the formation of the block landowner companies has led to the empowerment of resource owners to have more control over the development and exploitation of timber resources.

Appointments within the landowner block companies of the executive offices are made either through the endorsement of local landowners or by

shifts from VTRPLOA. Vocal resource owners within VTRPLOA tend to fit themselves into the executive positions within the block landowner companies, being vocal on issues affecting the development of timber resources implies that one could truly and duly represent the interest of the landowners with in the block companies.

The appointment of directors from villages is from the endorsement by the villagers, often such a person would have some form of education and experience. The number of directors in each block depends on the number of villages in each block - the higher the number of villages, the higher the number of directors. The directors have to represent their village in matters which are either directly or indirectly related to the development of forestry resource. They are also the medium of information to and from villagers. Kara (1997 : 16) states that the directors are also given other responsibilities such as the implementation of projects and so share double responsibilities.

Appointment of other office is informal and there is a tendency to recruit fellow kinsmen into the structures of the block landowner company. Nepotism seems to be widespread and has received criticisms from other landowners from within the block. This is often expressed openly or by writing threatening letters of dismissal to directors or office executives. The practice of recruiting individuals from the blocks encourages nepotism often supplemented further by the handout of money with promises to establish projects, and of gifts.

Educational qualifications and work experience of those managing the block landowner companies remain low, others have just clerical experience. Planning and management of such block holder companies is still a problem and the trickling down effect is felt by the resource owners of the block. This is common especially when the objectives set by these block landowner companies are not fulfilled. Villagers normally do not trust the management of the block landowner company and therefore anticipate a change in leadership and directors (personal communication Mopai Dou Isi village, 1997).

Block-landowner companies are separate business entities (under PNG Company act). However, financially the block landowner companies rely very much on Becil. There is no provision in which funds (agriculture levy, premium) will be paid by VFP straight to the block landowner company. The disbursing of funds to the block landowner company and the VTRPLOA is an internal arrangement which may be described as an arrangement to satisfy the resource owners in each of the blocks within the Vanimo TRP. If there were no block landowner companies, each landowner group would want its own developer to develop the timber resources in the area, as Mopai Dou expressed it, "*bai mi painim kampani blong mi yet*" (I will find [another] company [potential developer] for myself)

Most of the block landowner companies would not want to be considered subsidiaries of Becil (Kara 1997 : 19) but to be separate bodies. This is due to the conflict of authority over the timber moneys and other legal complications in which the signatories are involved.

Becil sees the block landowner companies as subsidiary landowner groups which could be vested with some of the responsibilities of Becil (e.g. agriculture projects) while Becil concentrates on investment initiatives (personal communication Michael Sakelu, 1997 ; Kara, 1997 : 20). The formation of subsidiary companies was to be done properly with proper planning. Sakelu (ibid.) puts it this way, “*we have no problems but just people. People just want money*”. According to Becil the formation of the block landowners companies is a result of certain leading people’s interest in Becil’s money.

The long term plan of Becil for the block landowner companies is that they are to be vested with powers and specific funds to work with rural people in agricultural extension and other smaller activities. This looks gloomy at this stage especially when executives of the block landowner companies lack the educational qualifications and experience to run such organisations. Even though there can be devolution of certain powers, whether in the implementation of projects or programmes, much will not eventuate especially given the current state of the block landowner companies within the Vanimo TRP. There is no trust in the executives of the block landowner companies nor in those of Becil.

### **Block owner companies speak out : dissolve Becil**

In a country where there is great diversity, the interest of the state does not represent local interest, this also applies to the Vanimo Timber area. Resource owners through their block landowner companies have called for the dissolution of Becil. During the course of the field work in 1997, there was growing consciousness among the resource owners that Becil was not working in their interest. This is one of the arguments used by the block landowner companies to argue for the dissolution of Becil. The villagers anticipate material benefits to trickle to the villages of the Vanimo TRP. People at Isi village want “*develomen*” (development), along with logs. They think that VFP and Becil should implement development projects in the villages and not just logging the forest.

During the formation of Becil shares were sold and certificates issued. The share certificates holders are still waiting for their dividends. When resource owners bought shares from Becil they knew that it was their company. The objectives indicated in the beginning failed to materialise, this led to the establishment of the block landowner companies with structures similar to Becil.

The other block landowner companies claim that there are kinship links between Becil and Molsyp and therefore nepotism. This became evident to them by a loan guaranteed by Becil on behalf of Molsyp. The persons behind the formation of Becil were from Block 5 and therefore the other resource owners within the Vanimo TRP conclude that much of the benefit is being given to Block 5 at the expense of the other block landowner companies.

Block landowner companies have realised the role of VFP in the development and exploitation of timber. VFP has taken over the role of the state in the delivery of services. Resource owners see this and have called to VFP to change the clause in the agreement which indicates that only one company (Becil) would receive payment from premium and agricultural levy.

### ***Weaknesses of the Block landowner company***

Many management executives of the block landowner companies lack educational qualifications and experience. Many of the present office holders once occupied clerical positions in either the government or private sector. Therefore they still have problems with planning and management of assets of their companies.

The other weakness of the block landowner companies is that kinship politics tend to be integrated into their operation, especially where the recruitment of employees is informal, based on who is known to be able to do what. Most employees are from within the block, landowners are given preference in work. Nepotism along kinship lines is common.

### ***Demands prior to the closure of operations in the TRP***

In August 1997, the VTRPLOA led by Robert Mewa, called for the review of the project agreement. The notice was lodged with the National Forest Authority and also published in the Post-Courier. This sparked off anger from certain fractions of resource owners and the logging company. VFP mobilised landowners, especially from Block 1 where logging was taking place. It was also reported that the provincial police commander collaborated with the logging company. PPC warned Robert Mewa that if he continued to stop the company's operation for a review, his office would be burned down.

VFP and the Forest authority have to deal with two fractions. These fractions have differing interest, one will under the current practice of logging still receive their royalty payments, while the other would like to see more benefits which have to be re-negotiated. Those who insist of deriving more benefits from the company have drawn their weight with the association for the review of the agreement.

VTRPLOA made visits to all the blocks within the TRP to solicit views

of the resource owners for the review. According to VTRPLOA president Robert Mewa, 60 % of the population within the TRP support the review of the project agreement, while the other 40 % insist on the logging operation to continue. The working committee chaired by Roger Ouini includes three executives of the association, an additional two representatives from the six blocks who seems to be also executives of the six block companies, as well as a business advisor from Sirplany Development Corporation.

In September 1997 a review meeting took place to form 12 working committees of landowners and other resource people from within the Vanimo TRP to examine the project agreement and to assess the information which had been gathered from the resource owners. Issues discussed in the review included the various types of levies which resource owners anticipate should be paid to them, instead of paid to the state. It was also noticed that the training and localisation components of the permit have not been adequately fulfilled by VFP. The following recommendations were made :

- establish a reserve account for the reforestation levy, from which the block companies should be paid and that payments should be backdated from year one of the operation to year 7 ;
- increase the maintenance/infrastructure levy from K 1.00 to K 15.00 per cubic metre and to be directly paid to the block companies ;
- increase the agriculture levy the current K 1.00 to K 20.00 per cubic meter ;
- pay the provincial government levy to the block holder companies and not the provincial administration and increase it from K 1.50 to K 15.00 ;
- increase the premium levy from the current 5 % to 15 %.
- introduce an environmental levy of K 20 per cubic metre paid to the resource owners by VFP as a means to compensate them for the damage done to their environment. This levy should be back dated from year 1 to year 7 of the operations.
- VFP shall construct and upgrade all roads, bridges, and crossings required for its purpose or by the agreement wholly at its own cost during the project life time.
- VFP shall clear fell 5 000 hectares of land for the development of cocoa blocks.
- VTRPLOA should receive 5 % of the premium levies and separate payment after every shipment of logs and the bulk of the premiums should be paid to the block companies
- VFP should pay rent for the use of land for any purpose : base camps - K 2 500 per month, timber yard - K 500 per month, sawmill - K 2 500 per month, fuel depot - K 250 per day, stock pile - K 300 per day, quarry/river gravel - K 80 per load.

- VFP shall pay a share of K 7.00 per cubic metre from its sales of sawn timber to the block companies.
- a memorandum of understanding is to be signed between the rightful landowners for renewal purposes.
- the relevant authorities should improve business spin off benefits

Landowners further argued that timber rights have been sold during the colonial days to the colonial authorities and after independence to the state and the resource owners have become victims of that process. They therefore anticipate that the landowners be a party to the agreement. A resolution was that they be a party to the project agreement which was signed between the state and the resource developer in 1990.

### **Discussion and conclusion**

As Michael Sakelu puts it “we have no problems, but just people. People just want money”. The state, landowners, landowner companies and logging companies are in competition for the economic surplus from timber extraction (Taylor 1997 : 254). The state wants to appropriate revenue from the tax, the logging company wants to minimise cost, landowner companies want to milk off as much as possible while landowners want to be satisfied forever.

The state lays claim to the right to define local interest on the ground that it has technical skills and resources which rural landowners lack. However in Papua-New-Guinea where the state has failed to penetrate civil society in terms of the delivery of social services and infrastructural provision, the developer, i.e. the logging company, is often left to provide such services.

Taylor (1997 : 259) defines local interest at two levels, at the level of a single landowner group that needs to decide whether, and on what conditions, it should exploit its timber resources, and at the level of the collective interests of the various groups within the area affected by the logging who need to be reconciled. At the second level further refinement could be gained with the formation of block-landowner companies within the Vanimo TRP.

Experiences with landowner companies illustrates the complexity of issues in the distribution of resource rent in the form of premium and levy. Landowner companies are identified as the vehicles that have evolved to take interest of the landowners within the project area. Landowner companies in the logging sector have claimed political and commercial legitimacy through having received legal or de facto endorsement from landowners (Harding, 1972 : 606 ; Taylor, 1997 : 261). In the Vanimo TRP,

Becil holdings was incorporated with endorsement from landowners of the TRP but registered under two individuals.

The interest of the state is vested in various policy documents such as the forestry act, forestry policy and other legislation associated with forestry. The colonial policy emphasised the need for centralised control of forestry as a national resource. The Forestry (Private Dealings) Act 1971 was contrary to the idea of centralised control. The Private Dealings act empowered customary owners to directly sell their timber to outsiders. Independence provided a new set of aspirations for national leaders who created a requirement to increase national income to finance them. This becomes especially significant where local loyalties override loyalties to the state (Jackson 1992 : 82). This became evident in the Barnett inquiry (1987) which indicated a break between Port Moresby and the provinces. Its implications were obvious for the approval of ad hoc projects. A great more work was put into the formulation of the National Forest policy of 1990 with aims that appears to be consistent with loopholes identified in the Barnett inquiry (1987). The 1990 policy framework sets out a natural process whereby provincial governments take responsibility for the preparation of provincial plans with assistance from national government which retains the final power of approving or rejecting provincial plans and of ensuring that they are consistent with the national forestry plan.

Minister's powers and responsibilities were transferred to the National Forest Board which includes the heads of the Departments of Environment, Trade and Industry, and Agriculture, an appointee of the minister of Forest, Forest Industries Association and an appointee to represent the non-governmental organisations. The fragmented forestry service has thus been reunited under the control of the director appointed by the National Executive Council. The policy process and the bureaucratic mechanism are vital for the forestry sector. However it is also important to note that local interest tends to override interest of the state.

Local interest can also change over time, as is evident in the Vanimo Timber area where there was first one landowner company. Then after a series of court battles several block landowner companies emerged with objectives similar to Becil. The constant conflict caused by the frustrations of the landowners, VTRPLOA, over the lack of proper distribution of moneys to landowners, and alleged mismanagement triggered the court battles that led to the establishment of block companies.

Arguments over the distribution of money are common in the resource project areas. Becil as the single landowner company of the Vanimo TRP did not have the capacity to distribute funds to everybody's satisfaction. There are diversified interests in how and what to do with revenue from logging activities, such is evident from the statement by Michael Sakelu, which is also the title of this paper. A single landowner company cannot necessarily accommodate diversified local interest. In other project areas

this is evident from the constant change in directors and the management team of the landowner companies. There is no stability in the operations of the company.

Formation of the block landowner company can also be the target of landowner politics from each of the different block. Attention and confrontation is more likely to take place between resource owners of each of the blocks and each block landowner company, especially if development projects promised in each of the blocks do not take place. Such confrontation and conflict would also increase the likelihood of a constant change in the directors of each of the blocks and the management teams. The attention and confrontation which was once focused on Becil would no longer take place with the formation of the block landowner company.

This may also take a new twist which is evident when landowners begin to call for the dissolution of Becil over failure to bring development projects to the villages. Many of the arguments on the dissolution of Becil are the result of arguments over the distribution of the cash benefits from the logging operation. Each of the block landowner company wants to do their own thing and run their own show. However much weakness is evident from the current operations of the block landowner company who lack managerial experience and technical capability.

There seems to be a new twist in the stakeholder relationships between VFP (Developer), block companies and ordinary resources owners who seem to be partially represented by VTRPLOA. There is also the fact the Becil which was once the landowner company did not make much remarks in the review meeting. Most probably Becil has already established itself as a firm with corporate entity, and does not care so much about what other resource owners want from VFP. The arguments about greater benefits for the resource owners is very much in line with what could be regarded as a resource dependency syndrome. The block companies are demanding their share of benefits from the developer, especially when they cannot get anything from Becil. Demands are thrown at VFP to actually increase all the forest levies which were once paid to Becil, where then the state or its institutions come in. The state through its own National Forest Authority is a bystander to this whole process, however it seemed to be bombarded with demands from the loggers through its own National Forest Industries Association. The missiles seem to be reduction of taxes and levies to the state.

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## Résumé

**“Nous n’avons pas de problème à part les gens. Les gens ne veulent que l’argent”. La politique locale des propriétaires de la région du Vanimo Timber Rights Purchase (TRP), dans la province de Sandaun en Papouasie-Nouvelle-Guinée**

En Papouasie Nouvelle-Guinée, 97 % de la terre est possédée selon le droit coutumier. Ainsi les compagnies forestières doivent non seulement acquérir des droits d’exploitation via l’État mais encore, une fois que l’extraction a commencé, payer des droits et des taxes aux propriétaires pour le bois exploité. La superficie nécessaire pour qu’une opération d’abattage soit viable regroupe des territoires de nombreux et différents groupes de propriétaires. De tels groupes sont surtout des groupes apparentés et leurs titres sont légitimés par des généalogies transmises oralement et par des mythes. Les décisions requièrent le consentement

de tous les membres de l'unité propriétaire de la terre. Quand il s'agit de traiter des opérations de grande envergure (comme celles de l'abattage) qui nécessitent des décisions en vue de l'utilisation de grandes bandes de terres et impliquent plusieurs groupes de propriétaires traditionnels, il faut créer de nouveaux groupes, tels que des associations de propriétaires ou des compagnies. Le fonctionnement de tels groupes sociaux étrangers et surimposés pose des problèmes.

La compagnie propriétaire Becil fut formée en 1990 selon le *Papua-New-Guinea Forestry Act* pour représenter les divers groupes de propriétaires au sein de la région de Vanimo Timber Rights Purchase, sur la côte nord-ouest du pays. Conçue pour représenter les propriétaires vis-à-vis de la compagnie d'abattage et pour récolter et distribuer les revenus, son histoire est caractérisée par une politique de parentèle, des problèmes d'administration et des procès en justice. Les conflits entre la structure moderne surimposée et l'autorité traditionnelle sur la terre ont conduit à un éclatement en plus petites unités, plus gérables dans un contexte traditionnel.

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