

# History repeats itself in Western Province

by Colin Filer and Michael Wood

27 November 2024



Wawoi Falls, Western Province, Papua New Guinea

*Photo Credit: Michael Wood*

In a [press release](#) dated 29 October 2024, Papua New Guinea's Prime Minister James Marape announced a new agreement to deliver an "integrated agro-forestry project" to the people of Western Province. This project would involve the construction of a "300-kilometre asphalt-sealed trunk road" running east from the township of Kiunga to the Nomad government station, then south to Balimo, then east again towards Gulf Province. Another 300 kilometres of "feeder roads" would link rural communities to this main road. It appears that one of these feeder roads would link the main road to Yabo on the lower Strickland River, where a factory would be built to process the timber harvested from the road corridors.

The cost of building all this stuff would be an eye-watering 4.8 billion kina, but none would apparently weigh on the national budget. The government would begin with a 20% "free carry equity stake" and later be able to "freely take" another 31%, leaving 49% for the investors, identified as the "Italian-based" Epoca Group operated by company director Gilberto Maggiolo. According to [PNG Business News](#), the Prime Minister informed a press conference that the Yabo factory's products would be sold to European consumers, suggesting that they would ultimately pay for the infrastructure.

While Western Province's governor applauded the deal, North Fly MP James Donald was less enthusiastic. [He described it](#) as the "biggest scam" in the province's history, a new version of an old project that had never amounted to anything. He claimed that he and his fellow clan members, customary owners of part of the proposed road network, had not approved the project, and nor had the provincial forest management committee.

Former prime minister Peter O'Neill was [equally critical](#). It was he who identified Maggiolo's business partner as Neville Harsley, former managing director of Independent Timbers & Stevedoring Ltd (ITSL), whose [earlier similar proposal had been found](#) to be "deceptive and clearly fraudulent" by Commissioner Nicholas Mirou in 2013. O'Neill also identified the proponents of the new project as three PNG-registered companies jointly owned and controlled by Harsley and Maggiolo

and pointed out that both men operate out of Brisbane, not Italy.

The earlier project proposal was scrutinised by a commission of inquiry into special agricultural and business leases (SABLs) in 2011. **Mirou found** it was initially conceived by former North Fly MP Kala Swokin, who persuaded the National Executive Council to approve the “logs for road concept” and engaged ITSL when it was still owned by Papua New Guinean entrepreneur Paul Japhlom. Harsley gained control in 2006 and assembled a coalition of politicians, public servants and landowner representatives to arrange the grant of four SABLs to three landowner companies that would then issue subleases to ITSL. This was no mean achievement, as they covered more than one-third of the total customary land alienated by this mechanism across PNG by 2011 and more than one fifth of Western Province’s total land area.

To implement the project, ITSL needed a Forest Clearing Authority (FCA) from the National Forest Board. The company got one in November 2010, but it only covered 2,400 hectares of land. Under Section 90D of the Forestry Act, an FCA for road construction can only cover a 40-metre-wide corridor. A 600-kilometre road network would thus yield just 2,400 hectares of forest – insufficient to fund the roads. ITSL tried to obtain an FCA over a 10-kilometre-wide corridor, but this was never granted. PNG Forest Authority records indicate that ITSL also applied for an FCA to clear a much larger area for agricultural development but this proposal was rejected by the provincial forest management committee.

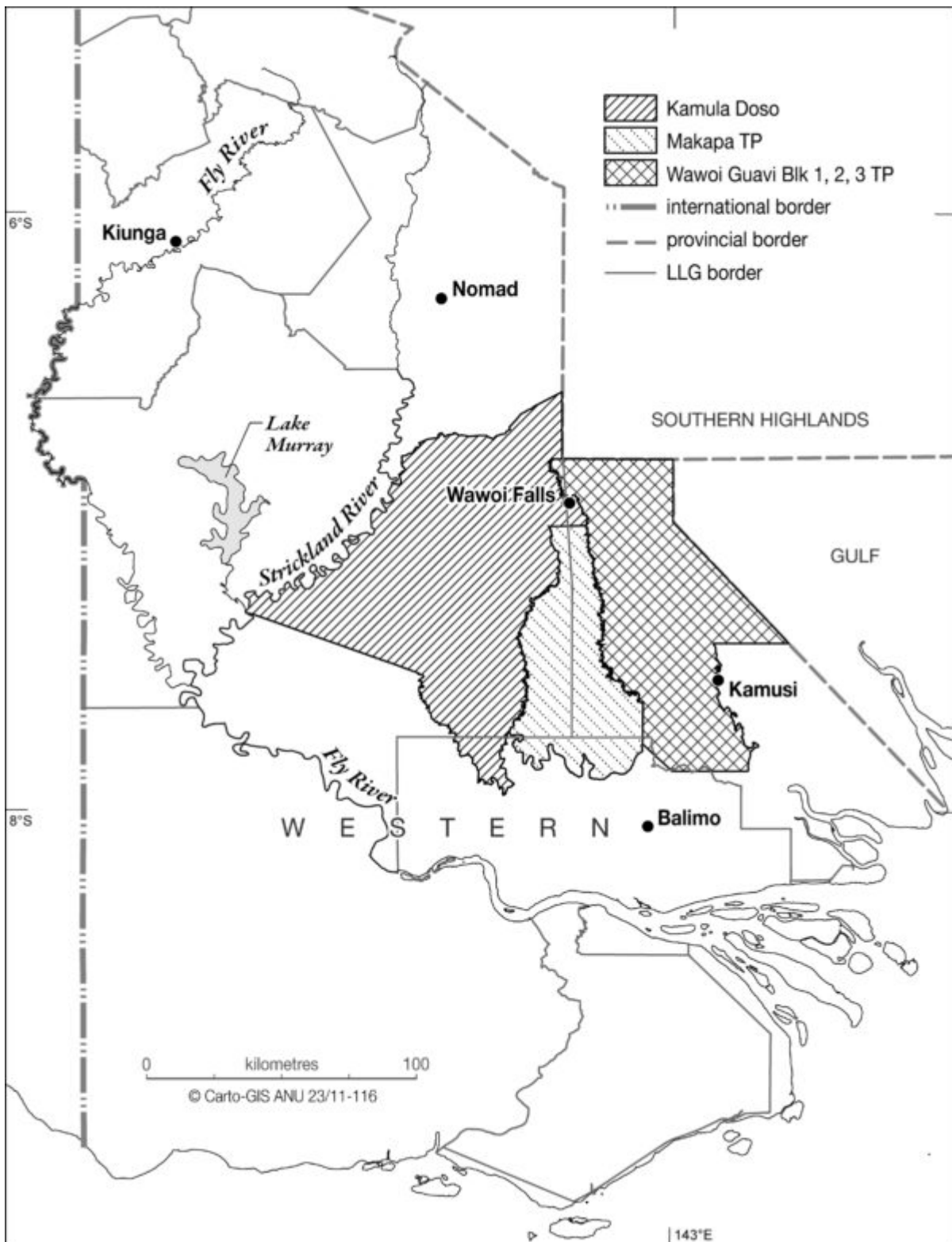
Mirou recommended cancellation of the roadline FCA as well as the four SABLs. No road was built and no logs were harvested. When the National Executive Council cancelled the SABLs in 2014, ITSL sought US\$1.4 billion in compensation through a Singapore court of arbitration. In 2020, when the claim had grown to US\$3 billion, PNG’s Supreme Court **terminated the process** and ordered ITSL to pay the government’s legal costs. This ruling prompted one commentator to write a story about the way that a “**murky foreign outfit**” had ultimately failed in its attempt to bankrupt the PNG Government.

So why has the proposal resurfaced in 2024? And does it make any more economic sense than it did in 2011?

The revived proposal faces significant challenges. Most of the area in question is either under existing logging concessions or subject to a **legal dispute** between the PNG Forest Authority and Mayur Resources Ltd, which wants to sell carbon credits linked to conservation of the Kamula Doso forest area – one of the four areas formerly covered by an SABL (Figure 1). Even if this were not so, a new FCA would be conditional on approval of an agricultural development plan and environmental

impact statement, as well as approval by the provincial forest management committee.

**Figure 1: Three forest areas in Western Province**



Source: Filer and Wood.

The economics of the project appear equally questionable. Rimbunan Hijau has been processing logs from the Wawoi-Guavi concession for 25 years, yet this has

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proven far less profitable than simply exporting the logs. It is unlikely that the profit from all log export operations in Western Province has ever exceeded 20 million kina a year, even with transfer pricing. It would therefore take a very long time indeed for the new agro-forestry project to generate enough revenue to cover the cost of the infrastructure now being promised. Moreover, the European Union's [regulation on deforestation-free products](#), effective by the end of 2025, would likely preclude selling timber from cleared native forests to European markets.

Given these obstacles – the overlapping forest concessions, the Kamula Doso dispute, the challenging economics and the likely impact of impending EU regulations – there are serious questions to be answered about the real objectives of the project's proponents.

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