PROCEDURES FOR EXPORTING LOGS

1. PRICE APPROVAL
2. EXPORT PERMIT AND LICENCE
3. MONITORING AND CONTROL

APRIL 1996
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THE INDEPENDENT STATE OF PAPUA NEW GUINEA

FORESTRY ACT 1991

Act Section 135
Regulations 33, 87 and 88

This manual, entitled “Procedures For Exporting Logs”, is issued by the Managing Director of the Papua New Guinea Forest Authority in accordance with the Forestry Act 1991 and its Regulations.

Compliance with the procedures is a requirement placed on all log exporters.

G. K. Zurenupe
Managing Director
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1. INTRODUCTION

The export of round logs from Papua New Guinea is a major source of forest owner and Government revenue. It is the responsibility of the PNG Forest Authority (PNGFA) to ensure that logs exported are sold at the prevailing market price, and that export shipments are correctly declared with respect to log volume and species. Under a contract entered into with SGS (PNG) Pty Ltd on 13 May 1994, SGS supports the log export monitoring and control procedures implemented by the PNGFA by:

- Providing log tags to be affixed to the end of each log by producers at the time of scaling at the log landing as prescribed by the PNGFA;
- Taking over from the PNGFA pre-shipment log inspections to check species identification and log scaling;
- Monitoring ship loading to verify the species and volumes actually loaded; and
- Verifying commercial invoices before they can be presented against a Letter of Credit.

As a result of this independent assistance, the PNG Government is assured that the volume and value of log exports are correctly stated and that export related revenues owing to forest owners and the State are both correctly stated and paid in full.

This manual sets out:

- The procedures by which a log exporter may obtain a price endorsement for a log export shipment;
- The procedures by which a log exporter may obtain a log export permit and licence; and
- The procedural requirements for the monitoring and control of log export operations.

This manual replaces the earlier "Instructions For Log Exporters - Interim Changes In Procedures" dated October 1994.

Exporters should feel free to forward any queries or constructive comments on the contents of this manual to:

The Managing Director
PNG Forest Authority
P.O. Box 5055
Boroko, NCD
IMPLEMENTATION

All log exporters are provided with:

* A copy of this manual;
* A supply of PNGFA Log Tags; and
* A supply of the official numbered PNGFA Log Scaling Record Sheets.

The use of Log Tags and the Log Scaling Record Sheets are a current and on-going requirement.

SGS log export inspection services already cover most of the log exports being made from PNG, and full coverage is expected to be achieved through 1996. Log exporters are reminded that:

* Regardless of whether SGS is or is not yet inspecting log exports, all log exporters are required to notify SGS of all impending log shipments by submitting an Information Sheet as detailed later in this manual. As much detail as possible should be provided.
* Acting as an agent for the PNGFA, SGS have the right to inspect any individual log export shipment at any time.

2. SGS

SGS stands for Societe Generale de Surveillance, the world's largest trade supervision organisation. Founded in 1878, SGS has its headquarters in Geneva, Switzerland and provides services in 140 countries. It directly monitors 5% of all world trade.

SGS has no manufacturing, trading or financial interest which could compromise its independence. Its objectivity as a third party in international trade is widely recognised throughout the world. In order to protect its independence, SGS staff are not permitted to accept payments of any kind from exporters, including meals and refreshments, or any kind of gratuity. SGS may occasionally seek assistance from exporters, for example in the case of an emergency, in which case SGS will pay for the goods or services in full at commercial rates.
3. ACTIONS TO BE TAKEN BY THE LOG EXPORTER, THE PNGFA AND SGS

The following notes describe the procedures the log exporter must follow in order to export a shipment of logs.

STEP 1. EXPORTER TO ENSURE ALL LOGS ARE IDENTIFIED WITH LOG TAGS

Log tags are required to be attached to all logs scaled on the log landing in the forest as part of the log identification process described in the PNGFA's publication "Directions For The Identification, Scaling And Reporting On Logs Harvested From Natural Forest Logging Operations" dated December 1993 (or later).

The log tags identify both the project and the log with a unique number in both man-readable and bar-code form. Each tag has two tear-off sections which are removed at time of shipment - one for the SGS Inspector and the other for the exporter. The bar-code greatly assists SGS to work quickly and accurately.

Additional supplies of log tags may be obtained from the SGS Port Moresby office. Log exporters are responsible for maintaining at least one months supply of log tags, as the re-ordering and supply of log tags can take up to four weeks. Failure to order in advance may result in the log producer running out of log tags. Without log tags the log producer's logging operations may be suspended by the PNGFA.

STEP 2. EXPORT PRICE ENDORSEMENT BY THE PNGFA

At the time the exporter negotiates a sale of logs, s/he is required to obtain PNGFA Head Office (Marketing Branch) endorsement of the negotiated log prices before a sales contract is finalised. Exporters should make potential buyers aware that final agreement on prices is subject to PNGFA approval. To facilitate this exporters should ensure that they have sufficient time between receiving an offer and being required to signal acceptance, to obtain the required PNGFA price endorsement.

Endorsement of negotiated prices is obtained by advising the PNGFA Head Office (Marketing Branch) of the proposed sale (proposed volumes by species or species groups) and the proposed prices, and requesting formal endorsement. An acceptable pro forma price endorsement application format is shown in Appendix 1. Requests by facsimile are acceptable and it is expected that where all the required information is provided and there is no requirement to question prices, that formal endorsement will be provided within two working days.

It is realised that the log exporter cannot be precise about the volumes by species or species groups at this early stage, but exporters should note that it is in their own best interest to ensure that the log volume listed in the price endorsement application by species or species groups should be as accurate as possible. Where the volumes vary by more than +/- 10% at the time of ship loading, clearance of the ship may be delayed. This is further explained under Step 12.

There are three log export sale situations as follows:
1. THE SALE AND EXPORT OF MARKET QUALITY LOGS

Market quality logs are those which are fresh and have an average diameter of 40 cm or more. Market quality logs are sold at the prevailing market price, and formal endorsement of individual species prices are required for all species listed in Group 1, and average group prices are required for Groups 2, 3 and 4. The current species/grouping list is attached as Appendix 2. As the PNGFA may advise changes to the species/grouping list from time to time, log exporters must ensure that they observe the latest list.

Where an application for price endorsement for the sale and export of market quality logs is received, PNGFA Head Office (Marketing Branch) will check the proposed export prices, and:

* Where it is satisfied with the proposed prices, the PNGFA will provide a dated formal price endorsement.

* If the prices are below the prevailing market norms, the PNGFA will seek an explanation from the log exporter. If the log exporter is not able to provide a credible explanation, then increases in the negotiated price may be required before the PNGFA Head Office (Marketing Branch) will provide a formal endorsement.

2. SALE AND EXPORT OF OLD STOCK/REJECTS/SMALL LOGS

In some cases log exporters may find they have old stock, rejects or small logs which will not or no longer fetch the prevailing market price, but which they are able to sell at a discounted price. These logs may include a mix of Group 1, 2, 3 and 4 species.

The application for a price endorsement for the sale and export of old stock and/or rejects and/or small logs must have attached to it a letter from the PNGFA Project Supervisor confirming for each category the number of logs, their volume, and their condition. Without the accompanying letter the application will be returned to the applicant. To qualify as old stock/rejects/small logs, the logs must meet the following criteria:

* Old stock - logged more than three months ago;

* Rejects - rejected at least twice by log buyers; and

* Size - average diameter less than 40 cm.

The Project Supervisor's letter must confirm that the logs are more than 3 months old (specify the number and date of the official PNGFA Log Scaling Record sheet on which the log first appears), or that they have been rejected at least twice (specify buyer, ship name and date), or that the logs each have an average diameter of less than 40 cm.

Where a complete application for price endorsement for the sale and export of old
stock/rejects/small logs is received, PNGFA Head Office (Marketing Branch) will check the proposed export prices, and:

* Where it is satisfied with the proposed prices, the PNGFA will provide a dated formal price endorsement.

* Where it is not satisfied with the proposed prices it will inform the log exporter, and direct the exporter to re-negotiate with the buyer before the PNGFA Head Office (Marketing Branch) will provide a formal endorsement.

3. MIXED SHIPMENTS

Where a log shipment is made up of a mix of market quality logs and old stock/rejects/small logs, the exporter must clearly identify each category of logs in his application for price endorsement. This is provided for in the pro forma price endorsement application format shown in Appendix 1.

The PNGFA (Marketing Branch) will assign each price endorsement a unique number, which it will use to trace the shipment through to completion. All further communications between the exporter and the PNGFA regarding this particular shipment must use this number as a reference. An example of a price endorsement is shown in Appendix 3.

A price endorsement is valid for a period of two months after which the endorsement lapses. The exporter thus has a period of two months from the formal export price endorsement date, within which to make the shipment. Where the endorsement lapses before the shipment is made, the exporter must apply for a new price endorsement, which may mean the re-negotiation of the sale with the buyer.

STEP 3. EXPORTER TO FINALISE SALE CONTRACT

Once the log exporter has received the PNGFA’s price endorsement, s/he can finalise the log sale contract. A copy of the contract must be submitted to the PNGFA with the application for a Log Export Licence (see Step 4).

STEP 4. EXPORTER TO APPLY FOR A LOG EXPORT LICENCE

On receipt of the PNGFA’s formal endorsement of the negotiated log export prices and the completion of the sale contract, the exporter must forward an application for a Log Export Licence to the PNGFA Head Office (Marketing Branch), for PNGFA forwarding to the Department of Foreign Affairs and Trade. This is a formal requirement under the Department’s Exports (Control and Valuation) Ordinance 1973.

The application is to be submitted on the standard form (Exports [Control and Valuation] Ordinance 1973 Form No 1) and must contain full details of the proposed shipment i.e.:

* Volume by species or species groups; and

* Prices by species or species groups.
The application must also include a copy of the finalised sale contract.

Exporters should note that species, prices and volumes listed on the application must be the same as the species, volumes and prices shown on the PNGFA formal price endorsement or the Licence application will not be endorsed and forwarded to the Department of Foreign Affairs and Trade. The same species, volumes and price data must also be attached to the Information Sheet to be provided to SGS (see Step 7).

Applications for a Log Export Licence showing only total shipment volume and the average price will not be accepted by the PNGFA. Where this occurs the application will be sent back to the exporter for amendment.

STEP 5. PNGFA PROCESSES LOG EXPORT LICENCE APPLICATION

Where the prices stated on the Log Export Licence application match with those endorsed by the PNGFA, the PNGFA Head Office (Marketing Branch) will endorse the application and forward it to the Department of Foreign Affairs and Trade, who will issue the Log Export Licence to the exporter in the usual manner.

STEP 6. ISSUANCE OF LOG EXPORT PERMIT BY PNGFA

Once the application for a Log Export Licence has been endorsed by the PNGFA Head Office (Marketing Branch) and forwarded to the Department of Foreign Affairs and Trade, the PNGFA Head office (Marketing Branch) will also recommend the issuance of the required Log Export Permit by the Minister for Forests (or his delegate), arrange the necessary documentation and forward the Permit to the exporter as soon as it is signed. No formal application by the exporter for a Log Export Permit is required.

The Log Export Permit will have the same unique number as that allocated to the endorsement of the log export prices.

STEP 7. EXPORTER TO ENSURE APPROPRIATE CLAUSE IN THE LETTER OF CREDIT

In due course, the log exporter will be required to ensure that the log buyer has included in the Letter of Credit a clause requiring a SGS Security Label to be affixed to the final settlement invoice. This will prohibit the negotiation of a commercial invoice for exported logs against a letter of credit unless the commercial invoice has the SGS security label attached. The appropriately worded clause is presented in Appendix 4.

The PNGFA is currently working with the PNG Central Bank to instruct all Commercial Banks accordingly. It is intended to have the required regulation on the clearance of commercial invoices for exported logs in place as soon as the necessary regulations are put in place by the Central Bank.

Where an exporter uses a financial instrument other than a Letter of Credit s/he must apply to the PNGFA for directions regarding the use of the SGS Security Label.
STEP 8. EXPORTER TO INFORM SGS OF IMPENDING SHIPMENT

As soon as an exporter applies for a Log Export Licence, he is also required to formally notify SGS of an 'impending shipment'. Notification will be in the form of an Information Sheet. An example is shown in Appendix 5. An incomplete form can be accepted initially but the exporter is obligated to provide all required information prior to SGS inspection.

SGS will confirm the receipt of the Information Sheet.

Exporters are requested to provide as much notice as possible of the date of ship arrival so that SGS can plan the positioning of its inspectors and provide an efficient pre-shipment inspection service. A minimum notice of 10 working days prior to ship loading is mandatory.

Log exporters who fail to comply with the minimum 10 working days notice period are likely to face delays with pre-shipment inspection depending on the availability of SGS inspectors. Any delays and additional costs resulting from failure to comply with the minimum notice period are the sole responsibility of the exporter.

Log exporters are also responsible for advising SGS of any changes in shipping schedules which arise after the Information Sheet has been sent by the exporter and acknowledged by SGS. The Information Amendment Sheet shown in Appendix 6 must be used for this purpose.

STEP 9. LOG PREPARATION BY EXPORTER

The exporter must present the logs to be exported in a manner that they can be readily inspected by SGS i.e. in accessible stacks with both ends visible and a space of at least 2 metres between the stacks. Where a shipment is a 'Mixed Shipment' (see Step 2), then it is expected that the old stock/rejects/small logs will be placed in stacks apart from the market quality logs.

Logs must have been scaled and identified according to the PNGFA's instructions.1

The exporter must indicate clearly at both the front and back of each log stack the name of the ship. This avoids confusion about which stack is to be exported, especially in large log ponds where there may be several ships loading simultaneously.

At least 95% of the shipment must be available for SGS pre-shipment inspection a minimum of five working days before the ship ETA as advised by the exporter in the Information Sheet to SGS under Step 8. The SGS Inspector will only commence pre-shipment inspection when a minimum of 95% of the shipment is physically available for inspection in the log pond. Where 95% of the shipment is not available for pre-shipment inspection within a minimum of five working days before the ship ETA, the exporter must advise SGS by submitting an Information Amendment Sheet. Failure to do so may result in the PNGFA charging the exporter for expenses associated with the delays.

1 As prescribed in "Directions For The Identification, Sizing and Reporting On Logs Harvested From Natural Forest Logging Operations" dated December 1993 or later, issued by the PNGFA.
Under special conditions the requirement to have 95% of the shipment available for SGS pre-shipment inspection at least five working days before the ship ETA may be reduced to 72 hours. The conditions are that:

1. The Statement Of Logs To Be Exported (see Step 11) is provided to the SGS inspector on a computer diskette; and
2. The shipment volume is no more than 10,000 m³.

Where a log exporter chooses to use the 72 hour period instead of the standard 5 working day period, and fails to meet the above special conditions, then delays are inevitable and any additional costs to the exporter which result are the exporters sole responsibility.

STEP 10. SGS TO ARRANGE FOR PRE-SHIPMENT INSPECTION

SGS will make arrangements to undertake the pre-shipment inspection immediately prior to ship loading. Other procedures, not related to the approval of Log Export Licences or Log Export Permits, will be put in place by the PNGFA to check the Timber Permit holder's compliance with other Timber Permit conditions.

STEP 11. EXPORTER TO PREPARE A STATEMENT OF LOGS TO BE EXPORTED PLUS A SUMMARY

THE STATEMENT

The Statement Of Logs To Be Exported lists all the logs to be included in the export shipment in numerical order and presents for each log the details of species identification, length measurement, average diameter, the calculated net volume (which equals the gross volume where there is no defect allowance), and where there is a defect allowance the defect volume.

Where a shipment is a “Mixed Shipment” (see Step 2), then the log exporter must produce one Statement Of Logs To Be Exported for the market quality logs, and a second separate Statement Of Logs To Be Exported for the old stock/reject/small logs.

A pro forma Statement Of Logs To Be Exported is presented in Appendix 7.

NOTE: LOG EXPORTERS MUST ENSURE THAT ROYALTY PAYMENTS HAVE BEEN MADE ON ALL LOGS WHICH ARE INCLUDED IN THE STATEMENT OF LOGS TO BE EXPORTED.

The SGS Inspector will plan to arrive at the log export site five working days before the ship ETA (as advised by the exporter in the Information Sheet, or as revised and advised in the Information Amendment Sheet), and a hard copy of the Statement Of Logs To Be Exported must be available to the Inspector on arrival in order that pre-shipment inspection can be completed in a timely manner. The Statement Of Logs To Be Exported to be handed to the SGS Inspector on arrival must present the detail of at least 95% of the logs to be exported. Data on the remaining 5% of the logs must be submitted no later than the day after the Inspector's arrival, thus allowing a full three working days prior to the ship
ETA for pre-shipment inspection and the resolution of any discrepancies.

The exporter must sign the **Statement Of Logs To Be Exported** at the time it is submitted to the SGS Inspector as verification of the time and date of submission. The SGS Inspector will counter-sign the Statement at the same time to record receipt. Where the initial **Statement Of Logs To Be Exported** does not cover all of the logs to be exported, the additional **Statement Of Logs To Be Exported** which covers the balance of the logs must also be signed first by the exporter and then by the SGS Inspector at the time it is submitted.

The exporter is encouraged to declare more logs than will be exported as a buffer against the buyer's representative rejection of logs, and the consequent need for replacements. Declaration of 10% more logs than will be exported in the shipment is recommended. This will not affect the final load-out statement. Significant delays may occur if the exporter declares insufficient logs to provide for buyer rejects (see Step 13).

It is expected that the exporter's **Statement Of Logs To Be Exported** will be computer generated as this will assist in ensuring efficient and accurate inspection services. All exporters currently generate their shipping documents by computer, and the effective and efficient provision of inspection services needs to be treated the same way.

In addition to the hard copy of the **Statement Of Logs To Be Exported**, which both the exporter and the SGS Inspector will sign, exporters are required to provide the log details on a computer diskette. Options for log exporters are to either:

- Provide log details on a computer diskette following the format illustrated in Appendix B; or
- Use computer software2 designed specifically for the purpose of inspection. The software and a handbook are available free of charge from the SGS Port Moresby and Kimbe offices.

**STEP 12. PRE-SHIPMENT INSPECTION BY SGS**

Commencing five working days (or 72 hours if special conditions are met - see Step 9) prior to barge loading or raft making, SGS will check:

**A. FOR THE BENEFIT OF THE LOG EXPORTER:**

- Broad consistency of volumes for each species (Group 1) or species group (Groups 2 to 4) between a Summary of the **Statement Of Logs To Be Exported** (as generated by SGS from the log data on the computer diskette) and the details of the composition of the permitted shipment as shown on the Log Export Licence.

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2 Called "Contractor's Export Log Inventory System" or CELIS for short. This will run on any IBM compatible PC 286 or better with DOS installed and 6 Mb of hard disk space available. The program will also produce species/grade reports for individual shipments or total log stocks.
It is recognised that it is unlikely that the volume of logs for export as stated in the application for a Log Export Licence will exactly match the volume eventually loaded onto the ship, and a +/- 10% volume tolerance by species or species group (each of which will have a individual price endorsed by the PNGFA) is allowed. Thus the Summary of the Statement Of Logs To Be Exported should match the composition of the permitted shipment (as shown in the Log Export Licence) within a maximum +/- 10% volume allowance for each species (Group 1) or species group (Groups 2 to 4). Where it does not, the SGS Inspector will advise the exporter that there may be a delay in obtaining final clearance of the ship by the PNGFA.

There are sometimes limits to variations stated in the Letter of Credit. Exporters should note that where there is a variance greater than that allowed for in the Letter of Credit, an SGS Security Label will be issued, but the Bank may choose not to honour the Letter of Credit until it receives an acceptance of the discrepancy by the buyer.

B. FOR THE PNGFA

* All of the logs destined for inclusion in the shipment (including the recommended buffer for rejects - see Step 11), for correct species identification against the details contained in the exporter's Statement Of Logs To Be Exported:

* A 10% random sample of the consignment of logs to be exported (including the recommended buffer for rejects - see Step 11), for correct scaling.

The results of the pre-shipment inspection services carried out for the PNGFA are required to meet the PNGFA's criteria (detailed in Appendix 9) and where they do not, SGS will issue a Discrepancy Notice (example presented in Appendix 10) to the exporter, which is copied to the PNGFA Project Supervisor. The corrective action to be taken on the issuance of a Discrepancy Notice is also set out in Appendix 9.

Where the number painted on the log by the log exporter or log producer differs from the number on the log tag, SGS will use the log tag number for official identification of the log.

STEP 13. INSPECTION LIAISON BETWEEN EXPORTER AND SGS

The Camp Manager (or his nominated representative) should discuss the inspection results with the SGS Inspector at least daily. If there is a problem with the pre-shipment inspection SGS will issue a Discrepancy Notice (as noted in Step 12 above) and the exporter may need to take corrective action before the PNGFA Project Supervisor is able to approve the commencement of ship loading. The taking of and supervision of corrective action is the responsibility of the log exporter.

At about this point in the procedure it is common for the log buyer's representative to carry out his own inspection of the logs. Two issues which also require the exporter to liaise daily with the SGS inspector may arise. These are:
Log rejection and replacement. The SGS Inspector must be advised in writing of any logs which are rejected by the log buyer's representative so they can be removed from the Statement Of Logs To Be Exported. This will not cause any delays provided the log exporter has declared additional logs as recommended under Step 11.

Where there is a need for replacement logs, and the log exporter has not declared sufficient additional logs to cover the requirement, then delays will occur. Under these circumstances the log exporter must provide an additional Statement Of Logs To Be Exported for the replacement logs, and these will be subject to full pre-shipment inspection by SGS as provided for under Step 12.

A request for "paper trimming". The current PNGFA policy is that:

- All Malas (Hormaium foetidum) logs may be paper trimmed.
- In addition, a limited number of logs being up to 2% of the non-Malas logs included in the Statement Of Logs To Be Exported may be paper trimmed. This includes the buffer for log replacement.

Where a log is paper trimmed, the length "trimmed" must be noted in the Statement Of Logs To Be Exported so that the volume of logs loaded onto the ship for which payment is due can be calculated and recorded. The final SGS shipment report will show both the volume of logs for which payment is due, and the volume paper trimmed.

Where the log buyer's representative seeks to have more logs paper trimmed than allowed for above, then the log exporter has the choice of physically trimming the log or removing the log from the shipment. Where the log is physically trimmed, the log details contained in the Statement Of Logs To Be Exported will need to be amended accordingly.

The SGS Inspector must be physically present when a log is physically trimmed, and specific forms to record the change in scaled volume exist to deal with this.

**STEP 14. PNGFA TO GIVE PERMISSION TO COMMENCE SHIP LOADING**

Once the SGS pre-shipment inspection has been completed, the PNGFA Project Supervisor on site will provide written permission to commence ship loading unless the SGS pre-shipment inspection has resulted in a Discrepancy Notice, and the discrepancy has not yet been resolved. Where there is a discrepancy that cannot be easily resolved, the Project Supervisor will seek PNGFA Head Office (Operations Manager) direction.

2 This is where the buyer's representative will refuse to take a specific log unless a volume allowance is made for a defect (e.g. end splitting) in the log, which has not already been allowed for under the log scaling rules. The defective piece is not physically trimmed, but an allowance is made in the paper work only.
Permission to begin loading will be in the form shown in Appendix 11 (Regulation 87, Form 82), and will be given to the exporter. A copy will be given to SGS.

STEP 15. TALLYING OF LOGS ACTUALLY LOADED BY SGS

Once the SGS Inspector has received a copy of the PNGFA’s written permission to commence ship loading, SGS will commence log tallying procedures. If loading commences prior to SGS receiving the PNGFA’s written permission to commence ship loading, any logs already loaded will need to be unloaded, and the log exporter will bear full responsibility for any delays or other issues that result. The log exporter is thus encouraged to check with the SGS Inspector that SGS has received it’s copy of the PNGFA’s written permission to commence ship loading, before commencing loading activities.

During ship loading operations SGS will tally the logs loaded on board the ship by drawing log tags as logs are moved off the wharf/beach and prepare loading tallies/species (Group 1) and species group (Groups 2, 3 and 4) summaries. SGS Inspectors will reconcile their tally (allowing for any losses from shore to ship) on a daily basis. Where loading is by raft or barge, the SGS Inspector will reconcile their tally at the completion of each raft or barge. Log exporters are encouraged to liaise with the SGS Inspectors in these progressive reconciliations so that any disputes can be resolved in a timely manner.

Under the Forestry Act Regulations, a Project Supervisor may suspend log loading once ship loading has commenced. This is effected by the use of Form 83. Only the Project Supervisor who has issued a Form 83 suspension of ship loading may lift the suspension. Form 83 also provides for the lifting of the suspension. A copy is shown in Appendix 12.

STEP 16. PRODUCTION OF THE SGS INSPECTION REPORT

Once ship loading has been completed, SGS will produce an Inspection Report which will present the official verification of what has actually been loaded. It will include details of the volume loaded in the shipment by species and summaries by species groups (individual species totals for Group 1 and Group totals for Groups 2, 3 and 4). This information will be used as the basis for the preparation of the Export Entry for Customs (which is the basis for the calculation of log export taxes) and the commercial invoice. It will also be used by SGS in calculating the value to be entered on the Security Label.

SGS will produce the Inspection Report in triplicate. Each copy will be signed by the SGS Inspector and the exporter’s senior representative on site. SGS will:

* Provide one copy to the exporter;
* Forward one copy to the PNGFA office doing the final ship clearance (in association with Customs) by the fastest means available; and
* Retain the third copy.

Final ship clearance can only take place at Declared Customs Ports which include most coastal province capitals. The PNGFA has designated a “Forestry Boarding Officer” for this
purpose for each Declared Customs Port. Generally this is the Provincial Forestry Officer. A ship cannot receive final clearance without a copy of the Inspection Report. An example of an Inspection Report is shown in Appendix 13.

STEP 17. EXPORTER TO PREPARE SHIPPING DOCUMENTS FOR VESSEL CLEARANCE

The exporter will prepare his shipping and commercial documentation in the normal way. At the time of vessel clearance, both the PNGFA and Customs will require copies of shipping and commercial documents as is the present practice. The PNGFA Boarding Officer will use his/her copy of the SGS Inspection Report to check that the exporter's data is correct.

Where there are any discrepancies in the commercial documentation either the PNGFA or Customs can decline to give final ship clearance until such time as the discrepancies are resolved.

STEP 18. PNGFA BOARDING OFFICER TO CHECK CONSISTENCY OF VOLUMES ACTUALLY LOADED WITH LOG EXPORT LICENCE

The PNGFA Boarding Officer will check the consistency of the volumes actually loaded (as detailed in the SGS Inspection Report) with the Log Export Licence. Where there is a discrepancy in the volume by species (Group 1) or species group (Groups 2, 3 and 4) greater than the +/- 10% by volume permitted, the Boarding Officer will take action in accordance with that detailed in Appendix 9.

STEP 19. EXPORTER SENDS DOCUMENTS TO SGS PORT MORESBY OFFICE

At the completion of loading (and after issuance of the Inspection Report), the exporter is required to send copies of the following documents to SGS’s Port Moresby office (by fax is acceptable) in order that an SGS Security Label can be affixed to the Commercial Invoice:

- Letter of Credit
- Commercial Invoice
- Bill of Lading
- Ship’s Timesheet
- Export Entry

Note that exporters will not be required to send further copies of documents to any PNGFA office.

NOTE: STEP 20 AND 21 WILL BE NECESSARY ONLY AFTER THE PNG CENTRAL BANK ISSUES THE INSTRUCTION TO COMMERCIAL BANKS. LOG EXPORTERS WILL BE NOTIFIED ACCORDINGLY.
STEP 20. SGS TO AFFIX AN SGS SECURITY LABEL TO THE COMMERCIAL INVOICE

This is a special SGS designed adhesive label with unique characteristics. Based on SGS’s Inspection Report and the export prices approved by the PNGFA, SGS will enter onto the label the value of the shipment, the Log Export Licence number, and the volume loaded by species (Group 1) and species group (Group 2, 3 and 4) and affix the label to the exporter’s Commercial Invoice. The exporter will then be able to use the labelled invoice to negotiate payment for the shipment. This ensures that the exporter is paid according to the volume and species inspected by SGS and the prices approved by the PNGFA.

STEP 21. EXPORTER TO COLLECT COMMERCIAL INVOICE FROM SGS

So long as all specified documents have been received and are in order, SGS expect to make the labelled Commercial Invoice available from its Port Moresby office within two working days during normal business hours.

In the event that any discrepancies are found the exporter will be advised of the problem and SGS’s suggested solution by fax.

THE EXPORTER IS RESPONSIBLE FOR PROVIDING ALL DOCUMENTS REQUIRED AND RESOLVING ANY DISCREPANCIES.

STEP 22. SGS TO PRODUCE A FULL POST-SHIPMENT REPORT

For each log shipment, SGS will provide the PNGFA Head Office with a full post-shipment report, including details of any anomalies or observations which SGS may desire to bring to the PNGFA’s attention.
4. APPEALS

If an exporter disagrees with the SGS inspection process or findings, he may contact the SGS Offices in order to discuss the matter.

In the event that no agreement is reached between the exporter and SGS, the exporter may appeal to a “Monitoring Committee” established for this purpose. All appeals must be in writing, and must be addressed to the Managing Director at PNGFA Head Office.

The Committee, comprising representatives from the Forest Authority and SGS, meets on a weekly basis and assures complainants of a speedy and equitable solution.

5. CONFIDENTIALITY OF INFORMATION

All information provided by the exporter in the course of inspection and verification will be considered confidential by SGS unless:

* the information is required by the PNGFA.
* the information can be readily obtained by third parties or is otherwise part of the public record.

The data which is contained in the SGS Inspection Report and Security Label is revealed only to the Papua New Guinea Government and the Exporter. It is never revealed to other exporters or parties who have no valid legal claim to the information.

SGS produces statistics for the PNGFA on a periodic basis and also submits regular performance reports which highlight major cases of discrepancies.

6. PNGFA HEAD OFFICE (MARKETING BRANCH)

The Marketing Branch of the PNGFA is located in the PNGFA Head Office in Hohola, Port Moresby. Contact details are as follows:

Address: PNG Forest Authority
          P.O. Box 5665
          Boroko, NCD

          Attention: Marketing Branch

Phone: 327 7875

Facsimile: 325 9943
7. SGS OFFICES

PORT MORESBY

This is the SGS Headquarters for log export monitoring purposes and is located on the
ground floor of the main PNGFA office in Hohola.

This office is responsible for allocating all inspection assignments, receives all reports and
documentation, issues Security Labels, maintains the data-base and reports to the
PNGFA.

Exporters should direct all Information Sheets (requests for inspection) and Information
Amendment Sheets to the Port Moresby Office. This office operates five days per week;
Monday to Friday from 8:00 am to 4:30 pm.

Address: SGS (PNG) Pty Ltd
P.O. Box 1260
Port Moresby, NCD

Phone: 323 1433

Fax: 323 1697

KIMBE

This is the SGS Regional Office responsible for all log export inspection work in the
PNGFA Islands Region. This office is not authorised to initiate inspection work until log
exporters have provided the SGS Port Moresby Office with the Information Sheet regarding
proposed shipments. Any Information Amendment Sheets must also be sent to the SGS
Port Moresby Office. Contact details are as follows:

Address: SGS (PNG) Pty Ltd
P.O. Box 869
Kimbe, WNB

Phone: 983 5922

Fax: 983 5146

KANDRIAN

This office acts purely as a transiting, communication and supply point for SGS inspectors
working along the South New Britain coastline. It is equipped with radio communications
and provides accommodation and stores facilities.

Any communications with this base should be directed through SGS Kimbe office.
LIST OF APPENDICES

1. PRO FORMA FOR APPLICATION FOR PRICE ENDORSEMENT
2. SPECIES GROUPS AND PRODUCT NUMBERS FOR LOG EXPORTS
3. EXAMPLE OF PRICE ENDORSEMENT
4. CLAUSE FOR INSERTION IN THE LETTER OF CREDIT
5. EXAMPLE OF INFORMATION SHEET
6. EXAMPLE OF INFORMATION AMENDMENT SHEET
7. EXAMPLE OF STATEMENT OF LOGS TO BE EXPORTED AND SUMMARY
8. FORMAT FOR COMPUTER ENCODED DATA EXCHANGE
9. PNGFA CRITERIA AND PRESCRIPTION FOR CORRECTIVE ACTION
10. EXAMPLE OF SGS DISCREPANCY NOTICE
11. SHIP LOADING AUTHORISATION (REGULATION 87, FORM 82)
12. SUSPENSION OF SHIP LOADING (REGULATION 88, FORM 83)
13. EXAMPLE OF SGS INSPECTION REPORT
APPENDIX 1

PRO FORMA PRICE ENDORSEMENT APPLICATION FORM

(COMpany Letterhead)
Including address and contact details.

APPLICATION FOR PRICE ENDORSEMENT FOR THE SALE
AND EXPORT OF LOGS

TO: Marketing Branch
PNG Forest Authority
Fax 325 9943

Date: ......../......../19.....

We hereby apply for a formal price endorsement for the log export shipment as follows:

Export Name: 
Buyer: 
Buyer's Address: 
Destination (country): 
Vessel: 
Vessel ETA: 
Project: 

PROPOSED SHIPMENT DETAILS

<table>
<thead>
<tr>
<th>Product Name</th>
<th>Proposed Unit Price (FOB)</th>
<th>Planned Quantity (m3)</th>
<th>Total Price</th>
</tr>
</thead>
</table>
| 1. MARKET QUALITY LOGS
  Group 1 Species (specify)
  Group 1 Species (specify)
  Group 2 Species
  Group 3 Species
  Group 4 Species |
| 2. OLD STOCK/REJECTS/SMALL LOGS
  PNGFA Project Supervisor's Letter Attached - Tick Box
  Old Stock
  Rejected Logs
  Small Logs |
| 3. SHIPMENT TOTALS: Quantity (m3) Total Price |

Name of person making application (Print): 
Designation: 
Signature: ___________________________
## APPENDIX 2

### SPECIES GROUPS AND SPECIES CODES FOR LOG EXPORTS

Note: An application for a Price Endorsement for the export of logs must show the proposed price for each individual species where that species is a Group 1 species. A proposed price for each of Groups 2, 3 and 4.

<table>
<thead>
<tr>
<th>PNGFA PRODUCT NUMBER</th>
<th>COMMERCIAL NAME</th>
<th>SPECIES CODE</th>
<th>SCIENTIFIC NAME</th>
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<tbody>
<tr>
<td><strong>GROUP 1.</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>Runckella</td>
<td>BUR</td>
<td>Burckella obovata/B. sorai</td>
</tr>
<tr>
<td>2</td>
<td>Gray Canarium</td>
<td>CAG</td>
<td>Canarium oleosum</td>
</tr>
<tr>
<td>3</td>
<td>Calophyllum</td>
<td>CAL</td>
<td>Calophyllum</td>
</tr>
<tr>
<td>4</td>
<td>Red Canarium</td>
<td>CAR</td>
<td>Canarium indicum</td>
</tr>
<tr>
<td>5</td>
<td>Pencil Cedar</td>
<td>CEP</td>
<td>Palaquium warburgianum</td>
</tr>
<tr>
<td>6</td>
<td>Dillenia</td>
<td>DIL</td>
<td>Dillenia papuan</td>
</tr>
<tr>
<td>7</td>
<td>Erima</td>
<td>ERI</td>
<td>Octomeles sumatran</td>
</tr>
<tr>
<td>8</td>
<td>Hekakoro</td>
<td>HEK</td>
<td>Gluta papuana</td>
</tr>
<tr>
<td>9</td>
<td>Kwila</td>
<td>KW1</td>
<td>Intsia</td>
</tr>
<tr>
<td>10</td>
<td>Lophopetalum/Parupok</td>
<td>LOP</td>
<td>Lophopetalum 'orcellense'</td>
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<tr>
<td>11</td>
<td>Malas</td>
<td>MAL</td>
<td>Homalium foetidum</td>
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<tr>
<td>12</td>
<td>PNG Mersawa</td>
<td>MER</td>
<td>Anisoptera thurifera</td>
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<tr>
<td>13</td>
<td>Red Planchnella</td>
<td>PLR</td>
<td>Planchnella tormicellensis</td>
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<tr>
<td>14</td>
<td>White Planchnella</td>
<td>PLW</td>
<td>Planchnella kaembachiana</td>
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<tr>
<td>15</td>
<td>Taun</td>
<td>TAU</td>
<td>Pometia pinata</td>
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<tr>
<td>16</td>
<td>Terminalia</td>
<td>TER</td>
<td>Terminalia sp.</td>
</tr>
<tr>
<td>17</td>
<td>PNG Walnut</td>
<td>WAL</td>
<td>Dracontomelon dao</td>
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<tr>
<td><strong>GROUP 2.</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>20</td>
<td>Açaíla</td>
<td>AGL</td>
<td>Aglaia</td>
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<tr>
<td>21</td>
<td>Ancora/Pacific Maple</td>
<td>AMO</td>
<td>Aglaia cuculate</td>
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<tr>
<td>22</td>
<td>Antiaris</td>
<td>ANT</td>
<td>Antiari toxicaria</td>
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<tr>
<td>23</td>
<td>PNG Basswood</td>
<td>BAS</td>
<td>Endospermum</td>
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<tr>
<td>24</td>
<td>Wau Beech</td>
<td>BEW</td>
<td>Elmernillia papuana</td>
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<td>25</td>
<td>Mangrove Cedar</td>
<td>CEM</td>
<td>Xylocarpus papuanum</td>
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<tr>
<td>26</td>
<td>Red Cedar</td>
<td>CER</td>
<td>Toona suroni</td>
</tr>
<tr>
<td>27</td>
<td>Hopea Heavy</td>
<td>HOH</td>
<td>Hopea iriana/H. glabriifolia</td>
</tr>
<tr>
<td>28</td>
<td>Hopea Light</td>
<td>HOL</td>
<td>Hopea forbesii/H. papuana/H. similiis/H. celtriflora</td>
</tr>
</tbody>
</table>

* For PNGFA internal use only.
<table>
<thead>
<tr>
<th>Common Name</th>
<th>Abbreviation</th>
<th>Scientific Name</th>
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</thead>
<tbody>
<tr>
<td>Kamarere</td>
<td>KAM</td>
<td>Eucalyptus deleguia</td>
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<td>Kempas</td>
<td>KEM</td>
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<td>LAB</td>
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<td>Fleridium pimenteliana</td>
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<td>Vitex</td>
<td>VIT</td>
<td>Vitex coelatus</td>
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<tr>
<td>Amberi</td>
<td>AMB</td>
<td>Pteroclymbium beccarii</td>
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<td>Cinnamomum</td>
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<td>CAM</td>
<td>Camprosperma brevpetala</td>
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<td>Hard Ceilts</td>
<td>CEH</td>
<td>Celis filiformis/P. latifolia</td>
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<tr>
<td>Light Ceilts</td>
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<td>Celis nymanii/C. kajewekii</td>
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<td>Cryptocarya</td>
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<td>DYS</td>
<td>Dysoxylum</td>
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<td>GAG</td>
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<td>Syzygium sp.</td>
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<td>Heritiers</td>
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<tr>
<td>Litsea</td>
<td>LIT</td>
<td>Litsea</td>
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<td>SAP</td>
<td>Buchanania</td>
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<td>Albizia procera</td>
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<td>Hard Alstonia</td>
<td>ALH</td>
<td>All Alstonia except A. scholaris</td>
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<td>BOS</td>
<td>Tristania sueveolens</td>
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<td>BOW</td>
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<td>Bischofia javanica</td>
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<td>Caralia</td>
<td>CLL</td>
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<td>Milky Pine</td>
<td>CWW</td>
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<td>Abbreviation</td>
<td>Scientific Name</td>
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<td>--------------</td>
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<td>Euodia Heavy</td>
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<td>Euodia bonwickii</td>
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<td>Euodia elleryana</td>
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<td>GAR</td>
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<td>GLO</td>
<td>Glochidion</td>
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<tr>
<td>Gmelina/White beech</td>
<td>GME</td>
<td>Gmelina muluccana</td>
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<td>Hemandia</td>
<td>HEN</td>
<td>Hemandia</td>
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<td>HIB</td>
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<td>Horsfieldia</td>
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<td>Brdella minutilora</td>
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<td>Chilochoeten</td>
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<td>LAP</td>
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<td>MAK</td>
<td>Manilika kансolensis</td>
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<td>MAN</td>
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<td>Cedera forbunda</td>
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<td>NUT</td>
<td>Myristica</td>
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<tr>
<td>PNG Oak</td>
<td>OAP</td>
<td>Lithocarpus/Castanopsis</td>
</tr>
<tr>
<td>Red Oak</td>
<td>CAR</td>
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<tr>
<td>Silky Oak</td>
<td>OAS</td>
<td>Finschia chloroxanthav/Gmelina papuana/Helicia</td>
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<td></td>
<td></td>
<td>Castanopsis acuminatissimo</td>
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<td>OAW</td>
<td>Oreocallis wickhamii</td>
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<tr>
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<td>OPS</td>
<td>Casuarina</td>
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<td>She Oak</td>
<td>OSC</td>
<td>Pterygota horsetfieldi</td>
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<td>OWT</td>
<td>Pangium edule</td>
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<td>Pangium</td>
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<td>Paratocarpus venenosus</td>
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<td>Parastemon</td>
<td>PAS</td>
<td>Parastemon versteeghi</td>
</tr>
</tbody>
</table>
Pericopsis
Pimeleocandron
Planchonia
Busu Plum
Tulip Plum
Polyalthia
Quandong
Onomo Redwood
Greeth Satinheart
Saffronheart
PNG Sassafras
Semicarpus
Sloanea
Spondias
Sterculia
Tetrameles
Tea Tree
Trichadendria
Tristropis
PNG Tulipwood
Vatica
Brown Wattle
Red Wattle

Pericopsis moniana
Pimeleocandron
Planchonia papuana
Maranthes corymbosa
Pellogynium
Polyalthia
Elaeocarpus
Adinandra forbesii
Gejera talicifolia
Hawfordia
Dryodaphne
Semicarpus sp.
Sloanea
Spondias cytherea
Sterculia
Tetrameles nudiflora
Malaleuca leucadendron
Trichadendria philippinensis
Tristropis
Harpullia
Vatica raasak
Acacia aularocarpa
Acacia crassicarpa

Plus any other species not listed above and not banned from export in log form as listed below - species code OTH.

SPECIES BANNED FROM EXPORT IN LOG FORM

Kauri pine
Hoop Pine
Kinkii Pine
Celery-Top Pine
Cordia
Dacrydium
Ebony
Kerosene Wood
Libocedrus
Podocarp
Brown Podocarp
Highland Podocarp
Rosewood
Balsa
Blackbean

AGA
ARK
ARH
CLP
COR
DAC
EBO
KEW
LIB
POD
PCB
POH
ROS
BAL
BLB

Agathis
Auracaria cunninghamii
Auracaria huonensis
Phyllocadus hypophyllus
Cordia dichotoma
Dacrydium nidulum
Diospyros ferrrea
Cordia subcordata
Libocedrus paucus
Podocarpus sp.
Decussocarpus
Dacrycarpus imbricatus
Phoecarpus indicus
Ochroma lagopus
APPENDIX 3
EXAMPLE OF A PRICE ENDORSEMENT

PNG FOREST AUTHORITY

PRICE ENDORSEMENT FOR EXPORT OF WOOD PRODUCTS

Exporters: 
Address: 
Fax: 

The PNG Forest Authority hereby endorses the export prices for the sale and shipment detailed as follows:

<table>
<thead>
<tr>
<th>Wood Product</th>
<th>Date Application Received</th>
<th>Buyer</th>
<th>Buyer's Address</th>
<th>Destination</th>
<th>Vessel</th>
<th>ETA</th>
<th>Project</th>
</tr>
</thead>
</table>

ENDORSED PRICES

<table>
<thead>
<tr>
<th>Product Name</th>
<th>Unit Price (FOB)</th>
<th>Quantity (m3)</th>
<th>Total Price</th>
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</thead>
<tbody>
<tr>
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</tbody>
</table>

SHIPMENT TOTALS: 

<table>
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<tr>
<th>Quantity (m3)</th>
<th>Total Price</th>
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<tr>
<td></td>
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</tbody>
</table>

This endorsement is valid for a period of two months. All correspondence relating to the above sale and shipment must include the following reference number.

XXXXXXX

SIGNED: ............................................. ....../....../19....
Marketing Manager

COUNTERSIGNED: ............................................. ....../....../19....
Manager/Deputy Manager Operations
Managing Director/General Manager

NOTE: This endorsement is not valid without two signatures
APPENDIX 4

CLAUSE TO BE INSERTED IN LETTER OF CREDIT

"DRAWINGS AGAINST THIS CREDIT SHALL BE SUBJECT TO THE PRESENTATION OF A COPY OF A FINAL SETLEMENT INVOICE BEARING AN ADHESIVE SECURITY LABEL AFFIXED BY SOCIETE GENERALE DE SURVEILLANCE S.A. (SGS SA) OR ITS AUTHORISED AFFILIATES AND REPRESENTATIVES BEARING THE NUMBER AND THE DATE OF THE CORRESPONDING EXPORT LICENCE. NO GUARANTEE SHALL BE ACCEPTED FROM THE SUPPLIER FOR THE NON-PRESENTATION OF THE PRESCRIBED ADHESIVE SECURITY LABEL."
APPENDIX 5 - EXAMPLE OF INFORMATION SHEET

SGS PNG Pty Ltd

P.O. Box 1260
Port Moresby NCD
Papua New Guinea
Tel: (675) 323 1433
Fax: (675) 323 1697

INFORMATION SHEET - LOG EXPORTS

1. DATE: ________________  (SGS Ref.: ________________)

2. EXPORTER (PERMIT/LFA NO.): ________________

3. LOG YARD LOCATION:
   Contact: ________________
   Phone: ________________

4. EXPORT PERMIT NO.: ________________

5. BUYER: ________________
   Address: ________________

6. DESTINATION COUNTRY: ________________
   PORT: ________________

7. SHIP LOADING DETAILS
   Vessel Name: ________________  Vessel ETA: ________________
   Agent & Contact: ________________  Full Shipment? Yes/No

8. CARGO DETAILS - Volume by Species and FOB Values
   (Copy of Export Licence Application is acceptable for this section)

<table>
<thead>
<tr>
<th>Species</th>
<th>Volume</th>
<th>Price</th>
<th>Species</th>
<th>Volume</th>
<th>Price</th>
</tr>
</thead>
</table>

   TOTAL VOLUME: ________________  FREIGHT RATE: ________________

9. SPECIAL SALE REQUIREMENTS (e.g. diameter/grade breakdown, log quality)

   ________________

10. AUTHORISED BY
    SIGNATURE: ________________  COMPANY: ________________
    NAME: ________________  PHONE NO.: ________________
    POSITION: ________________  DATE: ________________

Form PNGF 01  Date Revised 06/12/95
A member of the SGS Group (Société Générale de Surveillance)
INFORMATION AMENDMENT SHEET - LOG EXPORTS

Date: __________________  SGS Ref.: __________________

1. EXPORTER (PERMIT/LFA NO.): ________________________________

2. VESSEL NAME: ____________________________

3. REVISED ETA: ________________________________

4. OTHER CHANGES TO ORIGINAL INFORMATION SHEET
(For example: Volume to be loaded, Species breakdown or Log quality)

________________________________________________________

________________________________________________________

________________________________________________________

9. AUTHORIZED BY

SIGNATURE: _______________________  DATE: _______________________

NAME: _______________________  PHONE: _______________________

From PNGF 09  Date Revised 09/04/96

A member of the SGS Group (Société Générale de Surveillance)
APPENDIX 7

EXAMPLE OF "STATEMENT OF LOGS TO BE EXPORTED"

NAME OF SHIP: ........................................ PLANNED SAILING DATE: 11/11/19
TIMBER PERMIT NUMBER: ................................ NAME OF LOG EXPORT SITE: ..................................

MARKET QUALITY LOGS / OLD STOCK, REJECTS, SMALL LOGS (DELETE AS APPLICABLE)

<table>
<thead>
<tr>
<th>SEQUENTIAL LOG TAG</th>
<th>PN/GF/A CODE</th>
<th>LOG SPECIES</th>
<th>AVERAGE LENGTH</th>
<th>AVERAGE DIAMETER</th>
<th>NET VOLUME</th>
<th>DEFECT VOLUME</th>
</tr>
</thead>
<tbody>
<tr>
<td>NUMBER</td>
<td></td>
<td></td>
<td>(lower 0.1 in)</td>
<td>(in)</td>
<td>(in) x three</td>
<td>(in) x three</td>
</tr>
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<td>decimal place</td>
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</tr>
</tbody>
</table>

TOTAL LOGS: ........................................ TOTAL NET VOLUME: ........................................ TOTAL DEFECT VOLUME: ........................................

NOTE: WHERE THERE IS NO DEFECT, GROSS AND NET LOG VOLUME IS THE SAME.

FOR THE LOG EXPORTER:
SUBMITTED BY (PRINT NAME): ........................................
SIGNATURE: ........................................
TIME/DATE: ........................................

FOR SGS:
ACCEPTED BY (PRINT NAME): ........................................
SIGNATURE: ........................................
TIME/DATE: ........................................
APPENDIX 8

STANDARD FORMAT FOR COMPUTER ENCODED DATA EXCHANGE

Media: IBM-PC (MS DOS) formatted 3.5" (1.44 Mb or 720 Kb) diskettes.

Code: Character codes will be the ASCII printable characters only. This is the standard text code which can be printed on the screen. Word processing codes are generally not ASCII and word processing formatted text will not be acceptable.

File Name: Will conform to the standard MS DOS structure i.e. up to 8 Alphanumeric characters followed by a "." followed by up to 3 Alphanumeric characters. This file will be called SOURCE.TXT

Record Format: Fixed length records of 36 characters, each record terminating with a CR and LF characters. If using Foxpro then the format SDF is acceptable. If a numeric field is zero then leading zeroes can be omitted (see examples).

Only one record type is required - a data record. Because the data is given locally on a diskette and no electronic communication transmission is envisaged, there is no requirement for a batch header or trailer records.

<table>
<thead>
<tr>
<th>Character</th>
<th>Length</th>
<th>Start</th>
<th>End</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Log ID</td>
<td></td>
<td></td>
<td></td>
<td>As on the Log Tag</td>
</tr>
<tr>
<td>Specie Code</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Log Length</td>
<td>Number</td>
<td>2.1</td>
<td>18</td>
<td>Include decimal point</td>
</tr>
<tr>
<td>Mean Diameter</td>
<td>Number</td>
<td>3</td>
<td>21</td>
<td></td>
</tr>
<tr>
<td>Volume (net)</td>
<td>Number</td>
<td>3.3</td>
<td>28</td>
<td>Include decimal point</td>
</tr>
<tr>
<td>Defect Code</td>
<td>Character</td>
<td>1</td>
<td>29</td>
<td>&quot;P&quot; defect present</td>
</tr>
<tr>
<td>Defect Volume</td>
<td>Number</td>
<td>3.3</td>
<td>36</td>
<td>Blank if no defect</td>
</tr>
</tbody>
</table>

Terminated with a CR and LF characters (ASCII codes "0D" and "0A").

Example:

<table>
<thead>
<tr>
<th>11402-03001TAU12.0 52 2.548 0.000</th>
</tr>
</thead>
<tbody>
<tr>
<td>11402-03002PLB 8.7102 6.975P 0.134</td>
</tr>
<tr>
<td>11402-03003GQR 7.831 0.574P 0.015</td>
</tr>
<tr>
<td>11402-03004GQR 6.636 0.672 0.000</td>
</tr>
<tr>
<td>11402-0320CTAU13.5 62 4.076 0.000</td>
</tr>
<tr>
<td>11402-0320DMAW 8.1 48 1.486 0.000</td>
</tr>
<tr>
<td>11402-0320PLE 7.7 65 2.410P 0.136</td>
</tr>
<tr>
<td>11402-0320TMAU10.5 76 4.763 0.000</td>
</tr>
<tr>
<td>11402-0320FIR 7.0 52 1.678 0.000</td>
</tr>
<tr>
<td>11402-0325OSAS12.0 52 2.546 0.000</td>
</tr>
<tr>
<td>11402-0325DPLB 5.7 76 2.826 0.000</td>
</tr>
<tr>
<td>11402-0325PLB 5.1 54 1.110P 0.058</td>
</tr>
</tbody>
</table>
APPENDIX 9

CORRECTIVE ACTION PRESCRIBED BY THE PNGFA

PRE-SHIPMENT INSPECTIONS

This manual identifies two possible situations where SGS will issue a Discrepancy Notice and corrective action is required. In both cases a copy of the Discrepancy Notice is provided to the PNGFA Project Supervisor, who can, if required, exercise his powers as a Forest Inspector under the Forest Act.

The situations and the corrective actions required by the PNGFA are as follows:

1. SPECIES IDENTIFICATION

Species identification must be 100% correct. Where the SGS assessment of species does not accord with that shown on the exporter’s Statement Of Logs To Be Exported, then in the first instance the SGS inspector will call the discrepancy to the attention of the exporter and attempt to achieve agreement, and if required, to amend the details of the Statement Of Loss To Be Exported accordingly.

Where the SGS inspector and the exporter do not agree, the SGS inspector’s assessment of species will be taken as the correct one and the exporter will be required to amend the Statement Of Loss To Be Exported accordingly.

At the option of the exporter, logs whose species identification is in dispute may be removed from the shipment and the Statement Of Logs To Be Exported and put aside for later determination of the correct species.

2. LOG VOLUME CHECK

The total volume of the 10% sample measured by SGS must be within +/- 3.0% of the total of the individual log volumes for the sample logs read from the exporter’s Statement Of Logs To Be Exported.

If there is a greater discrepancy, then the entire shipment must be re-scaled and the exporter must produce a new Statement Of Logs To Be Exported. Where this involves additional costs to the PNGFA, the exporter will be invoiced.

It is possible that the sample volume measured by SGS may meet the above criteria as a result of compensating over and under measurements. Where this is obvious SGS will advise the PNGFA of this fact in its post shipment report and the PNGFA may at its discretion take further follow-up action.

FINAL SHIP CLEARANCE

This manual identifies one situation where the PNGFA may hold up final clearance of the ship by the PNGFA Boarding Officer at the Declared Customs Port. This is where there is an inconsistency greater than +/- 10% by volume between the volume of one or more of the species (Group 1) or species groupings (Group 2, 3 and 4) actually loaded on the ship.
(as detailed in the SGS Inspection Report), and the permitted volumes for each species (Group 1) or species grouping (Groups 2, 3 and 4) as stated in the Log Export Licence.

It is recognised that there may be exceptional circumstances where there is a good reason for the volume actually loaded onto the ship being outside the allowed limits. For example:

* More heavy logs than originally anticipated resulting in the ship's Captain ordering a lower loading limit for safety reasons.

* A larger than expected ship, able to take additional logs where these are of species for which a PNGFA Head Office (Marketing Branch) price endorsement is still valid, and where additional logs are immediately available at the loading site.

Where such an inconsistency occurs, the PNGFA Boarding Officer is required to advise the PNGFA Head Office (Marketing Branch) of the variations and to seek its permission to accept these. Where permission is granted, the shipment will be given final clearance in the usual manner.

There may be circumstances under which the PNGFA Head Office (Marketing Branch) will review the previously endorsed prices before granting permission. These circumstances may include:

* Where the shipment includes a volume of a species or a species grouping for which the exporter has not sought export price endorsement and has not entered the volume on the application for a Log Export Licence.

* Where the PNGFA has endorsed the export price for a particular species at a low level justified by the exporter by it being expected to make up only a very small proportion of the shipment, where-as in fact it makes up a substantial proportion of the shipment.

In either of the two cases above, PNGFA Head Office (Marketing Branch) may at its discretion require the exporter to review his/her prices and to seek a new price endorsement and Log Export Licence.
NOTICE OF DISCREPANCY AT PRESHIPMENT/LOADING (PNGF 04) Circle which is applicable.

EXPORTER: __________________________ DATE: __________________________

INSPECTED AT: __________________________ Vessel Name: __________________________
__________________________ SGS Reference: __________________________
Export Licence No.: __________________________

IRREGULARITY: __________________________ Export Permit No.: __________________________

The SGS Field Inspector has identified the above irregularity which according to criteria established by the Papua New Guinea Forest Authority, may prevent issue of the Security Label.

SGS therefore advises that you correct the irregularity according to Forest Authority procedures and requirements.

SGS cannot accept any liability whatsoever if the above logs are shipped without clarification or correction of irregularity.

ISSUED BY: __________________________ RECEIVED ON EXPORTER’S BEHALF:
Name: __________________________ Name: __________________________
Signature: __________________________

(Société Général de Surveillance)
SHIP LOADING AUTHORISATION

1. This authorisation is issued by:
   Name (Print): ...........................................
   Designation: Forest Officer/Forest Inspector

2. This authorisation direction is issued to:
   Individual or Organisation name: ..............................
   Designation (if applicable): ....................................

3. This authorisation permits the loading onto a ship the following:
   Ship's Name: ....................................................
   Product: ..............................................................
   Approximate Quantity: ...........................................
   Date: ....../....../19......
   Signature: .....................................................

Top white copy to Individual or Organisation to whom authorisation is given.
Middle green copy to SGS.
Bottom yellow copy to be retained within pad by Forest Officer/Forest Inspector.
INDEPENDENT STATE OF PAPUA NEW GUINEA
FORESTRY ACT 1991

LIFTING OF SHIP LOADING SUSPENSION

This ship loading suspension is lifted as of:

Date: ....../..../19... Time: .......... am/pm

Suspension lifted by: Name (Print): ..............................................
Designation: Forest Officer/Forest Inspector
Signature: .................................................................

Note: A ship loading suspension can only be lifted by the person who imposed it.

Suspending Authority:

Top white copy to Individual or Organisation to whom suspension was directed.
Middle green copy to Regional Inspector, Forest Authority Regional Office.
Bottom yellow copy to be retained within pad by Forest Officer/Forest Inspector.

INDEPENDENT STATE OF PAPUA NEW GUINEA
FORESTRY ACT 1991

FORM 83

Act, Sec 135
Reg. 88

SUSPENSION OF SHIP LOADING

1. This suspension is issued by:

Name (Print): ..............................................................
Designation: Forest Officer/Forest Inspector

2. This suspension is issued to:

Individual or Organisation name: ......................................
Designation (if applicable): ............................................
Ship's Name: ..................................................................

3. This suspension of ship loading shall take immediate effect and shall continue until lifted in writing by the undersigned.

4. This suspension prohibits any loading of (specify in detail):

.................................................................

Date: ....../..../19... Time: .......... am/pm Signature: ....................

Top white copy to Individual or Organisation to whom suspension is directed.
Middle green copy to Regional Inspector, Forest Authority Regional Office.
Bottom yellow copy to be retained within pad by Forest Officer/Forest Inspector.
**LOG INSPECTION REPORT**

**(PNGF 0B)**

**EXPORTER:**

**Vessel Name:**

**SGS Reference:**

**Export Permit No.:**

**Export Licence No.:**

**PLACE OF INSPECTION**

**Yard:**

**Contact:**

**INSPECTION DATES**

**Preshipment**  
*From:*  
*To:*

**Loading**  
*From:*  
*To:*

**DESCRIPTION OF LOGS INSPECTED**

<table>
<thead>
<tr>
<th>Species</th>
<th>Pieces</th>
<th>Volume</th>
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<tbody>
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</tbody>
</table>

**TOTAL PIECES:**

**TOTAL VOLUME:**

**This statement reflects our findings on quantity and species at time and place of inspection only and DOES NOT absolve the sellers from their contractual obligations.**

In the absence of the exporters final documents required by the PNG National Forest Authority, no Security Label can be issued by SGS.

**INSPECTED BY:**

**NAME:**

**SIGNATURE:**

**DISPUTE OVER ANY DETAIL MUST BE RESOLVED BEFORE VESSEL SAILING**

**RECEIVED ON EXPORTERS BEHALF:**

**NAME:**  
**POSITION:**

**SIGNATURE:**

**Total Discrepancy Notices**  
*Issued:*

**ORIGINÁL COPY**  
**SGS**  
**EXPORTER**  
**YELLOW COPY**  
**PNGFA**

---

**Société Générale de Surveillance**