Papua New Guinea: tax breaks favour forest destruction

The opening of Papua New Guinea's economy has promoted the exploitation of natural resources at an unsustainable level. The dominant vegetation in the country is equatorial rainforest, but it is undergoing a severe process of deforestation due to indiscriminate felling.

After having repeated many times that export-led logging should end in Papua New Guinea by the year 2000, in early 1998 the Government announced a moratorium on new export logging projects. The moratorium was agreed to by the Department of Finance and PNG Forest Authority officials, considering that log prices were down, the tax-take was low, and forest management was difficult,

The powerful lobby of the logging industry reacted immediately and put pressure on decision-makers, so that last October the moratorium was taken out of the budget at a high level, most likely by Forest Minister Peter Arul and Prime Minister Bill Skate. In a letter to the Provincial Forest Management Committees dated December 9/1998 Mr Arul expressed: "The Prime Minister has emphasized the importance of getting these projects moving at this crucial economical situation of the country. He has emphasized the fact that downstream processing and export of logs will create 50,000 jobs and boost infrastructure and other development taking momentum in the rural areas. The kick-off of the projects will also bring in much needed foreign currency to further boost the weak Papua New Guinea currency." Any doubts about the concept of "development" the government is defending?

As a matter of fact the decision to defer the moratorium to the next budget allows the loggers to get access to new logging concessions. Tax breaks for the logging industry have led to a dramatic increase in production, without any corresponding benefits to the nation or landholders, nor to the environment. The new tax breaks allow logging companies to pay absolutely no tax on any logs exported at a price of under 125 kina (*) per cubic meter FOB. These changes see, on average, companies saving 25 Kina per cubic metre in taxes. In fact, a recent study by ANU researchers Theodore Levantis and John Livernois found that public funds capture only 2.75% of the total value under the recently reduced tax rates compared to around 33% under the previous regime.

"We have just learned that log exports in November were up about 150% over the previous month's average --from about 100,000 cubic meters exported per month prior to November, to about 250,000 cubic meters exported in November" said Brian Brunton from Greenpeace Pacific. It is astonishing that when there was a consensus on the need to stop cutting down the forests for export logging, the Government is giving more concessions to logging companies.

At the local level this decision is being resisted. The Maisin people of Collingwood Bay in the Oro Province have long opposed any form of timber extraction on their land. Coincidently the Managlas Plateau people in Oro are known to oppose logging in the Musa Pongani region. Environmental NGOs have expressed their concern for the concessions given by the Forest Authority to log the forests in the Western Province and Sandaun provinces which stretch across the Irian Jaya border, that jointly form the largest area of untouched tropical frontier forest outside the Amazon. At the same time, there are persistent rumours that the government is about to give away a permit affecting the huge Kamula Doso Forest Management Area. Recent research support the viewpoint of the NGOs, according to which the best results for landholders and the environment, as well as for the national economy, come from small and medium scale timber processing by local communities.

For more information contact Greenpeace Pacific: Lafcadio Cortesi

(*) 1.3 kina = U$S 1 (1995)

Sources: Greenpeace Pacific; Brian D. Brunton, Greenpeace Pacific, Forests Update, 30/12/1998; The World Guide 1997/98.