

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.

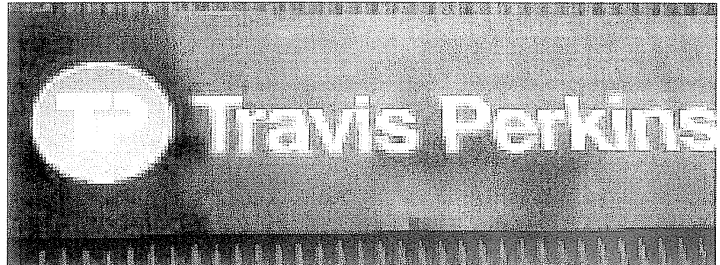
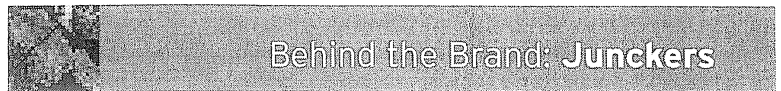
In a letter to EIA/Telapak, Junckers enclosed an Indonesian 'BRIK' export document for a shipment of 'merbau ship decking' issued to an Indonesian company called PT Indo Furnitama Raya (Ifura), claiming this as proof of the legality of its raw material supplies.⁽⁴⁰⁾ While the document only relates to 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 45000 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⁾

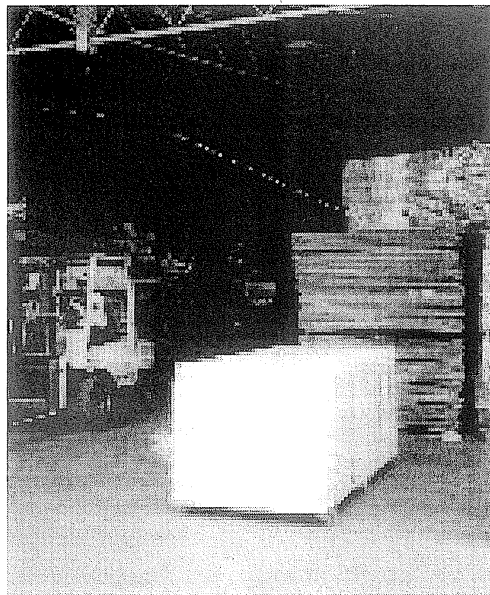
Junckers' solid merbau flooring is marketed in John Lewis, Travis Perkins and Jewson stores in the UK, in hundreds of independent retail outlets in the US, and through many web-based distributors.⁽⁴³⁾



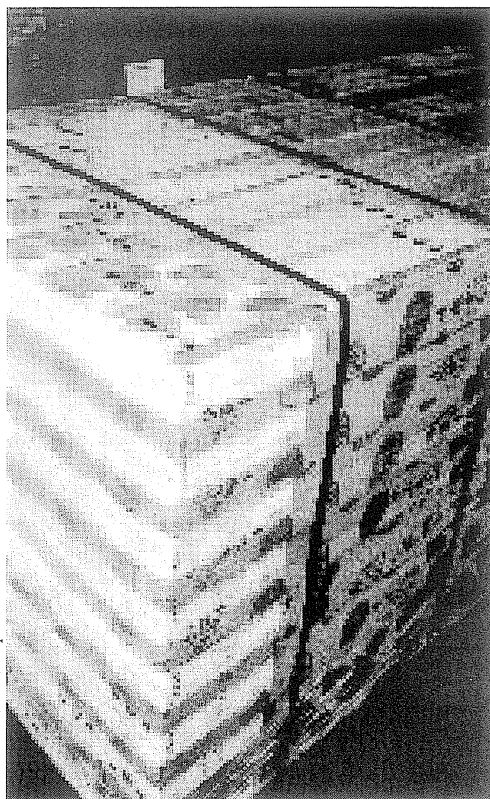
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Junckers pressures its supplier to take risks to meet demand.

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.

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 Temenggor 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 Temenggor 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.

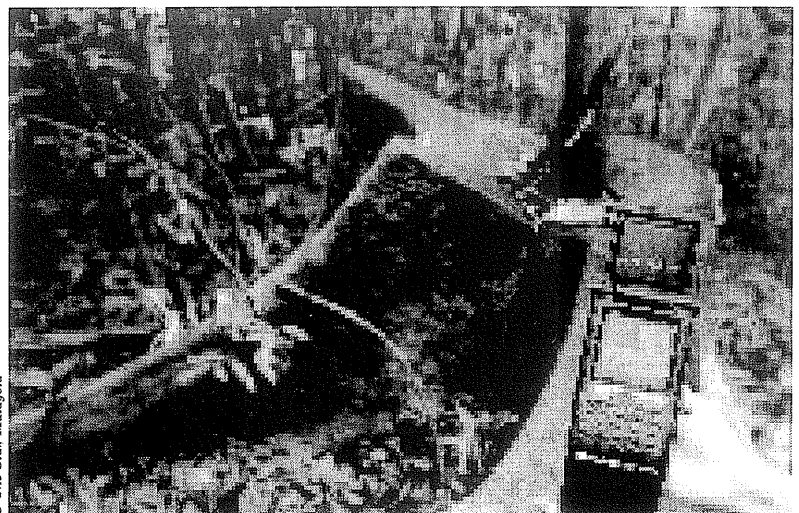
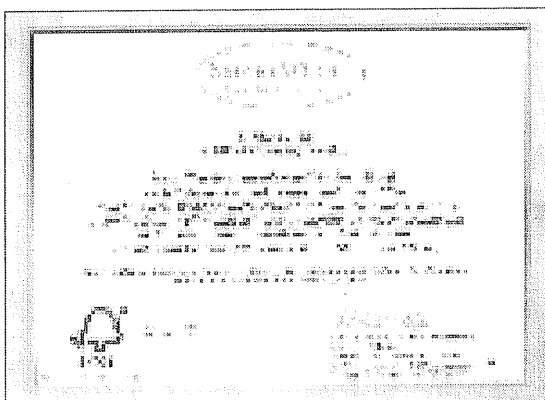
In April 2005 investigations by a Malaysian newspaper exposed how the two companies licensed to log the underwater trees at Temenggor were responsible for rampant illegal logging of merbau trees in the protected forests adjacent to the lake.⁽⁴⁸⁾ Malaysian forestry officials confirmed the claims, and 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 Temenggor are accused of illegally cutting merbau trees in protected forests.

Below: Illegally logged merbau tree, Temenggor, 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.

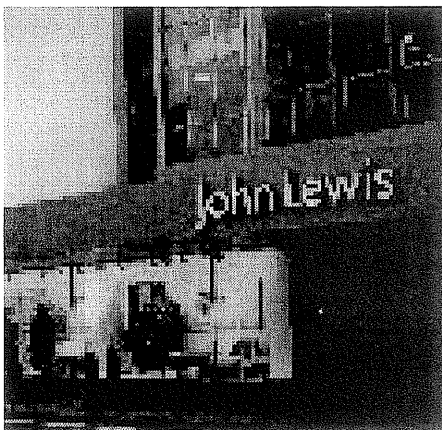
Today we can't give 100% guarantee of being free of wood material from illegal logging.

Kahrs

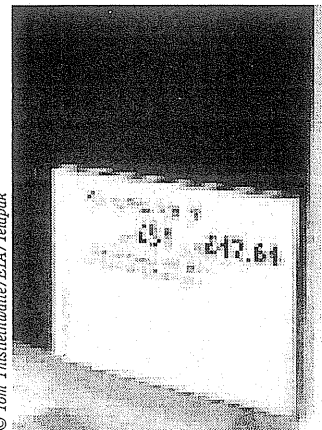
- Swedish company Kahrs is the third largest wood flooring company in the world, with global sales worth \$256 million in 2004.
- Kahrs admit in writing that it cannot be sure illegal merbau is not entering its supply chain.
- Malaysian companies cutting some of the merbau Kahrs says it uses in its flooring 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.

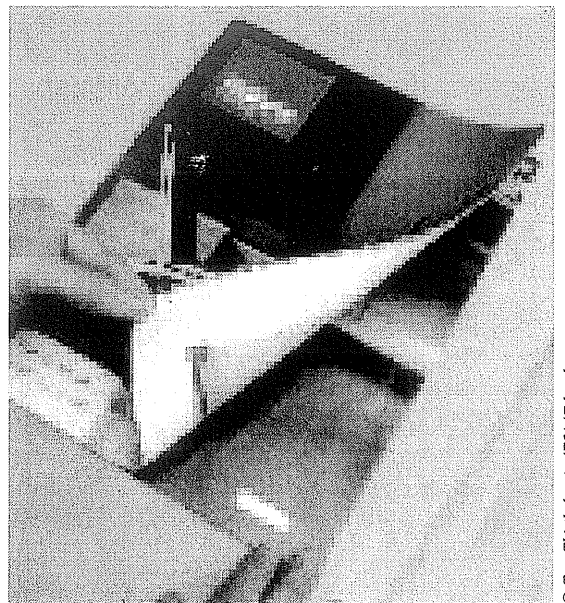
Kahrs' engineered merbau flooring is on sale in John Lewis in the UK, and marketed in numerous independent retail outlets and web-based distributors across Europe and North America.⁽⁵³⁾



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