environmental investigation agency

Buyer Beware

An Investigation into Merbau Wood Flooring Sales in the UK

contents

Acknowledgements

This briefing was researched, written and edited by the Environmental Investigation Agency

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glossary

Types of Certification

Most certification schemes consist of two main types of certification: Forest Management (FM) and Chain of Custody (CoC) certification.

Forest Management (FM) certification is issued to forest owners or forest managers whose management and harvesting systems have been independently audited and found to fulfil the relevant criteria and indicators required by internationally agreed principles of sound forest management. Most credible schemes certify forests for "sustainability". Others issue certification for "legal" forest management.

Chain of Custody (CoC) certification is concerned with the transportation, manufacture, distribution, marketing and sale of wood harvested from forests that have achieved Forest Management certification. In order for certified wood to be differentiated from non-certified wood at point of sale, CoC certification audits systems that companies have in place to ensure certified wood is not mixed with non-certified wood. While companies may have CoC certification, this is no guarantee that they trade timber or wood products originating from certified forests. CoC certification merely means a company can keep uncertified and certified wood separate throughout the supply chain.

Supply Chain Information

Comprehensive documentation should allow the origin of the timber used in a wood product to be traced all the way back to the forest source. Any missing link in the chain devalues the documentation as a means of proving only legal timber has been used. The UK government's timber procurement policy seeks to only buy timber proven to come from legal sources. Supply chain documentation is one form of evidence accepted as long as: "Information on the supply chain should start with the forest source(s), as it ensures that the supply chain is known. It is critical that complete supply chain information is provided linking each stage in the supply through to a forest source or sources."

Front cover photograph

Felled Merbau tree, Batanta Island, Irian Jaya, West Papua.

Introduction

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The global problem of illegal logging continues unabated and threatens some of the last remaining frontier forests. The World Bank estimates that illegal logging costs developing countries up to £7. 5 billion a year in lost assets and revenue, and threatens the livelihoods of forest-dependent communities. Deforestation caused by illegal logging exacerbates climate change, with up to 20 per cent of all greenhouse gas emissions due to forest loss, especially in the tropics.

Governments around the world have pledged to tackle illegal logging, but tangible policy responses remain few and far between. A key weakness has been the failure of the main consumer markets to stop imports of illegally-logged timber. The exception has been the US, where landmark legislation was agreed in May 2008 to outlaw the import or sale of illegally-logged timber. No such policy has yet emerged in the European Union, despite it being a huge importer of stolen wood. In the UK a Member of Parliament has put forward the Illegally-Logged Timber Bill, which would make it an offence to sell or distribute products made from stolen timber, but it has not received government support.

In the absence of strong demand-side measures it is left to the timber industry to regulate itself and voluntarily take steps to ensure the legality of its wood supplies. The Environmental Investigation Agency has conducted an investigation into how the voluntary approach is working in the UK, focusing on a specific product – wooden flooring made from merbau.

Merbau (Intsia spp.) is a luxurious hardwood prized for its dark red colour and durability. Found only in Indonesia, Papua New Guinea and Malaysia, merbau has been systematically looted from the forests of Papua in Indonesia, to feed international demand for flooring, decking, doors and furniture. These forests form part of the last remaining tracts of intact rainforests in the Asia Pacific region, provide essential livelihoods for local communities and support a wealth of unique biodiversity.

The merbau trade epitomises the problem of illegal logging in Indonesia and the limitations of government actions to tackle the problem. In 2005 EIA released a landmark report detailing how around 300, 000 cubic metres of merbau logs were being smuggled out of Papua, Indonesia, to China every month to be made into flooring. The sheer scale of the theft and the involvement of corrupt government officials prompted a swift response from the Indonesian government. An enforcement team was dispatched to Papua and the illegal logging of merbau virtually halted. By the end of the operation in May 2005 over 400, 000 cubic metres of illegal merbau logs had been seized, and 186 suspects named by the police. The effects of the operation were quickly felt overseas; the price for merbau logs in China more than doubled to $700 per cubic metre and traders in southern China were struggling to source raw merbau timber.

Yet despite such decisive action, overseas demand for merbau has remained high, and the logging and trade of merbau in Indonesia remains riddled with illegality. In 2006 EIA conducted an investigation into the leading brands of merbau flooring on sale in the UK. None of the manufacturers at that time could prove beyond doubt that the merbau timber used in their products was from a legal source. In many cases the firms were found to be providing misleading information to consumers.

In the aftermath of EIA's investigation several of the manufacturers pledged to take steps to verify the legality of their merbau supplies, and refused to remove merbau from their product ranges despite it being a high risk species. Faced with the evidence of widespread illegal logging of merbau some retailers have stopped selling it. For instance, in 2007 the large home improvement store B & Q announced it was stopping selling merbau at its stores in China. The company said: "Despite our best efforts to assess the sources of merbau flooring we were unable to gain sufficient assurance that it was coming from legal operations. As a result the only responsible choice we can make right now is to stop buying or selling this product."

In the UK imports of flooring from tropical countries have been rising. It is the largest importer of Chinese-made flooring in the EU, and imported three million square metres in the first six months of 2008, a 58 per cent increase compared with 2007. During the same period the UK's imports of flooring from Indonesia jumped by 46 per cent.

During August and September 2008 EIA carried out a detailed inquiry to uncover whether merbau flooring on sale in the UK could be proven to have come from legal sources and whether adequate information was available to consumers. The findings clearly show that the voluntary approach to excluding illegally-logged timber from the UK market is insufficient. Instead the UK government needs to put in place measures to outlaw the sale of wood products and timber derived from illegal logging.

ABOVE LEFT: Merbau is one of the most valuable tree species in Indonesia.
LEFT: Traditional livelihoodds in Papua are threatened by illegal logging.

Survey of Merbau Flooring Retailers in the UK

"I can confirm our wood comes from Sweden and Siberia, even though you believe it is coming from the Far East … it is all from sustainable forest", a flooring retailer told a potential customer looking to purchase merbau flooring.

In fact the customer was an EIA investigator carrying out a random survey of UK retailers selling merbau flooring. The retailer was high street retailer Next, which sells flooring as part of its homeware range. The salesman's statement about merbau coming from sustainable forests in Sweden and Siberia was curious; merbau is a tropical species only found in Indonesia, Malaysia and Papua New Guinea.

This misinformation is just one example in a catalogue of bewildering claims made by retailers selling merbau flooring on the UK market when EIA investigators posing as consumers called them up. During September 2008 EIA telephoned 16 retailers across the UK, saying they were looking to buy merbau flooring and asking where the wood came from. The aim was to assess the quality of information available to consumers seeking wooden flooring, and to find out whether any retailers had taken steps to ensure the legality of the merbau used to make flooring. Enquiries related to merbau flooring products available in a mixture of retailers' own brands, generic unbranded products, and major flooring brands.

EIA discovered that in the first instance retailers were quick to make strong environmental claims about their merbau flooring products. German Flooring Direct which sells its own brand of flooring said: *"All our wood comes from managed plantations and forests… sold within the national federal law of the country of origin,"* Another company, Versatile Wood Flooring, said two trees are planted for every one cut, although EIA is unaware of merbau being planted in such a way.

Other retailers selling flooring manufactured by the major brands assure consumers that these brands can be trusted to be acting responsibly simply because they are a well-known name in the flooring industry. Retailer Hamiltons sells merbau flooring made by the company Tarkett. It told EIA investigators: *"Tarkett is a 100 year old Swedish company … they have very strict environmental legislation over there. A Swedish timber company manufacturing this wood flooring cannot produce and trade in solid wood they can only do engineered woods, it is from managed sources."* In fact when EIA sent a survey form to Tarkett seeking evidence of the legality of merbau used by the company it failed to provide comprehensive proof.

BELOW: Tarkett flooring, point of sale display.

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ABOVE: Use of exotic flooring such as merbau is on the rise.

Twelve of the retailers contacted made strong claims about the environmental credentials of their merbau products:

- Nagle Flooring
- German Flooring Direct
- Natural Wood Floor
- Versatile Wood Flooring Ltd.
- Broadleaf
- Next
- UK Flooring Direct
- Completely Flooring
- Woodline Floors
- Wood Floor Centre
- Hamiltons
- Naturally Wood Floors

Provision of Documents

Of the companies contacted twelve gave strenuous verbal guarantees that their merbau flooring came from legal sources and well-managed forests, sufficient to satisfy casual consumers. Yet when EIA investigators requested documentation to substantiate these claims they were met with a series of excuses. Despite the strong assurances only one retailer was able to supply any form of documentation.

When contacted flooring retailer Broadleaf, claimed: *"Broadleaf is actually FSC certified and that's the Forest Stewardship Council, and that means all of the boards that we sell are sustainable timber. That includes the exotic timbers we offer such as the merbau".*

Broadleaf subsequently supplied documents relating to a Chinese manufacturer called Zhejiang Fudeli Timber Industry Co. Ltd. The certificates Broadleaf sent stated that the Chinese factory can supply "FSC PURE" products for solid wood flooring and multi-layered flooring. This means that all of the wood in the flooring has to be FSC certified.

When EIA investigators called Zhejiang Fudeli Timber Industry the company said it had never produced FSC merbau flooring. It further claimed not to sell any merbau flooring to UK companies. The company also confirmed that it has no capability to source FSC certified merbau timber, and obtains its merbau supplies from Indonesia, where there are no FSC certified forest concessions producing merbau. Based on the response from the Chinese manufacturer the provenance of the certificates provided by Broadleaf in relation to its merbau flooring is highly questionable.

Of the other retailers contacted five backtracked on their initial assurances when asked for proof of the environmental claims being made, and some recommended different timber species, effectively admitting that merbau is a high risk species in terms of legality. Hamiltons, which initially insisted that its Tarkett flooring range was from managed sources subsequently said: *"If you are that concerned about it why buy merbau? Why not buy something else? At the end of the day there are other type of woods you can source which don't come out of rainforests in Indonesia. If you want merbau that's where it is going to come from."*

Four of the eight flooring retailers selling branded flooring directed the EIA "customer" to contact the manufacturers directly for documentation. When asked for proof of legality Completely Flooring said: *"We are a distributor we can't get involved with that (supplying documents)."*

Retailer Nagle Flooring wanted the customer to commit to buying the merbau flooring before providing proof of legality. A company representative said: *"We wouldn't give you a copy beforehand. We would give you an estimate and you would accept the estimate or whatever, and then we can go into all that otherwise we would never get anything done."*

German Flooring Direct initially claimed that its merbau flooring came from sustainably-managed forests in Africa and that certification could be provided. After checking the firm replied that its merbau came from Indonesia and there was a risk of *"rogue logging"* associated with the species, adding that a formal certificate of origin could not be obtained. It recommended buying oak flooring instead.

Next repeatedly claimed that the merbau used in flooring manufactured by Finnish company Karelia is sourced from Siberia and Sweden. When asked if there as any kind of certificate showing where the merbau came from a company representative said: *"It's not a question we are asked very often. People just go and buy things".*

Next also sells merbau flooring from the UK brand Natura. On 3rd September EIA investigators viewing the Next website saw a picture of Natura merbau flooring alongside the statement: *"This product is certified by the Forest Stewardship Council as being manufactured using ethical forestry practices."* By 29th September this misleading statement had disappeared from the site; shortly after EIA asked Natura to provide proof of the legality of its merbau sources. Around the same time the FSC claim was removed from flooring retailer Flooring Supplies website, an exclusive stockist of Natura's products.

EIA's inquiries reveal that while most retailers are willing to give strong environmental assurances on the legality and sustainability of their merbau flooring, when it comes to backing up such claims with appropriate evidence not a single retailer could do so. These results show how difficult it is for consumers trying to navigate a maze of confusing and misleading information in the search for wood flooring made from exotic species like merbau.

Yet a minority of the retailers contacted were refreshingly candid, and advised the EIA "customer" of the risks associated with merbau, and on occasion recommended safer timber species.

When asked about merbau, Flooring Sales Ltd said: *"Because it comes from Indonesia there is a very good chance it is illegally logged I would think … even if you get something that said it is environmental the chances are it probably isn't because no-one really know where it comes from."*

This was echoed by the Hardwood Floor Store which said: *"If [sustainability and origins of the timber] is important to you, merbau is probably the worst timber you could think about in the world, to be honest with you. I am saying that on merbau, there is no credible evidence that is completely 100% believable that it is from a certified source. It's impossible, impossible." When EIA asked the retailer why it still sells merbau flooring despite such concerns it responded: "I don't have any concerns about it. None. Its you that's got the concerns. It's you killing the rainforest asking for that timber."*

LEFT: A factory in China manufacturing merbau flooring.

ABOVE: The demand for Merbau remains high.

While the UK government has failed to legislate against trade in illegally-logged timber, it does require robust proof of legality for all timber and wood products used in government procurement projects. Under this procurement policy suppliers must demonstrate, with clear evidence, that the wood has been harvested and traded legally.

Legality can be demonstrated either through the involvement of an approved third-party verification body, or by providing a full chain of custody for the wood all the way back to a legal forest source. The policy states:

"It is critical that complete supply chain information is provided linking each stage through to a forest source or sources"

While its own timber purchases are subject to strong proof of legality requirements, the UK government leaves the public to navigate a bewildering array of claims about the credibility of complex supply chains on their own. To assist consumers EIA set out to establish whether the major flooring brands can prove where the merbau they use was harvested. EIA also assessed whether merbau flooring on sale in the UK met the requirements of the UK government's timber procurement policy. EIA contacted 11 of the biggest flooring brands available in the UK to request documents demonstrating a full chain of custody right back to a legal forest source, as is required under the government timber procurement policy.

Merbau Supply Chains of Major Flooring Brands

Boen

EIA verdict: *Meets proof of legality standards of UK government timber procurement policy.*

Norwegian company Boen manufactures hardwood flooring in Lithuania. The company provided EIA with detailed information about the involvement of the company's only merbau supplier in a Tropical Forest Trust initiative to help a forest concession in Papua achieve FSC certification. EIA was able to see documents proving that merbau supplied to Boen is indeed from the named forest concession, and EIA is satisfied this evidence would meet the legality requirements of the UK government's timber procurement policy.

Ekowood

EIA verdict: *Based on information received does not appear to meet proof of legality requirements of UK timber procurement rules, but seems to have the capacity to do so.*

Ekowood is a Malaysian-based flooring manufacturer which markets its products in the UK via Lionvest Trading (UK) Ltd. When EIA undercover investigators visited Ekowood's factory in Malaysia in 2005, the company admitted that while they held FSC chain of custody certification, the company manufactured no certified flooring in any species, due to lack of demand from their customers.

In Ekowood's response to EIA's 2008 survey, EIA received a documented chain of custody back to a wood trader in Malaysia, and documents indicating merbau logs had been taken from a state-run forest in Peninsular Malaysia. Yet no proof was provided to show that Ekowood's supplier had purchased logs from that forest source.

Lionvest Trading initially told EIA that it purchases merbau flooring produced by Ekowood, certified under the Malaysian Timber Certification Council (MTCC) scheme. Yet subsequently Lionvest admitted that the company did not buy MTCC certified merbau flooring from Ekowood after all. Further enquiries revealed that Ekowood do not manufacture any MTCC certified merbau flooring at present due to a lack of consumer demand. It appears that Ekowood has the capability to produce independently verified legal merbau flooring, but does not do so due a lack of demand and it is not available to UK customers through Lionvest Trading.

Junckers

EIA verdict: *Progressing towards adequate proof of legality, but concerns over forests source in Papua.*

Danish company Junckers is the largest producer of solid wood flooring in Europe. In 2005 EIA documented Junckers' Malaysian supplier buying illegally exported merbau from Indonesia. The company responded to the accusation in a positive manner and held a series of meetings with timber suppliers in Malaysia and Indonesia, certification organisations and the Indonesian Minister of Forestry. It also set out a time bound action plan to ensure all merbau purchased by the company was independently verified as legal, and pledged to ultimately buy all merbau from a certified sustainable source.

In response to the 2008 survey Junckers provided documents showing a chain of custody for merbau only as far back as an Indonesian sawmill, and a statement from their Singaporean supplier claiming the sawmill in turn bought from three forest concessions in Papua belonging to the Wapoga Mutiara Group.

A letter from a certification company involved with Junckers' supply chain stated that a pre-assessment of the management systems of the Indonesian mill supplying Junckers' merbau had been undertaken. Yet the letter was "not a statement of verification" but merely *"acknowledgement of progress towards attaining legality verification"*. It explained how wood from Wapoga's Sarmi forest concession had not been verified as legal origin by any independent auditor, so no claim of legality could be made in the certification company's name by Junckers' supplier.

While Junckers' has made progress and its merbau is no longer from an unknown source in Papua or illegally exported from Indonesia, it appears that more work needs to be done to prove legality at the forest source. EIA also has concerns over the operations of Wapoga Mutiara Timber in Papua. The firm is a major player in Papua's chaotic forestry sector and has been accused of illegal practices in the past. Two of its managers were put on trial in 2006 accused of receiving thousands of illegal logs. The pair were acquitted of breaking criminal law, but the judges found that forestry rules had been broken. It has also been accused of reneging on an agreement to pay local communities a fee for cutting merbau in the Keerom area of Papua.

Kahrs

EIA verdict: *Move to verifiable legal source for all merbau supplies due to take place from October 2008.*

The Kahrs brand is owned by Swiss firm Nybron Flooring International, Europe's biggest flooring manufacturer. In 2005 Kahrs was unable to supply credible information on the origins of the merbau traded by the company, and admitted to EIA it could not guarantee that all of its merbau was legally harvested.

Responding to EIA's 2008 survey, Kahrs said that ninety percent of the merbau it uses is harvested in Malaysia, and the remainder from Papua, Indonesia. Kahrs also stated that *"we made the decision to focus on MTCC for merbau, and liquidate other sources"*. EIA requested documents showing the purchase of Malaysian Timber Certification Council (MTCC) certified merbau, and received a full set of chain of custody documents as far back as the Malaysian sawmill buying merbau from a state run forest concession in Peninsular Malaysia. EIA is confident that these documents demonstrate that Kahrs' Malaysian suppliers are indeed sourcing MTCC certified merbau.

BELOW: Kahrs branded merbau flooring on sale.

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© EIA/Telapak

ABOVE: Stock piles of sawn merbau awaiting processing into flooring.

While Kahrs did not provide a credible chain of custody for its merbau sourced from Papua, the company stated that from October 2008 it will only purchase merbau from MTCC-certified sources. The MTCC is considered as adequate proof of legality under the UK government's timber procurement policy.

Karelia & Upofloor Brands

EIA verdict: *Inadequate proof of legality for merbau supplies provided*

Karelia and Upofloor flooring brands are owned by Finnish company Karelia-Upofloor Oy. The company's response to EIA's 2008 survey was the same for both the Upofloor and Karelia brands, and stated that the merbau is purchased from Indonesia and Malaysia.

Both brands claimed to focus on merbau suppliers with either FSC or PEFC (Programme for the Endorsement of Forest Certification schemes) certification, yet Karelia-Upofloor failed to provide EIA with any documentation proving that the merbau they actually buy is certified. Neither was EIA provided with any documentation showing the merbau supply chain. EIA has received no credible information showing the actual sources of Papuan or Malaysian merbau used for either the Karelia or Upofloor brands.

Natura

EIA verdict: *Inadequate proof of legality provided, dealing with known merbau smuggler in Indonesia.*

The Natura brand is owned by UK firm Keswick Flooring. The firm failed to provide credible information on the specific source of Papuan merbau used for the Natura flooring brand, and did not submit a full chain of custody back to a legal forest source. It merely sent a statement from Malaysian and Dutch traders, claiming the merbau is from "controlled forests". In EIA's judgement such documentation would not meet the legality requirements of the UK government timber procurement policy.

EIA did discover the name of the Indonesian exporter supplying Natura - Surabaya Trading & Co. In 2007 EIA revealed that the owner of this Indonesian-based company, Ricky Gunawan, was smuggling around 3, 000 cubic metres of merbau squared-logs to China every month.

Tarkett

EIA verdict: *Inadequate proof of legality for merbau supplies provided*

Tarkett is the largest flooring manufacturer in Europe. In 2005 the company claimed all of its merbau came from an underwater logging operation in Malaysia. Tarkett staff also incorrectly claimed that the firm's merbau flooring was certified by the Forest Stewardship Council (FSC).

In response to EIA's 2008 survey, Tarkett stated that its merbau comes from both Indonesia and Malaysia, and provided documents detailing the export of Indonesian merbau to the company's factory in Sweden. While these documents name the exporter, they do not indicate where the merbau supplied by this company originates. No information on the origin of Tarkett's Malaysian merbau was provided.

The information EIA received from Tarkett does not constitute a full chain of custody, nor outlines the legal origins of merbau used in Tarkett products. Based on the information received EIA believes that Tarkett's merbau flooring would not meet the proof of legality requirements under the UK government's timber procurement rules.

Osmo

On receiving the survey staff from German firm Osmo contacted EIA and asked how the information would be used. When told that EIA planned to publish the results, Osmo declined to cooperate with the survey, with company representatives claiming it would cost money to provide information.

Panaget

Leading French flooring manufacturer Panaget failed to respond to EIA's 2008 survey, despite follow-up calls by EIA.

Parador

German-owned Parador failed to respond to EIA's 2008 survey, despite EIA staff contacting them to check the company had received it and being informed it would be completed.

Conclusions and Recommendations

Conclusions

The results of EIA's inquiry into the sale of merbau flooring in the UK demonstrate how difficult it is for concerned consumers to be certain that the timber has come from legal sources. At the retail level most of the companies offering merbau flooring were happy to give verbal assurances that the product met environmental standards, including legality of origin, but were unable to back up such claims with documented proof.

In terms of flooring manufacturers, EIA's survey reveals that some of the main brands have taken commendable steps to ensure that only legal merbau enters the supply chain. Yet for other brands there are still gaps in the supply chain, and it is regrettable that three firms declined to provide a response to EIA.

All of these factors conspire to show that the voluntary approach – leaving the industry to clean up its supply chains – is insufficient. While some firms are taking positive steps to ensure that only legal merbau is used in their products, others are less scrupulous. This makes it extremely difficult for consumers seeking clear guidance.

Merbau flooring is just one of many wood products on sale in the UK which involve high risk timbers. Other products include outdoor furniture, picture frames and plywood. Analysis indicates that the UK is one of the largest importers of illegally-sourced timber and wood products in the EU. It is time for the UK government to take responsibility for its own market, and put in place legislation to outlaw the sale and distribution of illegally-logged timber.

Recommendations

- The **UK government** should put in place legislation to make it an offence to sell or distribute timber or wood products derived from illegal logging.
- **Consumers** should exercise caution when buying wood products made from high risk species, including only buying fully-certified products. Further guidance for consumers can be found on EIA's website (eia-international. org/campaigns/forests/what_can_i_do).
- **Retailers** selling wood products should check the accuracy of environmental claims made for the products.
- **Manufacturers** of wood products should scrutinise the entire supply chain back to the forest source to ensure that only legally-sourced timber is used.