

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



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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.

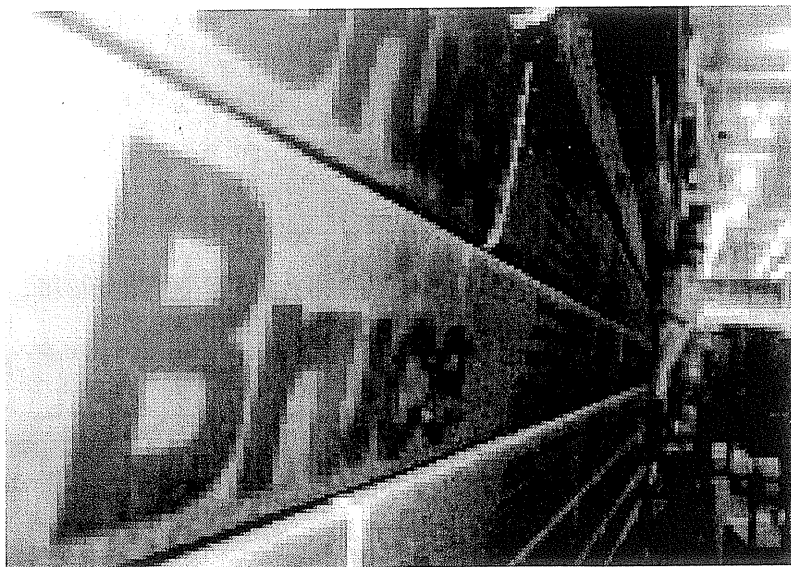
EIA/Telapak's investigations covered all the largest flooring brand names, including Armstrong/Bruce, Kahrs, Junckers, Tarkett, and many smaller suppliers. The trail of merbau flooring supplied by these companies led onward to the doors of leading EU and US retailers, including three of the world's largest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

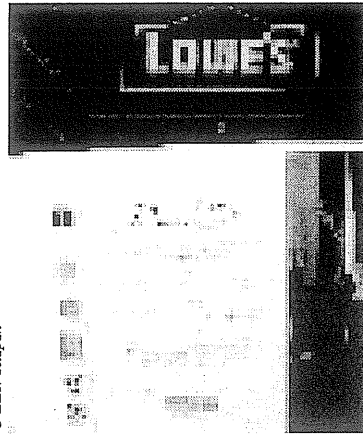
Below: Armstrong's Bruce flooring, on sale at The Home Depot, USA, January 2006.



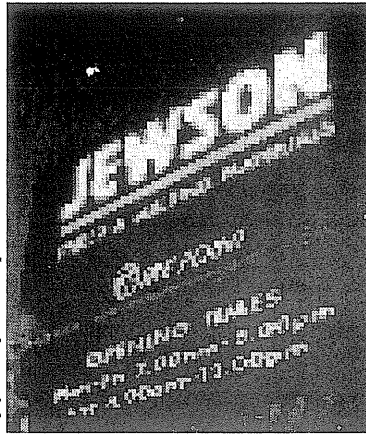
Armstrong World Industries Inc. is the world's biggest flooring company, holding a portfolio of flooring brands including leaders Bruce, Robbins, and Hartco, all of which include merbau flooring in their ranges.⁽²⁶⁾ Despite claiming that the company's flooring is 'made from select lumber and harvested 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.

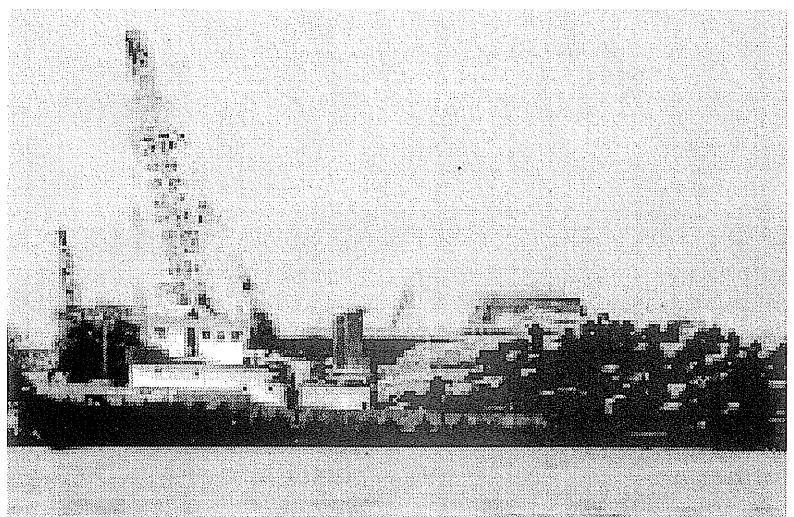
Buyers were far more concerned about prices, and knowing legal and certified timber costs more, few if any demanded high environmental standards. Even if its clients asked for certified materials Ms Titin pointed out that no certified merbau was available to Kreasi.

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.⁽³²⁾

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.



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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.

