



DEPARTMENT OF LABOUR AND EMPLOYMENT
Private Sector Training and Monitoring Division
2nd Floor, Credit House, Curtinbertson Street
P.O. Box 5644, BOROKE, National Capital District, Papua New Guinea
Telephone: 6753202033, Facsimile: 6753201062

INSPECTION REPORT

COMPANY: WAWOI GUAVI TIMBERS

SITE OF OPERATION: KAMUSIE
(*Western Province*)

DATE OF INSPECTION: Saturday 17th to Wednesday 21st March 2004

Report Compiled by: Mr. Donald Lunen
Senior Training Officer – Enforcement and Monitoring
Private Sector Training and Monitoring Division
Department of Labour and Industrial Relations

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A. INTRODUCTION

The Department of Labour and Industrial Relations (DLIR) is a member of the review team on ongoing logging projects in Papua New Guinea. The Department (DLIR) is mandated by the Employment of Non Citizens Act, Chapter 374, National Training Policy, section 6.101 and 6.102 and the Gazetted guidelines for Three Year Training Plan and Work Permits.

Our operational and administrative performance is guided by the three-year training plan format and guidelines 2000 and the work permit guidelines 2000.

The inspection is part of the review of current logging projects undertaken under the auspices of the Department of National Planning and Rural Development and facilitated by the Forest Review Team. The Department of Labour and Industrial Relations is a member of the review team that undertook the inspections on Wawoi Guavi Timbers Limited logging operations at Kamusie in the Western Province.

The Department of labour and Industrial Relations (DLIR) conducted the inspection to:

- Verify and ensure that the non-citizens currently employed by Wawoi Guavi Timbers do have valid work permits and are physically performing in the position occupations approved under the company's three-year training plan submission
- Determine if the company is actively conducting and implementing their training program
- Address general training and training related issues
- Determine the level of safety practices and implementation of safety and hygiene policies.
- Address general employment issues and concerns.

This report is for the respective stakeholders and relevant state agencies including the logging project review team leader and the Top management Team of the Department of Labour and Industrial Relations to peruse and take appropriate actions consistent with the recommendations for the company to comply and take corrective measures to conform to respective legislative requirements/ agreements and obligations.

1. Background to Inspection

The issuance of work permits for engagement of non-citizens is in essence, importation of skills and skilled personal to impart those skills to PNG citizen employees to acquire through various modes of training. This is accomplished through the process of training and localization after the Department formally approves the positions and issue work permits to respective non-citizens.

Wawoi Guavi Timbers training plan and work permits for non-citizens expired at the end of March 2004. A review training plan submission for renewal of positions were submitted to the Department and the positions were approved on the 2nd March 2004. A copy of the approval letter is attached in attachment 'A' for your ease of reference. Wawoi Guavi Timbers applied for 70 non-citizen positions. However, only 59 of the 70 positions were approved. The Department also identified 28 positions from this approval for immediate localization and advised the company that these 28 positions will not be considered for renewal when this current term of approval expires in March 2007.

This inspection on Wawoi Guavi Timbers is absolutely necessary and important to enable the DLIR to make a physical assessment on so many alleged violation of position occupation and work permits by non-citizen employees. It is also important to assist the Department make informed decisions on their company's non citizen manpower requirements in relation to position occupation and training implementation and localization.

The inspection on Wawoi Guavi Timbers was undertaken from Saturday 17th to Wednesday 21st April 2004. We began with an organized public meeting with the landowners and others at the market building on Sunday 18th April commencing at 9.30 in the morning. We then travelled to Panakawa veneer processing factory and met with the operations manager and his management staff at approximately 2.30 pm. At 7.00 pm, we held a meeting with representatives of citizen employees and the management in the company conference facilities at Panakawa.

On Monday 19th April 2004, we made physical inspection of the veneer processing factory and the employees living quarters. Our inspections on the veneer plant and the living quarters was to verify information obtained during our meeting on Sunday 18th April and to make a physical assessment of the issues raised during the meeting. Our discussions with the management at Panakawa featured mainly on the various aspects of training and localization, company safety and hygiene efforts and non-citizen position occupation.

We requested for supporting documents on non-citizen employment status, position occupation and safety aspects of their operations, but were only provided with non-citizen employee listing.

On Tuesday 20th April 2004, we met and held discussions with the operations manager for Wawoi Guavi Timbers, Mr. Ling Kuck Poh, the personal manager, Mr. Michael Pythias and Mr. Gabriel Samol from the RH head office in Port Moresby. We inspected the sawmill, the workshop facilities and residential areas in the afternoon.

The information contained in this report was obtained through discussions with the operations manager, Mr. Ling Kuck Poh, the personal manager, Mr. Michael Pythias, Mr. Samol and other resource personal from the company, various land owning group representatives, the employees, concerned citizens and other reliable sources.

We also obtained information through visual observation, photographs (not available) and documents made available to us for this purpose. The consultation with the company management was held in their office at the company office at Kamusie and included discussions on their position approval and current position occupation.

2. Brief Statement of Main Findings

The findings from the inspection covers broad range of issues including:

- ◆ Employer information
- ◆ Counterpart training and position localization
- ◆ Position occupation by non citizens
- ◆ Implementation of company safety policy
- ◆ Workers compensation, wages and leave fare entitlements
- ◆ Living conditions and hygiene issues.

B. METHODS

At the time of this inspection, the company's training plan review submission was already approved by the DLIR and their work permits were being finalized.

The non-citizen position occupation and on the job physical performance formed the basis of our discussions.

We discussed issues with the company management through organized meetings, held informal sessions with various other stakeholders and concerned citizens during the day as well as in the nights at Kamusie.

The company's operations manager and personal manager were requested to provide information in the company office at Kamusie, while employees and other sources provided information at different times and at different venue including the camp operation sites.

Questions relating to non-citizen position occupation and issues relating to citizen counterpart training arrangement was the focus of our discussion with reference to the renewal of work permits and non citizen physical performance.

The questions asked to them differed depending on the subject and issue at hand. The consultation session with the company management lasted more than 3 hours, as it required thorough consultation on the company's genuineness on citizen and counterpart training implementation.

C. FINDINGS

The findings in this report on Wawoi Guavi Timbers is confined to issues that fall under the jurisdiction of and is administered by the Department of labour and Industrial Relations. Likewise, these findings are from information obtained from the company and concerned citizens as indicated and has no element of bias and fabrication in it. The various attachments are evidence of information that can be used for referral and cross-references.

1. Employer Information

| | | |
|----------------------|---|--|
| Company Name | - | Wawoi Guavi Timber Company |
| Address | - | P.O. Box 1617, Port Moresby, NCD. |
| Head Office Location | - | Rimbunan Hijau head office, Gordon, NCD. |
| Contact Person | - | Mr. Ling Kuck Poh |
| Designation | - | Operations Manager |
| Telephone Number | - | 8571318 |
| Business Industry | - | Forestry/ Logging |
| Year Commenced | - | 1989 |
| Date of Inspection | - | Saturday 17 th to Wednesday 21 st April 2004 |

2. Company Training Plan Review Submission

Wawoi Guavi Timbers training plan review submission was submitted and approved on the 2nd of March 2004. 59 positions from the 70 positions requested were approved. This now paves the way for the company to apply for work permits for those approved 59 positions. The company's current Training plan and position approval may be further assessed and re-evaluated in accordance with the findings of the inspection and recommendations in this report.

Information obtained and verified during the inspection indicates that there are more non-citizens employed than the number of positions approved. There are also a lot of inconsistencies and mismatch in the figures provided by the company as opposed to the positions applied for and approved by the Department of Labour and Industrial Relations. There is sufficient evidence that all these non-citizen employees are not physically employed with Wawoi Guavi stipulated in the Employment of Non Citizen ACT.

A list of non-citizens provided to us by the operations manager, Mr. Ling Kuck Poh indicates the following composition of non-citizens employed by Wawoi Guavi Timbers.

| | | |
|--------------------------------|---|------------|
| Wawoi Guavi Timbers | - | 31 |
| Niugini Lumber Merchants (NLM) | - | 13 |
| Straits Marine | - | 18 |
| Frontier Holdings | - | 14 |
| Putput Logging | - | 4 |
| Rimbunan Hijau (RH) | - | 9 |
| Timbers PNG | - | 5 |
| Monarch | - | 7 |
| Forest management | - | 4 |
| San Hin | - | 1 |
| ISF | - | 1 |
| Fonsen Logging | - | 2 |
| Rivergoi 6 | - | 1 |
| IFR | - | 1 |
| Timberland Holding | - | 1 |
| Total | | 112 |

The above indicates (attachment B 1,2 &3) that the company has total disrespect for the Employment of Non Citizen ACT that Governs the application and administration of the training plans and issuance of work permits. The transfer of non-citizen employees from one employer to another without the written approval of the DLIR is a breach of the Employment of Non Citizen ACT, Section 5B, Subsection 3(a), Section 7, Subsection 3(a), Work permits guidelines, clauses 5.1, 6.1 and 6.2

These provisions also apply to subsidiary companies as well. The violations of the above legislative requirements by Rimbunan Hijau group of companies for which the above listed companies are subsidiaries is no exception as their management has constant dialogue and consultations with the Department on these issues.

The above figures effectively means that only 31 non-citizens are legally employed by Wawoi Guavi Timbers while an exception can be given to the 18 employees of Straits marine subject to the relevance of the responsibilities. The rest of them should NOT be employed at Wawoi Guavi Timbers. Their work permits must be cancelled and they are deported from Papua New Guinea.

Even the operation manager's work permit is issued under Niugini Lumber Merchants and he is physically employed at Wawoi Guavi Timbers.

The inspection was timely and undertaken as part of the review of ongoing logging projects to address non-citizen employment and general employment related issues in the forestry/ logging industry. Similarly, the inspection was also done to assess the progress on the implementation of general training and counterpart training arrangements for position localization by citizen employees who had been identified as understudies to respective positions and who have been employed for many years.

3. Position Occupation by Non Citizens

The non-citizens employed by Wawoi Guavi Timbers occupy positions ranging from low level and supervisory to management. The company's top-level management positions and certain middle and supervisory level positions are genuine, while most other positions are exaggerated to obtain approval to employ non citizens. Certain non-citizens have been visually identified performing duties that should be done by citizen employees. Thus, raising questions on the genuineness of training implementation by the company. The 49 non-citizens from other companies employed by Wawoi Guavi Timbers also raises questions on the company's efforts and credibility in training and transfer of skills to Papua New Guineans as a pre requisite for renewal of work permits. The exaggeration of position titles and occupation to obtain position approval demonstrates disrespect for the spirit of training and process of training implementation provided for under the gazetted three year training plan and work permit guidelines.

We acknowledge and appreciate the positive aspects of training undertaken by the company in providing employment and teaching new skills to citizen employees especially the landowners and people of Western Province. However, this has not been fully realised through delocalisation and continued occupation of positions by non-citizens under false pretence through unapproved transfer from one company to another.

We visually saw citizen employees skilfully and competently performing and demonstrating their skills on various machines and equipment including the following:

- Bandsaw machine operators and mechanics
- Jinger drivers
- Loaders and bulldozers operators
- Saw doctors
- Heavy duty and light vehicle Mechanics
- Chainsaw operators and mechanics
- Millwright workers, machine installation and maintenance workers
- Log haulers
- Truck drivers
- Skidding supervisors

At the time of this inspection, the following irregularities were detected in relation to position occupation illegal employment by Non-citizens and are a violation of provisions of the Employment of Non Citizen ACT and position exaggeration by Wawoi Guavi Timbers.

| Names | Company | Approved position | Duties performed |
|----------------|--------------------------|--------------------|--------------------|
| Ling Kuok Poh | Niugini Lumber Merchants | Operations Manager | Operations Manager |
| Lu Yue Zhen | Timber PNG | Store Supt | Storekeeper |
| Mateh Jinggah | Wawoi Guavi Timbers | Skidding Supt | Dozer Operator |
| Samak Sli | Timber PNG | Skidding Supt | Dozer Operator |
| Ling Gou Chang | Wawoi Guavi Timbers | Oriental Chef | Storekeeper – C 56 |
| Juan Tabih | RH PNG Limited | Forester | Dozer Operator |

The above cases are classic example of work permit abuse by the company arising from their management's ignorance and disrespect for the law.

Circumstances could not allow us to physically check all non-citizens individually.

Non-citizens of Asian nationalities have been visually sighted working in all the canteens operated by the company in all the logging camps and at Kamusie camp.

We were also reliably informed that many non-citizens had fled the Kamusie camp by tug boats before the review teams arrival and true to their words, there was only a handful of non citizens seen physically working in the workshops and logging operation sites. This behaviour is outrageous and should be condemned at all cost.

4. Citizen Employees Training Implementation

At the time of this inspection, documented listing of citizen employees were made available to us with citizen employees totalling more than 500. (attachment C – E).

Our consultations with the citizen employees at various work locations including the sawmill and logging camps reveal that issues on training, training implementation and localization is non existent at Wawoi Guavi Timbers.

The citizen workforce is not aware of any information or consultation on training or counterpart training arrangements, let alone any formal training arrangements.

The number of citizen employees (500) compared to the 112 non-citizens is not impressive in so far as training implementation is concerned. While only one (1) citizen employee is occupying a management position as the personnel manager, the bulk of citizen employees occupy mainly the middle level, semi skilled and casual occupations. This scenario has created confusion and doubt on the company's genuineness on the counterpart training arrangements and training in general.

There is also information on unskilled and unqualified non-citizens being employed by the company, only to be trained by skilled and competent citizen employees. If there is any truth in this information, then they have made a mockery of the whole system and regulations governing the principle of training. Citizen employees cannot openly verify this information for fear of reprisals and dismissal from employment. However, popular concern has it that this matter has some level of significance and can be proven.

The high turnover rate for the company's citizen labour force is another issue worth mentioning as it creates an atmosphere of uncertainty for employees to perform to capacity whilst the company also cannot make counterpart appointments due to the unstable employment environment arising from the turnover situation. This situation contributes to a general lack of organised training by the company to identify potential persons for counterpart training arrangements to localize designated positions.

So many issues were raised in relation to training and localization, indicating a general dissatisfaction on the current training arrangements within the company. There are so many skilled people who need to be recognized for their skills through the apprenticeship training and trade-testing concept.

The lack of interest in apprenticeship training may be attributed to the following factors:

- Lack of dialogue between the company and DLIR through the National Apprenticeship and Trade Testing Board Secretariat (NATTB).
- Lack of understanding by the company on the usefulness and benefits of the apprenticeship concept of training.
- Lack of awareness on the new concept of trade testing by the NATTB to recognize people with trade skills.

In respect of the above, the National Apprenticeship and Trade Testing Board Secretariat needs to play a more active role to disseminate proper information to new clients including employers in the forestry/ logging sector.

5. Position Localization

As a consequence of lack of organized training by the company and the high rate of turnover, there is no evidence of position localization by citizen employees and most importantly the resource owners, considering the length of time the company has operated in the area. The landowners also echoed the lack of training implementation and position localization and an aggressive collaborative effort is needed by respective stakeholders to address this matter before they labour is continued to be exploited.

6. Implementation of Company Safety Policy

The level of safety practices and implementation at Wawoi Guavi Timbers is appalling and cannot be measured against any standard. Wawoi Guavi Timbers safe work practices is non-existent and this concerns were raised openly in the presence of the operations manager and Mr. Samol from Rimbunan Hijau's head office in Port Moresby. The above company representatives acknowledged these concerns, but they gave no indication on their initiatives or plans to remedy this appalling situation that is evident everywhere in the company's operations.

Ironically, workplace safety and hygiene is a component of training that should be practiced and implemented to compliment quality work output and increased productivity in any formally organized institution and operations. We were told of so many negative issues on the company's ignorance to personal and workplace safety and hygiene, let alone the visual observation on employees working without safety boots, glasses and earmuffs.

Physical observations on the various job sites reveal absolutely no regard for safety and safe work practices. Reliable information from discussions reveal that the company has done very little to facilitate and promote safety at the workplace, leaving the employees vulnerable to accidents and injuries. Discussions also revealed that the company does not have a company safety policy to manage and implement various aspects of safety and hygiene.

At the time of this inspection, the company was not able to provide documented evidence of their efforts in purchasing safety apparels and equipment to assist their employees. *We noted that "safety first signs" were erected or painted in the sawmill and the various workshops. However this is not a true reflection of what they claim to promote.* The safety signs only portray a false image with no meaningful implementation of safety policies. This behaviour by the company is totally unacceptable and must be penalised by the department under the appropriate provisions of the Occupational Safety and Hygiene ACT

Some of the safety issues identified include but is not limited to the following:

- Almost all the employees, both citizens and non-citizens were working without safety boots, earmuffs, glasses helmets etc under very hazardous and appalling working conditions.
- Inadequate safety signs/ posters or markers in the entire operational locations.
- Workshop is not line marked
- No safety or training coordinator within the company to oversee the various aspects of safety and safe work practice
- No safety practices applied while working in the logging camps
- Where and if safety apparels are supplied, there is no strict adherence supervision by the respective supervisors.

7. Concerns

Concerns were raised on various issues to be addressed by respective stakeholders and agencies but the concerns in my report relate to only labour and employment related matters.

7.1 Concerns Raised by Wawoi Guavi Timbers Management

The concerns by Wawoi Guavi Timbers included the following:

- a) Lack of consultation, support and coordination from the respective Government Departments and agencies on non citizen employment and safety and employment welfare issues
- b) No consultation with NATTB on apprenticeship and trade testing matters
- c) Lack of periodic inspection to improve coordination

7.2 Concerns by Wawoi Guavi Timbers Employees and Others

Concerns raised by the employees included the following:

- Labour turnover
- Unfair dismissal
- Wages disparity and irregularities
- Leave entitlements and deduction for food rations
- Living conditions and hygiene

a. Concerns on workers compensation

In the absence of a provincial Labour Office in that province, all matters relating to workers compensation application and payment was referred to the company's personal manager for registration before he can liaise with the workers compensation office in Port Moresby. There were concerns raised on the personal managers mishandling and ineffectiveness in negotiating with the workers compensation office in Port Moresby.

b. Leave entitlements

No leave tickets and entitlements are paid to citizen employees hired by the company from outside of Western Province. These included employees from East and West New Britain, Morobe, Manus and East Sepik Provinces.

The employees are left to spend their entire leave period in the camps while awaiting the resumption of duties. This situation is made worse by the fact that what they earn in salaries is totally insufficient to cater for their travel and living expenses and is in breach of the terms and conditions of employment.

c. Unauthorized excessive salary deductions

The company has also deviated away from its core business of harvesting and processing timber and has set up consumable retail canteens in all logging camps. The employees are forced into receiving food rations from the company canteens without being told or making any form of agreement on the prices of goods received. When the employees receive their pay slips, they realise that the deductions on the goods are exorbitantly higher than the normal prices of goods. There are no prices of goods displayed in the canteen for the employee's convenience to budget their salaries before receiving the goods from the canteen.

This is absolute cheating and dishonesty by the company, and this issue must be immediately addressed collectively by the DLIR, IPA and IRC and penalise the company for their actions.

d. CPI Increases

Numerous matters were raised on the non-payment of consumer price index awards and increases. This matter was raised in all the areas visited within the company operations. Citizens who were employed some eight or ten years ago are still being paid on the same wage rate and have not seen any increases despite the various CPI awards over the years.

This matter has been brought to the attention of the company personal manager on numerous occasions, but to no avail. This matter needs to be aggressively pursued by the DLIR to eliminate wage discrimination and have the company penalised for their discriminatory behaviour.

e. NASFUND

There are two categories of employees within the Wawoi Guavi Timbers operations. One category is employed on a fixed wage and the other is paid on a piece meal arrangement. The employees paid on piece meal arrangement are paid on the volume of logs cut, hauled and transported. They include the sawyers, haulers, loader operators and jinker drivers. The company for unknown reasons does not deduct this category of employees NASFUND contribution. We discussed this matter and have sighted payslips to verify this matter. This matter must be brought to the attention of authorities at NASFUND to have the company justify their actions.

f. Unfair Dismissals and Turnover

There are a lot of claims on unfair dismissal of employees by the company management resulting in a big turnover of citizen employees. This is a concern amongst employees especially the landowners of the project area who deserve to be given a fair treatment.

Employees also raised concern on the discriminatory behaviour and approach displaced by the sawmill manager, Mr. Jackie Huong Hwa Chin, resulting in swearing, abuse and unfair termination.

g. Living Conditions and hygiene

A tour of the living quarters and the employees living conditions is appalling with overcrowding and is totally unsafe, given an epidemic developing in the camps. A room about 6 X 4 metres accommodates 6 single employees, while a room approximately 4X 3 metres accommodates an entire family of average 5 people and this is an example of the conditions the employees are being accommodated.

There is claim of the drinking water being contaminated with oil and dust blown from the sawmill blower. There is truth in dust being blown from the sawmill blower at Kamusie camp to the living quarters of employees. Proper scientific test needs to be conducted to verify and ascertain the level of contaminants in the area.

D. CONCLUSION

The participation by the Department of Labour and Industrial Relations in the review of ongoing logging projects is worthwhile and important. While DLIR is faced with resource problems, collaborative opportunities like this review is important to implement policies to ensure compliance of regulations and policies.

The lack of follow up action on the concerns raised by the employer and employees portrays a negative image on the responsibilities and commitment of the Department of Labour and Industrial Relations.

Wawoi Guavi Timbers corporate responsibilities to training, training implementation and training and localization are very minimal. Likewise, their responsibilities towards their employee's welfare, safety and hygiene and employment conditions are appalling and cannot be measured against any standard. The company's treatment towards citizen employees in many aspects of their employment reflects labour exploitation and slavery, and should be condemned at all levels.

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

The company is not adhering to facilitating their corporate responsibilities with other Government Agencies as well and makes a mockery of the whole system governing their operations.

In doing so, Wawoi Guavi Timbers has violated provisions of the Employment of Non-Citizen Act, Section 5B, Subsection 3(a), Section 7, Subsection 3(a).

Work permits guidelines, clauses 5.1, 6.1 and 6.2

E. RECOMMENDATIONS

1. The Department of Labour and Industrial Relations to direct Wawoi Guavi Timbers to make a company presentation on the findings in this report and comply with any directives given by the Department.
2. Wawoi Guavi Timbers position approval is reviewed consistent with above recommendation and corrective measures be taken.
3. The Department of Labour and Industrial Relations to cancel and revoke the work permits of 63 non-citizens from other subsidiaries currently employed with Wawoi Guavi Timbers and have them deported.
4. the work permit of Mr. Jackie, Huong, Hwa Chin is immediately cancelled and he be deported immediately.
5. The Department of Labour and Industrial Relations to direct respective divisional heads to conduct routine inspection visits to the company operational sites.