

# Papua New Guinea



Blessed with a rich abundance of natural resources, the nation's export-driven strategy encourages foreign investment to help it switch from aid to trade

## STABILITY LAYS THE FOUNDATIONS FOR **GROWTH**



Sometimes referred to as "the world's last frontier", the South Pacific nation of Papua New Guinea possesses some of the most in demand resources on the planet, including copper, gold, timber, oil and gas. Rich in culture and diversity, more than 700 native languages are spoken across the country.

According to the United Nations, PNG

is, however, one of the poorest countries in the world, and high levels of international aid sustain the economy. Most of PNG's five million people live by subsistence farming in remote rural communities and the literacy rate is low.

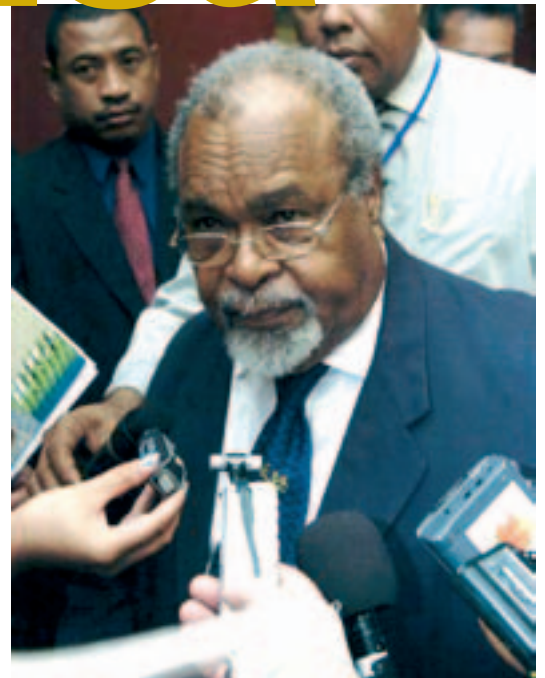
Located 100 miles north of Australia and occupying the eastern half of the island of New Guinea, which it shares with Indonesia, PNG has been an independent, democratic state for three decades. During that time, it has weathered a series of political and economic vicissitudes, but over the last five years the nation has enjoyed a period of political and economic stability under the leadership of Prime Minister Sir Michael Somare that bodes well for a more promising future.

The Somare government is eager to

make the shift from aid to trade, and has put in place an export-driven strategy to revitalize and promote economic growth. Its focus in the battle to reduce poverty and improve living standards is on empowering the people to be more self-reliant. Attracting foreign investment is a priority, and renewed investor interest in the country suggests that efforts to create an investor-friendly climate are paying off.

The government has put a brake on the unchecked expansion and excessive borrowing of much of the post-independence period. It has stuck to a clear, medium-term approach in its fiscal, debt, and development strategies. Firm action has been taken to improve the management of

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Sir Michael Somare will become the first prime minister since independence to complete a full five-year term when parliamentary elections are held in June.

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FLY WITH AIR NIUGINI TO EXPERIENCE ANCIENT CULTURES & THE NATURAL BEAUTY OF PAPUA NEW GUINEA

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Port Moresby,  
PNG's capital city

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public finances and reduce debt. Macroeconomic stability has been restored, with low inflation and interest rates, and a stable exchange rate. Meanwhile, government revenues have been boosted by higher international prices for the oil, copper, and gold that PNG produces.

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Steps have been taken to make the public sector more efficient, cost effective, and accountable, and to lay the foundations for the development of a competitive and dynamic private sector. Difficult issues such as corruption and law and order are starting to be confronted.

The economy is growing again, and the signs are that it will continue to improve. With expansion in both the mining and non-mining sectors, 2007 is set to be the fifth successive year of growth of around or above 3 percent.

By focusing on agriculture, forestry, fisheries, and tourism, in addition to mining, petroleum, gas, and manufacturing, the government's medium-term development strategy aims to achieve annual growth of 5 percent by the end of the decade.

Mr. Somare's administration is set to become the first since independence to last the full five-year term. Most importantly, there is confidence that the country is well prepared for an orderly and well-managed political process when parliamentary elections are held in June. ■

**'PEOPLE HAVE REGAINED THEIR CONFIDENCE IN THEIR COUNTRY; THIS IS A VERY EXCITING PERIOD'**

How has your government succeeded where others have failed and stayed in office for a full term of five years?

It is because we have created stability and made sure that things were done properly. People have regained their confidence in their country. We got the public service machinery working again and got politics reorganized. We have been getting things done that really should have been looked at in the 10-15 years before we took charge. That is how we have come to the point at which we are today.

Would you say this has had a major effect on making PNG more attractive to foreign investors?

Political stability has led to increased interest and confidence in the country; people are coming here to invest at a rate unlike anything we have experienced in the past. We have had delegation after delegation in recent times, from places such as Italy, the U.K., and the EU. Recently, we had a big contingent from Italy and others from Singapore and Malaysia. These countries see China investing and they want to come and have a stake in the development of our country, which is very promising. It is a very exciting period that we are going through.

What about relations with the United States? Are American investors showing interest?

Americans have been here in some way or another, for a very long time now. Originally, they arrived as early missionaries bringing the gospel to PNG as priests and nuns in the Catholic Church. In this sense the Church played a very important role in the early development of the country in areas such as education, health, and training.

The United States has been a great friend and ally for many years. It has given us valuable support and sees how we are strategically positioned in the Pacific, which is very important for us. The U.S. has also assisted in terms of providing some training for our military. With regards to educational links, we have a teacher exchange arrangement in which we are now sending some of our people to the U.S. for education.

In terms of investment, we are only now getting North American companies coming in to invest. So hopefully, when tourism picks up, we will have a lot more people



**SIR MICHAEL SOMARE** led PNG to independence in 1975, and is regarded by many Papua New Guineans as the father of the nation. Since then he has held the office of prime minister three times. Here, he reflects on the stability he has brought to the country since he was elected in 2002, PNG's increasing attractiveness as an investment destination, and relations with the United States.

coming here from the U.S.A. The Canadians are now heavily investing in the country, and we hope that this will encourage their neighbors to follow suit.

As the parliamentary elections draw near, what are your hopes for PNG's future?

I hope that we can maintain the stability that we have now. I'd say that this is the best government we've had, and hopefully this will continue after the coming elections. We are looking forward, and I think we have the chance of returning to government. You can never predict that you are going to win with an absolute majority, but we think that we have a pretty good chance.

We have a good government system now and, while we do have both government and opposition, today you will find that most Papua New Guineans like to work together on their own development. In this way, as we go along, we will develop conservative ideologies. The foundation for this has been our development of a consensus today; a philosophy where we can disagree or agree with each other, but at the end of the day, we can sit down and say, "This is good for our country and we must do this together." ■

From copper and gold production to power generation, from assisting villagers with fish farming to landowner business development, from training truck drivers to developing the country's future leaders - Ok Tedi Mining Limited shares a 25-year partnership with shareholders, contractors, the people of Western Province and all of Papua New Guinea.

**Our Project Our Challenge**

**OK TEDI MINING**

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# CREATING A FRIENDLY ENVIRONMENT TO ATTRACT FOREIGN INVESTMENT

Rich in natural resources, PNG needs foreign capital and expertise to fully develop their potential for the maximum benefit of its people



Mining absorbs a high percentage of foreign investment, but other sectors also have potential.

Foreign direct investment is crucial to the future economic development of PNG, which lacks the capital and the expertise to develop its vast natural resources. Inevitably, the country depends on foreign companies to take the lead in the development of its vast mineral, oil and gas reserves, and indeed mining and petroleum are where inward investment is chiefly focused.

Most of the current mining and petroleum production will be exhausted over the next 15-

20 years, however, and with the population forecast to double by 2025, the government is eager to diversify the economy both to improve living standards and ensure sustainable growth in the future.



**PAUL TIENSTEN**  
Minister for Trade and Industry

The authorities would like PNG to emulate Malaysia by moving away from a commodities-driven economy to a manufacturing one. An essential component of the government's structural adjustment program is the promotion of non-mining sectors of the economy, such as manufacturing, large-scale agriculture, information technology and tourism. It is keen to promote downstream processing of raw materials to create value-added products for export and to generate employment.

PNG has a liberal investment policy regime. The government has worked to reduce red tape and bring in incentives to make the business

environment more investor-friendly; corporate tax is at one of the lowest rates in the Asia Pacific region.

Sir Michael Somare recently told Malaysian businessmen, "Investors must know that we will do everything possible to allow them to successfully do business here."

The Ministry of Trade and Industry works with the Investment Promotion Authority of PNG to increase both domestic and foreign

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## AT A GLANCE

### The major economic sectors are:

- agriculture • forestry • fisheries
- manufacturing • minerals and petroleum • retail and wholesale
- building and construction
- transport and telecommunications
- finance and business

### Investment incentives include:

- tax exemptions and a low rate of corporate tax • financial sector reform • intellectual property rights legislation • Integrity Act for political parties • Free Trade Act of 2000 • one-stop shop for investment approval process
- proposed privatization of public enterprises • development of the National Transport Development Plan • prioritizing of law and order



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The hotel's facilities include:

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The beautiful Tawali Resort, built by the local community, boasts intricate, hand-carved woodwork.

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investment, promoting initiatives aimed at increasing investment in regional development, small business activities, technology, and industrial safety standards.

“We need foreign capital to boost the economy,” says Paul Tiensten, Minister for Foreign Affairs and Trade. “We cannot rely on domestic capital alone, we have to attract people to invest and to put money here. We treat foreign companies as

partners in investment and development.”

He points to the need for foreign investors to help not only in developing PNG’s resources, but also in imparting and transferring skills to the people. “You cannot just talk about empowering PNG with economic solutions; we have got to teach the people, we have got to give them the knowledge.”

Australia, PNG’s former colonial ruler and leading trading partner, is the largest investor, with Malaysia the second largest. China and Canada have also invested heavily. ■

The opportunities  
**are here,**  
come and see  
for yourself

Through a wide range of incentives for SMEs in manufacturing and downstream processing, the Ministry of Trade and Industry has created the perfect environment politically, socially and economically for foreign direct investment to tap into the as yet unexploited wealth of potential in Papua New Guinea.

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## A PARADISE FOR THE MORE ADVENTUROUS TRAVELER

Ranked among the top ten eco-destinations and the top five diving spots in the world, PNG is eager to develop its tourism sector

Given its natural beauty, and biological and cultural diversity, PNG’s potential for tourism is huge. Diving, fishing, trekking, bird watching, and village-based tourism have been identified as promising niche markets for development.

PNG is home to one of the world’s last surviving great rainforests, inhabited by hundreds of species of mammals and birds—including 38 of the 43 known species of the bird of paradise. The scenery ranges from majestic mountains to sandy white beaches and atolls.

Tucked away on a volcanic bluff overlooking the clear protected waters of Milne Bay, Tawali Resort is only accessible by boat and offers guests a unique location to experience the reefs and rainforests.

Overall, the numbers of international visitors to PNG are increasing, but are still in the tens of thousands rather than the hundreds of thousands, and most are business travelers. Major new tax incentives aim to attract large-scale investments in tourist accommodation facilities.

Kevin Yaxley, General Manager of the landmark Airways Hotel, describes PNG as “quite simply one of the most exciting undiscovered tourism destinations in the world”.

Nestling into a mountainside in its own botanical gardens with stunning views from Bootless Bay to the Owen Stanley Ranges, Airways Hotel lays claim to being one of the most unique of airport hotels. Situated just minutes away from Jackson’s International Airport at PNG’s capital, Port Moresby, the hotel comprises 89 rooms, 106 apartments, bars, restaurants, and numerous retail and recreational facilities. A member of Boutique Hotels & Resorts International with a reputation for excellent service, in 2003 it was decided to gradually upgrade it, both in size and quality. A 15-year blueprint details expansion plans through to the year 2020.



**KEVIN YAXLEY**  
General Manager  
Airways Hotel

The hotel gives high priority to staff training. “We see international quality training of staff as being the most important challenge that we need to constantly address if we are to achieve our goals,” says Mr. Yaxley. ■



Airways Hotel, Port Moresby, is taking its reputation for service to a new level.

## SPREADING THE WORD ABROAD AND AT HOME

Promoting the image of Papua New Guinea at international and regional level is the job of the Department of State Enterprises, Information and Communication. Headed by Henaio Iduhu, it provides key information on trade and investment in conjunction with the Investment Promotion Authority and the Department of Trade and Industry.

The department also makes an important contribution towards achieving one of the core objectives of

the Somare government—the fostering of national unity and development. The administration aims to encourage the people of PNG to participate effectively in planning and decision-making.

The service provides reliable information to citizens about policies and initiatives, producing a monthly newspaper and a weekly two-hour radio talkback program, and creating awareness of important health, education, and law and order issues.

## NOT FOR PROFIT, NOT FOR CHARITY, BUT FOR SERVICE



The PNG Teachers' Savings and Loan Society (TS&L) is the biggest savings and loan society in the country. Established in 1972, its members contribute to their savings fortnightly through the central payroll system. Those funds are then invested to earn interest and to provide low-cost loans to members when needed. CEO Michael Koisen explains,

"TS&L has social goals in bringing services to members, but it also realizes that to be able to do that, you have to make a profit to sustain your operations." In 2005, prudent budgetary control by executive management contributed to another successful year. TS&L's latest financial results show a 270 percent increase in profits to K66 million (\$23 million). "The results of 2005 mainly came from capital gains from our

investments in the Bank of South Pacific and Credit Corporation, and also as a result of economic stability in the country," says Mr. Koisen.

Management at TS&L tracks the performance of stocks and identifies attractive investment opportunities in PNG. The company's total investment portfolio stood at K134million (\$46 million) in 2005, an increase of 113 percent from the previous year.



**MICHAEL KOISEN**  
CEO of Papua New  
Guinea Teachers' Savings  
and Loan Society

TS&L has been using this growth to reach out into the provinces, starting with the opening of a new agency in Buka and new offices in Wewak and Popondetta. Mr. Koisen explains, "Our rollout program, which includes upgrading facilities in the provinces where we are present, should finish by July this year. For Papua New Guineans, seeing is believing. If you are not there, they will not respond."

As part of its ethos to directly improve the daily lives of the people of PNG, TS&L is championing the landmark Teachers' Solar Power Project. Designed to provide teachers with better access to lighting, radio and communications, Mr. Koisen also sees benefits at community level. "Teachers are also community leaders, so solar power will eventually spread throughout the community, which is a great start."

## STRONG EXPORT POTENTIAL IN COFFEE AND COCOA

Coffee and cocoa are PNG's most important crops. Steps are being taken to expand production and foreign investment is welcome

When Sir Michael Somare declared PNG's independence over 30 years ago, he said there were two things the country could depend on: copper from Bougainville and coffee from the highlands. "We like to say that coffee gave the country its independence," says Ricky Mitio, CEO of the Coffee Industry Corporation.

Coffee remains PNG's leading cash crop. Around half the population is engaged in growing it, and for most households it is the most important source of income. These are subsistence farmers growing the Robusta variety. Almost all the coffee produced for export comes from the plantations in the highlands, which grow Arabica.

Most of the 1.2 million bags exported are sold to Europe, with Germany taking more than half; the rest go to Japan, Australia, and the United States. "PNG coffee has a unique taste that is not found elsewhere," says Mr. Mitio. "It is very good for blending with other coffees to add body to the cup."

As the coffee is grown organically, he sees real possibilities in the gourmet and specialty market, particularly in the U.S. "Most of the investors in PNG are European or Australian, however American investors should come in for there is potential. Any



**RICKY MITIO**  
CEO  
Coffee Industry  
Corporation



Cocoa is the second most important cash crop and can be grown in many parts of the country.

foreign investor who grows 500 or 1,000 hectares of their own coffee and wants to export it will receive a license."

Cocoa, PNG's second most important cash crop, is grown mainly in the islands region, but there are many areas suitable for its production.

"Unlike coffee, cocoa can be grown anywhere. Quite recently, it has been grown in the highlands region," says Jim Simatab, Chairman of the Cocoa Board of Papua New Guinea.

Targets have been set to raise production from the current 50,000 tons to



**JIM SIMATAB**  
Chairman  
Cocoa Board of  
Papua New Guinea

100,000 tons by 2015. Farmers are being encouraged to plant larger quantities, and investment is being sought, particularly in downstream processing. "We would like to invite as many investors as possible," says the Cocoa Board chief.

Estates are replanting with high yielding, disease-resistant hybrids, and smallholder production has been rising by about 5 percent a year for the last 10 years, with around

70,000 producers accounting for 70 percent of total output.

Approximately 50 percent of production currently goes to the U.S., although European countries are also being targeted. "Our cocoa is fine flavored compared to bulk producers such as Indonesia, which is why the U.S. takes so much," says Mr. Simatab. "It is also organic, and that is an aspect we really want to promote." ■



*Exporting PNG quality  
quality to the world*

In close partnerships with cocoa growers, stakeholders, national and provincial governments and the private sector, the Cocoa Board of Papua New Guinea has succeeded in achieving and maintaining a sound and sustainable industry with the goal of increasing its supply to 100,000 tons over the next ten years.

Through the sale of PNG's high quality products, compliant with international standards and 50% of which are exported to the U.S., the Cocoa Board of PNG is now looking for export opportunities in other international markets. At the same time, the company has been re-engineering the industry and preparing it for continued expansion, giving way to a huge range of opportunities for investors to be a part of the growth of this important sector and in selling this crucial commodity to the world.



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## ADDING VALUE TO COCONUT PRODUCTION

Although a relatively modest producer of coconuts in comparison with countries like the Philippines or Indonesia, PNG is the world's major exporter of copra, the dried coconut kernels from which oil is obtained.

This, however, is something the government wants to change. "We want PNG to get out of copra production—it should be history," says Tore Ovasuru, Managing Director of Kokonas Industri Koporesen (KIK), the industry regulator.

The point he is making is that more money is to be made from adding value to coconut production by turning the raw material into products that can be sold at a much higher price. KIK is tasked to develop the industry based on the production of diversified coconut products.

This will improve the income of

producers as well as raising export revenue. "You can produce more than 101 different products out of coconut, such as oil, copra meal, cosmetics, soap, and health products," says Mr. Ovasuru. "We cannot improve the lives of the coconut farmers by promoting and trading with only copra. You have to add value."



**TORE OVASURU**  
Managing Director  
Kokonas Industri  
Koporesen

He emphasizes the importance of research and development, adding, "R&D must be at the forefront of the development of any industry, identifying new products and technologies, and improving those we already have."

KIK has produced a coconut plan to enable the industry to develop and to guide the government on

where to invest. Foreign investment is a crucial ingredient. "If we want to sell overseas, we need outside players to come in and help develop our potential," Mr. Ovasuru says.

## SURGE IN THE MINING SECTOR AS FOREIGN FIRMS LAUNCH MAJOR NEW PROJECTS

Exploitation of PNG's mineral resources is being stepped up as new exploration licenses are granted and new pits are opened

Minister for Mining Sam Akoitai says PNG is still a virgin country for mining. "Only one third of the country has been explored. Perhaps 50 percent of what has been explored has been developed, and therefore 50 percent of that is yet to be mined. But it is the remaining two thirds that we are focusing on."

There is plenty of room for U.S. and other foreign investors, says the minister, adding, "Our priority is to attract as much interest as possible."

With backing from the EU's Mining Sector Support Program, a three-year airborne survey is being carried out over PNG's mainland to determine the full extent of the country's mineral resources.

Meanwhile, a high level of exploration activity is taking place, and major new projects are coming into operation, such as the copper-rich Hidden Valley project by South Africa's Harmony Gold. These projects are not only concerned with the gold, copper, and silver for which PNG is renowned. The Chinese are launching a \$650 million nickel mining operation, and other projects are focusing on manganese and limestone.

The importance of the mining sector is symbolized by the giant Ok Tedi copper-gold mine, one of the largest producers of copper concentrate in the world. Now in its 26th year, Ok Tedi is the biggest single contributor to the PNG economy, accounting for 25 percent of export earnings, 15 percent of gross domestic product, and 20 percent of tax receipts.

Thanks to record metal prices, the mine, which is due to be decommissioned around the end of 2012, recorded an annual net profit of \$318.8 million for 2005 –



Ok Tedi mine is the largest single contributor to the economy.



**FRANCIS KAUPA**  
MD & CEO  
Mineral Resources  
Development Co.

the largest in the country's history – and a 239 percent increase on the previous year. Profits for 2006 are expected to have reached a similar level.

Managing Director Keith Faulkner is open about the environmental price to be paid while Ok Tedi continues to operate, but points out that the country has balanced this against the enormous economic benefits, and has chosen to keep the mine open. "Our job is to operate a mine that extracts as much of the resource as possible, with the least impact possible in the circumstances," he says.

Some 82 percent of the company's dividends go to the people of PNG through the national and Western Province governments and the PNG Sustainable Development Program.

Playing a vital role in the development of PNG's mining and petroleum resources is the Mineral Resources Development Company (MRDC), which enables the government to acquire shareholdings in mining and energy resource projects on the people's behalf. Some of the equity is allocated to the indigenous landowners, who own and control more than 95 percent of the land in PNG, while the rest is held by the private sector.

As trustee of the nation's wealth, MRDC manages the inter-



**KEITH FAULKNER**  
Managing Director  
OK Tedi Mining



**HANSEL MAVEN**  
MD & CEO of Metals  
Refining Operations



## Trustee of the People

Mining the financial opportunities of Papua New Guinea, Mineral Resources Development Company and its international investors work together to harness financial potential in a cost-effective and efficient manner. MRDC is committed to protecting local owners and national traditions, because Papua New Guinea's wealth is below the surface.



First Heritage Centre, Level 1, Waigani Drive, PO Box 1076, Port Moresby, Papua New Guinea Tel: (675) 325 5822, Fax: (675) 325 2633

ests of the landowners and acts as a mediator to ensure that community concerns are dealt with by project operators, in addition to seeking out investment in mining and petroleum projects.

"There are lots of challenges," says MRDC's Managing Director and CEO Francis Kaupa. "The big one is making sure that the landowners understand what their role is in the overall project and the overall package, from construction to operations. Our role is in the background, where we help control funds for the landowners and maintain a state of peace and harmony in the project sites."

He points to a recent influx of investors looking into new areas and getting exploration licenses. "There is a lot of interest in those areas that have alluvial mining activities or projects for gold," he says.

Hansel Maven, Managing Director and CEO of Metals Refining Operations Ltd (MRO), notes that 15 of the 19 provinces have proven alluvial gold deposits. "Every year we are seeing an increase in alluvial gold production. We see our niche in the small-to-medium mines that are coming on stream in PNG in the near future, and we will build that into our business to supplement the alluvial business we currently have."

PNG's only refiner of precious metals, MRO



The Lihir gold mine on Lihir Island contains one of the world's largest known gold deposits.

is an independent public company, jointly owned by the Australian Gold Refineries Joint Venture and Metals Refining Holdings, which consists of institutions including the Public Officers Superannuation Fund and the Investment Corporation of PNG.

Well-placed to service both the South Pacific and Australasian markets, the company has been expanding its customer base both at home and abroad. It has the capacity to refine 5,000 kilos of gold per month. "We can refine both gold and silver here, so we are definitely looking at potential investment partnerships with local and international investors," Mr. Maven says. ■

## HELP IS NEEDED TO EXPAND THE **TRANSPORT** NETWORK

Economic and social advance depends on development of roads, aviation, and the maritime sector, but foreign capital is required

**P**NG is a country of geographically divided communities and resources, separated by rugged terrain, that is in need of an integrated transport system to bind it together and enable national growth. The problem, of course, is the lack of money to make this possible, as Don Poyle, Deputy Prime Minister and Minister for Transport and Civil Aviation, knows well.

"We would like to tie the country together," he says. "I would like to see a trans-island highway connecting the coast to the highlands, and a railway from the highlands to transport cargo and goods to the wharf at Lae. We do not have the budget to build these things, but we can make arrangements with investors so they can build. I would encourage them to come and see the opportunities for themselves.



**DON POYLE**  
Deputy Prime Minister and Minister of Transport and Civil Aviation

There is huge potential."

Mr. Poyle is focusing what resources he has on the national transport development plan. "Our number one priority is maintenance; in the past our infrastructure was never maintained. Another priority is to upgrade and rehabilitate existing structures that have deteriorated. Our third priority is safety and security," he adds.

Safety and security are particularly important to the development of PNG's aviation industry, which is about to become more competitive with the end of the monopoly that has been enjoyed by the national airline, Air Niugini. The government is encouraging international operators to come in. Airlines from Australia, Singapore, and Brunei have all

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## MARENGO MINING LIMITED, COMMITTED TO PNG AND THE MINING INDUSTRY

Marengo Mining Limited (MGO), an Australian-based diversified metals company, has established a strong position in Papua New Guinea (PNG) with a portfolio of high-quality copper, molybdenum and gold projects.

Since its listing on the Australian Stock Exchange in 2003, MGO has built up a commitment to operating in PNG and the Yandera copper-molybdenum-gold porphyry project is the company's core asset. As Managing Director Les Emery explains, "We're ahead of the pack of companies that came to PNG."



Miners survey Papua New Guinea's landscapes for further profitable projects.

Led by their Yandera project, MGO's ventures have the potential to grow into world-class mines. The company is attracting global attention, typified by the announcement of a successful placement to major North American commodities group Sempra Metals & Concentrates, which raised \$900,000 and gave Sempra Metals first right of refusal to negotiate an off-take agreement for the metal concentrates generated from the project. Mr. Emery comments, "They will assist us in structuring the project and will provide feedback on its technical aspects."

Recently, the company achieved its most significant operational milestone with the announcement of the commencement of the Phase 1, 32,000-foot resource drilling program at Yandera, underwritten by \$4.5 million the company raised in October 2005.

MGO also point out that the key to their success is a commitment to the economy and the people of PNG, "We are very much a PNG-focused company. We are a part of PNG."



**Securing the future of PNG's maritime sector**

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Promoting and supporting a sustainable coffee industry in Papua New Guinea, aims at maximizing financial returns to all coffee producers by providing a sound commercial environment and contributing to the government's social and economic policy goals.

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expressed an interest in flying routes into and out of the country. PNG's established international airport is Jackson's International Airport at Port Moresby, but the government has declared six of the 22 regional airports are to become international as well.

About half of PNG's population depends on maritime transport, and an ongoing navigation aid rehabilitation program aims to improve safety and efficiency.

The National Maritime Safety Authority (NMSA), established in 2003 to raise standards and control marine pollution from shipping in PNG waters, has experienced huge growth since it has been able to collect fees for oil spills, levies, and navigational aid.

Mr. Poyle says the work of the NMSA is crucial to social and economic development. A safer, more efficient shipping sector will better serve traders and coastal communities, saving lives, cutting transport costs, and improving access to the wider economy for people living in isolated regions.

"As a result of a restructuring of the organization and a new mind-set, we are seeing results in an area that is very important for domestic and international trade." ■

## AIRLINE IS VITAL TO TRADE AND TRAVEL

As the only airline operating out of PNG on international routes, the state-owned national carrier, Air Niugini, plays a vital role in the development of the country's economy.

In addition to carrying business travelers and tourists, it also transports exports and imports, including items from neighboring countries, to provide for basic needs and essential materials for large development projects.

The airline is particularly important to the growth of PNG's tourism industry. "We cannot talk about tourism without talking about Air Niugini," says the airline's CEO, Wasantha Kumarasiri. "We fly to 16 locations within the country and five abroad."

Internationally, the company has plans to launch a new route that will connect PNG to the west coast of the United States via Guam.

In January, the national airline announced a new range of discounted fares for domestic

and international routes. The new pricing structure will reduce the airline's overall domestic fare for 2007 by 8 to 12 percent. It is aimed at stimulating the growth of domestic tourism and boosting the numbers of visitors from abroad.

Since the launch of Air Niugini's super saver fares between Australia and Port Moresby last June, there has been a significant growth in passenger numbers. The airline is confident it will see a comparable increase in passenger volume from its Asian destinations following the revised international fare structure.

According to Mr. Kumarasiri, the new fares package was carefully put together following extensive financial reviews. In some instances, new fares on offer are 40 to 50 percent less than the lowest previously available discounted fares.

In addition to increasing travel volume, the new 2007 airfare package has been

designed to make the airfares more attractive and affordable to the average income earner. It offers greater flexibility and makes a range of combinations now possible. Purchasing tickets has been made more customer-friendly and easily accessible through the airline's sales offices, travel agents, and also its website.

Air Niugini has achieved a dramatic turnaround in both financial and operating performance in recent years, and is currently reckoned to be in its best shape since the government attempted to privatize it in 2002.

"The company has been growing from strength to strength, and in the last three years the value of the balance sheet has gone up around ten times," Mr. Kumarasiri says.

The airline is in the process of expanding its fleet in response to rising demand for its scheduled services. Two more Fokker F100 aircraft are being added to the three already in operation.

"With the increase in the number of F100s, we plan to retire our F28s, and then our domestic services will all operate on the newer aircraft," adds Mr. Kumarasiri.



**WASANTHA KUMARASIRI**  
CEO of Air Niugini

Metals Refining Operations Limited is the only precious metals refiner in the South West Pacific covering all aspects of buying, trading and refining gold.

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**Diversifying PNG's Growth Industry**

Kokonas Industri Koporesen (KIK) plays a key role in developing, promoting and regulating the coconut industry in Papua New Guinea. KIK is committed to promoting the growth of the national coconut industry through deregulation to the private sector, encouraging a competitive market and increased national production. KIK strongly supports diversification and a change of industry focus from copra, the primary coconut product, to other high value coconut products. With the goal of sustainable growth, KIK welcomes investors and will implement effective regulatory systems to achieve long term sector-wide expansion.

**Kokonas Industri Koporesen KIK**

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