



# Lae Chamber of Commerce Inc. Weekly News Update

14 March 2014

VOLUME: 10 - 14

## LAE CHAMBER OF COMMERCE INC.

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*Thank you*

## FROM THE PRESIDENTS DESK

### NOTICE

## LCCI ANNUAL GENERAL MEETING 2014

The Lae Chamber of Commerce Incorporated will hold the Annual General Meeting on Thursday 27<sup>th</sup> March 2014. The venue will be the **Bulolo Room at the Lae International Hotel**, and the function will commence at **5:30PM sharp**. The agenda for the AGM will be to present the 2013 Annual Report and audited Financial Statements for 2013, as well conducting elections for the 2014 Executive members and Councillors.

**Drinks and a cheese platter will be provided after the meeting until 7:30 PM.**

**Nomination forms and Proxy forms for those that cannot attend attached or they can be obtained from the LCCI Office on request. This may be your opportunity to participate in one of the prime private sector organisations in Papua New Guinea and the Pacific.**

## Mentoring program

Did you know that the LCCI together with Business Mentors New Zealand provide a Free Business Mentoring service?

If you are a business or know a business - be it a supplier or a client - that could do with a bit of mentoring? Then we ask you to consider our programme!

The Pacific Business Mentoring Programme has a few vacancies for the March 31 intake.

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More info on their website: [www.Businessmentorspacific.org.nz](http://www.Businessmentorspacific.org.nz).



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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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**MEETING WITH AIR NIUGINI**

Yesterday (Thursday) we met with a team from Air Niugini - the incoming Chairman of Sir Fred Reiher, Mr Simon Foo the Chief Executive Office; Michael Boyacci the destinations program Manager and the Operations Manager. This is the 3<sup>rd</sup> in a series of meetings that we have had over the past year with Air Niugini, where we have addressed many of the concerns that Lae passengers have had with the Air Niugini service from Port Moresby to Lae.

Our team consisted of many of the LCCI Councillors and selected Company Executives. This team was put together in a rushed manner due to late changes to the timing of the meeting. As there will be a continuation of this type of meeting, I ask if any members would like to attend future meetings, please contact me at the LCCI - [president@lcci.org.pg](mailto:president@lcci.org.pg) and we will extend an invitation.

At yesterday's meeting Air Niugini showed graphs displaying a vast improvement to the on time performance of POM/Lae flights, which in the last 3 months has improved from 67% to 82%. Whilst there are still individual cases of sometimes extensive delays to flights, there can be no disputing that the situation has improved vastly.

On the subject of operating a NADZAB to Cairns direct flight, ANG is still open to providing this service, but need to be guaranteed that the route is economical. To meet this end, ANG and the LCCI will design a survey form that will be circulated widely, to be completed by all Lae to Australia travellers, so as to provide a real indication of the potential of this service. When this survey is available we will promote the contact link via this newsletter as well as by general notice. It will also be made available to adjoining Provinces where travellers may wish to use this route as an alternative to flying via Port Moresby.

ANG are also receptive to other options including a Code Share service with Qantas and the possibility of linking through Manus, with the passengers generated from the detention centre.

**CRIME**

Guard Dog Security advised mid-morning today, that there was a serious traffic jam on the Butibam corner and China Town due to the road works at Bumbu Bridge. A reported hold up of a private vehicle by culprits where private property was taken from the vehicle.

Again our advice is for everyone travelling in this area, and driving in general, to take all necessary precautions - windows must be wound up and all doors locked. Avoid stopping and be wary of gatherings of people on the road sides.

This morning outside the Westpac Bank, an old 4WD Nissan Patrol drove into the drain, carrying two people sitting beside the drain with it. A huge crowd quickly assembled and pushed the vehicle off the two people, with one was driven to hospital in a very bad state. The driver ran away and the bus was set alight.



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The latest Made in PNG  
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We will advise when it  
has arrived and is ready  
for you to collect.

## Business Advantage PNG

YOUR GATEWAY TO PAPUA NEW GUINEA AND THE REGION

### Our reputation is on the line, says ExxonMobil's Graham



ExxonMobil PNG's Peter Graham

12 Mar 2014 by [Business Advantage](#) [Leave a Comment](#)

In the second and final part of his exclusive interview with *Business Advantage PNG*, ExxonMobil PNG Managing Director Peter Graham considers the flow-on benefits of the PNG LNG gas project and ExxonMobil's future in PNG. Plus, what's going to happen to the project's 14,700 workers?

**BAPNG I'm presuming the project's head count is starting to come down now. What will happen with those worker's leaving the project?**

Peter Graham: It's starting to come down, yes. Our best estimate of the direct employment on the project once it's operational is 1000 to 1200 people—plus contractors, supply services and so on. We have about 14,700 people currently working on the project, of which about 5,600 are Papua New Guineans. In the first quarter of this year, we'll see the next tranche of workers leave.

*'It would be a shame to see all the skills acquired by Papua New Guineans during the construction of PNG LNG Project progressively dissipate.'*

To that end, we're actively working with Hela Province and Central Province to get Infrastructure Development Grant (IDGs) projects under way so that, as we phase down, those same skilled people are picked up for community infrastructure work.

The government has committed 120 million kina (US\$51.68 million) a year for ten years for IDGs. You often hear the criticism that a certain business has been in operation for years, and that there is little evidence of improvements in infrastructure for the local communities. With so much money committed by the government to infrastructure projects under the Benefit Sharing Agreements for the PNG LNG Project, I don't want that to be said about our project.

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### OFFICIAL ADDRESS AND CONTACT

Chairman, Host Organising Committee,  
PNG Games 2014,  
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Morobe Province.

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### BUSINESS ADVANTAGE ARTICLE (Cont)

#### BAPNG: What projects are we looking at?

**Peter Graham:** At the LNG plant, the communities there have determined that their priority is to upgrade the roads leading to their villages from the main road we've built. So at least some of the infrastructure development grants we hope will be applied to that.

Our project management team and the contractors at the LNG plant are supporting the preparation of the engineering necessary to award those contracts.

In Hela Province, similar discussions are progressing.

It would be a shame to see all the skills acquired by Papua New Guineans during the construction of PNG LNG Project progressively dissipate, so we're hopeful that people who have worked on the project will be able to work on these infrastructure projects that will benefit the community. We've invested so much in the development of people in PNG—two million man hours of training and counting.

#### BAPNG: Another way the country's benefiting from the PNG LNG project is with the National Transmission Network, which is using your pipeline ...

**Peter Graham:** Yes, the fibre optic cable has now been laid from the LNG plant site to Hides. As the pipeline is buried, so too is the fibre optic cable.

This is a modest investment on the part of the State to essentially open [a backbone of fibre optic cable](#) right across the country, from Port Moresby across to Gulf Province up to Hides. The government may choose to connect up the cable from Hides across to Madang and Lae, which would provide a national communications backbone.

It's a great example of private enterprise working with government to find synergies where it's a win/win for everyone.

#### BAPNG: Any other projects like that either working with provincial government or a national government?

**Peter Graham:** One other area we are engaged with the Government on—and it's very early days—is the possibility of some gas for power generation. We're currently talking with the Government, at their request, to explore options for gas-generated power, with a particular focus on Port Moresby.

We would look at selling gas or naphtha (a liquid bi-product that's produced at the LNG plant) as fuel. This would be done on a small-scale to start with.

#### BAPNG: Now that ExxonMobil is firmly embedded in the country, what other opportunities are there for you?

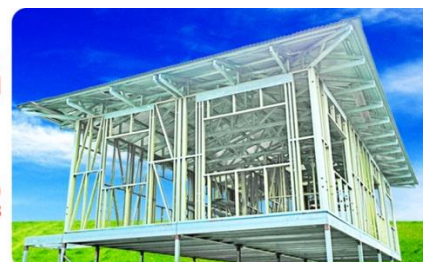
**Peter Graham:** We have an active exploration programme at this point in time, predominantly in the same general areas as existing oil and gas licenses. We've been active in working on seismic programs with our license partners in recent past to define opportunities, and we'll just see how that plays out.

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## BUSINESS ADVANTAGE ARTICLE (Cont)

**BAPNG: What are your thoughts on the potential development of industries around gas production in PNG?**

**Peter Graham:** Proving up new reserves is the key for that next phase of development. For any new development, proved reserves are needed for long term sales contracts to underpin major investment. Downstream development will come in time but will require the addition of uncommitted reserves – that's time and money.

*'We cannot afford to have any interruptions to the production of LNG.'*

The corridor to the LNG plant site [north-west of Port Moresby] is an ideal location for industrial development—it's got access to a safe harbour, privately-owned port facilities and there is a ready trained workforce in the local communities. It's also close to infrastructure in Port Moresby.

**BAPNG: Speaking personally, do you stay with this project once it's built, or do you fly away?**

**Peter Graham:** I will stay for some time yet and am looking forward to the challenge of establishing steady-state operations on this first class facility. There's no question we'll see the Project's construction management team run down fairly quickly. In the near-term we'll certainly be keeping a core of people who've got experience in Papua New Guinea because obviously starting up operations is another very critical phase.

Longer term, we have firm plans to progressively nationalise our workforce and I am greatly encouraged by the demonstrated commitment and capacity of our Papua New Guinean workforce to take on expanded roles.

In operations, safe, reliable supply becomes the order of the day. We cannot afford to have any interruptions to the production of LNG. Our customers rely on that steady flow of gas being delivered to them, and certainly our reputation is on the line to be a reliable supplier which is critical for the future of the industry in Papua New Guinea.

Click [here](#) to read the first part of this interview.



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### Sinopec to receive first LNG cargo from PNG

Alison Middleton  
Wednesday, 12 March 2014

**CHINESE state-owned petroleum supermajor Sinopec will get its first liquefied natural gas cargo for operations at Qingdao receiving terminal from Papua New Guinea.**

Bloomberg reports the company has a long-term contract with ExxonMobil to buy from the \$19 billion PNG LNG project, but may buy spot cargoes.

The agency said operations would start at 3 million metric tons per year at Qingdao receiving terminal in northeast China in the second half of 2014.

ExxonMobil told investors last week that the PNG LNG project was progressing a few months ahead of schedule, with the first cargo delivery in the middle of this year.

A spokeswoman for ExxonMobil said the first cargo schedule for the PNG LNG project was still to be confirmed.



PNG LNG project map courtesy of ExxonMobil.

### Storm clouds brew in PNG politics

Wednesday, 12 March 2014

**FIRST Duma and now Polye. Why have the leaders of two coalition partners been sidelined? There is much speculation as to why United Resource Party Leader William Duma and Triumph Heritage Empowerment party leader Don Polye have been sacked. By Wantok**

What seems top of everyone's mind is that these two key economic portfolios are now in the hands of the ruling People's National Congress Party, just as LNG exports are about start. The Prime Minister may be better informed that most pundits about the ramifications of his decisions, but rumours are in the air about the potential for a change in government.

The rumours first surfaced earlier this year, with references made to the connections between an Australian mining magnate and a former minister. Even the Australian media discussed this connection in recent times. The PM may have also been uncomfortable with this relationship. It is interesting to note that Prime Minister Peter O'Neill specifically mentioned the issue of stability when he announced the decommissioning of Don Polye and Mark Maipakai as ministers.

Aside from the political considerations, there are also views that the sacking of Duma and Polye may be link to the recent Oil Search deal. Pro-government commentators have used the fact that the Arabs have chosen to keep Oil Search shares as payment for the LNG loan justifies the government's move.

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## **PNG Industry News (Cont)**

However, detractors point to a much more sinister plot that could profit a few rich businessmen and politicians at the expense of the people of Papua New Guinea.

As Wantok discussed recently, there are no specific budgetary allocations for the \$A700 million hedge taken by UBS for the placement of 149.39 million ordinary Oil Search shares. However, there is a legal loophole that the government created when it amended the Fiscal Responsibility Act during last year's budget session.

In doing so, the government allowed itself to raise the debt ceiling above 35% of GDP. To be fair though, even the Somare government's IPIC loan for the PNG LNG project was negotiated outside of Treasury.

With the government's share placement, Oil Search has acquired 22.835 per cent interest in PRL 15 that contains the Elk/Antelope discoveries. Oil Search has estimated the resource at PRL 15 to be 5.3tcf of raw gas including 75 mmbbl of condensate.

Pro government commentators point to this as a plus for the government, but critics argue that acquiring 149.39 million ordinary shares isn't as advantageous.

The obvious question is whether Duma and Polye supported the moves by the government to place the nation into a further \$A700 million debt. Were they sidelined because of their opposition?

Perhaps we can take a hint from the PM that there is much disquiet within government and he has tried to weaken two potential rivals. The government camp is indeed so large that it would be difficult for any Prime Minister to keep everyone happy.

Cracks now seem to appear as the fault lines between the People's National Congress Party and its coalition partners begin to exert tectonic influence on the political landscape.

Having secured himself of a majority of MPs in his party, the PM is de-risking his own political future by shaving off excessive fat. No doubt other coalition partners are wondering whose head will be on the guillotine next.

### **History of Lae:**

Lae has a colourful, though at times bloody, history to look back on. Obvious signs of this are various wrecks which can be seen around the foreshore, and the War Cemetery and Memorial.

However the Allied and Japanese troops killed in and around Lae were by no means the first victims of ferocious fighting in the area. When German missionaries of the Lutheran Mission first moved into the area, the local population had been all but decimated. Women and children had, to a large extent, fled to live with relatives elsewhere and only the warriors of the tribe remained to guard the tribal lands. They were subjected to continual harassment by the Wampar people of the lower Markham Valley, who delighted in killing for the killing's sake.

The last great battle before peace was made between the Wampars and the Lae tribes took place on a spot known as Ho'mki, meaning 'outcrop of rocks'. This spot is in the middle of an expanding settlement area and is in danger of being obliterated. Sixty-seven men were killed in this last battle. Thereafter, the missionaries made a peace which has lasted ever since.

The first missionary to settle in Lae was Gottfried Schmutterer, who remained from 1911 to 1934. He moved from his original settlement above the present Titan Nail Factory to the present site of the Headquarters of the Lutheran Church at Ampo, two miles north of the city, as a result of pressure from the German Neu-Guinea Kompagnie which had claimed all the land between the Markham and the Bumbu Rivers, but had never paid for it.

The town of Lae was a long time in being established. It was with the discovery of gold in the mountains of Wau, Edie Creek and Bulolo, and the subsequent decision

by Cecil Levien to introduce aircraft to the area, that a decision was made to build an airstrip on the flat land at Lae. This decision spelt doom for the budding township of Salamaua across the bay from Lae, which had been supplying the goldfields by carriers over strenuous bush tracks, and for the local villagers who claimed the land as their own.

With the building of the airstrip and the situation there of Guinea Airways and other aircraft operators, more and more people moved across to Lae. Prewar Lae, however, was situated entirely on the flat below the present shopping complex and near the seaward end of the airstrip. Only one of the houses in this area still stands today. It was the home of a long-time resident of Lae, Henry Eckhoff, and stands in Markham Road opposite the present site of Ela Motors vehicle storage yard.

With the exception of Eckhoff's house and the Guinea Airways hangar, the prewar town of Lae was completely destroyed and was never rebuilt. The Japanese interlude was brief and has given rise to many illfounded speculations. The Japanese constructed bunkers under Mt. Lowamung (this name has been corrupted and the mountain is known incorrectly as Mt. Lunamun) and used these as air raid shelters. Rumours have been circulating for years that they were used as a hospital. Evidence recently to hand refutes these rumours. Kaoru Busujima, a doctor with the Japanese Eighth Army in Lae, writes in his diary that the only hospitals used were the Lutheran Church and the missionary's house at Ampo. The former building is still standing and the ravages of strafing during the war are still visible. The foundations of the latter have survived the passing of time, after the building was destroyed by allied bombing, and can still be seen today.

After World War II, the town of Lae was slowly rebuilt under the guiding eye of the Australian New Guinea Administrative Unit (ANGAU), and its com-

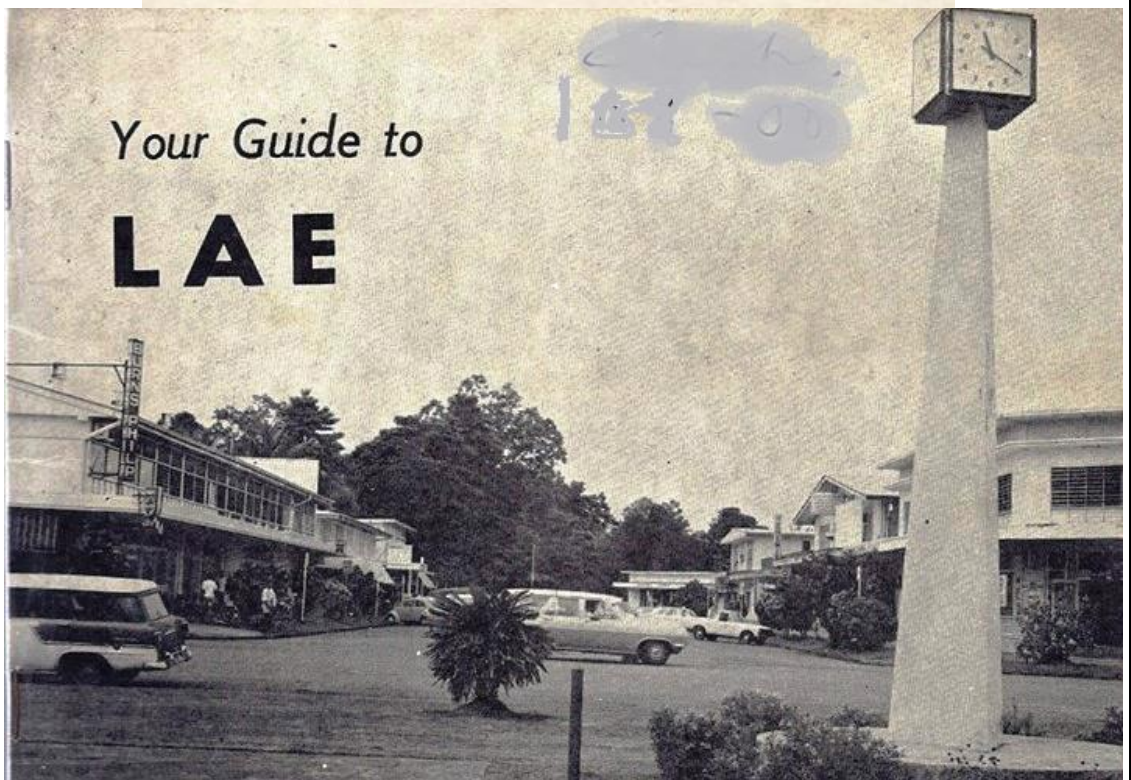
mander, Horrie Niall. Mr. Niall later became the District Commissioner for the Morobe District and remained in that capacity until 1964. Since the war, Lae has grown to be the second largest urban settlement in Papua New Guinea and was recently declared a city.

## **The City of Lae:**

Lae (correctly pronounced Lai not Lay), is Papua New Guinea's second largest and fastest growing city. It is the hub of Papua New Guinea and the gateway to the Highland centres. From the age-old to the new, Lae is a fascinating place to visit, and with the correct information, there is no limit to the places the tourist can visit or the sights he can see.

Historically minded tourists should write to the Historical Society, which is drawing up tours of historical interest around Lae for those interested. In addition, walking tracks will be mapped up for those energetic enough to want to spend some time roaming the mountains around Lae. Though Lae is a lush tropical green all year round, the blooming of the bright red D'Albertis creeper known popularly as the Flame of the Forest, and the aqua Jade Vine growing in the Botanical Gardens add a bonus of bright colour in the middle of the year, complementing the colour of private gardens around the city.

Lae's high rainfall and tropical situation give rise to a rather humid climate, but with an even temperature, and dress is definitely tropical and generally casual. Visitors should however not be surprised at cooler weather, though this is noticed more by residents than by visitors. Very brief clothing and shorts should be avoided by female visitors. The shopping area is concentrated mainly in four streets, all close together and within walking distance of the Post Office and Government Departments. For those interested in specific facets of the country's development, officers of the various departments will be only too pleased to assist.







# LAE CHAMBER OF COMMERCE INC.

## NOMINATION FORM

### ELECTION OF OFFICE BEARERS & COUNCILLORS - 2014

I hereby nominate:..... Representing the ..... Industry  
(Name of Nominee)

for the position (s) of

- PRESIDENT\*
- SENIOR VICE-PRESIDENT\*
- JUNIOR VICE-PRESIDENT\*
- HONORARY SECRETARY\*
- HONORARY TREASURER\*
- COUNCILLOR (11 positions)\*

At the forthcoming AGM of the Lae Chamber of Commerce Incorporated to be held at 5:30 PM on Thursday 27<sup>th</sup> March 2014.

\*tick box as required

NOTE: It is recommended that the position of Councillor not be deleted when nominating for a higher position so the nominee can remain nominated for Council should he/she be unsuccessful in the contest for the higher position.

NOMINATOR:..... / ... / 2014  
(Print Name)(Signature)

SECONDER:..... / ... / 2014  
(Print Name)(Signature)

I signify my willingness to stand as nominated ..... / ... / 2014  
(Signature of nominee)

**Note:**

**IF YOU ARE UNABLE TO ATTEND THE ANNUAL GENERAL MEETING IT WOULD BE APPRECIATED IF YOU COULD RETURN THE ATTACHED PROXY FORM TO THE LAE CHAMBER OF COMMERCE, PO BOX 265, LAE OR FAX 472 6038 OR EMAILED BEFORE THURSDAY 20<sup>th</sup> March 2014.**



# Lae Chamber of Commerce Incorporated

## PROXY FORM

### ANNUAL GENERAL MEETING – 27<sup>th</sup> March 2014

I, ..... of .....  
(print name) (Name of Company)

Being a fully paid up member of the Lae Chamber of Commerce and Industry hereby appoint

..... of .....  
(Print name) (Name of Company)

which is also a paid member of the Lae Chamber of Commerce Incorporated,

Or the current President of the Lae Chamber of Commerce Inc.

tick

to be my proxy to vote on our behalf at the Annual General Meeting of the Chamber to be held on Thursday 27<sup>th</sup> March 2014, or at any adjournment thereof.

Signed: ..... this .....day of .....2014

Name of Witness: .....  
(Print name) (Signature)