

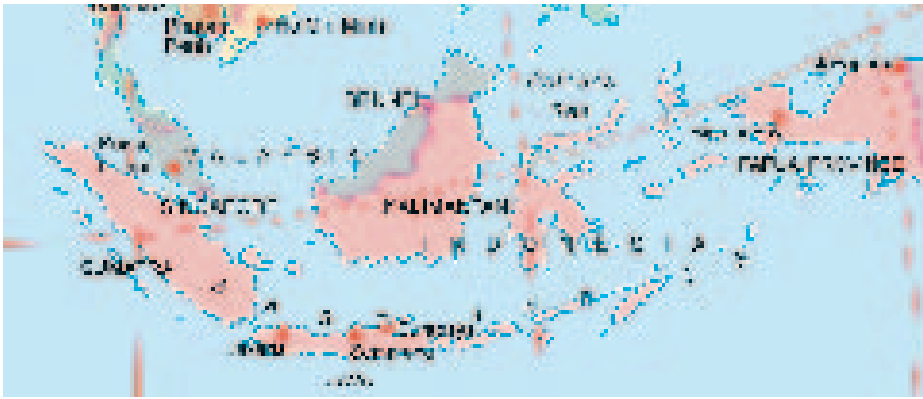
BEHIND THE VENEER

How Indonesia's Last Rainforests
are being Felled for Flooring



telapak





Executive Summary

Demand-driven illegal logging in Indonesia is destroying one of the world's most important remaining tracts of undisturbed tropical forest. Despite unprecedented enforcement operations by the Indonesian government, every day thousands of hectares of Indonesia's forests are cut illegally to supply the thousands of factories across Asia. Much of this timber is destined for the shelves of high street retailers and builder's merchants in the European Union and North America.

Merbau, a highly valuable hardwood, is being ruthlessly targeted by illegal logging syndicates in Indonesian Papua to supply the booming demand for tropical hardwood flooring. Outlining the results of recent

EIA/Telapak investigations, this report tracks the trade in merbau from Papua, via the factories processing merbau for the world's biggest flooring brands, to the shelves of the leading DIY and home improvement retailers of Europe and North America.

Providing case studies on some of the biggest players, the report contrasts the environmental claims touted by specific European and American companies with the reality investigators found behind the veneer. It reveals that - though they are not themselves breaking any law - these global flooring companies do not know the precise origin of all the merbau they are selling, that much of the wood originates in Papua, and there is no way of being certain it

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was not illegally sourced. It also outlines specific examples of illegal activities by Asian companies supplying some of these major brands.

While suppliers and retailers of merbau flooring must stop duping their customers and take urgent steps to ensure the legal origin of their wood, this briefing concludes that it is ultimately the responsibility of governments in western consuming countries to ensure that stolen timber is not allowed to reach the shelves. Yet despite repeated promises to act, there are currently no laws in the US or Europe which prohibit the import or sale of timber or wood products which were illegally sourced. Until such laws are enacted, western companies will continue to profit while Indonesia's and Papua's last frontier forests are floored.

Top left: Map of Indonesia and Malaysia.

Front cover: Papuan merbau logs in the yard of Seng Fong, Indonesia, August 2005.

© Sam Lawson/EIA/Telapak

The Theft of Indonesia's Last Rainforests

The global scourge of illegal logging is one of the most pressing issues facing the planet today. One of the countries most affected is Indonesia, where up to eighty per cent of logging is illegal.⁽¹⁾ This rampant timber theft has led to one of the highest rates of deforestation in the world – every year 2.8 million hectares are lost, an area almost as large as Belgium.⁽²⁾

The social and environmental implications of this criminal destruction are staggering. Every year illegal logging robs the Indonesian government of an estimated \$4.3 billion in much-needed revenue.⁽³⁾ The loss of precious forests to timber thieves is leading to devastating floods and landslides and driving rare plant and animal species ever closer to extinction.

The rampant looting of Indonesia's forests is directed by millionaire timber barons looking to make easy profits. Hungry for cheap timber and heedless of its source, the consuming nations of Europe and North America callously continue to consume stolen wood, spurring the timber barons on in order to meet their demand.

Having already stripped the once emerald-green islands of Borneo and Sumatra of much of their jungle, the focus of the illegal loggers in Indonesia has now turned to the remote Papua province on the island of New Guinea, home to the largest single remaining tract of tropical forest in Asia. Seventy per cent of New Guinea (divided between the Indonesian province of Papua in the west and the country of Papua New Guinea in the east) is still covered in rich dense forest thriving with unique flora and fauna.⁽⁴⁾ Recently a host of new species of plants and animals were discovered deep in the forests of Papua province by scientists who dubbed the area as 'the closest place to the Garden of Eden as you're going to find on Earth'.⁽⁵⁾

By far the most valuable timber in the Papuan forests is merbau (*Intsia spp.*). A dark, luxurious, red wood, merbau is primarily used for the manufacture of 'exotic' hardwood floors, which can command prices of up to \$138 per square metre.⁽⁶⁾ Though it is also found in nearby Malaysia, most remaining commercial stands of merbau are confined to the island of New Guinea.

In February 2005, EIA/Telapak released a report, 'The Last Frontier', which exposed rampant illegal logging in Indonesian Papua and documented the mafia syndicates smuggling



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300000 cubic metres of stolen merbau logs out of the province every month. The logs, accompanied with false paperwork, were departing aboard fleets of giant cargo vessels, in violation of a ban on log exports enacted in 2001. Most of the timber was going to feed China's mammoth wood flooring industry. The report also revealed the central role of the Indonesian military in the timber theft and the intimidation of Papuan communities trying to protect their lands.⁽⁷⁾

EIA/Telapak have documented rampant illegal logging of merbau in Papua.



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Above: The Smoky Honeyeater: newly discovered in Papua's 'Garden of Eden'.

Left: Forest resources are being stolen from traditional Papuan communities.

All wood from Papua must be treated with suspicion.

The following month, Indonesian President Susilo Bambang Yudhoyono responded with a crackdown on illegal logging of unprecedented scale. The enforcement operation in Papua resulted in the seizure of more than 400 000 cubic metres of stolen logs and sawntimber, plus a host of trucks, ships and logging equipment.⁽⁸⁾ More than 170 people were arrested, including police, army and forestry officials. Altogether, timber and equipment worth almost a quarter of a billion dollars was confiscated, and the impacts of the enforcement operation in Papua were felt in timber markets around the world. As supplies of merbau waned, prices rocketed: in February 2005 logs were changing hands in China for as little as \$278 – by October they were selling for up to \$732.⁽⁹⁾

Yet Papua's forests are still far from safe. Corruption surrounding the sale at auction of the seized timber has meant the government has received only two per cent of the \$216 million in revenue which was expected.⁽¹⁰⁾ In December 2005 the National Police Chief admitted that evidence existed showing that the companies from which the logs were originally seized had in many cases managed to buy them back at artificially deflated prices.⁽¹¹⁾ Since the special enforcement operation ended in May 2005, the timber barons and their corrupt cronies in the local bureaucracy and military have adapted their cutting and smuggling operations and are now back in business. In February 2006 1000 illegal logs were seized from a company in the district of Bintuni, which police claimed had been regularly shipping logs illegally to Java between September and December of the previous year.⁽¹²⁾ Though it has become more

Top right: Illegal logging in Wasur National Park, Papua January 2006.

Below: Illegal merbau logs awaiting collection, Seremuk, Papua, February 2003.



© Jago Wadley / EIA / Telapak

difficult to export logs, new sawmills are now springing up to process the stolen wood in order to ease its passage.⁽¹³⁾ The situation in Papua remains chaotic, there are no independently certified forests, and all wood which originates there must still be treated with suspicion.

The enforcement efforts in Papua have been critically undermined. The return of illegal logging has been made almost inevitable by the failure of the consuming countries of stolen merbau in Asia, Europe and North America to halt imports and control demand. Shockingly, it remains perfectly legal in most instances in Europe and North America to import or sell timber which was illegally sourced in the country of origin. Though the European Union has recognised this failing, so far they have only committed to setting up voluntary bilateral schemes to exclude illegal timber from willing partner countries. Even these will not cover processed wood products like flooring. Independent studies have shown that a broad-based ban on the import and sale of stolen wood is needed, and the call for such a law to be enacted is supported by much of the industry, by all the large NGOs, and by the UK's Parliamentary Environmental Audit Committee.⁽¹⁴⁾ Three years ago the EU promised to consider such a measure,⁽¹⁵⁾ yet so far it has failed to face this urgent issue, clearly preferring a weaker voluntary approach.

In the meantime, as this briefing demonstrates, companies in Europe and the US, their imports unregulated by government, continue – albeit unwillingly – to drive the destruction of Papua's forests, demanding wood at any cost and with few questions asked.



© Dave Currey / EIA / Telapak

A Fashion for Flooring

As carpet and linoleum have dropped out of fashion, over the last decade sales of wood flooring in Europe and North America have grown dramatically. The recent proliferation of home improvement television shows has helped popularise wood flooring as fashionable, modern and practical, while design innovations and a plentiful supply of cheap raw materials have served to bring down prices and broaden the market. Though much of this growth is made up of cheap laminate flooring (not generally included in references to wood flooring), sales of real wood flooring have also more than doubled since the mid-nineties.

More wood flooring was sold in 2004 than ever before, with Europe and the US consuming an estimated 189.5 million square metres – enough to floor the entire area of Washington DC.⁽¹⁶⁾ Consumption of wood flooring in the US alone rose by 40 per cent in the five years to 2004, when sales of \$2.4 billion were recorded.⁽¹⁷⁾ The figure for 2005 is expected to be at least five percent higher again.⁽¹⁸⁾ Germany is the largest market for wooden flooring in Europe, followed by Spain, Italy and the Nordic countries.⁽¹⁹⁾ Sales in the UK were worth around \$118 million in 2004.⁽²⁰⁾

In North America and Europe, sales of wood flooring are dominated by a small coterie of giant manufacturer-distributors. These companies either manufacture flooring in their own factories or contract out the production to facilities in Asia. They distribute the finished flooring in major retail outlets under their own brand names. The top four companies had combined worldwide sales of \$1.46 billion in 2004.⁽²¹⁾ By far the largest wood flooring company in the world is the US company Armstrong Industries Inc., which recorded turnover in its wood flooring divisions of \$832 million in 2004.⁽²²⁾ The next biggest company is German-based Tarkett, followed by Swedish outfit Kahrs. Danish company Junckers, the largest supplier of solid wood flooring, completes the top four.

Although oak has traditionally been the most commonly used species for flooring in Europe and the US, demand is shifting to darker and more 'exotic' wood species – code for tropical wood. All the major floor manufacturers in Europe and the US have 'exotic' ranges of flooring made with tropical timber. Merbau is the most common species used, and features in the ranges of all the major brands. Flooring is also available in teak, balau and kempas from SE Asia, jatoba from South America, and in African woods such as iroko.

In every case there are numerous documented examples of illegal logging of these tropical species in source countries. Teak flooring is usually made



© Richard Hoffkins

with timber from Burma, where two-thirds of timber exports are illegal.⁽²³⁾ Most of the kempas and balau in trade originates in Indonesia's Sumatra and Kalimantan where illegal logging is the norm. Brazilian jatoba supplied by companies suspected of involvement in illegal activities has recently been shown to have been used in a museum in Spain.⁽²⁴⁾ Lesser-known African species doussie and iroko are likely to have originated in Gabon or Cameroon, where at least half of all logging is estimated to be illegal.⁽²⁵⁾ Most of the temperate species used in flooring have also suffered from illegal felling, most notably in the Russian Far East.

The brochures of the big European and North American companies supplying merbau flooring are replete with references to the supposed environmental credentials of their products. They provide assurances to concerned consumers that the timber used is all 'carefully selected', or comes from 'sustainably managed forests'. They may also state that new trees are planted every time old ones are cut. Over the past year, EIA/Telapak sought to test these claims. They did not stand up to close scrutiny.

Merbau is the most popular tropical timber used in flooring.

Above: hardwood flooring sales are at record levels.

WOOD FLOORING FACTFILE

There are three different kinds of real wood flooring – solid, engineered and parquet. Though it is produced with wood fibre, cheap laminate flooring relies on photographic reproduction of wood grain for its appearance. References to wood flooring in this report do not include laminates.

Solid wood floor – This is flooring with one piece of wood from top to bottom. Solid wood flooring is sold as single planks of wood 14 to 22 mm thick.

Engineered floor/multilayer floor – This is flooring with a top-layer veneer of hardwood usually 3-7mm thick. This layer is glued on to lower layers of cheaper wood or fibreboard. The vast majority of real wood flooring sold worldwide is of the engineered variety.

Parquet/Mosaic – this refers to small blocks of solid wood which are laid in a pattern formation.

EIA/Telapak have explored the supply chains of the major merbau flooring brands from every angle.

Behind the Brand

EIA/Telapak have explored the supply chains of the major merbau flooring brands from every angle. Investigators visited the high-street retail chains in Europe and the US where merbau flooring is on sale, called the big flooring companies in the guise of consumers, and visited their suppliers' factories in Indonesia and Malaysia posing as buyers. EIA/Telapak has also sent open letters to the companies requesting information.

EIA/Telapak's investigations covered all the largest flooring brand names, including Armstrong/Bruce, Kahrs, Junckers, Tarkett, and many smaller suppliers. The trail of merbau flooring supplied by these companies led onward to the doors of leading EU and US retailers, including three of the world's largest DIY chains.

There is no indication that any of these companies have broken any law – nor is there evidence that they are fully aware of the potential origin of the wood they are supplying. But our investigations have shown that far from being 'carefully selected' or 'sustainably cut', these companies have no idea precisely where most of the merbau wood used in their flooring comes from – nor have they made much effort to find out. Moreover, our research shows that most of these companies are using merbau which comes from Indonesia's Papua province, where the vast majority of logging is illegal and where certified timber is unheard of. In the absence of evidence to the contrary, in all probability much of the merbau they are selling was illegally sourced.

Case Study 1: Armstrong/Bruce

- US-based Armstrong is the largest flooring company in the world, with worldwide sales of wood flooring in 2004 of \$832 million; Armstrong sells merbau flooring under the Bruce, Hartco and Robbins brands.
- Armstrong merbau flooring is supplied by Indonesian company PT Tanjung Kreasi.
- Kreasi buys all its merbau as logs from Papua, purchased through agents on the spot market.
- Kreasi's clients do not demand timber to be certified as sustainably harvested.
- Kreasi admits that merbau trees are becoming scarce in Papua through a lack of re-planting.
- Kreasi staff admit that they cannot be sure where the company's merbau comes from or if it is legal.
- Armstrong merbau flooring is marketed in The Home Depot and Lowe's home improvement stores in the US and in Jewson and Allied Carpets stores in the UK. Leroy Merlin stores across Europe also market merbau flooring by Tanjung Kreasi.

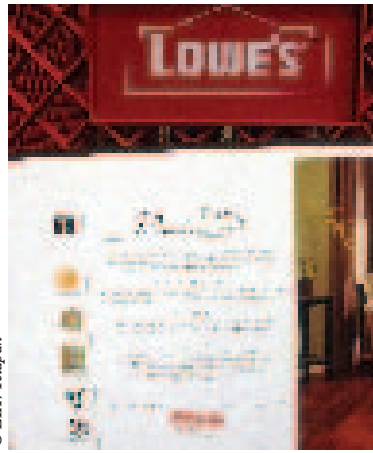
Below: Armstrong's Bruce flooring, on sale at The Home Depot, USA, January 2006.



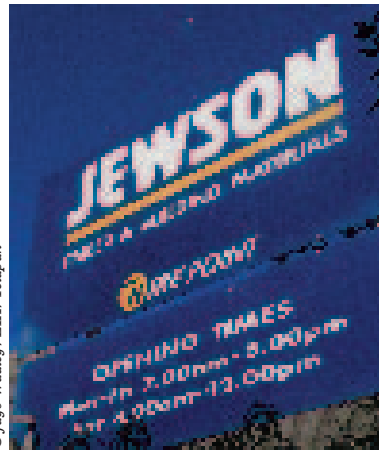
Armstrong World Industries Inc. is the world's biggest flooring company, holding a portfolio of flooring brands including leaders Bruce, Robbins, and Hartco, all of which include merbau flooring in their ranges.⁽²⁶⁾ Despite claiming that the company's flooring is 'made from select lumber and harvested responsibly',⁽²⁷⁾ Armstrong publish no evidence for these claims. In a letter to EIA/Telapak, Chairman and Chief Executive Michael D. Lockhart stated Armstrong's supplier contracts 'insist on documentation on the chain of custody for wood we buy', and that 'when we have requested it' its supplier provided such documents.⁽²⁸⁾ However, Mr Lockhart did not specify how often these documents were actually requested, and notably failed to supply any examples.



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Far left: Ms Titin Siswadi of Tanjung Kreasi, supplier of merbau flooring to Armstrong, August 2005.

Middle: Bruce merbau flooring on display in Lowe's, USA, January 2006.

Left: Jewson in the UK also market Bruce merbau flooring.

Data from the US Port Import Export Reporting Service (PIERS) reveals that Armstrong buys merbau flooring from Indonesian manufacturer PT Tanjung Kreasi Parquet Industry (Kreasi).⁽²⁹⁾ Kreasi is one of the world's biggest engineered wood flooring manufacturers, and export to 45 countries.⁽³⁰⁾ Kreasi markets its flooring under the Teka brand name, though it also produces private-label products for brands like Armstrong. In the first ten months of 2005 Armstrong imported almost three thousand tonnes of flooring from Kreasi into the US.⁽³¹⁾

EIA/Telapak undercover investigators visited Kreasi in August 2005 and met marketing executive Ms Titin Siswadi, who confirmed that around a tenth of their 5 million square metre annual output was merbau, and that the company supplies Armstrong. She stated that all of Kreasi's merbau originates as logs from Papua, which it buys on the spot market from middlemen for shipment to their factory in Java. EIA/Telapak later documented a barge loaded with Papuan merbau logs at Semarang port in Java, which dock workers stated were owned by Kreasi. Ms Titin explained how Kreasi buy about 3000 cubic metres of merbau logs from Papua every 6-8 weeks, equivalent to around 24000 cubic metres per year. She admitted on camera that the company could not know precisely where any of the company's merbau was harvested, or be sure it was legal – directly contradicting claims Armstrong's Chief Executive later made to EIA.

EIA Investigator: *'So when you buy the merbau on the spot market, you won't have any knowledge of where it comes from at all?'*

Ms Titin: *'No. No.'*

EIA Investigator: *'So there is no way of proving it was sustainable or legal even?'*

Ms Titin: *'No, no.'*

When Ms Titin was asked about timber certification, she said that though the company could do it, there was no demand from clients.

Buyers were far more concerned about prices, and knowing legal and certified timber costs more, few if any demanded high environmental standards. Even if its clients asked for certified materials Ms Titin pointed out that no certified merbau was available to Kreasi.

Ms Titin said the prices Kreasi pay for its Papuan merbau logs had more than doubled in recent months, from \$110 to \$240 per cubic metre. She cited government enforcement on merbau smuggling from Papua and a scarcity due to the lack of replanting as the reasons for this increase. As such, regardless of whether they were knowingly buying illegal timber themselves, Kreasi, and in turn customers like Armstrong, certainly will have enjoyed the artificially suppressed prices that illegal Papuan merbau generated in the market for so long.⁽³⁹⁾

Merbau flooring supplied by Armstrong is on sale in branches of the two largest home improvement chains in the US – The Home Depot and Lowe's.⁽³²⁾ It is also sold in branches of Jewson in the UK. Kreasi's merbau flooring is sold in Leroy Merlin, Europe's second largest DIY and home improvement chain, which has stores across the continent.⁽³³⁾

Armstrong's Indonesian suppliers admit they cannot be sure where their merbau comes from or if it is legal.

Below: Barge loaded with merbau logs from Papua owned by Tanjung Kreasi, Semarang port, Java, Indonesia, September 2005.



© Victor Wu / EIA / Telapak



Case Study 2: Junckers

Illegally exported rough sawn Indonesian merbau was seen being unloaded.

- Danish company Junckers are the fourth largest wood flooring company in the world and the largest distributor of solid merbau flooring.
- All Junckers' merbau flooring is manufactured by Malaysian company Kim Teck Lee (KTL).
- 80-90% is bought on the spot market in Indonesia and cannot be traced to source.
- KTL supplied no proof of legal origin, other than that the timber is 'containerised'.
- Illegally exported rough sawn Indonesian merbau was seen in KTL's Malaysian factory.
- Junckers resisted a request by KTL to halt sales of merbau due to supply shortages, and has instead pushed them to 'take risks' to meet demand.
- Junckers merbau flooring is marketed in John Lewis, Travis Perkins and Jewson stores in the UK, in numerous independent retail outlets in the US, and through many web-based distributors.

Danish company Junckers Industrier A/S is Europe's largest manufacturer of solid hardwood flooring, and Denmark's biggest wood processing company.⁽³⁴⁾ The company sold €91 million of wood flooring in 2004, a significant proportion of it merbau.⁽³⁵⁾ Junckers' publicity materials state that the company 'select wood only from carefully managed forests'.⁽³⁶⁾ In a letter to EIA/Telapak, Junckers also said that the company 'encourage [their] suppliers to deliver environmentally sound raw materials'.⁽³⁷⁾

The truth of such statements was originally called into question in 2004, when environmental group Greenpeace discovered that up to 30 per

cent of Junckers' merbau originated in Indonesia, rather than in Malaysia as Junckers had claimed in response to requests for information from architects.⁽³⁸⁾ EIA/Telapak investigations have since confirmed that Junckers' Malaysian merbau flooring suppliers actually source up to 90 per cent of their raw materials in Indonesia, that they have no idea of the precise origin, and that they have traded the wood illegally.⁽³⁹⁾

In August 2005, EIA/Telapak investigators posing as traders visited Malaysian flooring manufacturer Kim Teck Lee Timber Flooring Sdn.Bhd.(KTL), which manufactures all of Junckers' merbau flooring. KTL's marketing director Mr Lee Ah Keat revealed how the company supplies about 23 000 square metres of merbau flooring a month to Junckers, and that eighty to ninety per cent of the merbau used originates in Indonesia. Lee explained how he sourced the Indonesian wood through agents in the town of Surabaya who in turn purchase wood on the open spot market.

It is practically impossible to know the precise origin of timber purchased in this manner, though one of Lee's colleagues stated that the company certainly buys merbau from the province of Papua. When Lee was asked whether he could prove the legality of his Indonesian merbau supplies, he would not say he could strictly prove it, but instead mentioned that most illegally traded merbau is moved as logs on barges, whereas '... at least when we bring in, it is in container loads...', implying that since it was not logs, it was legal. In fact Indonesia had implemented a ban on exports of sawn timber nearly a year before our visit, meaning KTL's imports of sawn merbau were more likely proof of

Below: Smuggled Indonesian rough sawn merbau at the factory of Junckers' Malaysian suppliers, August 2005.

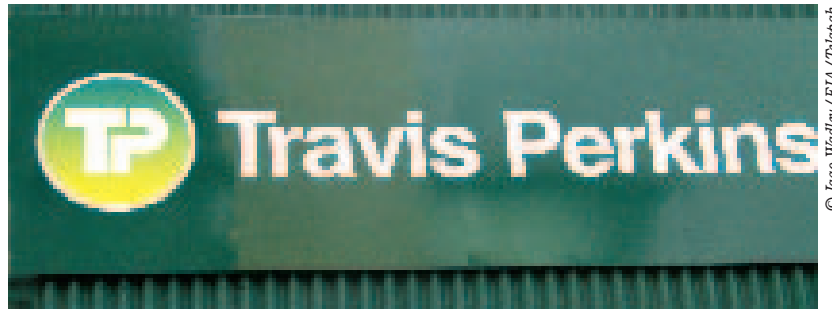


illegality. Indeed, though Mr Lee had admitted to being aware of the Indonesian ban, during a tour of the KTL factory EIA/Telapak saw rough sawn merbau being unloaded from a container which we were told had just arrived from Indonesia. This timber must have been illegally exported.

In a letter to EIA/Telapak, Junckers enclosed an Indonesian 'BRIK' export document for a shipment of 'merbau ship decking' issued to an Indonesian company called PT Indo Furnitama Raya (Ifura), claiming this as proof of the legality of its raw material supplies.⁽⁴⁰⁾ While the document only relates to a tiny proportion of the merbau used in Junckers flooring, even that which is covered remains of questionable origin. The UK Timber Trade Federation has previously stated that BRIK documents alone are insufficient to guarantee legality⁽⁴¹⁾.

Mr Lee was aware of the enforcement crackdown against illegal merbau cutting in Indonesia, and cited this as a reason he was now having great difficulty in finding enough merbau timber to supply Junckers' demands, further implying that much of his merbau had been illegally sourced in the past. Junckers were apparently unimpressed with his recent sourcing difficulties and resisted his request that the company stop marketing merbau for at least a month. Indeed, Mr Lee revealed that KTL is consistently pressured into taking risks to meet orders of uncertified merbau for contracts pre-sold through Junckers' huge marketing machine. This pressure was reiterated when Lee highlighted Junckers' recent order for 45 000 square metres of merbau flooring for just *one* building project in America. Lee related to EIA/Telapak investigators how he told Junckers 'no, forget about it', again blaming supply shortages, to which Junckers replied '...you take the risk...', according to Lee.⁽⁴²⁾

Junckers' solid merbau flooring is marketed in John Lewis, Travis Perkins and Jewson stores in the UK, in hundreds of independent retail outlets in the US, and through many web-based distributors.⁽⁴³⁾



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Junckers pressures its supplier to take risks to meet demand.

Top: UK Builders' merchant Travis Perkins sells Junckers' merbau flooring.

Above: Inside Kim Teck Lee's factory, Selangor, Malaysia, August 2005.

Left: Merbau flooring in Junckers' packaging awaiting shipment at KTL factory, Malaysia, August 2005.

Far left: Mr Lee Ah Keat of Kim Teck Lee, Junckers' Malaysian merbau flooring supplier, Malaysia, August 2005.



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Case Study 3: Tarkett

Tarkett is the largest wood flooring company in Europe.

- Headquartered in Germany, Tarkett are the second largest wood flooring company in the world and the largest in Europe, with global sales of \$329 million in 2004.
- Tarkett staff stated in August 2005 that the company's merbau is legally sourced from Temenggor Lake, Malaysia.
- In fact all logging at Temenggor has been halted since the end of May 2005 after the companies involved were shown to have been cutting merbau trees illegally in adjacent protected forests.
- Tarkett continues to sell merbau flooring though this source of raw materials no longer exists.
- Tarkett staff falsely claimed to currently sell wood flooring certified as legal and sustainable by the Forest Stewardship Council (FSC).
- Tarkett failed to respond to a formal request from EIA/Telapak for information on their merbau supplies.
- Tarkett branded merbau flooring is marketed in branches of The Home Depot in the US, Allied Carpets in the UK and in numerous other retail outlets across Europe.

Below right: Tarkett branded merbau flooring marketing display at Lowe's, January 2006.

Below: US retail giant The Home Depot sells Bruce & Tarkett merbau flooring.

Tarkett is the largest wood flooring company in Europe, and merbau engineered flooring is one of the company's top five sellers.⁽⁴⁴⁾ Tarkett advertises on its company website that it buys timber independently certified as sustainably sourced by the Forest Stewardship Council (FSC), citing this as proof of the company's environmental credentials.⁽⁴⁵⁾ FSC are the best

known and most trusted environmental certification system for wood products, and the name and logo can earn significant additional sales in sensitive markets.

In August 2005 undercover EIA/Telapak investigators contacted the head office of the company's flooring arm and requested information about their merbau range. Marketing manager Carsten Bertelsen subsequently emailed a copy of an FSC chain-of custody certificate verifying that the company is qualified to handle FSC wood, and stated that *'our products – sold under the chain of custody certificate – contain minimum 70 % FSC certified raw material, and the remaining 30% are from controlled sources. Our merbau is sourced from Temenggor lake in Malaysia. We can ensure [sic] you it is from controlled sources'*. Staff at an Allied Carpets branch in the UK, enquiring about FSC certification of Tarkett wood flooring on behalf of EIA/Telapak investigators, stated that



Tarkett had also told them that 'all Tarkett wood products are FSC certified'.⁽³⁹⁾

EIA/Telapak investigators, unable to find Tarkett flooring on sale with FSC labels, later telephoned Mr Bertelsen under another guise to ask about current availability of FSC certified flooring. Though he initially claimed that only 'certain ranges' of their wood flooring were available with seventy per cent FSC content, Bertelsen eventually conceded that in fact Tarkett do not currently stock or sell any FSC-certified flooring products – though he claimed it had at some point in the past. This directly contradicts the claims made to Allied Carpets and to EIA/Telapak investigators posing as buyers, proving that the company are deliberately misleading customers over their environmental credentials. EIA/Telapak have forwarded information regarding the apparent misuse of the FSC trademark by Tarkett to the relevant authorities.⁽³⁹⁾

Mr Bertelsen's claims in relation to the origin of Tarkett's merbau timber are also in doubt. It is true that in the past there has been a small supply of merbau logs from underwater cutting of trees submerged when Temenggong lake was created as part of a hydroelectric project in the 1970s. However, two months before Tarkett claimed to be using merbau from the lake all cutting there was suspended indefinitely. The logging companies involved had been accused of illegally cutting merbau trees in protected forests adjacent to the lake (see box on right).⁽⁴⁶⁾ Ten months on, the company is still selling merbau flooring, yet it is unclear where it is getting its 'controlled' timber supplies.

In January 2006 EIA wrote to Tarkett formally asking for information about the current sourcing of its merbau timber. Two months later no reply had been received. Tarkett merbau wood flooring is marketed in branches of The Home Depot across the US, in branches of Allied Carpets in the UK and in numerous other retail outlets across Europe and North America.⁽⁴⁷⁾

TEMENGGOR LAKE: THE BOTTOMLESS 'SUSTAINABLE' MERBAU SUPPLY

Two of the largest merbau flooring suppliers, Kahrs and Tarkett, have both claimed to buy much of their merbau raw material from trees which lie underwater in an artificial lake created as part of a hydroelectric project. They give this as evidence that their merbau is legally sourced. The lake in question is at Temenggong in Peninsular Malaysia, and it is true that in the past a small quantity of old merbau logs were being cut by divers at the lake each year. But the amount of timber involved is far too little to meet the combined demand of these two giant flooring suppliers, while recent revelations have shown that even some of this timber is likely to have been illegally sourced.

In April 2005 investigations by a Malaysian newspaper exposed how the two companies licensed to log the underwater trees at Temenggong were responsible for rampant illegal logging of merbau trees in the protected forests adjacent to the lake.⁽⁴⁸⁾ Malaysian forestry officials confirmed the claims, and subsequently refused to renew the licenses of the two companies for logging at the lake.⁽⁴⁹⁾ The last of these licenses expired at the end of May 2005 and since then no legal merbau has been sourced from the area.

Both Tarkett and Kahrs continue to sell merbau flooring, though the only source of raw materials they can point to – dubious as it already was – has now dried up entirely.

The logging companies at Temenggong are accused of illegally cutting merbau trees in protected forests.

Below: Illegally logged merbau tree, Temenggong, Peninsular Malaysia, May 2005.

Below left: FSC Chain of Custody certificate issued to Tarkett in 2004.



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Case Study 4: Kahrs

After EIA/Telapak's February 2005 report *The Last Frontier* highlighted Papua's illegal merbau logging crisis the second largest wood flooring producer in Europe – Swedish company Kahrs – published a statement in an industry journal in a pre-emptive bid to clear the company's name.⁽⁵⁰⁾ In it the company claimed to be buying its merbau from a sustainable 'underwater' source. However, in a letter sent to EIA/Telapak in February 2006 Kahrs admitted that only 36 per cent of its merbau was sourced from Temenggor lake in Malaysia in 2005.⁽⁵¹⁾ Added to this, all logging had in fact been halted there nine months earlier following allegations of illegal cutting (see box on page 9).

As for the remaining 64 per cent of the merbau used in Kahrs' flooring, the company's environmental manager admitted in his letter that there were indeed issues in the tropical timber trade, which he called a 'market full of problems'. He also conceded the company could not be sure its supply was legal, stating 'we can't give [a] 100% guarantee of being free of wood material from illegal logging'. This is in direct contradiction to claims Kahrs makes to consumers that all the trees used to make its flooring are 'felled selectively' and that 'new trees are planted to replace those felled'.⁽⁵²⁾ Such assurances are patently misleading.

Interestingly, while visiting Indonesian manufacturer Tanjung Kreasi, which manufactures merbau flooring for Armstrong's Bruce brand (see earlier case study), EIA/Telapak learned that Kahrs had approached Kreasi to manufacture merbau flooring on their behalf.

Below left and middle: Kahrs' merbau flooring is on display at John Lewis, London, February 2006.

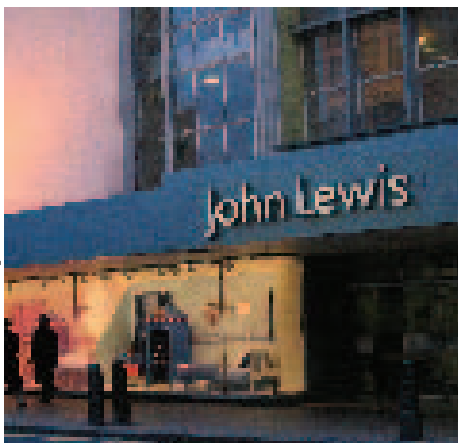
Below right: Kahrs sold \$256 million of flooring in 2004.

- Swedish company Kahrs is the third largest wood flooring company in the world, with global sales worth \$256 million in 2004.
- Kahrs admit in writing that it cannot be sure illegal merbau is not entering its supply chain.
- Malaysian companies cutting some of the merbau Kahrs says it uses in its flooring have lost their licenses due to links with illegal logging in protected forests.
- The source of the remainder of Kahrs' merbau raw materials is unclear.
- Kahrs merbau flooring is on sale in John Lewis stores in the UK and marketed in numerous independent shops and web-based internet outlets in Europe and the US.

Obviously Kahrs could not buy enough merbau from the company's 'legal' Lake Temenggor source, and were keen to buy into Kreasi's Papuan supply, despite there being no evidence of legality of the timber. Kreasi turned Kahrs down, presumably due to a conflict of interest with Armstrong.

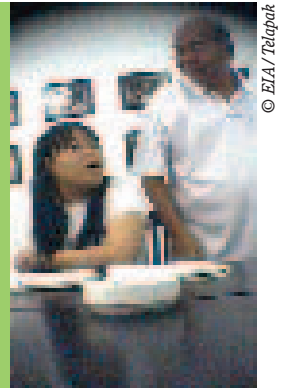
Kahrs' engineered merbau flooring is on sale in John Lewis in the UK, and marketed in numerous independent retail outlets and web-based distributors across Europe and North America.⁽⁵³⁾

Today we can't give 100% guarantee of being free of wood material from illegal logging. **Kahrs**



Case Study 5: Goodfellow

- Goodfellow is the largest hardwood flooring distributor in Canada, and currently sources its solid merbau wood flooring from Indonesian company PT Seng Fong.
- After being exposed for selling suspicious merbau in February 2005, Goodfellow committed to ensure its merbau was legally sourced.
- Seng Fong's merbau is all from Indonesia's Papua province, is bought through dealers and cannot be traced to source or guaranteed as legal.
- Seng Fong admitted to paying bribes to officials in June 2005 to obtain 10 000 cubic metres of seized illegal merbau logs at auction.



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While the giant brand-name flooring companies featured above dominate the market in merbau flooring in Europe and North America, there are numerous other large companies engaged in the trade. One such company, Canadian firm Goodfellow Inc., were previously exposed by EIA/Telapak for selling merbau flooring from a Chinese supplier which was buying merbau logs of dubious and uncertain origin.⁽⁵⁴⁾ The company responded in April 2005, stating that it would seek assurances from its suppliers that the merbau used was *'logged legally and ethically'*.⁽⁵⁵⁾ Goodfellow also publicly committed to *'market products only where there is a complete and documented legal chain of custody'*.

US import records show that Goodfellow has since moved the sourcing of its merbau flooring to an Indonesian company, PT Seng Fong Mouldings Perkasa.⁽⁵⁶⁾ In August 2005 EIA/Telapak undercover investigators visited Seng Fong's large factory in Java. The owner, Mr Goh, and his colleague Ms Lin explained that, far from having a legal chain of custody, Seng Fong's merbau is bought on the spot market from traders who bring logs in from Papua province, so the company cannot say for certain where the timber was cut or if it was legally sourced. Indeed, Ms Lin admitted that *'... in Indonesia if you really want sustainable forest or certification it's not possible. It just isn't.'* Ms Lin also told investigators that Seng Fong had recently paid bribes to Indonesian navy officials to secure the purchase of 10 000 cubic metres of illegal merbau logs being sold at auction. She said such *'under the table payments'* often *'cost more than the logs'*. Nevertheless it was good business, since the bribes had ensured the agreed price of the logs was only \$90 per cubic metre – less than half their true value.

Since EIA/Telapak's visit to Seng Fong, the company has continued to supply shipments of solid merbau wood flooring to Goodfellow, the most

recent record being for a shipment of twenty tonnes which arrived in November 2005.⁽⁵⁷⁾ In addition to Goodfellow, Seng Fong also stated that the company supplies merbau flooring for French flooring brand Soboplac. Soboplac's merbau flooring is marketed in Point P stores in France.⁽⁵⁸⁾



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Seng Fong admitted to paying bribes to obtain seized merbau logs at auction.

Top: Mr Goh and Ms Lin of Seng Fong, Indonesia, August 2005.

Above left: Papuan merbau being processed into flooring at Seng Fong's factory, Indonesia, August 2005.

Left: Papuan merbau logs in the yard of Seng Fong, Indonesia, August 2005.



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Table: Summary of case study findings	FLOORING BRAND				
	Bruce (Armstrong)	Junckers	Tarkett	Kahrs	Goodfellow
Use merbau timber in their wood flooring which comes from Indonesian Papua	●	●	?	?	●
Do not know the precise forest source of all their merbau and cannot show it was legally sourced	●	●	?	●	●
Provide false or misleading assurances to customers regarding the environmental credentials of their flooring	●	●	●	●	●
Have used merbau sourced from companies in Malaysia which have recently been accused of cutting merbau trees illegally in protected forests			●	●	
Supplier admits paying bribes to buy seized illegal merbau logs at auction					●

Papuan merbau - on sale in a store near you

Papuan merbau flooring of dubious origin is sold in many of the biggest DIY, home improvement, and builders merchant's chains across Europe and North America. Brands like Bruce, Junckers, Kahrs and Tarkett have secured high profile in-store product representation in return for commissions on sales of their products. The examples outlined below include three of the world's four largest DIY retail chains.

RETAILER	ENVIRONMENTAL CLAIMS	THE REALITY
<p>The Home Depot The world's largest home improvement chain, with over 2000 stores.</p>	<p>The Home Depot claims to '<i>trace the origin of each and every wood product on our shelves</i>' and '<i>know item by item . . . where our wood products are harvested</i>'.⁽⁵⁹⁾ The company's wood purchasing policy also stated in 1999 that it would '<i>eliminate wood purchases from endangered regions of the world by the end of 2002 . . .</i>'⁽⁶⁰⁾</p>	<p>The Home Depot markets merbau flooring by Bruce (Armstrong). Bruce's supplier Kreasi buys all its merbau from Papua, where illegal logging is rampant. The company admits that merbau trees in Papua are getting scarcer because there is no replanting, and confessed that it did not know where in Papua its merbau comes from or even if it is legal (see case study on page 4).</p>
<p>Lowe's The world's second largest home improvement chain, with over 1200 stores in North America.</p>	<p>Lowe's claims to be '<i>concerned</i>' about the protection of endangered forests, and committed to working with suppliers to ensure this protection.⁽⁶¹⁾</p>	<p>Lowe's markets Bruce (Armstrong) merbau flooring in dedicated in-store displays. Bruce's supplier Kreasi buys all its merbau from Papua, where illegal logging is rampant. The company admits that merbau trees in Papua are getting scarcer because there is no replanting, and confessed that it did not know where in Papua its merbau comes from or even if it is legal (see case study on page 4).</p>
<p>John Lewis 27 branches in the UK, & recently voted UK's Favorite Retailer.</p>	<p>John Lewis' Responsible Sourcing Code states: '<i>Suppliers shall seek to make continuous improvements in their environmental performance and, as a minimum, comply with the requirements of local and international laws and regulations</i>'.⁽⁶²⁾</p>	<p>John Lewis markets merbau flooring by Junckers. Junckers' supplier (KTL) buys merbau from Papua, did not know the origin of its merbau, cannot prove it is legal, and is pushed by Junckers to 'take risks' to meet demand. Illegally exported Indonesian sawn merbau was seen in KTL's yards (see case study on page 6).</p>
<p>Travis Perkins With 750 stores, Travis Perkins is probably the UK's largest chain of timber and builder's merchants.</p>	<p>In 2004 Travis Perkins pledged to '<i>eliminate . . . timber and forest products that originate from illegally harvested timber</i>',⁽⁶³⁾ and to avoid Indonesian timber products until legality could be guaranteed.</p>	<p>Travis Perkins markets Junckers merbau flooring. Junckers' supplier (KTL) buys merbau from Papua, did not know the origin of its merbau, cannot prove it is legal, and is pushed by Junckers to 'take risks' to meet demand. Illegally exported Indonesian sawn merbau was seen in KTL's yards (see case study on page 6).</p>
<p>Jewson With over 450 stores, Jewson is one of the UK's leading timber and builders merchants.</p>	<p>Jewson's Timber Procurement Policy states: '<i>We seek to obtain clear evidence of good forest management practice at the original source</i>'.⁽⁶⁴⁾</p>	<p>Jewson markets Bruce (Armstrong) merbau flooring in dedicated in-store displays. Bruce's supplier Kreasi buys all its merbau from Papua, where illegal logging is rampant. The company admits that merbau trees in Papua are getting scarcer because there is no replanting, and confessed that it did not know where in Papua its merbau comes from or even if it is legal (see case study on page 4).</p>
<p>Leroy Merlin Europe's second biggest DIY chain. Focused in Europe, but with 298 outlets worldwide.</p>	<p>Leroy Merlin is a signatory of Club Proforet, the French member organization of WWF's Global Forest & Trade Network (GFTN).⁽⁶⁵⁾</p>	<p>Leroy Merlin markets merbau flooring produced by Indonesian company Tanjung Kreasi. All of Kreasi's merbau is from Papua, where illegal logging is rampant. The company was unable to say where in Papua its merbau comes from or if it was legally sourced (see case study on page 4).</p>

Conclusions

Rampant illegal logging of merbau trees is driving the destruction of the largest remaining tract of virgin tropical forest in Asia – the jungles of the remote Indonesian province of Papua. This destruction is being driven by international demand for cheap merbau timber for use in wood flooring.

EIA/Telapak investigations into the merbau supplies of five global brand-name flooring companies, including the four largest in the world, reveal that:

- None of these companies knows precisely where all their merbau comes from or can prove it is legally sourced – directly contradicting environmental assurances given to consumers.
- The vast majority of the merbau used by at least three of these companies originates in Indonesian Papua.
- Two of the largest flooring brand names have supplied flooring made with merbau cut by Malaysian companies recently accused of illegal logging in protected areas.
- The Indonesian supplier of one major flooring company admits to paying bribes to obtain seized illegal merbau logs at auction, while the Malaysian supplier of another has imported illegal merbau sawntimber from Indonesia.
- Merbau flooring supplied by these companies is on sale across Europe and North America, including in the world's largest DIY chain stores.
- The flooring manufacturing companies and the retailers they supply have failed to invest in auditing their supply chain to ensure illegal timber is excluded, and are instead content to take the word of suppliers at face value.
- Though importing companies and retailers must take immediate action to clean up their supply chains, new laws are ultimately needed in the EU and US which specifically prohibit the import and sale of timber and wood products which have been illegally sourced.

Recommendations

Governments

Indonesia

- Improve enforcement against illegal logging and associated trade and prosecute the powerful syndicate leaders and their backers in the military and police.
- Reform laws and regulations where necessary to ensure that logging is sustainable and benefits indigenous communities.

- List merbau (*Intsia spp.*) on Appendix III of the Convention on International Trade in Endangered Species (CITES), with a limited export quota for merbau products.
- Call on consuming countries to halt imports of illegally sourced Indonesian timber and wood products.

Malaysia

- Accede to Indonesia's request for the country to enact reciprocal controls to ban the import from Indonesia of sawntimber products prohibited from export from Indonesia. Other countries such as China and Vietnam should also take similar steps.

The European Union

- Include processed wood products in the voluntary legality licensing schemes to be set up with producer countries under the planned Forest Law Enforcement Governance and Trade (FLEGT) partnership agreements.

All consumer countries, including the EU and US

- Enact legislation to prohibit the import and sale of timber and wood products which have been illegally sourced.

Companies

- Cease manufacturing, distributing or selling merbau wood flooring until the timber used has been verified as legal by an independent assessor and a full chain of custody can be supplied.
- Introduce and implement wood purchasing policies requiring that all wood is verified as legally sourced by independent assessors, including a full chain of custody.
- Refrain from making environmental claims in relation to wood products unless these can be backed up in the manner described above.

Consumers

- Do not trust the environmental assurances of retailers and manufacturers about the legality or sustainability of wood products unless these can be backed up by independent verification with a full chain-of-custody.
- Only buy wood products which have been independently verified as legally sourced, with a full chain of custody, such as wood sold under the Forest Stewardship Council (FSC) scheme.
- Stop buying merbau flooring until it is available with the assurances given above.

All consumer countries should enact legislation to prohibit the import and sale of timber and wood products which have been illegally sourced.

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