

## 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.



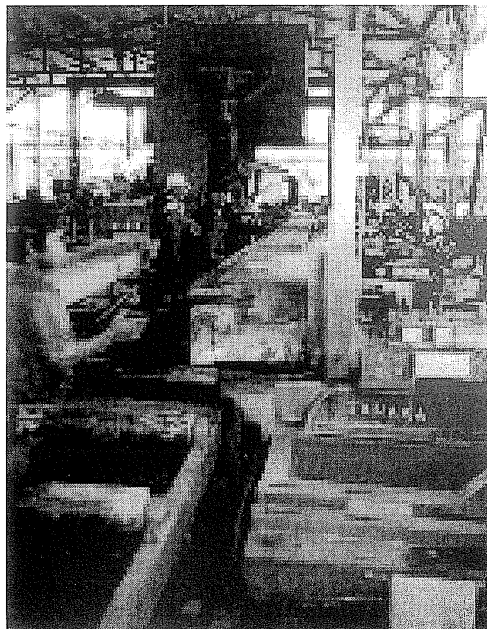
While the giant brand-name flooring companies featured above dominate the market in merbau flooring in Europe and North America, there are numerous other large companies engaged in the trade. One such company, Canadian firm Goodfellow Inc., were previously exposed by EIA/Telapak for selling merbau flooring from a Chinese supplier which was buying merbau logs of dubious and uncertain origin.<sup>(54)</sup> The company responded in April 2005, stating that it would seek assurances from its suppliers that the merbau used was 'logged legally and ethically'.<sup>(55)</sup> 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.<sup>(56)</sup> 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.<sup>(57)</sup> 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.<sup>(58)</sup>

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



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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.

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><b>The Home Depot</b> The world's largest home improvement chain, with over 2000 stores.</p>	<p>The Home Depot claims to 'trace the origin of each and every wood product on our shelves' and 'know item by item . . . where our wood products are harvested'.<sup>(59)</sup> The company's wood purchasing policy also stated in 1999 that it would 'eliminate wood purchases from endangered regions of the world by the end of 2002 . . .'.<sup>(60)</sup></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><b>Lowe's</b> The world's second largest home improvement chain, with over 1200 stores in North America.</p>	<p>Lowe's claims to be 'concerned' about the protection of endangered forests, and committed to working with suppliers to ensure this protection.<sup>(61)</sup></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><b>John Lewis</b> 27 branches in the UK, &amp; recently voted UK's Favorite Retailer.</p>	<p>John Lewis' Responsible Sourcing Code states: '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.'<sup>(62)</sup></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><b>Travis Perkins</b> 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 'eliminate . . . timber and forest products that originate from illegally harvested timber',<sup>(63)</sup> 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><b>Jewson</b> With over 450 stores, Jewson is one of the UK's leading timber and builders merchants.</p>	<p>Jewson's Timber Procurement Policy states: 'We seek to obtain clear evidence of good forest management practice at the original source.'<sup>(64)</sup></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><b>Leroy Merlin</b> 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 &amp; Trade Network (GFTN).<sup>(65)</sup></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.

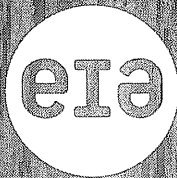
### Consumers

- 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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environmental  
investigation  
agency

**EIA UK**  
62-63 Upper Street  
London N1 0NY  
United Kingdom  
[ukinfo@eia-international.org](mailto:ukinfo@eia-international.org)  
Tel (+44) 20 7354 7960  
Fax (+44) 20 7354 7961

[www.eia-international.org](http://www.eia-international.org)



**TELAPAK**  
Palem Putri Street III  
No. 1-3  
Taman Yasmin Sektor V  
Bogor, INDONESIA  
Tel (+62) 251-715 9902  
Fax (+62) 251-753 7577

[www.telapak.org](http://www.telapak.org)