



NEW ZEALAND PAPUA NEW GUINEA
BUSINESS COUNCIL

1 April 2009

NZ PNG BUSINESS COUNCIL NEWSLETTER

LUNCH WITH CHRIS SEED, DEPUTY SECRETARY OF MFAT

Friday 12.00pm, 24 April at the Crowne Plaza, 123 Albert St, Auckland



The NZ PNG Business Council is delighted to invite you to a special luncheon event with Chris Seed, Deputy Secretary of the Ministry of Foreign Affairs and Trade. Chris Seed has oversight of New Zealand's relations with Australia and the Pacific, including the network of 14 posts which advance and protect New Zealand's interests there; the Ministry's Maori Policy Unit; its policy link with NZAid; and expanding public diplomacy programme. From 2004 until his return Chris was the Deputy Secretary (Policy and Planning) in New Zealand's Ministry of Defence. He worked closely with the Vice Chief of Defence Force in supporting Defence's Chief Executives in the strategic management of Defence's international, resourcing and capability business.

Chris's earlier career with the foreign ministry included postings as High Commissioner to Papua New Guinea (2001-2003), as New Zealand's first senior national officer in the International Peace Monitoring Team in the Solomon Islands, as Deputy High Commissioner in London (1998-2000), Counsellor in Canberra (1994-97) and Second Secretary in Tehran (1989-91). While based at the Ministry's head office in Wellington Chris's areas of work included Europe, South East Asia and overseas development, and was director of its organisational planning. He was also seconded to Australia's Department of Foreign Affairs and Trade in 1987.

If you wish to attend this luncheon, please return your completed Registration Form to events@chamber.co.nz





THE TOURIST COUNT UP 34 PERCENT IN PAPUA NEW GUINEA

Port Moresby, Papua New Guinea (The National)

Papua New Guinea last year enjoyed a 34 percent increase in international tourist arrivals, Tourism Promotion Authority said in an industry report. The report noted the tourism industry "saw a year of success in terms of development, implementation and market outcomes", according to TPA chief executive officer Peter Vincent. "Tourism in the country continued to record levels and would contribute with increasing significance to employment opportunities, foreign exchange earnings and in the fostering and preservation of our myriad cultures," Mr. Vincent said. The TPA report said the sector had recorded international visitor arrivals last year at 104,122, up 34 percent from to the previous year, which was another record year for local tourism. All visitor segments experienced growth during the period in review, and holiday travel grew by 21 percent, while business and conference visitors increased 41 percent and 40 percent respectively. The Australian market generated 52 percent of the total arrivals, followed by the Philippines (7 percent), USA (6 percent), New Zealand (4.5 percent), Malaysia (4.3 percent), UK (3.5 percent), Japan (3.3 percent), China (3.2 percent), Germany (2.5 percent), Europe (2 percent), Canada and other markets.

PNG MINISTER WARNS OF DETERIORATING AIRPORTS

Port Moresby, Papua New Guinea (PNG Post-Courier)

Many airports in Papua New Guinea would be forced to close if the National Government failed to fund the urgent maintenance and certification of airports and airways systems. Chief executive officer and director of Civil Aviation Authority Joseph Kintau issued this warning at the weekend. The threat if taken will seriously affect many travelling public especially areas where the only link to the outside world is with air transport "Safety issues with CAA are not new. These issues have been on successive governments' agendas, even before the inception of the CAA act in 2001. We are talking about facilities that were in place for more than 30 years. Most of these facilities have fallen into disrepair; the only option is to replace them," Mr Kintau said. The problems according to Mr Kintau had been communicated to the National Government to ensure that adequate funding was provided. In an interview with the Post-Courier, Mr Kintau said CAA was moving and transforming but the organisation badly needed initial help from the Government "I am disappointed that airports and airstrip maintenance and development program received nil funding from the 2007, 2008 and 2009 budget allocations.





INTERNATIONAL FINANCIERS TOUR PNG GAS PROJECT; Potential lenders on fact-finding mission

PORT MORESBY, Papua New Guinea (PNG Post-Courier)

More than 70 representatives of the international banking community, export credit agencies and rating agencies arrived in Port Moresby yesterday as guests of the PNG LNG project.

The delegation arrived without a government presence to welcome them. National Capital District Governor Powes Parkop took time off to be there at the airport to meet the visitors who arrived in a private plane. The delegation is believed to have met with Prime Minister Sir Michael Somare, the Deputy Prime Minister Dr Puka Temu and key ministers including State Enterprises Minister Arthur Somare, Petroleum and Energy Minister William Duma, Planning Minister Paul Tiensten, Treasurer Patrick Pruaitch and Public Service Minister Peter O'Neill at a function in Port Moresby last night. Their visit itinerary includes project briefings, ministerial briefings and visits to key project sites near Port Moresby and in the Southern Highlands Province.

They will be shown the PNG LNG project's key attributes including high quality resources, a world class operator and strategically aligned sponsors, PNG's stable investment climate and the project's commitment to sound environmental and social outcomes. ExxonMobil yesterday said that they were delighted to host this initial fact finding visit to PNG for potential lenders. They said that the project co-ventures were highly motivated to move the project forward and the PNG Government had been very supportive. The project is seeking to raise more than \$US10 billion in debt financing and is working towards a final investment decision in the fourth quarter of this year with a corresponding first LNG cargo in late 2013-2014.

PNG GOLD MINE PREDICTS ONE MILLION OUNCES THIS YEAR; Lihir Gold Ltd. is Australia's second-largest gold company

PORT MORESBY, Papua New Guinea (PNG Post-Courier)

LIHIR Gold Ltd has forecast another large jump in output, to more than one million ounces this year. The 2009 forecast came after Australia's second biggest gold company said it delivered record production in the fourth quarter of 2008. Output for the three months to December 31 rose 87.8 per cent on the previous corresponding quarter to 315,484 ounces due to improved production at the company's namesake mine on Lihir Island in Papua New Guinea, and the acquisition of Equigold NL in June. The \$A1.1 billion purchase of Equigold delivered the Mt Rawdon and Kirkalocka mines in Australia and the Bonikro operation in Ivory Coast, West Africa into the Lihir portfolio. "The acquisition of Equigold enabled significant diversification of group





production, with some 22 per cent of group gold output in the fourth quarter sourced from Australia and Ivory Coast operations," managing director Arthur Hood said in a statement yesterday. Lihir shares gained 13 cents, or 4.29 per cent to \$3.16 [US\$1.24] by 1515 AEDT. Lihir said full year output for 2008 was 26 per cent higher than the previous year at a record 882,000 ounces, with the company forecasting gold production over one million ounces this year.

Lihir sold 323,000 ounces of gold during the December quarter at an average price of \$US792 per ounce compared with 179,510 ounces at \$US794 in the prior corresponding quarter of 2007. Credit Suisse analysts led by Michael Slifirski have forecast a gold price of \$US900 an ounce for 2009, saying that the supply and demand fundamentals remain intact for a long-term upswing in the price. "I think it (the gold price) will remain very strong and has every possibility of going higher from here," Mr Hood told reporters on a conference call. Total cash costs decreased 6.4 per cent during the quarter to \$US353 per ounce due to the inclusion of low-cost operations, increased output at Lihir Island, a lower oil price and a stronger US dollar. Cash costs for the full year increased by 32.9 per cent on the previous year to \$US400 an ounce. Capital expenditure in 2008 totaled about \$US264 million (\$A398 million) and the company expects to spend about \$US400 million (\$A603.05 million) across its projects this year. Lihir had about \$US64 million (\$A96.49 million) cash on hand at the end of 2008, with no debt drawn down on the \$US250 million (\$A376.9 million) lines of credit established with its banks.

NATURAL GAS INVESTORS EXPRESS DOUBT OVER PNG PROJECT; Fears about safety and landowner issues worry financiers

PORT MORESBY, Papua New Guinea (PNG Post-Courier)

Some international financiers visiting the proposed LNG project have voiced fears about safety and landowner issues.

These two key areas of concerns were discussed during last week's tour by an international group of potential lenders, financiers and credit rating agencies.

The VIPs flew in on a chartered jet and saw sites for the project in the Southern Highlands and near Port Moresby.

While the visitors were pleased with what they heard and saw about the project, they were equally concerned about the need to address landowner issues and security concerns.

The financiers visited Papua New Guinea as part of a due diligence process to the Liquefied Natural Gas project.





The high-powered delegation from export credit agencies was here as part of a five-day visit to Brisbane and PNG as potential lenders to the project.

The Post-Courier understands the State is rolling out an awareness program within the affected project areas on the benefits sharing agreement, however, there has been a constant flow of negative publicity locally from the various factions of landowner groups, all claiming to be the genuine ones.

This is easily picked up by investors via the internet and it is hard for them to distinguish between genuine landowners and the ones forcing their way in.

The project is considered crucial to the economic future of PNG and all parties – State, landowners and developers need to work together to move the project forward, say government officials.

Last week, the paper managed to speak to three potential investors from Japan and the United Kingdom at the Crowne Plaza.

This was despite the ban on talking to the visitors.

Landowners' issues and security were critical as raised that:

- SECURITY of supply as well as security of the plant and facilities for the proposed project were critical and needed to be ensured they were protected.
- LANDOWNER issues are also critical – need to identify the genuine landowners and have them participate rather than trying to entertain landowners that are not genuine – thus creating a conflict between themselves which may harm the project. "PNG is potentially a very rich country ... (hesitantly) ... landowner issues, security will have to be addressed by the Government of Papua New Guinea," one of the international visitors said.

PNG MINIMUM WAGE CLIMBS TO U.S.45 CENTS AN HOUR; Struggling farmers taken into account

PORT MORESBY, Papua New Guinea (PNG Post-Courier)

Unskilled workers in PNG will soon get an increase in the minimum wage to a rate of PGK1.14 [US\$0.45] an hour which is about PGK50.16 [US\$19.56] for a 44-hour working week. The rate is PGK24 more than the previous rate of K37.20 per week and PGK74.40 per fortnight. Chairman of the Minimum Wages Board Pex Avosa announced the final determination last Friday. He said the PGK1.14 an hour will come immediately into effect after the board has handed the official report to the industrial registrar and gazette in two weeks time. Mr. Avosa further announced the final determination rate at PGK2.29 an hour for a 44-hour week. This final rate will give the unskilled





worker a pay package of K100.80 a week or PGK201.60 a fortnight but this will come into effect in 40 weeks after a transitional period.

PNG SEEKS HELP IN UPGRADING AIRPORTS; Estimates \$234 million needed to fix 25 airports

PORT MORESBY, Papua New Guinea (The National)

Close to PGK600 million [US \$234 million] is needed for a complete makeover of the country's air transport sector, according to Transport and Civil Aviation Minister Don Polye. The Civil Aviation Authority is working with international donor agencies like the World Bank and the Asian Development Bank to secure funding for major projects in the sector. Once funding is secured, the money, to be spent over 10 years, would see the country's 25 airports and numerous airstrips being upgraded to meet international civil aviation standards that most are currently lacking. In their current state, many of these facilities should be closed, however, they are still being used, posing a serious threat for users. Mr. Polye agreed with comments made by CAA chief executive officer Joseph Kintau on the state of airport facilities throughout the country. Earlier this week, Mr Kintau had complained through the media over the appalling state of the country's aviation sector and how numerous attempts by his management to obtain funding had failed.

Tourism Promotion Authority Teams up with Trekforce (Papua New Guinea)



Black Cat Trail. (Source: PNG Tourism Garamut Newsletter Issue 090 - January 2009)

The [PNG TPA](#) is working in conjunction with Trekforce to develop tourist facilities, safety and local awareness along the old WWII Black Cat Trail. The Trail stretches from Wau to Salamaua in the Morobe province. Trekforce was first introduced to the Black Cat Trail in 2007 when it assisted in filming a UK television program called "Extreme Dreams". Since then, in June of 2008, a second group of UK volunteers spent 6 weeks on the trail meeting local villagers and constructing a guest house between the villages of Biawen and Skin Diwai. Over the coming months they would be involved in projects to improve facilities and creating more awareness along the





Japanese Film Crews to Film Premier PNG Surfing Destinations

PNG Tourism Garamut Newsletter Issue 090 - January 2009



According to www.surfingpapuaneuguinea.org.pg a team of Japanese surfers and film crew will be touring **Papua New Guinea's** three premier surfing destinations from the 22nd February to the 4th of March 2009. They will shoot in Lido village in Vanimo, West Sepik Province, followed by Ulingan Bay in Madang and finally in New Ireland Province. The Surf Tourism Project is jointly undertaken by Surfing Association of Papua New Guinea and the **PNG TPA**. The video will be used to promote Papua New Guinea as a surfing destination to the Japanese market. (*Source:*

\$1 BILLION PNG GAS PIPELINE PROJECT DRAWS NEAR

700-kilometer project from Southern Highlands to Port Moresby

PORT MORESBY, Papua New Guinea (The National, Feb. 16, 2009) –THE construction of the 700km gas pipeline from Southern Highlands to Port Moresby will begin next year at an estimated cost of about US\$1 billion (about K2.7 billion). Construction work would be completed by the time the US\$10 billion (K27.5 billion) LNG project gets off the ground in 2013-2014. The pipeline network included a 300km section from Hides to the Omati River landfall, and then a further 400km undersea (Gulf of Papua) to the LNG plant site just north-west of Port Moresby. The 300km pipeline (on land) will have a diameter of 32cm while the 400km (undersea) section will have 36cm. Anna Schulze, ExxonMobil's public affairs manager for the LNG project, revealed this when replying to queries by The National on the status of the pipeline project. "Project construction is not scheduled to begin until next year although some 'early works' (including site preparation) might begin later this year," Schulze said. Esso Highlands Ltd, a subsidiary company of ExxonMobil is the operator of the LNG project. The company will play a managerial role over the pipeline project which would be constructed by international firms.





PNG'S SOUTH PACIFIC LAGER BEING PRODUCED IN CHINA; Temporary change has beer drinkers worried about China water

PORT MORESBY, Papua New Guinea (PNG Post-Courier, February 12, 2009)

The South Pacific green can beer is temporarily being brewed in Shanghai, China. The first batch was released on the Papua New Guinea market last November. Many SP green can consumers have been asking how long this will go on for as they are concerned about the quality of the water in China. A spokesperson from SP Brewery yesterday confirmed that for the time being, the SP Lager can is being produced by Shanghai Asia Pacific Brewery Co Ltd, its sister brewery in China under the supervision of a PNG SP brewery manager. The spokesperson said the Green Can was being produced in Shanghai because SP Brewery was currently upgrading its production facilities in Port Moresby and Lae. This is part of the SP Brewery's K90 million [US\$35 million] upgrade to increase its production capacity for the next three years.

INVASIVE ANTS WREAKING HAVOC IN PAPUA NEW GUINEA; Officials believe the ants are from the Solomon Islands

PORT MORESBY, Papua New Guinea (PNG Post-Courier)

An army of ants from Solomon Islands have invaded Papua New Guinea and are threatening to wipe out the economy in at least one part of the country. A report from Bougainville says the ants from across the border in the Solomon Islands are destructive to plants and human beings. The ants were brought over during the Bougainville crisis when there was no quarantine service. The ants from Solomon Islands are attacking and killing off the local PNG ants, vegetables and cash crops. A worried cocoa farmer on Buka Island, Aloysius Sammy, said the ants were also attacking people and the victims were developing swollen bodies from the ant bites. The ants were found in decaying biscuits and other food items on cargo storage compartments on banana boats. Mr Sammy, who owns a two hectare cocoa block, said half of his crop had been destroyed by the ants. He said in south and central Bougainville, there were no longer any signs of Papua New Guinea ants. Mr Sammy said he placed some PNG tree ants on his cocoa trees and in just five seconds they were attacked by Solomon ants. "This is a very serious problem and the Autonomous Bougainville Government, especially the Department of Primary Industry (DPI) and Agriculture, should do some serious research on how to get rid of these ants," Mr Sammy said.





CHINA REASSURES PNG THAT NICKEL PROJECT ON TRACK; Company to hire more than 2,000 employees

PORT MORESBY, Papua New Guinea (PNG Post-Courier, February 23, 2009)

Chinese metals giant MCC has assured Papua New Guinea there will be no let-up in the push to bring the Ramu nickel project into full production, despite the world downturn in metal demand and prices. The assurance was given by MCC president Shen Heting, who met with Deputy Prime Minister Dr Puka Temu and Bank of PNG Deputy Governor Loi Bakani last week, during their visit to the nickel mine and process plant in Madang Province. Of six major mineral development investments by MCC world wide, Papua New Guinea's project was receiving top priority and was set to produce its first export product on schedule next year, Mr. Shen said. When in full production, the project will employ more than 2,000 men and women, three quarters of who will be Papua New Guineans. Exports of nickel concentrate were predicted to increase PNG's gross domestic product by between 8 and 10 per cent, spreading economic benefits widely across the country, Ramu Nico's president Madame Luo Shu said. Dr Temu thanked the Chinese for their expression of confidence in Papua New Guinea, saying that the National Government believed there would be an impact on PNG's mineral-based economy as world markets went through a slump.

PNG TO BE AMONG FIRST TO INTRODUCE SOLAR CELL PHONES; Chinese-made phones to go on sale in PNG for about US\$40

PORT MORESBY, Papua New Guinea (PNG Post-Courier, February 20, 2009)

Papua New Guinea will be one of the first developing countries to receive the world's first low-cost solar-powered mobile phone. Chinese group ZTE on Wednesday unveiled the phone, which is to go on sale in June for under US\$40 (K117). ZTE has partnered with emerging market network operator Digicel, which is to launch the device in PNG, Samoa and Haiti and believes sales in the first year will reach "several hundred thousand", AAP reported yesterday. "We estimate in the world there are more than two billion people who have limited or no access to electricity," Wang Yong Zhong, general manager of ZTE mobile handsets, told reporters at industry show Mobile World Congress in Barcelona, Spain. The handset, called Coral-200-Solar, uses Dutch technology to boost the current from a single mini solar panel, which is located on the back of the phone and measures 3.0 centimeters by 7.0.





Japan, ADB grant to improve living conditions in remote PNG communities

(PBO News Desk/ ADB) Manila, Philippines



The Asian Development Bank (ADB) and Japan are assisting Papua New Guinea (PNG) to boost economic opportunities and improve living conditions, especially for women, in remote roadside communities in the Highlands region.

A grant of US\$2 million from the ADB-administered Japan Fund for Poverty Reduction will be used to rehabilitate access roads and other rural infrastructure in eight communities in Southern Highlands and Enga Provinces. The 80 kilometers of roads, which will be identified, upgraded and maintained by the communities themselves, will link up with a

major road network being built under ADB's Highlands Region Road Investment Program.

At least 400 community members will undergo skills training so they can make use of opportunities offered by the improved road networks. Skills in road work and maintenance, literacy, small-scale agricultural and animal husbandry, marketing and micro-enterprise, and home-based food processing skills will be developed through the project.

A broad range of programs will also be provided to raise awareness of road safety and health issues such as sexually transmitted diseases, HIV, reproductive health, violence, and alcoholism. The programs will target vulnerable groups, including women and the unemployed.

"The project will focus on some of the least-developed areas of Papua New Guinea and will contribute significantly to economic growth and poverty reduction. While it is a pilot project for community participation in the Highlands region, we hope it can be replicated in other areas by the Government," said Sakiko Tanaka, Social Development Specialist with ADB's Pacific Department.

Along with the grant from the Government of Japan, the Government of Papua New Guinea and the targeted communities will provide in-kind contributions of \$120,000 and \$60,000 respectively, for a total project cost of \$2.18 million. PNG's Department of Works will be the executing agency.

ADB, based in Manila, is dedicated to reducing poverty in the Asia and Pacific region through inclusive economic growth, environmentally sustainable growth, and regional integration. Established in 1966, it is owned by 67 members—48 from the region.





FLUSH EXXON-MOBIL TO INVEST \$29 MILLION IN PNG

PORT MORESBY, Papua New Guinea (PNG Post-Courier)

Exxon Mobil Corp plans to increase spending on capital and exploration projects by 11 per cent in 2009 and could invest as much as \$US150 billion over the next five years, even as many smaller rivals scale back operations. Rex Tillerson, chairman and chief executive of the world's largest publicly traded oil company, said capital spending this year is expected to reach US\$29 billion, up from the US\$26.1 billion it spent in 2008. Those levels are likely to remain in the \$US25 billion to \$US30 billion range through 2013. Exxon last year released the same five-year spending plan for the company. A deepening global recession and falling energy demand have forced many oil and gas producers to slash spending. Not so for the Texas-based Exxon Mobil, which last month reported a profit of \$US45.2 billion for 2008, breaking its own record for a US company. The company said it was sitting on \$US31 billion in cash at the end of 2008.

UNDER SEA MINING COMPANY STALLED OFF PNG; Nautilus Minerals runs out of cash

PORT MORESBY, Papua New Guinea (PNG Post-Courier)

Nautilus Minerals Niugini Ltd will not pursue the next phase of its seafloor copper and gold mining exploration until it has the needed capital for the project. This was revealed yesterday by Deputy Prime Minister Dr Puka Temu who is also Minister for Mining and Lands. In earlier reports, the explorer said it was slowing down in its operations in PNG due to the on-going global economic downturn. "They (Nautilus) have made a commercial decision to postpone." They will not be in a position to proceed to the next phase," Dr Temu said, noting that the Mining Department had already approved all processes involved on the part of the company including the mining plan. On the other hand, the Lands Department was confident that the Canadian company would be able to make progress in its exploration once it gathered the needed funds in the next 12 months, Dr Temu said. Nautilus Minerals is doing the world's first-ever seafloor minerals mining. The explorer said it was following the lead from petroleum industry to tap vast offshore resources and was planning to mine high-grade seafloor massive sulphide (SMS) deposits of copper, zinc, gold and silver.

