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Minutes of Conference held in Canberra on 7th and 8th May, 1969.

PRESENT

Papua and New Guinea Administration

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A.W. McCasker	T.W. Langton
D.S. Grove	P.C. McKinnon
W.T. Brown	W.R. Irlam

Department of External Territories

G.O. Gutman	J.B. Gregory
D. Mentz	L. Osmond
G.L. Mansfield	P. Dowling

Bougainville Copper Pty. Ltd.

F.F. Espie	P.W. Quodling
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Papua and New Guinea Administration

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Situation at Bougainville

Administration outlined the latest developments on the political situation at Bougainville. Main points were -

- Opposition to the project has been strengthened by the meeting on 3rd May, 1969, organised by Messrs. Lapun and McKillop and by general activity of Messrs. McKillop and Middlemass.
- On particular projects - access road, construction camp etc. - the position is unchanged and normal progress is being achieved.

The Administration stated that the Bovo Valley was a particularly sensitive area and that the Company should avoid entry to the area so that the indigenous population could be reassured that there was no intention to expand the Arawa township up the valley. The Company explained that apart from the water supply and possibly a source of aggregate (see below) they had no immediate interest in the valley. However, delays in the project were now becoming critical and extremely costly and strongly pressed that the Administration should endeavour to remove indigenous opposition a little more forcefully (i.e. the Administration should be prepared to accept a somewhat greater risk of precipitating a hostile reaction) in order to avoid costly delays and adhere to the Company's timing schedule.

### Critical Path Schedule of Company & Administration

The Department expressed the view that the Company's critical path schedule was not in sufficient detail to enable Administration action to be planned. The Company indicated that the information already supplied was the best available to date; specific questions from the Administration would be answered by the Company as accurately as possible.

#### Kieta Tunura Road

The Administration accepts responsibility for upgrading the road to secondary standard (unsealed) but in view of the timetable would rely on the company to undertake the work on a reimbursement basis. Discussions are in train on the financial arrangements (Administration estimate \$500,000 based on unsealed standard).

The company expressed the view that the standard of road proposed by the Administration was inadequate for their purposes. The question of sealing the road at the Company's expense will be explored by the Administration and the Company.

#### Telecommunications

The Company requires a 24 hour service to match its round the clock operations and would not regard anything less as reasonable within the meaning of the agreement.

Administration proposals, which it is understood would meet the Company's requirements, are under examination in the Department.

#### Land Requirements

The Department indicated that lack of a public announcement of the "in house" decision to proceed with the project was an embarrassment to the Government in respect of land acquisition and Administration expenditure on infrastructure.

The Company said that the stage has now been reached where it would be enormously costly to withdraw from the project and there would need to be a major catastrophe before such a decision would be taken. On the other hand a public announcement could not be made at this stage.

It was agreed that some announcement was desirable as soon as possible.

The Company is concerned with the delays caused by lack of access to particular areas which have been occurring despite assurances over the past two years that there would be no delays once the Company decided to go ahead with the project. The Company is not prepared to accept the present situation.

The position regarding specific land requirements is -

Mining lease - action completed.

Port/Industrial site - the Company is preparing their third proposal following Administration/Company discussions. There could be some difficulty with acquisition but there should be no problem in meeting the Company's timing. It was agreed that the Administration should allocate industrial land direct to specific users.

East/West Coast Road - the preliminary alignment should be completed by June, 1969. The final alignment will be determined during construction and could vary by up to ½ mile from the preliminary alignment.

Limestone - land requirements should be known by July/August, 1969; there should be no problems.

Aggregate - difficulties are being experienced in locating suitable deposits. The Administration expressed concern about the prospect of using the Bovo area for aggregate, and sought an assurance that this would not be necessary. The Company was not prepared to give such an assurance; the need to explore the Bovo would depend on the success of their search in other areas.

Tailings - the Company has submitted a proposal to the Administration; the Administration has asked for a series of alternative propositions which can be considered. Water Supply - only a few acres would be involved in the Bovo Valley and there should not be any need to disturb the population. The Company will consider reticulating water to native groups within reasonable distance of the supply as a public relations measure.

#### Resettlement

Moroni - the Administration suggested that the Moroni people would probably arrange their own resettlement. It was agreed that they should be given specific dates when the provision of food by the Company would cease. The Company indicated that it would not be necessary to disturb the Moroni residential area for some considerable time and it was agreed that they should be allowed to determine their own time for leaving the area.

Dapera - The Administration was working on the resettlement question and the people should be clear of the area within nine months, after which the Company would want access.

#### Design and Construction of Town

At discussions in Port Moresby between the Company and the Administration, it was agreed in principle that Guttridge, Huchins and Dorey, the town planners employed by the Company should be common town planners to the Administration and Company. Administration comments on the initial town plan were passed on to the planners.

The revised plan, which was tabled, provides for a total of 2,200 blocks, including 480 blocks required by the Administration, and a population of 10,000 people. The Company considers that the plan provides for the needs for the next 15 to 20 years, disregarding attraction to the area from regional development.

It was agreed that the Company should lodge immediately an application for the site. Access to the area should be possible by the 26th June, 1969 if no legal complications arise.

It was agreed that a committee comprising legal and land experts should meet to decide the best method of acquisition of the town site and whether the land required for Administration and public purposes should be acquired direct by the Administration or from the Company.

The question of responsibility for the capital cost of acquiring the land for the town site was deferred.

After discussion on the following subjects it was agreed that a committee with the following terms of reference should be established to look into the problems relating to town development and management:

- town plan and time phasing of construction;
- responsibility for capital and maintenance costs;
- allocation of commercial blocks;
- responsibility for providing services for the town;
- arrangement for managing the town;
- relationship with the local govt. council in the area.

It was agreed that the members of the group would be Mr. F.D. Gillies, Mr. G.T. Linsley and Mr. Colbrook. The group may co-opt experts such as the Town Planner employed jointly by the Company and the Administration, as required. An agreed report to be prepared for the next meeting of the Coordinating Committee is to be held in Port Moresby on the 6th June. Visits to the site and other mining areas in Australia will be undertaken as required.

It was tentatively agreed that the Company would have responsibility for the actual construction of the town and that the town should operate on a break-even basis. The Company indicated that it did not wish to have responsibility for the running of the town.

#### HOSPITALS

Kieta - The Administration indicated that funds have been provided for extensions to the Kieta hospital comprising six intermediate beds and 40 public beds. Work will start shortly.

Panguna - Proposals by the Company for extensions to the Panguna hospital are at present being considered by the Administration. The Company stated that the cost of the extensions would have to be written-off over five years as the hospital would have to make way for mine development by that time; the Administration would be charged rental for the use of the hospital on this basis.

The Administration was not aware of the short term life of the extensions and the basis of rental and will review the proposals in this light. The hospital will be required by July and it was agreed that the Company would commence the project immediately a decision was taken on the form of the extensions.

Arawa - The Commonwealth Department of Works has undertaken to prepare a design for the hospital which will provide for construction on a progressive basis. Construction is expected to start in November, 1969.

#### Employment

The Company stated that it has monthly discussions with the Department of Labour in regard to its local recruitment. It is unable to say precisely the number of Asians that the Company and sub-contractors would wish to bring to the Territory during the construction period or the timing of their arrival. This would depend on the results of international tendering but estimates have been supplied of maximum requirements at any one time.

Mr. Espie said that in one recent case contractors had been asked to tender on the basis of both European and Asian labour. Of a total of six companies, three had been unable to quote for European labour because of pressure on the market for labour in Australia.

At present the Company employes some 600 - 700 indigenes and pays \$1.00 per day which is 10-15% above the going local wage rate. The wages paid by sub-contractors are specified in each agreement and related to a schedule of wage levels agreed between the Company and the Department of Labour. The Company would act responsibly but is unable to give an assurance that wages would not increase if difficulty was experienced in obtaining staff for the project. The measure of control the Company could exercise over sub-contractors in respect of recruitment and wage levels would depend to some extent on the Government's policy on Asian labour.

It was agreed that the Administration should undertake a supply/demand exercise to enable estimates to be given to the Company within a few weeks of the numbers of indigenes and expatriates it would be reasonable for the Company and sub-contractors to recruit locally for the construction programme.

The Company has, for practical reasons, orientated its training programme to the production phase; it considers it would not have sufficient time to train indigenes for the construction phase. The Company understands that the availability of trainees is a limiting factor in determining the training programme and asked for guidance in the matter.

The Department stated that the Minister was sympathetic to the Asian labour problem on the basis that requirements were related to the construction programme and were supported by a massive training programme. The Company indicated the next project involving Asian labour would probably be the East coast road for which tenders close next week and there would be a succession of other tenders.

#### Occupation Fee and Section 57 (2)

The Department suggested that the questions should be resolved on the basis of the understanding at the time of the negotiations.

The Company indicated that it wanted to stay with the understanding. However, it was primarily concerned with general questions of delays to company operations which continue to occur despite the understandings given over a period of years that there would be no delays once the company decided to go ahead. If the understanding continues to be broken the Company must fall back on the agreement.

The Company agreed that it would be responsible for payment of the occupation fees.

It was agreed that application of Section 57 (2) would be in conflict with the spirit of the Bougainville Agreement. In the event of an order being given by the Mining Warden that would prevent any operation of the Company proceeding, the Administration would undertake to initiate necessary action to uphold the spirit of the Agreement. The Company agreed that if the Mining Warden awards compensation in kind pursuant to Section 56 it will comply with such an order. The Company also agreed to give adequate notice of entry onto improved land independently to Section 57 (2).

#### Use of Local Raw Materials

The Company recognised the obligation and informed the meeting that it was negotiating with Territory timber interests at present. The Company undertook to continue liaising with the Administration on this subject.

#### Port Moresby Meeting

It was agreed that the Port Moresby meetings should continue on the monthly basis. The next meeting will be held in Port Moresby on the 6th June (at 8 a.m.)

#### Native Equity Participation

The Company said that it was planning to make a public issue of shares in late 1969. It is intended that some of the shares will find their way into the hands of the indigenous people.

A method of distributing the shares will have to be determined. Some notes were presented to the Conference by Mr. Quodling outlining a unit trust scheme. Mr. Gutman indicated that the encouragement of indigenous equity participation was a problem wider in scope than C.R.A. activities alone. The Government would have to look at the proposals in broad terms. At the moment consideration is being given to an agency which would hold and sell shares on behalf of the indigenous people.

Aropa Airstrip

It was agreed that the Company be allowed to upgrade the airstrip for V.I.P. jet purposes at their own expense and that the Company would pay for compaction to a width of 150 feet to allow this to be done at some future date.

Holding Company (Bougainville Mining Company)

The Company said that in recent negotiations with the Bank of America the Bank insisted on a change in the method of holding shares in Bougainville Copper Pty. Ltd. In order to secure the loan with the Bank, Bougainville Copper Pty. Ltd. would be asked to transfer its assets to a new company called "Bougainville Mining Company". The shares held by Bougainville Mining Company in Bougainville Copper Pty. Ltd. would then be pledged as security to the Bank. The pledge would not include Administration-held shares as a part of the transaction to secure the loan.

Location of Bougainville Mining Company

C.R.A. was proposing to register Bougainville Mining Company in Canberra and retain the registration of the Bougainville Copper Pty. Ltd. in Port Moresby. The Bank of America had suggested that this would be advisable for political reasons, especially possible expropriation of Company assets.

Bougainville Copper Agreement

The Company said that the creation of a holding company would require a change in the Agreement. The Administration suggested that a paper be prepared on all aspects of the proposed changes in company structure.

Loan Agreement

The Company said that the Bank of America has stipulated that the loan will be subject to equity participation by the Government. It is therefore important to the Company that the questions raised at this meeting on security of assets and the location of the holding company be examined by the Government as soon as possible. Mr. Ballard suggested that there were two courses of action that the Government could adopt. In the first instance the Loan Agreement could be examined in toto by the Crown Solicitor or in the second instance we could examine the document ourselves and request the advice of the Crown Solicitor on certain sections. The latter course of action would be less time consuming.

Public Statements

The Administration considers that it should initiate a debate in the House of Assembly in mid-June on all aspects of the Bougainville Copper Project. One question which makes such a statement difficult is the absence of a definite statement by the Company that it will go ahead with the project. Mr. Espie said that the Company has applied for leases and is bound to proceed under the terms of the leases. A draft of any statement to be made to the House of Assembly will be distributed a week before the meeting of the 6th June.

Instructions to District Officers

The Company said that work at three areas - Moroni, the East Coast Road Camp and Rorovana Construction Camp - is at present held up by the Administration for political reasons. The Company can't afford to have continuing interruptions and would like to find a way of avoiding them even if this involved a greater risk of violence. It was agreed that the instructions to District Officers should be reexamined and advice prepared for the next meeting on the 6th June.