



## Lae Chamber of Commerce Inc. Weekly News Update

13 December 2013

VOLUME: 50 - 13

### LAE CHAMBER OF COMMERCE INC.

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TOR MESSAGES OVER  
THIS PERIOD AND AD-  
VICE OF ANY IMPOR-  
TANT NOTICES.**

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*Thank you*

### FROM THE PRESIDENTS DESK



## AIR NIUGINI'S LATEST F100 JET ACQUISITION NAMED-"THE CITY OF LAE."

### AIR NIUGINI MEDIA RELEASE

Air Niugini's latest acquisition of an additional Fokker 100 Jet aircraft called the "The City of Lae" arrived Port Moresby this Tuesday just in time for the peak period.

Going by its name "The City of Lae", this aircraft is specifically dedicated to operate the services between Port Moresby and Lae.

Air Niugini Chief Executive Officer, Mr Simon Foo said the arrival of this aircraft is timely and will greatly enhance daily operations to and from Lae and improve on time-performance as well as service delivery.

Mr Foo said "Passenger surveys in Papua New Guinea have revealed a high consumer preference for jet aircraft which is faster and offers more cabin space and cargo space. Air Niugini has up to five flights between Port Moresby and Lae on a daily basis and the arrival of an additional Fokker 100 will greatly improve the on time performance on this sector."

The arrival of an additional Fokker 100 now brings the number of F100 aircraft to seven and further increases the total aircraft in Air Niugini's fleet to twenty eight (28).

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### Objectives of the LCCI

- To promote the business interests of the private sector;
- To further the economic development in Lae;
- To ensure the provision of services and utilities essential to such development;
- To provide a representative body for business people, which government can consult;
- To promote support or oppose legislation; or take any other measures to improve the business community;
- To provide a forum for discussion of private sector goals;
- To pool the strengths of business people so that together, they can accomplish tasks that each one alone cannot achieve;
- To promote the economic viability of the area, so those current businesses will grow and new ones will be developed locally;
- To provide business with a common voice.



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## **Criminals stand to lose all under new Fiji laws**

From *FIJI TIMES* - Mon 09 Dec 2013

**SUVA, Fiji** --- Fiji's Financial Intelligence Unit is investigating 24 cases under the new unexplained wealth law.

And under the unexplained wealth law, these people risk losing everything if they cannot convince a court that their property was accumulated legitimately.

Previously the onus had been on prosecutors to prove that assets were obtained via criminal activity.

FIU director Razim Buksh says the majority of these cases involve locals while a handful involves foreigners who have been living in Fiji.

"What the FIU will do is conduct a full profile of these persons. Once these cases are fully investigated, they will then be given to the office of the DPP to present it before court."

Buksh says the new laws augur well for the FIU in that they would not need to show that wealth was linked to any unlawful activity.

"It's the person who has to convince/show that the money was acquired by legitimate means in order to keep the property," he said.

"If he is unable to, then the property will be forfeited to the state. "These people that are being investigated are not aware. Once they are charged and the case has been brought before court they will be made aware."

Buksh believes in a "few months" some of these cases will be brought before the court.

"And we believe there are still others out there who should be subjected to the new laws. So we are encouraging members of the public to inform the FIU should they have information that a person has property that could be classified as unexplained wealth."

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**Scott Waide from EMTV explains the proposed Bio Mass Power Project**

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# MOROBE BIOMASS POWER PLANT TO BE BUILT IN THREE YEARS

on Thursday, 12 December 2013. Posted in [News](#)

SCOTT WAIDE, LAE BUREAU CHIEF SHARE ARTICLE

Work has begun on the initial stages of a 35 megawatt biomass power generation facility in Morobe province.

The project is a joint venture between Oil Search and Aligned Energy operating as PNG Biomass.

The facility will burn wood to produce electricity. The company has planted eight hectares of trees in the Markham valley with actual power production is expected to happen three years from now.

On a trial plantation, several species of trees are being grown. PNG Biomass wants to see which will be suitable for power generation when a power plant comes into operation in 3 years.

What they are looking for are trees that are fast growing and will be big enough to be dried and burned as fuel.

In order for a biomass electricity project to be successful, it needs large portions of land. In the Markham valley, much of the land is owned by clans.

PNG Biogas has been talking with landowners. They have agreed on an arrangement where landowners grow trees on their land and are paid for their labor and land use.

Eight hectares of land has been secured. There is already a plantation at Umi in the Markham Valley. In the next six months, another eight hectares will be planted.

The future power plant is expected to produce up to 35 megawatts of electricity. It is expected to ease the pressures of PNG total power demand which will triple from 500MW to 1500MW in 10 years.

The company is also the first to grow its own trees for power generation. With help from the forest research institute, PNG Biomass is cloning the best tree species in the nursery in preparation for power production.

While the agreements with PNG power have not been finalized, there are strong indications from the government that PNG Biomass will be given permission to produce power.

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[Business Advantage](#)

**New Made in PNG  
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Business Advantage International is proud to announce the third edition of [Made in PNG](#), a publication dedicated to Papua New Guinea's productive sectors: manufacturing, agriculture, fisheries and forestry. It will be published in January 2014 in partnership with the Manufacturers Council of PNG.

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## 'Just like riding a tiger': Ok Tedi Mining's CEO reflects on a momentous year

9 Dec 2013 by [Andrew Wilkins](#)

It's been an 'momentous' year for Ok Tedi Mining Limited, according its CEO, Nigel Parker. *Business Advantage PNG's* Andrew Wilkins spoke to him about a tough year for Papua New Guinea's largest mine – and its likely future.



The Ok Tedi mine. Credit: PNGSDP

Ok Tedi Mining's Nigel Parker

## Ok Tedi Mining's CEO reflects (Cont)

In something of understatement, Nigel Parker describes 2013 as the most 'interesting' of the seven years he has spent with Ok Tedi Mining Limited (OTML), the company that runs the massive Ok Tedi mine in Papua New Guinea's Western Province.

### Price falls

First of all, the global prices for the copper, gold and silver the mine produces has fallen dramatically this year.

'It's just like riding a tiger,' he observes. 'World metal prices have been all over the place since March this year. Our budgeted copper price was \$3.50 a pound this year, but the copper price has been US\$3.00 to US\$3.20 a pound. Our budgeted gold price was US\$1650 an ounce, and it's languishing between US\$1300 to US\$1350, while our silver budget was US\$32.00 an ounce and that's been languishing between US\$18 and US\$22.'

'The difference between what we budgeted for and what we've been achieving has had a big cash impact going straight through the business.'



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## Ok Tedi Mining's CEO reflects (Cont)

### Operational issues

Global factors aside, the mine has also been faced with major operational issues that have slowed production.

'One of our processing mills split its ends back in May, so we lost two months while that was all re-welded and re-set up. This pushed us into our low-grade stockpiles of ore and that impacted output as well, big time ... Our primary crusher had an unscheduled re-build too and that took us another month.'

Then there has been the rain. High rainfall at Tabubil, where the mine is situated, is not unusual—it averages between ten and 11 metres a year—but Parker describes this year's rainfall as 'extraordinary'. The mine suffered landslides and a bridge collapse, while its hydro power plant is still undergoing rehabilitation.

*'Our job is to run this business, and keep it operating. Whatever the shareholders do, the shareholders do.'*

The weather affected the mine in another way too. Ok Tedi's largest customer, the Philippine Associated Smelting and Refining Corporation (PASAR), suffered heavy structural damage in [Super Typhoon Haiyan](#) and is out of action, leaving one of OTML's ships unable to unload its cargo.

'It's been quite a momentous year!' admits Parker.

### State takeover

The other major issue for OTML has been its effective nationalisation, an event Parker says hasn't actually had an impact on business:

'The Prime Minister has made a consistent commentary that the mine will be independently managed with an independent board. We still haven't got a full independent Board in place yet, and that will take some time.

'From management's point of view, that's a shareholder matter and that's the approach we've taken all through this year. Our job is to run this business, and keep it operating. Whatever the shareholders do, the shareholders do.'

### Extending the life of the Ok Tedi mine

*Twelve months ago, Parker had just completed an exhaustive schedule of community meetings to get up the landowners' agreements to extending the mine's life. Twelve months on, is the extension still moving ahead?*

*'We submitted a Change Notice to the State in September 2012, saying we wanted to continue mining ... but we needed to change essentially two things—widen the pit shell and change the way we discharge the waste,' says Parker.*

*'The Department of the Environment wanted a third party consultant to have a look at the environmental aspects of the feasibility study. That study has now just been completed. We think that we'll get the final clearance early in the new year, which will extend the mine life up to 2025.'*

*As part of the changes, OTML's controversial disposal of mine tailings into the Ok Tedi River may end.*

*'Within two years, we'll know whether or not we've got an engineered solution for a tailing storage facility,' says Parker. 'There is still a lot of work to be done on that, but we're well advanced in our initial positioning on it.'*

### Down-sizing

Meanwhile, the mine is undergoing a transition to a smaller operation that has been years in the planning, with its original ore reserves in decline. In 2010, the mine produced 160,000 tonnes of copper; this year 100,000.



**Business Advantage  
article of the week  
continued**

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### Ok Tedi Mining's CEO reflects (Cont)

'We'll be producing about two-thirds of what our traditional output's been, which means we have to adjust our cost structures to match,' Parker explains.

To save money on vessel charter costs, OTML is having four cargo boats built to ship ore. It has also decided to start owning and maintaining its own mining and exploration equipment from mid-2014. Reducing the cost of the mine's workforce is the next task.

While some jobs will be lost, Parker says 'it's not just the actual labour cost itself, it's all about rosters, accommodation, terms and conditions ... we're taking a holistic view on our workforce costs.' 'We're only looking at about a 12% reduction in the workforce, but cost-wise it's about 33%.' Another casualty has been OTML's exploration program, which has been cut back significantly to focus just on areas within the mine lease.

'Strangely enough, we're falling over small pockets of ore that were not in our resource statement,' says Parker. 'We're actively engaged in exploring near-mine, as we call it ... It's a highly prospective area.'

#### More uncertainty to come?

So, does Parker foresee more riding of tigers over the coming year?

'We're just in the process of doing our budget for the next three years. We're settling on copper at US\$3.00 a pound, gold at US\$1300 an ounce and silver at US\$20 an ounce. The treatment and refining contracts [with metal smelters], of course, are a big unknown at this point.'

For all 2013's challenges and the uncertainty ahead, Parker feels OTML is still well-placed:

'Unlike other mining companies, Ok Tedi has no balance sheet debt. We have no leasing commitments. We don't hedge our product. We're not beholden to anybody, except the board and shareholders. So that puts us in quite a unique situation.'

'That being said, of course you still have to manage the cash in these tough times.'

*Andrew Wilkins is Publishing Director at Business Advantage International.*

## In brief: Disappointment over tuna agreement and other stories

11 Dec 2013 by [Business Advantage](#)

**Tuna agreement 'disappointing', call for better rural roads funding, new nursery to raise borer-resistant cocoa. Your quick digest of the week's business news.**

Pacific fishing officials are disappointed at a 'weak' conservation plan aimed preventing overfishing in the region. The Western and Central Pacific Fisheries Commission (WCPFC) meeting in Cairns last week agreed to reduce the longline bigeye tuna catch by 10-30 percent for foreign fishing nations. Limits on purse seine fishing will be considered next year.

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## AUSTRALIAN HIGH COMMISSIONER HE DEBORAH STOKES ADDRESSED THE WEL- COMING CEREMONY FOR THE DEPLOYMENT OF AFP POLICE TO LAE.

Today, we welcome the deployment to Lae of 13 AFP officers under the expanded police arrangement between our two countries.

It is an honour to be here for this important occasion, which is a milestone in Australia-PNG relations.

Prime Minister O'Neill and former Prime Minister Rudd agreed in July that Australia would provide 50 AFP officers by the end of 2013 to provide frontline advisory support to the Royal Papua New Guinea Constabulary. This additional assistance was confirmed by the new Australian Government led by Prime Minister Abbott and we have seen a concerted effort on the part of all involved to make that commitment a reality.

The aim is to work with the RPNGC to help it strengthen its capacity to deliver effective and visible policing services.

At the heart of the new deployment is partnership. And I wish to acknowledge the leadership role of Commissioner Kulunga in providing invaluable guidance and support to the partnership.

On 4 November in Port Moresby we welcomed the arrival of the first group of additional AFP officers to deploy under the expanded police partnership. Those 30 men and women joined the 17 Australian police officers who were already serving in PNG, helping the RPNGC to meet its Modernisation Program goals of a reformed police service, capable and equipped to meet the needs of a rapidly growing economy and a fast-growing population.

Shortly before Christmas, they will be joined by a third and final group of AFP officers, thereby satisfying and completing the Australian Government's commitment to deploy an additional 50 AFP officers to PNG by the end of this year.

The deployment of 50 additional AFP officers represents a four-fold increase in Australia's funding for policing assistance to PNG.

Today we are witnessing the start of an exciting new development in the PNG-Australia Policing Partnership – the transfer of 13 AFP officers to PNG's second city – Lae.

With its position at the start of the Highlands Highway, Lae is the commercial hub of PNG. Its businesses support the livelihoods of many thousands of Papua New Guineans. Lae is a bustling city with rich cultural diversity, set against a beautiful backdrop of mountains and the coast. But it is not without its challenges, which is why the RPNGC has decided, with support from the Governments of Papua New Guinea and Australia, to deploy an Australian contingent from the expanded policing partnership here, to help the RPNGC to strengthen its community policing and evidence-based operations.

The expansion of the PNG-Australia Policing Partnership takes place in the context of wide-ranging cooperation between Australia and PNG in the law and justice sector.

Working together, PNG and Australia have already achieved some impressive results in this area.

The village courts system has been revitalised. The number of women appointed as Village Court Magistrates has increased from just 10 in 2004, to over 900 today.

There has also been a strong program of infrastructure development, funded by the aid program, including the construction of courts, police and prison facilities.

Australia has also worked with PNG to establish a number of family and sexual violence units at police stations throughout the country.

Over the past three years, more than 20,000 victims have accessed specialist police support in this way. I am pleased that the expanded policing partnership will reinforce this work, with its dedicated support assisting the Sexual Offences Squad to investigate and prosecute these crimes.

In closing, I wish to underline the close relationship between Australia and PNG. This week's PNG-Australia Ministerial Forum in Canberra reaffirmed that closeness across a dynamic and growing agenda, in which our shared commitment to the rule of law and democratic values and institutions plays a major part.

Working in partnership under your banner of 'wok wantaim', you can help to create a safer and fairer community for all Papua New Guineans.



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**Power Outage  
in Lae  
What is the  
reason?**

**39<sup>th</sup> National  
Game Fishing  
Titles to be  
held in Lae**



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## PNG POWER EXPLAINS BLACKOUTS

The excessive power Blackouts that were experienced in Lae during last week, which culminated in the power being off for the most of Friday and Saturday were explained by PPL.

Of the 5 generators at the Ramu Power Station at Yonki; only 2 were working. One generator had been removed for renovation and 2 other generators had failed, providing only about 24 Mw of power, which was not sufficient for the whole of the Ramu grid.

The fact that there was little power generated by the thermal generators at the Milford and Taraka power stations, meant that severe power restrictions had to be maintained.

By Saturday morning steps were taken to bring the Baiune power on line which relieved the load shedding. By Saturday afternoon the 2 Ramu generators that had been down were repaired and brought back on line.

PPL said that they would provide further explanation to the situation. One thing we would like to know is why did it take so long to decide to bring the Baiune power on line?

## The 39<sup>TH</sup> NATIONAL GAME FISHING TITLES WILL BE HELD IN LAE IN 2014

The **Lae Game Fishing Club** is set to host the 39<sup>th</sup> National Titles in 2014 from 11<sup>th</sup> – 21<sup>st</sup> April. We only get the chance to showcase the rich fishing grounds here in the Morobe Province once every 4 years. It is expected that over 400 anglers and guests will attend from all over PNG and internationally.

The LGFC is calling on local and national business houses to help by providing sponsorship support to make this the biggest and best National Titles that PNG has ever seen!

If you are interested in finding out more please email [secretary@lgfcpng.com](mailto:secretary@lgfcpng.com) for an information booklet.



**Shangri La Hotel renews special offer to LCCI Members.**

## SHANGRI LA HOTEL CAIRNS

Renews the special offer for Lae Chamber members - continue reading:



**Shangri-La hotel**

THE MARINA, CAIRNS

10 December 2013

Alan McLay  
**Lae Chamber of Commerce and Industry**  
 PO Box 625  
 Lae, Morobe  
 Papua New Guinea  
[president@lcci.com.pg](mailto:president@lcci.com.pg)

Dear Mr McLay,

### RE: CORPORATE RATES 2014

Thank you for your interest in Shangri-La Hotel, The Marina, Cairns. It is our pleasure to welcome Lae Chamber of Commerce and Industry as one of our most valued customers. By way of this letter, we are pleased to offer you our 2014 Corporate Rates for Lae Chamber of Commerce and Industry which you may start to enjoy upon signing this hcontract. Please note that these rates are valid until 30 December 2014.

ROOM TYPE	PUBLISHED RATES	YOUR CORPORATE RATES (Single / Double)
Superior Room (Garden/Pool/City View)	AU\$351.00	AU\$162.00
Superior Sea View Room	AU\$375.00	AU\$175.00
Deluxe Marina View Room	AU\$385.00	AU\$185.00
Horizon Club Marina View Room	AU\$475.00	AU\$280.00
Executive Suite	AU\$485.00	AU\$290.00
One Bedroom Suite	AU\$510.00	AU\$315.00
Horizon Club Marina View Suite	AU\$520.00	AU\$335.00
Royal Suite	AU\$1200.00	AU\$800.00

These rates include 10% GST and are non-commissionable. As one of our highly preferred accounts, these rates are extended based on minimum projected production of 25 room nights annually. Please note that these rates are not applicable to group bookings of more than 9 rooms per night however we would be delighted to offer you competitive group rates upon request.

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- Daily newspaper
- Mileage credits with 32 international airlines worldwide (members only)
- Invitation to join Shangri-La's frequent guest recognition program - (Golden Circle Program)

**Please note that these rates are not available 11<sup>th</sup> – 15<sup>th</sup> May, 17<sup>th</sup> – 21<sup>st</sup> September 2014, as well as 31<sup>st</sup> December 2014.**



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## The beginning of the end for FIFO debate?

Thursday, 12 December 2013  
Andrew Duffy

**FROM essential business input to “cancer of the bush”, fly-in, fly-out has continued to spark heated debate through 2013.**

A draft report by the Productivity Commission this month may go some way to wrapping up the debate, however, with the commission soon to hand the federal government a set of recommendations on how to handle the issue.

With so much at stake, miners and communities alike will be eyeing the recommendations closely and interest groups are already making note of the initial findings.

Soon after its release the Minerals Council of Australia said the commission’s draft had “debunked” some of the harsher FIFO criticisms and endorsed the practice as vital to the country’s economy.

The commission did indeed support the economic case for transient workers but it also acknowledged the complexity of the issue and the problems associated with labour mobility.

The complexity has been one of the key threads picked up by companies, business groups and community think tanks around the country.

Rural Australia Institute research and policy general manager Jack Archer told *Mining News* that the pace of development had contributed to some of the chaos and confusion around FIFO and it had also left some policymakers behind the curve.

“One of the things we’ve seen is that a lot of these issues developed quite quickly and towns and governments don’t always operate on the same timelines as resources companies,” he said.

“Part of the challenge is understanding how to react quickly and anticipate demands and trends so we don’t get caught off guard.”

In its report the commission looked at all industries and all forms of transient work, not just FIFO and it walked a fine line between balancing community and business concerns.

From the business side the Minerals Council picked up on the report’s acknowledgement that there were “no simple levers” the government could use to change where people lived and worked.

“The main factors affecting location decisions are personal and attempts by government to act in contradiction to them are unlikely to be effective,” the commission said.

Minerals Council education and training director Gavin Lind told *Mining News* the finding aligned with the council’s own research and worked in tandem with business efforts to help address the reality of FIFO issues.

“Ultimately we were pleased the commission picked up on the industry’s strong commitment to training and up-skilling its workforce,” he said.

“What is also important is the commission’s finding that the market should be left to decide many of these issues, as government intervention has often been ineffective.”

Lind said a focus on improving flexibility for employers and considering a move towards individual workplace agreements would help companies deal with FIFO arrangements.

Reforms to industrial relations laws were also flagged by Australian Mines and Metals Association executive director Scott Barklamb as an area for improvement.

“Creating a more balanced workplace relations system and thus making it easier to employ people is one policy area at the core of the matter,” he told *Mining News*.

Outside those concerns Lind said many of the commission’s other recommendations, which included improvements on land release and housing, needed to be addressed directly by local and state governments.



## PNG Industry News Continued

The issue itself has been problematic for some regions, with local councils sometimes lacking the skills and experience needed to address the problems.

"The question for them is how is it that the royalties don't cover capacity for local governments to find the right personnel and strengthen their skills base," Lind said.

Picking up on the lack of preparation in some areas, Archer said there was scope for some regions to share knowledge with areas dealing with the same problems.

"We're getting to a point where there's now the opportunity for councils that have been through those problems to share their skills, services and policies with other regions," he said.

This knowledge has been learnt the hard way in some cases.

Archer said more information sharing could help head off similar problems in other areas.

"One thing we've found from talking to local councils is that it has been quite a steep learning curve and that's been another symptom of these things happening so quickly," he said.

"Regional councils are quite small operations and they've often been asked to come up with some sophisticated answers."

From the workforce point of view, Barklamb said a focus on sharing knowledge and experience would help employers deal with FIFO's problems.

"We support greater collaboration between local, state and federal governments on building regional infrastructure and community services that could assist in attracting more people to remote areas that currently rely heavily on FIFO workers," he said.

Contributions from mining companies themselves underpin these initiatives and a judgment on the efficacy of these contributions depends on who you ask.

Archer told *Mining News* that contributions varied from company to company and region to region but over the longer term, businesses were coming to see the importance of community engagement.

"One thing some of the smarter businesses are starting to realise is that this can be a big risk for mining companies," he said.

"If they get communities offside there can be a lot of local resistance, which can make things more expensive and time consuming than they need to be.

"The smarter companies can see that risk and realise that if they can get the community onside and feeling like it's involved and benefiting, it makes the project a whole lot easier and also makes the business a better corporate citizen."

Barklamb said most miners already contributed to community initiatives and local infrastructure builds and this work complimented the policy approach from local and state governments.

"Resource employers already invest very heavily in regional accommodation, local community programs and incentives for locally based employees," he said.

"Our interpretation of the Productivity Commission's report was that it outlined a number of valuable ways in which industry's efforts could be complemented and furthered by increased government support in these areas."

All in all, most groups recognise that FIFO and other transient work is an integral part of the mining industry and a great deal of jobs and investment hinges on its application.

From this approach the problem is not so much whether we should or shouldn't turn to FIFO but instead how we can work together to minimise its negative impact.

"There's a tendency to try and stop labour mobility or view it as a threat," Archer said.

"One of the things we need to do is move beyond that mindset and try and understand where people are going and why they're going there.

"After that we can take a look at which communities are benefiting and which are at risk of being overwhelmed – and from there we can start to put together more targeted policies to help the areas that need it most."