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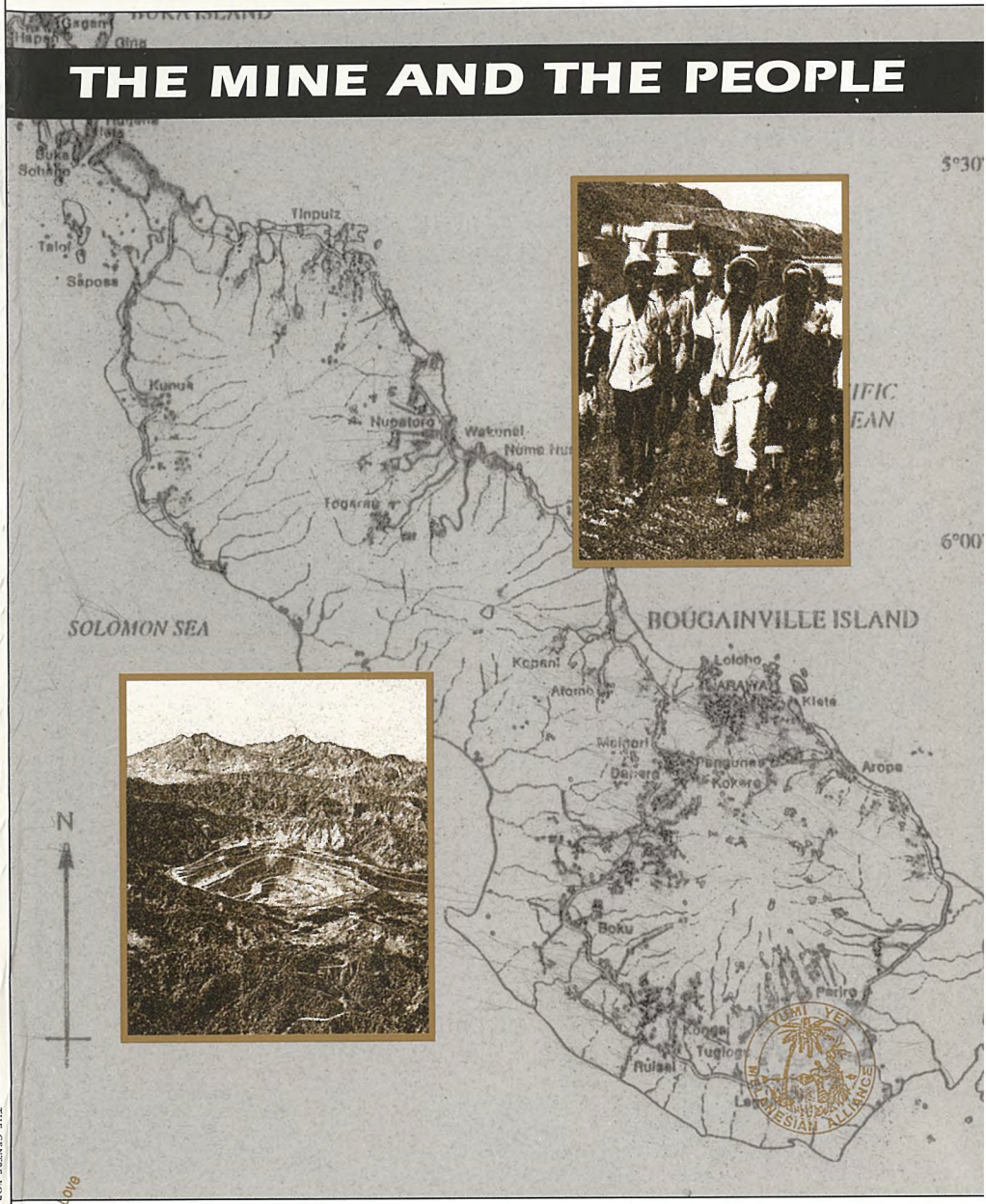
# BOUGAINVILLE

## THE MINE AND THE PEOPLE

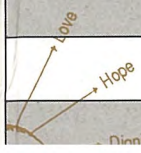
BOUGAINVILLE THE MINE & THE PEOPLE

Paul Quodling

THE CENTRE FOR  
INDEPENDENT  
STUDIES



Paul Quodling



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**BOUGAINVILLE**  
**THE MINE AND THE PEOPLE**

Pacific Papers 3

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# **BOUGAINVILLE**

## **THE MINE AND THE PEOPLE**

**Paul Quodling**

**THE CENTRE FOR  
INDEPENDENT  
STUDIES**  
1991

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### **List of Abbreviations**

BCF	Bougainville Copper Foundation
BCL	Bougainville Copper Limited
BDC	Bougainville Development Corporation
BMWU	Bougainville Mining Workers' Union
BRA	Bougainville Revolutionary Army
MA	Melanesian Alliance Party
NSPG	North Solomons Provincial Government
PLA	Panguna Landowners' Association
PNG	Papua New Guinea



## Foreword

The island of Bougainville is one of extraordinary beauty. Its inhabitants understandably see it as their promised land. Yet now its great copper mine, source of wealth and controversy, lies idle, as it has since mid-1989. Hunger and grave sickness have spread throughout the land, which is visited by more violent deaths than any island in the South Pacific since World War II.

But that is today. Back in 1966, when he joined CRA's Bougainville Copper development team, Paul Quodling was enchanted. And the spell lasted. He stayed on the island for 20 years. He was — and surely is — a highly competent, somewhat combative (not on his own account, but for a good cause — and his was that of Bougainville Copper Ltd) and charming man, with the range and depth of interests and the unsophisticated (in the best sense) directness that characterise many of those who reach the top of the top industry (in revenue terms) in both Australia and Papua New Guinea: mining.

Paul got on well with Papua New Guineans — as I can testify from the ten years I spent living and working in the country. There was no side to him; he had a ready sense of humour; they knew where they stood. That's why the PNG government nominated him for an OBE shortly before his retirement in 1987.

Many people have been seeking Paul's line on what went so horribly wrong on Bougainville so soon after he 'went finish' back to Queensland. But he has been characteristically reluctant to leap into print or before cameras and microphones to present the truth as he sees it, despite the inaccuracies, special pleading and hidden agendas that have been typical of Australian media coverage of this complex affair. Only now, after a decent, meditative pause, has Paul broken his silence. This process must have involved considerable self-examination: Did I miss an opportunity to prevent the debacle? Were the seeds sown by my own actions? Why did people I got to know so well turn so violently hostile? But the reader of this study is predictably spared any maudlin sentimentality as Paul briskly sets about telling the story of the mine.

He apologises for being 'neither historian, political analyst nor social scientist'. If he were any of these, his study would carry less weight. Rather, he was for ten years chief executive of one of the world's most successful mines. And Paul's is a vital perspective, one of the missing parts of the jigsaw. Don Carruthers, the long-suffering and humane chairman of Bougainville Copper Ltd, has done the lion's

share of public speaking for the company; but Paul Quodling was for 20 years our man in Panguna (the mine site), and watched the situation begin to unravel, thanks, he maintains, to events essentially beyond the company's control.

Ultimately, the company became the meat in the sandwich between the national and the provincial governments. Paul describes how this rivalry stymied the reviews of the mining treaty that were due in 1981 and 1988, leaving local aspirations in explosive abeyance. 'Regrettably', he says, 'the proposed forum that could have discussed these issues in an atmosphere free from political intrigue and emotionalism did not materialise'. Such forums have now been held successfully about other resources projects in Papua New Guinea, but not about Bougainville (or indeed about Australian mining prospects).

The *coup de grâce* was the Bougainville Initiative, which first surfaced as a five-page letter handed to Paul Quodling at his home on 4 May 1987 by the MP for Bougainville, Father John Momis, and Momis's campaign director and press officer, the Australian Gabriel Lafitte, who today is coordinator of the Melbourne-based Bougainville Information Service. This extraordinary letter, published here for the first time (in Appendix C), 'denounced the activities of BCL, and, under veiled threat of mine closure', asked the company to pay the Bougainville provincial government 4 per cent of net sales revenue. This became the linchpin of Father Momis's successful re-election campaign for the PNG parliament during the ensuing months. And this, Paul believes, 'was one of the prime catalysts, if not the major one, of the subsequent conflict'.

Typically, the pragmatic Quodling, who addresses frankly the errors that he believes he and BCL did make over 20 years, does not attempt to disentangle too neatly the specifically Bougainvillean elements of the tragedy from the aspects of broader relevance to Papua New Guinea and beyond. But he concludes with a judgment with which all involved can surely agree: 'The people of Bougainville deserve a return of democratic government so that they can participate in directing their future under a law-abiding regime without fear of gun law'.

Rowan Callick

## **Acknowledgements**

The CIS is grateful to News Limited for permission to publish the original version of the dialogue between Don Carruthers and James Griffin (Appendix B) and to Professor R.D. Bedford for permission to reproduce K.M. Phillips's notes on early contact with Bougainville people (Appendix D).

## **About the Author**

**Paul Quodling** graduated in Commerce from the University of Queensland in 1950. He entered the mining industry in 1956 with the Rio Tinto Mining Company of Australia Pty Limited (later incorporated into CRA Limited). In 1966 he was appointed to the CRA project group responsible for feasibility evaluation of the mineral prospect that was to be developed as Bougainville Copper Limited (BCL); he was to remain with BCL until his retirement in 1987. In 1971 Paul with his wife Pam and family moved to permanent residency at Arawa, the embryonic town that later became the capital of North Solomons Province.

Having held responsibilities at Assistant General Manager level for Administration and then Personnel/Community Relations, he was appointed General Manager in 1977 and Managing Director in 1982. Shortly before his retirement Paul Quodling was awarded, in PNG's New Year's Honours, the Most Excellent Order of the British Empire (OBE) for outstanding service to commerce, public and community affairs.

## Preface

Over the last 30 years Bougainville has had its fair share of research by historians, anthropologists, economists and social scientists. Many of their works provide valuable insight into specific issues. Few seek to analyse the full complexity of issues. Recent political events have attracted interest from the media, but restricted access has hindered comprehensive reporting.

I am neither historian, political analyst nor social scientist. However, with over 20 years of close association with the development and operation of Bougainville Copper Limited (BCL), including ten as its chief executive, I feel obliged to make some observations on that company and the socio-political environment in which it operated until militant activities brought the mine to a close in mid-1989 and concern for personnel safety led to the evacuation of all non-Bougainvillian employees in February 1990. In my experience, these socio-political issues imposed greater demands on management than did the technical issues.

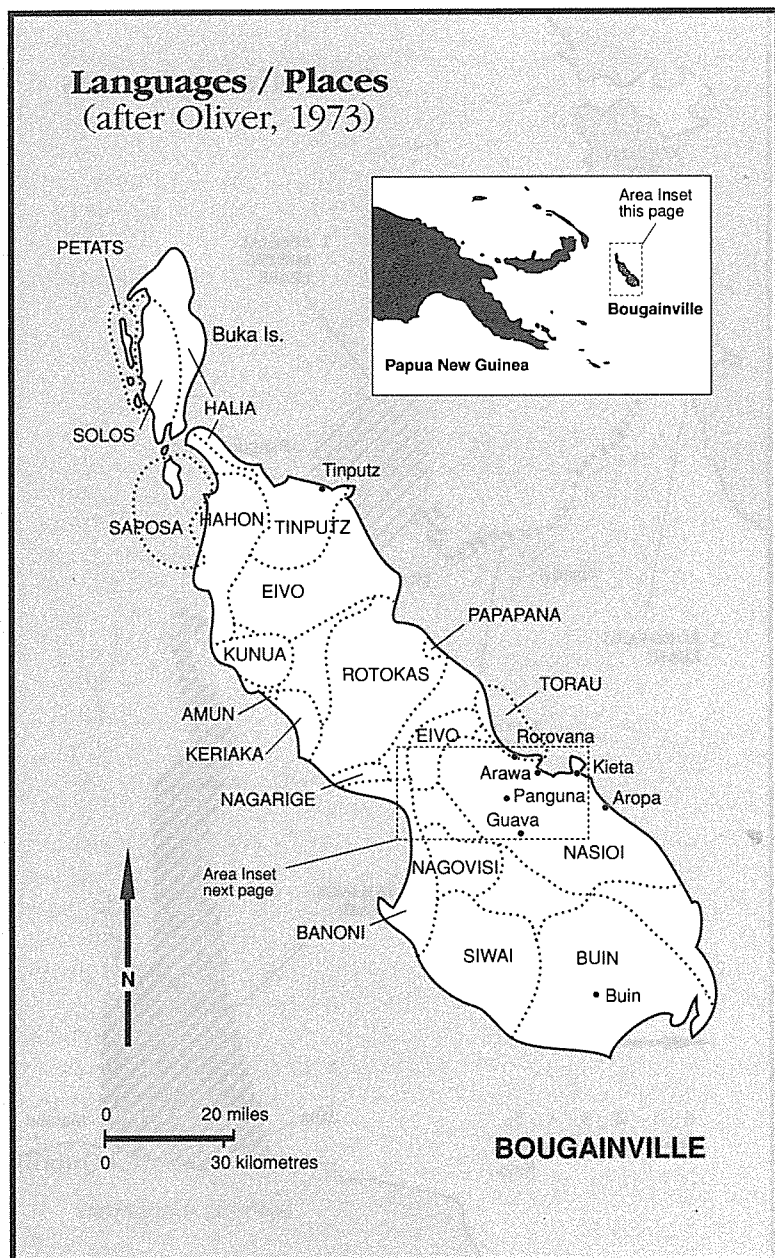
Technically, BCL has, by virtue of its detailed training programs and staff support from the major shareholder (CRA Limited), maintained a level of professionalism that ensured its position as a cost-effective producer in the international metals market. In this study I make only scant reference to the technical side of the operation, other than to demonstrate the direct correlation between the technology employed and recovery from the resource.

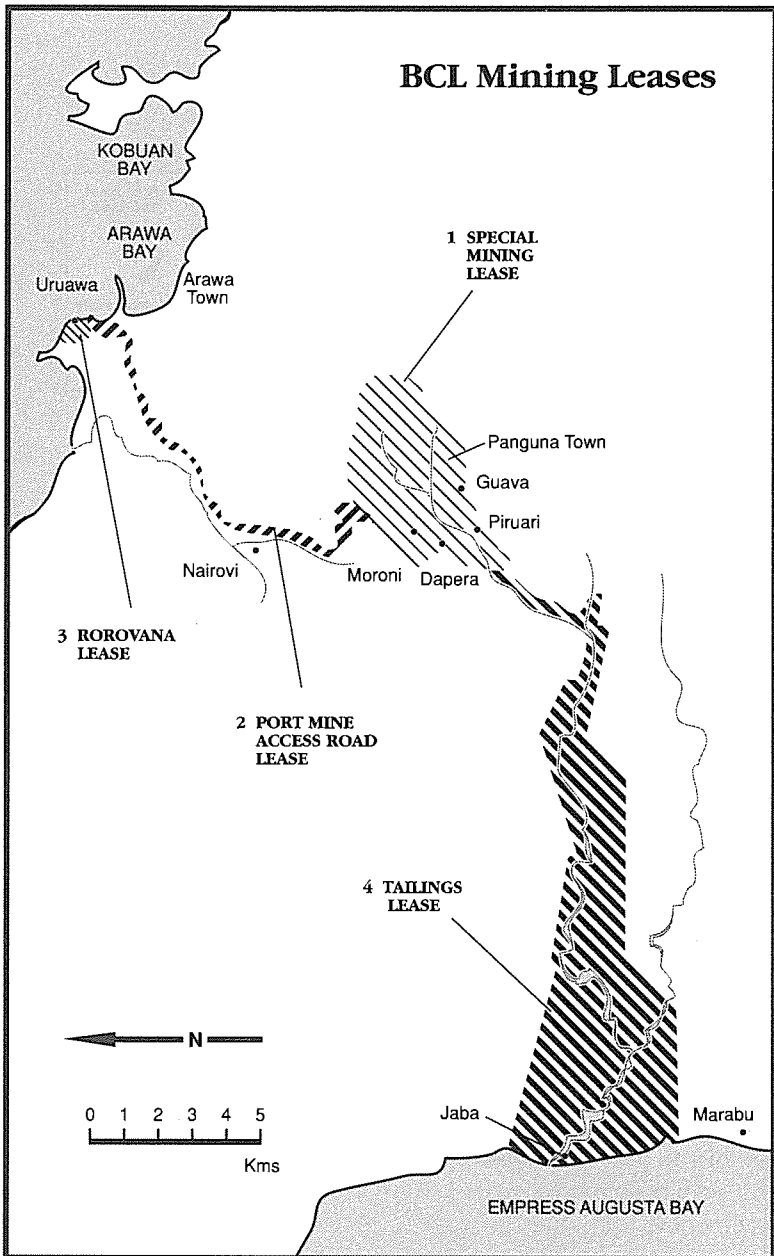
The social and political issues are complex and inter-related; views differ widely over what constitutes an acceptable and equitable balance between social cost and economic reward. As I do not seek to offer cost-benefit judgments, I have dealt with the issues under discrete headings. In doing so I have called on more professional research where I considered it appropriate.

While the study is somewhat fragmentary in presentation, all the issues discussed play a part in explaining the situation on Bougainville as of early 1991. The chronology of events (Appendix A) provides an historical perspective.

**Paul Quodling**

## Languages / Places (after Oliver, 1973)





## Chapter 1

### A Summary of the Issues

An investment such as that undertaken by Bougainville Copper Limited was without precedent in Papua New Guinea (PNG). Conceived under colonial administration, BCL has operated in the environments of emerging self-government, independent nationhood, the evolution of provincial government and structural change in the village society, along with growing economic awareness amongst the indigenous people.

In this changing political and social environment, opinions differ on what constitutes an equitable beneficial return to the nation, the province, and the community, particularly in mine lease areas. Any alienation of custom-owned land for such purposes as open-cut mining completely goes against the indigenous social structure. This eliminates the prospect of any enduring prior approval from resident villagers. The fundamental issue facing the administrators of the day was whether to mine (accepting the attendant conflict with cultural standards) or not to mine (accepting the loss of economic benefit to independent PNG).

The impact of mining on the physical environment is dictated largely by the type of deposit being mined. In the case of Panguna this is a wide porphyry intrusion of low-grade mineralisation. Of necessity, the excavation and resultant disposal of waste and tailings materials assume massive physical proportions that are in no way mitigated by the disposal method adopted (whether on land or at sea).

PNG legislation stipulates that the granting of mining tenements and the collection of attendant taxes and royalties is the responsibility of the national government, and provides for appropriate compensation for owners of the associated land. This notion of state authority over minerals directly conflicts with traditional land ownership/custody practices of Melanesian society. The legislation has been the subject of protracted political debate but has nevertheless survived 15 years of PNG independence without amendment.

The mining leases that were the subject of the Bougainville Copper Agreement were granted by an Australian administration before PNG's independence. While this Agreement was renegotiated (with major

fiscal change and international expert assistance) by a self-governing PNG, its colonial origin continues to be a target for nationalistic sentiments in the political arena.

Traditionally, many Bougainvilleans have, at best, grudgingly accepted Port Moresby's administration and their incorporation in a united PNG. Against this background, secession tends to be seen as the answer to a wide range of alleged injustices, and any sentiments or suggestions that appear to enhance the political autonomy or economic well-being of the province will inevitably receive popular support.

Bougainvillean secessionist sentiments predate copper mining. However, the presence of the mine was to add an economic argument that revolved around the disparity between the revenue generated within the province and the funds available for provincial development. While loyalties to the province of the North Solomons are much stronger than loyalties to the PNG nation, Bougainville is far from being a homogeneous society. The indigenous social structure is highly fragmented; parochial interests of family and clan groups continue to dominate broader territorial identification.

The ore body is located in an area that was relatively isolated before development of the mine, with the indigenous residents living in a village-style, clan-based society dependent largely on subsistence farming and hunting. These people, while constituting only a small share of the island's total population, were to have their traditional land rights alienated and customary lifestyles disrupted. They were to bear the social cost of the production of the broad economic benefit. Landowner compensation policies had to be established in a virtual vacuum, since there was little in the way of precedent in developing countries and virtually none within a Melanesian land-ownership culture. Furthermore, the Nasioi society is devoid of structured political organisation. Leaders change with public opinion and leadership initiatives are in constant flux. In such an environment, no agreement is likely to last, regardless of the support it appears to have at the time.

The transition from a village-based, subsistence economy with limited spatial mobility to a cash-oriented, more mobile society was under way before exploration began in 1964. The BCL mine was to accelerate and supplement this transition. The abnormally high population growth rate that has characterised the province since World War II has led to pressure on the social structure unprecedented in the history of the people. The land covered by BCL leases is far from



uniform in productivity, with the indigenous society reaching a reasonable balance between productivity and population. The failure of compensation policy to observe differences in productivity (albeit at landowner request) has led to inequities in terms of cash per head of final beneficiaries.

The traditional village social structure hinges on a complex matrilineal hierarchy of land rights. The substitution of cash in compensation for land loss or use introduced foreign complications and its distribution led to conflict within clan and kinship groups. Cultural ties to specific land tracts are such that most villagers affected by mining operations reject relocation to alternative and more environmentally suitable sites outside the mining lease area. Out of respect for these wishes, two village communities have been relocated to positions uncomfortably adjacent to mining operations, which has led to socio-environmental problems. While social and environmental issues will (and should) continue to be addressed by analysts, fundamental economic considerations continue to dominate community and provincial attitudes. Even the Bougainville Initiative of 1987, with its vitriolic and emotional denunciation of the socio-environmental effects of BCL operations, saw the answer in terms of more money. It even intimated that such money may buy access to further exploration.

Aspirations of economic reward vary with the vision of the aspirant: the villager who has lost land and lifestyle to the mine sees his loss as an unfair price to pay for others' financial gain; landholders whose land is involved, but not lost forever, favour a standard-lease rent irrespective of land productivity or ultimate damage; communities on the lease perimeter view with envy the level of payment for leasehold land; the province looks with envy on the level of revenue flowing to the nation from mining operations; the government of PNG sees the lion's share of the host country's financial take as its sovereign right and the allocation of this revenue for the benefit of the whole nation as a national responsibility. As a major generator of internal revenue with significant foreign ownership, BCL is a prime target for these conflicting aspirations and the associated political rhetoric.

The Bougainville Initiative of 1987 raised the pecuniary aspirations of mine-lease landowners and the province as a whole. Post-election politics brought no apparent follow-up, leaving little option but to resort to the other 'promised' course of action: mine closure.

## Chapter 2

### The Establishment of the Panguna Mine

#### The Project

Bougainville Copper Limited is incorporated in Papua New Guinea with the prime objective of extracting minerals from an ore deposit located in the Panguna region of the Crown Prince Range on the island of Bougainville.

Table 1 indicates the pattern of ownership of BCL's capital.

**Table 1**  
**Ownership of BCL shares**

Owner	shares (m.)	per cent
CRA limited	214.9	53.6
Public	109.7	27.3
PNG government	76.4	19.1
Total	401.0	100.0

In the early 1960s CRA Exploration Pty Limited was active in the search for copper deposits in Australia and PNG. CRA Exploration identified the mountainous area of Central Bougainville as a prospective venue for mining from evidence of small-scale gold mining in the 1930s and a report by the Australian Bureau of Mineral Resources.

Field work near Panguna began in April 1964. By 1967 exploration results had shown sufficient promise to incorporate an operating company (then Bougainville Copper Pty Limited), which entered an agreement with the administration of the Territory of Papua New Guinea on conditions for mine development. Exploration and project evaluation were finalised in July 1969 after an expenditure of \$20 million. Ore reserves of 900 million tonnes grading 0.48 per cent copper and 0.55 g/tonne gold with some silver were delineated, and the economics of mounting a viable mining operation evaluated. The construction program, involving full infrastructure support of port,

access road, towns and power-generation facilities, in addition to mine development and process plant installation, extended over 33 months; commercial production began in April 1972.

Mining is by conventional open-cut methods, and ore is processed by a combination of size-sorting, size-reduction and flotation. The final product, a concentrate containing copper, gold and silver, is transported by pipeline (15 cm diameter) to the company port on the east coast (a distance of 26 kilometres) and shipped overseas for further processing. Long-term contracts with custom smelters in Japan, West Germany and Spain provided the main market spread.

The plant was initially designed for a throughput of some 90 000 tonnes daily with provision for expansion to maintain continuity in copper production as ore grades declined with depth (a feature of the deposit). Plant capacity has been progressively increased to its 1988 level of 130 000 tonnes daily by the installation of additional process units and investment in more advanced technology. Improved technology has facilitated the processing of ores of lower grade than that initially envisaged. This has improved the recovery from mining the resource. Ore reserves at the end of 1989, expressed in terms of available mill feed after upgrading by screening, were 691 million tonnes averaging 0.40 per cent copper and 0.47 g/tonne gold. At the time of the suspension of operations, annual production levels approximated 550 000 tonnes of concentrate containing 170 000 tonnes of copper, 15 000 kilograms of gold and 50 000 kilograms of silver.

### **The Resource**

The impact of technology on the feasibility of mining the Panguna deposit is fundamental to defining the resource in terms of volume and ore grades.

Since mineralisation of the porphyry extrusion is of low grade by general mining standards, extraction can be economic only if large volumes of material are mined and processed. Initial feasibility studies indicated that a daily 30 000 tonnes concentrating facility (a standard adopted by a modern development of a low-grade copper deposit in southern Africa) was uneconomic, but that if throughput could be expanded to an 80 000 - 90 000 tonnes concentrating facility (as made possible by technological innovations that had characterised open-pit mining in the 1960s), the resultant economies of scale would make the project acceptable to international bankers. This would be the largest concentrator constructed as a single project.

Initial pit plans were prepared defining mineable ore resources at 0.3 per cent copper after exploratory drilling of more than 200 holes for a total of 240 000 feet. However, the mineralisation in the Panguna deposit does not have definite geological boundaries but extends, albeit at lower grades, beyond the limits of the pit as initially planned. The viable utilisation of these areas of lower-grade mineralisation within the resource is dependent on the value of metal content and the economies of extraction.

International metal market prices are traditionally volatile and beyond the influence of either the company or the government. The tax structure established by the Agreement ensures that the rate rises with metal prices. However, as a tax on profits rather than on cost (such as an import duty) it does not militate against operational competitiveness. So, as metal prices are fixed by market forces, the mine can remain economically viable only by maintaining its competitiveness in world markets.

The economics of extraction are largely determined by the operating company, since it is influenced by both the level of management and operational expertise introduced and the extent of investment in technical effectiveness. These are the factors that impact on the cost of production, which in turn dictates the economics of ore grade. So — what is particularly pertinent to the Panguna mineral resource — the lower the cost, the larger the resource.

Traditionally, BCL has adopted a strategy of continued investment in technology and economies of scale, thereby improving the marginal cost of production and increasing recovery from the resource. An example of this strategy was the construction of a pre-concentrator screening plant commissioned in January 1987. This facility capitalised on a characteristic of certain rock types whereby, on fracture, mineralisation tended to be concentrated in the smaller particles. Size sorting provided a relatively low-cost method of increasing the grade of concentrator feed, so effectively converting uneconomic waste into economic ore.

Total investment in fixed assets to bring the mine into commercial production was K393 million at the end of 1972 (the PNG kina exchanges at virtual parity with the US dollar). Over the following 17 years of mine operation, an additional K350 million has been ploughed back into the operation to improve cost-effective productivity and enhance recovery from the resource. The success of the latter can be readily quantified by the changes in ore reserves through time indicated by Table 2:

**Table 2**  
**Changes in ore reserves**

	<b>Million tonnes</b>
Initial feasibility	900
Ore mined 1972-89	675
Economic reserves at end-1989	691
Increase in utilisation of resource	466

While technical and financial circles would hail capital reinvestment and resource utilisation strategies as responsible mining procedures, the resultant increase in the scale of operations was viewed with concern by some of the surrounding villagers. For them, the mine was having an ever-increasing impact on their lifestyles while the major economic benefits were flowing elsewhere.

### **Planning the Project**

The planning of a 'green fields' venture of such magnitude, located in an isolated undeveloped environment, was, of necessity, far ranging.

The overriding issue was the acquisition of land-usage rights, not only over the specific area of mineral deposition but also over land for the process plant, associated infrastructure, port site and access road. The clash between legislation that vests the authority for granting leases for mining purposes in government and an indigenous culture dominated by land-usage practices has been fundamental to mine development in PNG. Inevitably, development of the BCL mine could not proceed without the alienation of some custom-owned land. (The impact of land issues on the village social structure, the successes and shortcomings of company-village liaison initiatives and the social discord attributable to the distribution of compensation monies are discussed in Chapters 3 and 9.)

With the benefit of hindsight, it may be questioned whether the process of land acquisition (by both administration and company) should have sought a western, cash-oriented solution. However, compensation in the form of cash was the chosen option; all parties concurred on the principle, if not the amount. BCL pioneered (in both format and amount) the compensation packages for mining ventures observed by subsequent developers.

With ore reserves sufficient to indicate economic viability, it was necessary to establish a market for the product. Before the 1960s the development of major copper mines had involved vertical integration

through to the production of refined metal. However, since industrialised nations (particularly Japan and West Germany) were constructing smelting and refinery facilities during the 1960s, markets were available for the sale of copper concentrate. These 'custom' smelters processed copper concentrates through to the refined metal stage, paying the producer at current metal prices minus negotiated treatment charges. They provided a venue for BCL to ensure marketing of concentrate production under long-term contracts.

With marketing assured, the project could be presented to bankers. The Bank of America indicated an interest in managing a financing package through the Eurobond market, but expressed concern at its exposure in PNG. This concern was resolved by the involvement of the Commonwealth Bank of Australia as a major partner in the financing syndicate. The project was launched on a capitalisation of one third equity and two thirds loans. At the time this was the largest project loan package on record.

While the project could not have been launched without technology and financing, it could not be operated successfully without adequate staffing. As large open-cut mining was new to PNG, there was no pool of trained personnel to draw on, and the skills required to staff the mine had to be developed through training programs ranging from operator training to trade skills and professional expertise. In the planning of training practices, experience gained in the African Copper Belt (particularly Zambia) proved valuable. The Zambian mines had a well-established portfolio of training programs and staff development strategies and were most cooperative in providing information. Reciprocity with Zambian Consolidated Copper Mines was to continue into the 1980s with a number of visits from Zambian mine executives to review the successes that BCL had achieved in its training and localisation initiatives. The information flow was effectively reversed.

The main thrusts in planning the project were exemplified in the organisational structure adopted by BCL (with the help of international consultants) as it moved into production. This divided the company's activities into three basic sections, each under the control of an Assistant General Manager: Production, Personnel and Community Relations, and Administration. Superimposed on all specific facets of planning was the overriding exposure to political change as PNG moved towards independence. Two clauses of the Bougainville Copper Agreement of 1967 are particularly pertinent. The developers regarded a 20 per cent equity option (granted without exposure to exploration risk or post-feasibility premium) as a vehicle whereby the

host country could participate in the profitability of the project. In addition, an escalation in the tax rate, negotiated as the *quid pro quo* for an earlier tax holiday, was planned as a further boost to the post-independence economy.

As it happened, progress to independence proved to be much faster than expected at the time. After self-government arrived in 1974, the 1967 agreement was renegotiated; this involved a significant amendment of the tax structure under which the company was to operate after independence (see pp. 23-5 below).

The introduction of provincial government in 1976 added a complication to relations between government and company that was not addressed adequately in either the initial agreement or the renegotiation. The North Solomons Provincial Government (NSPG) was constituted to appease secessionist moves that had been made at the time of PNG independence. While it provided a cosmetic political solution, it could not change the reality of economic dependence. The PNG government maintained legal responsibility for administration of the Bougainville Copper Agreement, often to the exclusion of provincial authorities. The NSPG viewed with chagrin both its lack of bureaucratic weight in BCL affairs and (what was more important) the amount of national revenue attributable to BCL operations relative to the provincial budget. Community governments (the subordinate tier in the political structure) displayed an insatiable appetite for developmental projects and tended to vote for changes of government when their aspirations were not fulfilled.

Trapped in the dilemma of an imbalance between supply and demand in the provincial budget and a perceived injustice in the size of provincial grants, the NSPG saw BCL as its best source of increased revenue. Various initiatives in this regard are discussed below. In my ten years as Chief Executive 1977-87, I found the maintenance of political neutrality in this environment of strained national-provincial relationships to be one of the main problems facing BCL management.

## Chapter 3

# Bougainvillean Society and Culture

### The Host Society

The community structure of Bougainville and Buka before European influence largely took the form of small isolated settlements. Nineteen different language groups covered an area of 9000 square kilometres. Hostilities between the language groups and even within them exacerbated the social fragmentation of indigenous Bougainville.

Professor Douglas Oliver, whose anthropological research into Bougainville's political and sociological development has ranged over some 40 years, describes four or five hamlets of up to 300 residents as 'about the outside limit of durable territorial groupings' (1973:68). European influence — missionary, administrative and entrepreneurial — brought an end to tribal fighting and provided avenues for wider social contact. This was enhanced under postwar Australian administration by the introduction of government councils as a vehicle for political development, and wider use of Pidgin as a *lingua franca*.

Social change opened venues for a cross-section of more adventurous Bougainvilleans to broaden not only their experience on their home island but also their contact with other Papua New Guineans. Oliver recounts that as a result the Bougainvilleans

developed a sharpened sense of common ethnic identity amongst themselves. Many Buins, for example, continued to dislike Nasiois, Bukans, etc. and vice versa, but they are nearly all united in greater dislike of their stereotypes of Chimbus, Sepiks, Papuans and other redskins, a feeling that inspires much of the sentiment for secession. (1973:202)

While the die of social change was cast well before CRA Exploration began its activities, the mine development that followed introduced a rate of change that placed abnormal pressures on the community, and in particular the village societies most directly involved. In recognition of this, and in order to introduce an appropriate level of sociological expertise to future planning, BCL sponsored a multi-faceted research program under the auspices of the University of Hawaii and the Development Studies Centre of the Australian National University.



Professor Oliver acted as coordinator and summarised study components in a report to the Premier of North Solomons Province in 1978. At the time Oliver placed special emphasis on the Bougainvilleans' growing dependence upon money, and projected a scenario wherein they 'will become increasingly dependent upon money at a rate that the money-earning capacities of many (if not most) of them will not keep pace' (1981:v).

The operations of BCL span four language groups: Torau at the east coast port site, Nasioi extending from the Kieta district into the mountainous regions of the Crown Prince Range, and Nagovisi and Banoni in the tailings disposal areas to the west. However, it is the Nasioi-speaking people of the Panguna environs on whose land the mineral deposit is located who have been subjected to the highest level of social disruption and land loss from mining operations. The most detailed and authoritative research into Nasioi culture is credited to Professor Eugene Ogan (now of the University of Minnesota). Ogan undertook extensive field work in the Aropa Valley during the period 1962-64 and returned on six occasions between 1965 and 1978. His findings give a valuable insight into Nasioi land tenure patterns and cultural characteristics.

Two other cultural characteristics of the Nasioi people enhance our understanding of their conflicts with western commercial values. First, Nasioi society, in its indigenous state, lacked any apparent continuity of leadership or political organisation. Early German administrators reported difficulty in finding local leaders through whom to exercise colonial authority. The Australian administration fostered broader political awareness, but the grass roots village society was characterised by an absence of structured authority. In the words of Ogan, 'social control in the traditional context was based more on public opinion and the fear of sorcery than on physical coercion. European influence has weakened these institutions without successfully substituting effective new political forces' (1971:83).

Second, the village societies affected by mining operations were influenced by cargo-cult attitudes. Oliver describes cargo cults as 'devotees of self-styled millenium prophets who promised European-type material prosperity and an end of European colonial domination, by means of magic and pagan practices' (1973:151). They are often ancestor-oriented; Father Mihalic, an authority on Melanesian Pidgin, explains 'Kago bilong ol tumbuna' as 'one of the fundamental beliefs of the cargo cult' and 'anything a native longs for and believes his ancestors are going to send him from parts unknown' (Mihalic, 1971).

Ogan states that 'cargoism has been endemic among the Nasioi at least since the 1950s. The trauma of successive alien conquests — by Germans, Australians, Japanese and Australians once more — had impressed these Bougainvilleans with their relative powerlessness' (1974:117-18). In discussing mineral ownership policies Ogan states 'in applying Australian mining law which denied subsurface mineral rights to indigenous land owners, colonial administration gave the Nasioi a most powerful lesson in their political powerlessness. The villagers' angry, embittered response was inevitably coloured by cargoism, in more than one form' (1974:120).

### **Land Tenure**

Land is our life, land is our physical life — food and sustenance. Land is our social life; it is marriage; it is status; it is security; it is politics; in fact, it is our only world. When you take our land, you cut away the very heart of our existence.

These were the words of three Bougainvillean students writing of the cultural trauma associated with land acquisitions in the late 1960s and early 1970s.

Anthropologists have sought to analyse more objectively the significance of land tenure in the social structure, highlighting the complex hierarchy of rights to usage that characterised customary ownership. Eugene Ogan provides an insight into the complexity of land tenure and the imprecision surrounding usage customs. 'This hierarchy is sufficiently complex that, merely to talk of owning land is to obscure important aspects of the situation. One is better advised to employ such terms as "primary", "subsidiary" and "derivative" rights with the qualification that even this terminology may lead to oversimplification' (1971:84). In conclusion Ogan observes that: 'No rights to Nasioi land are unconditionally guaranteed. No right possessed by an individual or group is ever absolute' (1971:92).

Douglas Oliver, in discussing territorial and matrilineal groupings in the indigenous social structure, states: 'Although each matrilineage was usually localised in a hamlet, it was not strictly a territorial group, as some of its members (most usually some of its male members) would have been resident elsewhere (in their wives' matrilineal hamlets).' He goes on: 'Still another feature of matrilineages which has persisted and is of even greater importance today, was the connection

between such groupings and the land. Nearly all valuable land was owned corporately by matrilineages and was passed on from one generation to the next through matrilineal ties.' And by way of further explanation: 'Although full or residential title to matrilineal land was inherited only through women, it was held by men as well. In fact, it was usually a male member of the lineage in terms of generation and age who exercised most control over his matrilineage's land holdings' (1973:68-9).

In this complex cultural environment of usage rights, matrilineal heritage and male custodianship, BCL had to structure a compensation package that sought to express, in financial terms, the disruption of the indigenous social structure and the inevitable loss of land for traditional usage practices. An essential prerequisite to implementing a compensation package was the identification of (for want of a better word) 'land ownership'. This involved review, conciliation and consensus agreement with communities resident in the mine lease areas. Table 3 details the numbers of separate titles and their geographic spread:

**Table 3**  
**Numbers and areas of separate titles**

	<b>Land blocks</b>	<b>Hectares</b>
Special mining lease	510	3671
Tailings disposal area	234	9119
Port mine access road	62	257
Total	806	13047

Judging by the relatively few instances of disputed 'ownership', this identification of specific land tracts and appropriate custodianships appears to have reflected the situation at that time. However, the introduction of cash payment brought with it the complication of equitable distribution within the lineage group and an inevitable conflict within families. This conflict was to escalate with the advent of another generation with new ideas about their position in the hierarchy of rights.

## **Population and Migration**

As noted by Ogan, 'Until about 1955 there was neither physical nor social pressure on land anywhere'. However, by the late 1950s 'a potentially disastrous population expansion' had been identified (1971:84).

These population trends are discussed at depth in Douglas Oliver's report to the NSPG of January 1978. The significant statistic is a natural growth rate of the order of 3.5 per cent (one of the highest in the world). A population explosion of this magnitude in an island of finite, even if relatively prolific, resources has inevitable economic ramifications that, if not countered, will affect the social and political stability of the province. Nevertheless provincial authorities and opinion leaders have displayed a reluctance to attack population growth at its source through birth control.

The other demographic characteristic of modern Bougainville is the increased mobility of village communities. The road system that has developed around the core of the BCL's port mine access road has brought all but the isolated villages of south-western and central Bougainville within easy driving distance of east coast markets and the provincial capital of Arawa. In the mid-1960s motor vehicles were a rarity and the few that were available were concentrated in the urban centres and larger plantations. Now, few villages are without some form of vehicular transport.

The resultant improved access to market outlets has accelerated the transition to cash cropping. Furthermore, enhanced spatial mobility has led to a breakdown of the isolationist instincts that typified the indigenous social structure. Although clan and kinship ties remain predominant in the social structure, a broader Bougainvillean identity has been superimposed on them. Unsolicited and largely unwelcome, migration from other parts of PNG has further promoted this sense of ethnic cohesiveness amongst Bougainvilleans.

Construction activities associated with mine development led to an unprecedented increase in wage employment. In compliance with the Bougainville Copper Agreement, labour was recruited on a nationwide basis and resulted in an introduction of personnel with appropriate skills from other parts of PNG. BCL controlled the social impact of this migration by providing accommodation and return air fares as essential conditions of off-shore recruitment.

An important cause of the adverse Bougainvillean reaction was the uncontrolled and unsolicited migration of people with few if any of the

skills required for mine employment. These people were attracted by rumours (mainly unrealistic) of wage-earning potential. The result was a steady build-up of migrant squatter communities on the urban fringe. These communities, mainly from the PNG mainland and in particular the highlands, were loosely named 'redskins' to highlight their ethnic difference from Bougainvilleans.

Migration continued to escalate after independence and became permanent as these industrious people found work opportunities in the burgeoning urban communities. The presence of these outsiders was a consistent source of irritation to indigenous Bougainvilleans. The NSPG reflected this irritation but was unable to restrict migration as freedom of movement was a citizen's fundamental constitutional right. So as PNG moved into independence and the province attained a level of autonomy, four basic demographic changes were occurring:

- the natural population growth rate of the indigenous community had reached explosive proportions;
- population numbers were swollen by an influx of migrants who were not particularly acceptable on ethnic grounds to the indigenous community;
- an unprecedented level of mobility was introduced into a traditionally immobile society;
- the society was in a state of change from subsistence farming to a cash economy.

These changes were to have a significant impact on the social structure of Bougainville.

## **Chapter 4**

# **The Political Evolution of PNG Independence and Bougainvillean Autonomy**

### **Bougainville and the PNG House of Assembly**

Bougainville Copper Limited's presence as a major participant in the economy of PNG has spanned periods of colonial trusteeship, self-government and independence. Inevitably, political change has influenced the attitudes and priorities of the government of the day and BCL's relationship with PNG as the host country.

The Bougainville Copper Agreement, signed on 6 June 1967, and subsequently confirmed by legislation in the PNG House of Assembly, was essentially an agreement whereby the colonial administration sought to attract foreign investment and the investor sought legislated assurance of its ongoing rights and responsibilities. At that time the independence process was under way, but, as events unfolded, the rate of political change was to accelerate dramatically.

The House of Assembly election of 1964 was the first step towards self-government. Of the 64 members, 44 represented open electorates (i.e. based on adult residency), ten represented special electorates (reserved for non-indigenous residents) and ten were nominated by the administration. Voting for the 54 electorates was based on universal adult residency. In the 1968 election, open electorates were increased to 69 and special electorates increased to 15; racial qualifications were eliminated. Party politics were to mature during the tenure of this House and became a factor in the elections of 1972, after which the House of Assembly contained 100 elected members (with both qualification and suffrage based on universal adult residency) and only four administration nominees. This House took PNG through self-government to independence on 16 September 1975, with Michael Somare (later Sir Michael) as Prime Minister.

One of the early initiatives of the self-governing House of Assembly was to call for renegotiation of the agreement of 1967. The amended Bougainville Copper Agreement was confirmed by legislation in December 1974.

While legislation controlling BCL's operations was formulated at the national level, the second tier of government that evolved after 1975 — the North Solomons Provincial Government — was to have a significant impact on the company's future.

A history of changing colonial masters — German, Australian, Japanese, Australian — had done little to instil in Bougainvilleans a sense of belonging to the united PNG that was emerging under Australian trusteeship in the 1950s and early 1960s. In addition, ethnic disparity and perceptions of inequity under administration policy rendered many Bougainvilleans reluctant participants in the movement towards an independent PNG. This undercurrent of dissatisfaction, though not universal, was symbolised in a petition to a visiting United Nations mission in 1962 seeking transfer of the administration of Bougainville to the United States.

Of the 44 open electorate members in the 1964 House of Assembly, only one was allocated to Bougainville. Nevertheless the embryonic political system provided Bougainvilleans with their first opportunity to express sentiments at a national level. The House was destined to debate the first Bougainville Copper Agreement and associated mining ordinance. The Member for Bougainville, Paul (later Sir Paul) Lapun, sought to press the interests of Bougainvilleans against the uncompromising nationalistic attitudes of senior administration officers, and finally won a concession in the allocation of 5 per cent of royalties to landowners.

Bougainvillean involvement in the 1968 House of Representatives was increased to three members. Paul Lapun was returned with widespread support, including an almost unanimous vote from the Guava census division (in which the Panguna mine is located). Bougainville secession emerged as a serious political issue during the tenure of this House. Shortly after the election Bougainvilleans in Port Moresby (mainly students but also some elected representatives) raised the prospect of a referendum on secession options. Student action resulted in the formation of the Mungkas Association, a forum where the highly intelligent and politically active debated the island's political and economic future. The name Mungkas (meaning 'black' in the Terei language of Buin district) was indicative of the ethnic secessionist sentiments that were high on Bougainvilleans' political agenda. These sentiments gained momentum with growing realisation of the adverse social impact of the BCL presence, and in particular its effect on land alienation and immigration.

On the home front, an organisation called Napidakoe Navitu

attracted a following, particularly among the Nasioi language group. The basic objective of Navitu, which had its genesis in the land acquisitions of 1969, was to encourage the social, political and economic developments of Bougainville. With Paul Lapun as chairman and Barry Middlemiss (an Australian who had been overseer on Arawa Plantation) as secretary, Navitu launched some small business initiatives (which had little commercial success) and was active in the secession referendum dialogue that dominated the early 1970s.

At the third House of Assembly elections in February 1972, Bougainvillean representation was increased to four members (north, central, south and regional). This election saw the return of Paul Lapun for the third time. It also saw the entry into the political arena of Father John Momis, who was elected member for Bougainville regional with a resounding 79 per cent of the votes cast.

Father John Momis, the son of a Buin father and a mixed-race New Ireland mother, was a Catholic priest who, as education officer for the Marist Mission, was widely known throughout Bougainville. Initially free of party ties, he became a Pangu Pati supporter after his election and played the lead role in drawing up the constitution for an independent Papua New Guinea. He was returned with solid support in the 1977 elections and became a member of the cabinet in the coalition government led by Michael Somare. Momis broke with Pangu after his nomination *in absentia* to the Ministry of Minerals and Energy in a cabinet reshuffle (an appointment he rejected), and formed the Melanesian Alliance party.

Understandably, issues relating to Bougainvillean nationalism (whether through secession or enhanced political and economic recognition in a united PNG) dominated pre-election rhetoric in 1972. Bougainville's elected leaders were to play an important role in the House of Assembly that was destined to take PNG into independence. Two were awarded ministries: Mines, aptly enough, went to Paul Lapun, and Business Development to Donatus Mola. Father Momis was appointed deputy chairman (the key administrative role as the chairman was the government's chief minister) of the committee vested with the responsibility for drafting the constitution of an independent PNG.

Involvement of three of its four elected members in the process of PNG independence did not appease Bougainvillean aspirations for self-determination. A declaration of independence and a flag-raising ceremony took place on 1 September 1975 and the name 'North Solomons' (to signify ethnic affiliations separate from PNG) was



adopted. This independence ceremony was followed by representations to the United Nations by Father Momis, but with little apparent success. A delegation to BCL management (under the leadership of Leo Hannett) called for the redirection of taxes payable under the Bougainville Copper Agreement to the North Solomons; but the proposal was rejected on legal grounds.

Compromise within the PNG political system was found in 1976 with the introduction of The Organic Law of Provincial Government. The North Solomons Provincial Government was the first to formalise its provincial identity under this law.

### **The North Solomons Provincial Government**

Bougainville's declaration of independence as the Republic of North Solomons on 1 September 1975 (14 days before PNG's independence date) was a masterpiece of showmanship. The flag-raising and associated speeches demonstrated Bougainville's cultural unity and identity and also a widespread reluctance to be railroaded into a united PNG. However, the declaration of secession attracted little international support and lacked administrative follow-up.

Michael Somare, Prime Minister of the newly-independent PNG, found a compromise solution by offering partial Bougainville self-determination through a system of provincial government and formalisation of the NSPG. Elections were held in 1976, at which Dr Alexis Sarei (later Sir Alexis Sarei, who had filled the position of District Commissioner pre-independence) was elected Premier.

The concept of provincial government was not new to Bougainvilleans. Sarei, who held a doctorate in canon law from Rome but had resigned from the priesthood, had introduced meetings of community leaders in his role as District Commissioner. His administration had adopted the formal title of District Government of Bougainville, and by early 1975 the terms 'provincial government' and 'provincial assembly' were in common use.

Leo Hannett, an early graduate of the University of Papua New Guinea and one of Bougainville's leading intellectuals, was also heavily involved in this embryonic, pre-independence provincial government. As District Planner he was the main strategist, and pioneered the establishment of Bougainville Development Corporation (BDC) with majority district/provincial government shareholding.

The years 1976-1980 were a formative period as statutory and administrative procedures were established and responsibilities trans-

ferred from national to provincial control in accordance with the newly-legislated organic law. The existence of an elected government in the provincial capital Arawa seemed to satisfy popular aspirations towards autonomy, and secession came off the political agenda. However, the trappings of provincial government were no guarantee of economic development, and after four years the electorate was ready for a change of direction towards economic pragmatism. Leo Hannett capitalised on this with his slogan 'Let's get moving' to win the premiership in 1980.

On assuming office, Hannett was quick to recognise that the provincial budget was insufficient to finance development objectives such as improved road systems. Dissatisfaction with provincial funding was increased by comparison with the revenue flowing to the national government from the province, in particular from BCL.

Early in 1981 discussion between the NSPG and BCL highlighted three thrusts in provincial policy planning:

- equity in BCL (not only as a source of revenue but also to enhance provincial involvement);
- royalty (an increase in the rate from 1.25 per cent to 5 per cent with all royalties flowing to the province);
- non-renewable resource fund (inclusion of gold).

BCL was receptive in principle subject to a ceiling being imposed on the total government take (national and provincial) and believed that the review of the Bougainville Copper Agreement, due later in 1981, could provide a vehicle for addressing these issues. As it happened, the NSPG was not represented in exploratory talks and the review, lacking tri-partisan involvement, stagnated.

In spite of the failure to obtain a greater share of PNG's take from BCL operations, the Hannett Government presided over a period of significant economic growth within the province. The BDC, conceived earlier by Hannett as a vehicle for provincial and community involvement in business development and described colloquially as 'the business arm of provincial government', expanded its sphere of influence and its profit base. This was a period of close liaison between the NSPG and BCL, since Hannett and the BCL management shared the view that long-term economic prosperity lay in developing local involvement in business opportunities that were subsidiary to mining operations.

The provincial elections of 1976 and 1980 were contested by individuals with only negligible party affiliation. This changed in the

1984 elections, when the Melanesian Alliance (MA) endorsed candidates for all electorates and conducted an active election campaign. Strong grass-roots support ensured a resounding majority for MA candidates in the 1984 NSPG House of Assembly.

With Father Momis entrenched in national politics, the MA required a nominee for premier with sufficient charisma to overthrow Hannett. Alexis Sarei was wooed back into politics to win the premiership under an MA ticket. After some two years in office characterised by increasing difficulty in controlling the young turks in his government, and deteriorating relationships with Father Momis, Sarei, who was never a hard core MA supporter, resigned.

Joseph Kabui won majority support within the House to assume the role of Premier in 1987. Kabui had been an industrial relations research officer with the Bougainville Mining Workers' Union before entering provincial politics on an MA ticket in 1984. His electorate included the special mining lease and his home village was one of those severely inconvenienced by mining operations. However, unlike his elected predecessor and kinsman Michael Pariu, he did not hold land custodianship responsibilities under the matrilineal system.

Not surprisingly in view of the changing face of provincial politics and the continued involvement of Leo Hannett as BDC chairman, the change in provincial government introduced a rift between NSPG and BDC. In this atmosphere, BCL support for the BDC and other business initiatives was viewed with suspicion, and BCL was more stringently subjected to the retail sales and service taxation powers of the NSPG.

Joseph Kabui successfully recontested the premiership in 1988 without MA endorsement. His election is attributed to the support of young voters: an advantage enhanced by the changing population structure.

The events of 1989 placed the NSPG in a difficult situation. The conflict between its law and order responsibilities and its sympathy with the electorate grew as ethnic violence increased. An escalation of militant activity and security force reprisals, each feeding off the other, began in January 1989 and continued throughout the year.

### **The Melanesian Alliance Party**

PNG enjoys the Westminster system of government but with peculiarities specific to the country. As would be expected in such a fragmented society, the number of parties and groupings, often representing territories rather than ideologies, has expanded since independence.

Parties are in constant flux and party loyalties are fickle. Conse-

quently, no single party dominates and government is invariably by coalition. Inevitably, these coalitions are loosely-knit, and no-confidence votes leading to changes in the composition of government have become characteristic of PNG politics.

This proliferation of political parties after independence saw the birth of the MA under its co-founders Father John Momis and the New Britain politician, John Kaputin. The latter resigned in the mid-1980s, and the party leadership became firmly vested in Father Momis.

Melanesian Alliance, whose platform consisted of basically socialist ideals, did not attract much support throughout PNG, but did unite the four members representing the North Solomons Province at that time into a solid voting block. This core of support, whether it stemmed from ideological unity or ethnic solidarity, provided Father Momis with a political base of influence in the climate of fickle loyalties that typify PNG politics.

The MA supported the vote of no confidence that brought about the overthrow of the Somare Government in March 1980 and was part of the new coalition led by Julius (later Sir Julius) Chan with Father Momis in a senior Cabinet position. Momis again won the Bougainville regional seat in 1982; the members for North, Central and South Bougainville were also MA supporters. However, in the period 1983-87 Bougainvillean representatives were more often in opposition than in government: an apparent shortcoming that was not without its critics among the more economically pragmatic Bougainvilleans.

Momis was returned again as a regional member in the 1987 national election. Much of this electoral success can be attributed to the grass-roots appeal of his Bougainville Initiative Fund. After this election, the MA joined the coalition government of Rabbie Namaliu, and Momis was returned to his previous (and apparently favoured) Ministry of Provincial Affairs.

The MA entered provincial politics in the lead-up to the 1984 elections. A wide-ranging campaign based more on socialist ideology than economic pragmatism, along with identification with re-emerging Bougainvillean nationalism, gained voter support. MA candidates won a sweeping victory.

The 1988 provincial elections saw conflict within MA ranks for the premiership. The retiring premier, Joseph Kabui, was opposed by Anthony Anugu, previously member for South Bougainville. The latter stood with only lukewarm official MA endorsement, and Kabui won the day with personal support no doubt enhanced by his endorsement of the principles of the Bougainville Initiative.

## **Chapter 5**

# **The Bougainville Copper Agreement and its Review**

### **The Agreements of 1967 and 1974**

In June 1967, the embryonic Bougainville Copper Pty Limited (which was to be incorporated into BCL) formalised an agreement with the administration of PNG. This was ratified in the PNG House of Assembly as the 'Mining (Bougainville Copper Agreement) Ordinance 1967'. It was the legislation under which BCL finalised project evaluation, constructed extraction and support facilities and initiated production. The agreement defined the rights of the company in respect of leasehold entitlements and its ongoing obligations.

Royalties were set at 1.25 per cent of the FOB value of exported product in accordance with the provisions of the mining ordinance. Existing taxation concessions were frozen with the addition of a three-year tax holiday and an escalation in the tax rate from 25 per cent to 50 per cent in later years. This trade-off between a tax holiday and a higher tax rate was seen at the time as equitable to both parties. It provided the investor with a tax-free period, up front, to discharge external debt while ensuring an inflated return to the PNG economy after independence. (At this time the Australian Department of External Territories envisaged a more protracted independence process than that which eventuated.)

This 1967 agreement set a precedent in that it granted the administration an option to take up to 20 per cent equity in the mining company (at par) once feasibility was proven. This option was taken up and funded by the Australian administration on behalf of the future government of PNG, though the subsequent disposal of a parcel of shares by the PNG Investment Corporation for capital gain reduced this share to 19.1 per cent. The share option carried an entitlement to appoint a director to the board. Subsequently, the PNG government was invited to nominate a second board member on the understanding that he would be a Bougainvillean acceptable to the NSPG. (The government's interest wilted after 1980.)

By 1974, the political and economic environments had diverged dramatically from earlier predictions. PNG was self-governing; full independence was imminent, and BCL profitability, boosted by an unprecedented above-average copper price as well as by the tax holiday, was beyond all expectation. This surge in copper price was a short-term aberration and prices were to retreat markedly the following year. Nevertheless, BCL's affluence relative to the PNG economy was a catalyst for denunciation of the 'colonial' agreement and a 'renegotiate or legislate' ultimatum from the government.

The consequent Mining (Bougainville Copper Agreement) Amendment Act 1974 thus defined the rights and obligations of BCL in independent PNG. The main departure from the 1967 agreement was in the area of taxation. The original tax provisions were cancelled in their entirety and replaced with a provision of tax normalisation plus an 'additional profits tax' (APT). The latter took the form of a 70 per cent tax rate in any year when profits exceeded a specified threshold. The formula for this threshold was based on the concept of a 15 per cent net of tax return on investment. The new tax clause contained a provision to protect this threshold rate of return from abnormal conditions of inflation — but at ministerial discretion. This discretion was later invoked to deny a company claim for inflationary adjustment to the threshold.

Provision was also made for protection against discriminatory taxation practices and for the establishment of a total tax ceiling. The latter was tested when the NSPG established provincial tax practices: this was ruled to be applicable only in times of APT.

Royalty rates remained unaltered in accordance with the government's objective of 'normalisation'. But a new resource levy, the 'Bougainville Non Renewable Resource Fund', was introduced. While the fate of this fund was not spelt out in the agreement, it was to become a (minor) source of provincial funding.

The 1974 amendment also formalised a previously informal undertaking that BCL would not initiate mineral exploration within the existing prospecting authorities without prior government approval. This clause further provided that, in the event of development in the Mainoki-Karato areas, it was 'contemplated by the parties that the Government shall have the right to take up a majority interest should it so desire'.

Throughout renegotiation discussions, the government had the assistance of a group of advisers provided by the Commonwealth Secretariat, drawn from a cross-section of professionals and academics

with experience of mining agreements in developing countries. These advisers provided a high level of expertise in the PNG negotiating team. Senior consultant Mike Faber forecast at the time that the tax regime 'may well set a precedent for other mining agreements between Government and multinational enterprises'. In explaining government strategies on non-tax amendments, Faber further states:

- 'For the Government of Papua New Guinea, and more especially the people of Bougainville, the provisions in the new agreement covering social and environmental matters and legal form will be as important as those relating to tax.'
- 'In matters like training, localisation of staff, local purchasing and the encouragement of indigenous business it is recognised that the record of the company has been good, and what was being asked for amounted to more of the same and a requirement that local Bougainvillean interests should formally be drawn into consultation. This has been agreed to henceforward.'
- 'The issues relating to social and environmental disruption and rehabilitation are rather more contentious, but the company appears to have had no major difficulty in agreeing to the substance of the Government's proposal.' (1974:449)

A further and innovative provision in the 1974 amendment was a review designed to address the equitable operation of the agreement at seven-year intervals.

After the agreement was renegotiated, the PNG political structure assumed an extra dimension with the introduction of provincial government. This led to inter-government conflict on revenue distribution, but the Bougainville Copper Agreement review was not accepted by PNG as the appropriate vehicle to debate such issues.

### **The Bougainville Copper Agreement Review**

Clause 26a of the Bougainville Copper Agreement provides that the parties 'shall meet together during the seventh year after (1974) and at intervals of seven years thereafter, with a view to considering in good faith whether this agreement is continuing to operate fairly to each of them and with a view further to discussing in good faith any problems arising from the practical operation of this agreement'.

In preparation for the 1981 review, BCL submitted a schedule of issues for discussion. The main topics were:

- alleged inequities in the implementation of clause 7 (taxation); in particular profit-averaging for APT calculation, indexation for inflation, and the escalation in provincial taxation initiatives;
- disquiet over the standard of services provided by government under clause 12 (education/police/medical facilities), in particular the growing law and order problem and expansion of squatter settlements;
- the desirability of exploration in general as a basis for planning the mineral development of the province in the longer term; in particular the potential for NSPG involvement in the exploration or development of the Mainoki-Karato area.

The government responded with a schedule of counter-claims requesting:

- increased standardisation in areas such as import levies and taxation, in particular replacement of the APT formula in the Bougainville Copper Agreement with what had subsequently been adopted as general legislation under section 163z (division 10) of the Income Tax Act;
- studies on smelting and hydro power options;
- more formalised government controls in areas of marketing, consultant groups and the supply of information.

The division 10 legislation was attractive since it was based on cash flow rather than profit, and so eliminated inequities due to the lack of an averaging clause in the Bougainville Copper Agreement. However, as the legislation was introduced after 1975, it provided no guidelines for evaluating pre-1975 expenditure in Kina/US dollar equivalent. Subsequent meetings discussed the applicability of adopting division 10 for BCL, but became bogged down in the question of valuation of pre-1975 expenditure — critical in the BCL context.

The NSPG did not become involved in these meetings: a shortcoming that BCL considered unacceptable in view of the growing pressures within the province for a larger share of mine-generated revenue. National government representatives contended, for their part, that the agreement was with PNG and that the NSPG had no basis for involvement. Discussion on both issues drifted into stalemate, and the 1981 review withered on the vine.

As the 1988 review approached, BCL adopted a more positive stance by seeking to use it as a national/provincial forum for discussion



of substantial issues. This was suggested to Father Momis in response to his Bougainville Initiative and recommended formally to government in a letter dated 29 December 1987 to John Kaputin, Minister for Minerals and Energy. It stated:

In hindsight the attempted review of 1981 lacked on two counts. Firstly, differences between National and Provincial Governments led to conflicting pressures. Secondly, substantive issues were not sufficiently prioritized and issues of administrative detail detracted from the high level of participation that should have been attributed to such an important discussion.

With a view to more productive discussions and meaningful agreement emanating from the 1988 review it is suggested that the National Government consider an appropriate level of provincial involvement and that discussions be categorised into conceptual issues as distinct from administrative details.

Background notes were submitted on the following conceptual issues that BCL believed were likely to be of interest to all parties:

- **Terms of reference.** A joint statement explaining the intent of clause 26a and stressing that the parties intended cooperating to seek mutually acceptable objectives. It was hoped that such a statement could head off exploitation of the review for political purposes in the following provincial elections.
- **Defining the beneficiaries.** Any meaningful discussion on the distribution of benefits emanating from the mine would require, as a prerequisite, that the benefits for the recipients be defined and quantified.
- **Development of local industry.** Government/Company liaison on business development opportunities, appropriate vehicles for development, and some creative thinking on provincial funding issues could enhance the development of local industry and provide positive long-term benefits.
- **Future population/employment trends.** The high birth rate and resultant population growth must be recognised as a major issue to be addressed by long-term planners, particularly if employment opportunities from the mine and mine-dependent activities diminish.

- **Optimisation of resource utilisation.** Government strategists should be aware of the relationship between production costs and recovery from the resource. The positive impact of investment in cost-effective technology in resource utilisation should be clearly understood by planners of fiscal policy.
- **Exploration initiatives.** The history of exploration and mine development on Bougainville has demonstrated the need for greater sensitivity to local political and community wishes, regardless of strict legal rights. Nevertheless, evaluations of the province's mineral potential is a prerequisite for realistic economic planning. The future of further exploration with its attendant rights and responsibilities needs to be discussed.
- **Impact of corporate longevity.** A successful exploration program and the resultant assurance of mining potential beyond the existing Panguna resource would impact on infrastructure within the province. The potential of hydro power as a substitute for imported fuel has been investigated under a joint National/Provincial/BCL study. Such a facility, if it could be amortised over sufficient ore resources, would enhance the economic development of the province in the longer term.

Regrettably, the proposed forum that could have discussed these issues in an atmosphere free from political intrigue and emotionalism did not materialise.

## Chapter 6

# The Impact of the Mine

### The Environmental Impact

The BCL mine is essentially a high volume/low grade operation. Since production began, a total of 1.25 billion tonnes of material has been removed from the Panguna mineral deposit for the recovery of 10 million tonnes of concentrate. The resultant open pit covers an area of 400 hectares. This land is lost for ever, being replaced, most likely, by a man-made crater lake.

The residual material from this hole has to be located elsewhere. Some 50 per cent is in the form of solid waste, which is systematically stacked in a nearby valley. These waste dumps add some 300 hectares of flat land for the extension of mine facilities, but destroy the valley slopes' potential as traditional garden sites. The balance from which minerals have been extracted flows out of the mine treatment plant in the form of tailings. Disposal of tailings is an inevitable result of mineral extraction. In the case of BCL, the impact of this on the environment is monumental, representing an outflow of some 120 000 dry tonnes of fully ground material in the form of slurry every 24 hours of operation. Alternative methods of disposing of tailings dams were studied before the start of operations. Conventional tailings dams (where the coarse 'sands' are used to form retaining walls for the unconsolidatable 'slimes') were ruled out. Not only would conventional tailings eliminate further tracts of arable land, but their stability could not be assured in an environment of such high seismic activity. Pipeline transport for dumping at sea was considered but rejected on technological and financial grounds. Furthermore, the leading hydrological consultant retained to advise on stream transport of tailings material projected that some 80 per cent of the material would move to the mouth of the Jaba River by natural flow.

The chosen option of 'dumping' into the river system proved in the event to introduce problems in material deposition. Contrary to projections, only some 60 per cent of the contained solids were transported hydraulically to the mouth of the Jaba River. These were to form a delta of some 1000 hectares with appropriate estuarine ecosystems. The balance has deposited in the Jaba River basin; this introduced

material management responsibilities (and attendant costs) and effectively prevented rehabilitation work during the life of the mine.

A review of disposal options after ten years' operating experience, along with improvements in pipeline transportation technology, led to a decision to construct a pipeline to transport tailings for marine disposal on the west coast. While costly in terms of initial capital outlay and net present value calculations, the pipeline was favoured on resource-utilisation and environmental grounds. Not only did it remove the physical management of tailings as a potential constraint on an extended utilisation of the Panguna resource; it would also facilitate rehabilitation of existing tailings deposits on a planned basis during mine life. On the debit side, marine disposal will eliminate benthic organisms in the disposal area. Furthermore, while marine disposal has so far had no impact on marine population, the prospect of some detrimental effect in the future cannot be completely discounted. Nevertheless, tailings disposal by pipeline direct to the sea is generally accepted as providing the least unfavourable environmental impact of continued mine operations.

Natural leaching of copper from waste rock dumps and tailings depositions will continue after mining operations have ceased. Recovery of copper metal from waste dump leachate is technically and commercially feasible and could become the basis of a long-term cottage industry. The volumes of copper released from tailings dumps has not yet reached an environmentally dangerous level, but continued monitoring is required.

Clause 15 of the 1967 Bougainville Copper Agreement prohibits the disposal of over-burden and tailings 'in an area or in a manner not previously approved [by the government] for that purpose'. Such approval, along with its attendant constraints and obligations, was subsequently defined in the 'Disposal of Overburden and Tailings Agreement 1971'. The 1974 amendment added procedures 'for the purpose of enabling the Government to conduct a study of the impact on the environment of the mining and related operations of the company'. This study resulted in no change to the 1971 agreement.

Following the decision to construct a pipeline for tailings transportation, BCL applied to the government for the necessary approvals. These were incorporated in the 'Disposal of Tailings and Waste Rock Agreement 1987'.

In response to escalating agitation from landowners, the Ministers for Minerals and Energy and for Provincial Affairs visited Panguna in mid-1988. This resulted in the commissioning by the PNG Department of

Minerals and Energy of a New Zealand consultancy firm, Applied Geology Associates Limited (AGA), to determine the social and environmental impact, both past and future, of mining operations at Panguna. The AGA study reported that mining operations had an adverse environmental impact, but in social rather than purely physical terms. The recommendations by and large were consistent with BCL strategies, although in some instances (e.g. stabilisation of tailings) BCL technical staff thought that AGA underrated the potential for rehabilitation.

Unfortunately, landowners dismissed the study before the report was issued. This reaction is described by Dr John Connell, a member of the AGA study team with long-term research experience on Bougainville as follows:

Applied Geology Associates Limited held a one day seminar to discuss its preliminary findings and conclusions. During this seminar Applied Geology Associates Limited consultants expressed the view that although environmental damage from mining operations was substantial there was no direct evidence of significant levels of chemical pollution and thus it was unlikely that Bougainville Copper Limited's operations were responsible for the loss of wildlife, declining agricultural production or a range of human illnesses. Landowners present at the meeting disagreed violently with this conclusion; Francis Ona declared the environmental enquiry to be a 'whitewash' and stormed out of the meeting. An inquiry that was intended to aid the resolution of land-owners' grievances had merely emphasised to the land-owners present that they would be most unlikely to receive high levels of compensation for chemical pollution and thus may have proved to be something of a catalyst for the movement to violence. (Connell, 1991:71)

This seminar was held on 18 November 1988. The events that were to follow seem to bear out Connell's prognosis.

### **The Social Impact**

The improved mobility resulting from mine access roads has contributed significantly to the community well-being of south-west Bougainville. Even for villages peripheral to the mining leases, the impact on their society has usually been, on balance, positive. However, communities within the special mining lease, in particular

Dapera, Moroni and Guava, have been left to bear the brunt of the social cost of mine development.

The significance of land in the indigenous culture has been discussed at some length in Chapter 3. It should be added that while the transition to cash cropping (and the resultant erosion of land-usage patterns) was well entrenched in coastal regions, the people in the Panguna environs had, until the mine was developed, been insulated from these changes by their relative isolation.

Thus the mine, with its apparently insatiable appetite for land, had a traumatic impact on the resident society, who saw land rights being violated and land being permanently taken out of traditional usage.

The AGA study highlights the social disruption to these people at some length. The conclusions, while failing to recognise the sensitivity of BCL management to the complex social issues, get to the heart of the problem: alienation of land. AGA further stresses, quite correctly, the particular plight of the relocated villages of Moroni and Dapera, who are forced (albeit by their own desire to remain on ancestral land) to live on the very fringe of a 24-hours-a-day mining operation with its attendant inconveniences and social disruptions. It may have been preferable to take a firmer stand on options to relocate outside the mining lease. Further relocation of Dapera village, which is located on mining waste material, has been mooted from time to time, but debate has become bogged down in factional differences.

Although the adverse social impact of the mining operation is very real, misunderstandings and misperceptions are a frequent cause of landowner anxiety. Accordingly, the corporate organisation has always given priority to community liaison activities. At first, the expatriate component of the staff was large, but, as job skill requirements largely involved communications, the corporation came under early pressure to 'localise' its staff with PNG citizens. This liaison management role was taken over by a Dapera-born schoolteacher who, married to a Guava, had played an active role in BCL's relations with the local community since early exploration. The choice of a Bougainvillean, particularly one with close landowner ties, ensured that community issues were understood at management level. However, the role was a particularly demanding one, since it involved balancing 'wantok' demands with corporate realities. He was to retire in the early 1980s ostensibly to concentrate on his family and clan business interests but also (at least in part) to seek some respite from the pressures of the job.

By this time some semblance of a centralised landowner authority

had been created in the form of the Panguna Landowners' Association (PLA). The PLA executive handled policy issues with the general manager responsible for personnel and community relations (a Bougainvillean from the Buin district). Day-to-day issues continued to be handled at manager level, the new incumbent being a Bougainvillean (though not from within the lease area) with experience in district administration. This was the organisational structure that had been established by the late 1980s, when a combination of conflicting influences (both political and parochial) led to the confrontation of 1989.

Initially, BCL had maintained liaison offices at Buin and Sohano to provide an island-wide coverage. With the establishment of provincial government, the geographical spread of BCL liaison activities was reduced — at the instigation of the NSPG — but coverage of the mine lease areas was maintained. As the NSPG assumed added responsibilities, the national government liaison office at Panguna was discontinued. This eliminated what had been a ready recourse of plaint and mediation for the people. The NSPG provided the landowners with closer representation in the political arena, but the structure of provincial government did not provide a stable (and impartial) administrator for landowners located at Panguna to champion their cause and if necessary to act as mediator on day-to-day issues. This vacuum is noted in the AGA study. It was to lead to the politicisation of administrative issues, as a result of which communications between BCL and the landowners deteriorated.

A fundamental landowner complaint and common criticism amongst analysts of social impact issues is that the colonial administration (or CRA/BCL) took land without the owners' consent. This is strictly correct; but the decision-makers of the day were confronted with the fact that the indigenous culture did not vest authority to make land deals. As Ogan puts it, 'land tenure is a matter of customary rights not ownership' and 'no rights possessed by an individual or group is ever absolute' (1971:92). Furthermore, as extended research later established, the area covered by special mining lease was divided into 510 customary blocks, each with its own internal hierarchy of rights.

The administration had to decide whether to proceed, with the inevitable impact on the social stability of the immediate community, or to lose the prospect of a development that could go a long way towards making an independent PNG financially self-reliant. Having made the decision to proceed, the administration officers sought to explain to the people the changes that could impact on their society.

Contemporary reports suggest that villager reaction was, on balance, negative; even pro-mining sentiments were acquiescent rather than enthusiastic. However, even if public opinion had been fully supportive, such support might not have been based on a full understanding of what was involved. Early in the exploration phase, a representative group of Bougainvilleans was taken on a tour of Australian mines; but it is doubtful whether this gave them any idea of what might transpire at Panguna. Furthermore, at this stage no one, including senior executives of CRA, had any clear idea of how the operations of BCL would evolve.

### **The Economic Impact**

The AGA study was restricted to the social and environment aspects of BCL operations (a constraint dictated by the brief rather than the consultant) and as such did not evaluate their economic impact. Such an evaluation would demonstrate the impact of BCL not only on the economy of PNG generally but also on the province and traditional owners of mine-lease land in particular. It is this particular impact and its relation to the total impact on PNG that give rise to provincial discontent.

Table 4 gives details of direct cash benefits from BCL operations since the start of operations in 1972 to 31 December 1989:

**Table 4**  
**Direct cash benefits from BCL operations, 1972-89**

<b>To PNG government</b>	<b>K million</b>	<b>To landowners</b>	<b>K million</b>
Income tax	582	Royalties (5 per cent)	3
Dividends	166	Occupation & compensation	21
Dividend withholding tax	96	Total	24
PAYE tax	120		
Customs duty	104	<b>To investors</b>	
Miscellaneous	10	<b>(non-government)</b>	
Total	1078	Dividends	577
		Total	577
<b>To North Solomons</b>			
<b>Provincial Government</b>			
Royalties (95 per cent)	61		
Taxes	12		
Non-renewable resource fund	2		
Total	75		



In terms of the national economy, sales of BCL product has generated 40-50 per cent of total foreign exchange; contributions to the national budget represent some 15-20 per cent of internally-generated revenue.

In addition to revenue items directly attributable to BCL, the NSPG receives an annual grant (mainly unconditional) from PNG. Furthermore, the growth of local business stimulated by BCL has provided the province with an expanding tax base. Table 5 gives revenue projections for 1988:

**Table 5**  
**Revenue projections for the NSPG budget of 1988**

	K million	per cent
Mineral royalties	5.6	32
Direct BCL taxes	0.5	9
Other provincial taxes	5.3	30
National Government grants & subsidies	5.0	29
Total	16.4	100

Over recent years the NSPG budget has enjoyed an annual growth rate of some 15 per cent. This has been achieved largely through implementing provincial taxing powers of retail sales tax and land tax, in particular the former, as land tax is not levied on the indigenous inhabitants of custom-owned land. In 1981 the budgetary provision for retail sales taxes represented 6.5 per cent of total revenue compared with 18.5 per cent in 1988: an increase of K2.4 million.

This reflects, in part, more stringent implementation of tax policies. But more important has been the expansion of the tax base as a result of the growth that has occurred in the business community. Such business is heavily, but not entirely, dependent on BCL.

Two substantial studies on the composite economic impact of mine development were undertaken in the early 1970s: by W. D. Scott & Co. (1973) and World-Wide Information Resources (1974). These studies forecast a significant multiplier effect, but, being based on projections rather than raw data, they are of little more than historical interest.

The NSPG, under the leadership of Hannett, commissioned a study of the economic potential of the province by a consortium of British consulting firms led by Economic Consultants Ltd. The report divided

revenue from the mine into foreign payments and retained value. At the national level, retained value was defined as the net addition to GDP. At the provincial level, retained value was defined as the total increase in disposable income of residents of the province (net of remittances out of North Solomons Province — whether overseas or to the remainder of PNG).

Table 6 provides details of the results of the study.

**Table 6**  
**Economic Consultants Ltd's (1984) findings on mine revenue**

	K million	per cent
<b>PNG (other than NSP)</b>		
Retained value	22.4	57
<b>North Solomons Province</b>		
Retained value	33.8	
Multiplier effect	8.5	
Total	42.3	20
<b>Abroad</b>		
Dividends	43.0	
Remittances	8.0	
Total	51.0	23

While limited to 1980 data, these figures indicate that the economic impact of BCL on the North Solomons Province was substantially more beneficial than the simple sum of direct payments would indicate. Furthermore, the NSPG's subsequent increases in end-user taxes could be expected to further inflate values retained in the province.

BCL suggested the clear identification of the beneficiaries as an essential precondition of any meaningful discussion on national-provincial sharing of the economic benefits flowing from BCL operations. This suggestion was conveyed to the Minister as an issue that could provide background for the Bougainville Copper Agreement review of 1988. This would have entailed an updated retained value study of the professional calibre of that undertaken in 1981. Neither government registered particular interest and, as noted above, economic impact issues were conspicuous by their absence in the brief for the study by AGA.

## Chapter 7

# Economic Development

### Employment Opportunities

In December 1988, BCL had a total of 3560 people on its payroll, 2950 (83 per cent) of whom were PNG nationals. Bougainvilleans form the main ethnic group in the national workforce, averaging some 30-35 per cent. Total employment figures had shown a steady decline since the beginning of the decade, reflecting the company's policy of fostering local contractors for mine services and infrastructure. The overseas content in the workforce had declined steadily since operations began as a direct result of the company's training and localisation initiatives.

Since starting exploration, BCL's strategy was to train the indigenous people of PNG to assume operational, technical and administrative roles. Operator training programs ensured that by the time the mine was to start production, all haul trucks and most other units of mining equipment were operated by Papua New Guineans. A mine training college, recognised as the best equipped and staffed technical training facility in the country, provided training in a wide range of trades; 1988 employment statistics included 281 apprentices. Graduates recruited from the two PNG universities were sponsored for further studies offshore in order to secure the level of professionalism needed for localising more senior technical positions in the future.

After independence, PNG passed the Employment of Non-citizens Act, which controlled the employment of non-citizens and required the formalisation of a training and localisation plan. The BCL plan, formulated with the benefit of experience, was to become the yardstick for the Department of Labour and Employment in the administration of this Act.

BCL employees have traditionally enjoyed wages and employment conditions superior to the national standard. Non-financial benefits include highly subsidised housing (or single-status sustenance). Housing allocation reflects organisational hierarchy, and local villagers view the senior staff housing in the urban communities of Panguna and Arawa with understandable jealousy, as do the public servants. Other benefits, such as medical insurance and education subsidies, further widen the gap between BCL employees and the

general community, much to the chagrin of the latter.

While always BCL policy, preferential employment of PNG citizens is prescribed by law both in the Bougainville Copper Agreement and in general legislation. No statutory guidelines or government policy directives are provided on the employment of Bougainvilleans as distinct from other PNG nationals; the matter is left to company discretion.

BCL recruiting is undertaken on a national basis. Applicants are sought who either have the required skills or (as is the case in most instances) have the potential to be trained in such skills. While there is no firm policy of preferring Bougainvilleans, a recruiting bias in favour of applicants from within the North Solomons Province is evident.

The population explosion, coupled with the transition from a subsistence to a cash economy, has resulted in significant levels of youth unemployment throughout the province. Virtually all Bougainvillean children now have some degree of primary (community school) education. Opportunities to enrol in high schools are much more restricted, and quotas ensure a further severe drop-out between junior and senior secondary levels.

Many school-leavers found job opportunities with BCL or mine-support industries. Others learned new skills, resigned from employment and applied those skills to advancing their home communities towards a cash-based economy. Nevertheless, these new sources of employment were insufficient to meet the financial aspirations of the rapidly expanding and partly-educated younger generation. Furthermore, while aspirations for the trappings of a cash-based society had intensified, the work ethic required to tap job opportunities had not kept pace. For example, labour-intensive contracts let to landowner entrepreneurs to foster employment amongst the mine lease community were more often than not staffed by migrant labour.

### **Employee Relations**

The evolution of industrial awareness in BCL-employee relations tends to parallel the political development of the Province. Formal unionism did not emerge during the exploration period; but when the decision to proceed was made, BCL, in close liaison with the Department of Labour, sponsored the formation of the Bougainville Mining Workers' Union (BMWU). It was believed that the existence of a strong and

responsible union to represent the national workforce was necessary for long-term industrial stability. Gazetted in November 1969, the BMWU was geared to the ongoing operations of BCL rather than the shorter-term construction contractor.

The build-up of mining and operating personnel proceeded during 1970 and 1971, and by the time commercial production began in April 1972 the BMWU had acquired good experience under responsible management. Membership was open to all employees; but as the expatriate tradesmen were employed on term contracts, membership and therefore leadership were in practice purely Papua New Guinean.

The year 1974 brought some changes in union leadership, which had previously been provided by senior national staff personnel, and an escalation of strike action company-wide as a means of solving disputes. The same year also saw the advent of the mass demonstration in support of claims: in December 1974, after a mass meeting, a mob led by union officials marched on the administration office. Unrest continued into 1975 and culminated in a major confrontation in May of that year. Following a stop-work meeting, a march to the company's administration offices was planned in order to present grievances to management. The leaders soon lost control, buildings were stoned and vehicles overturned. Police intervention brought more violent action. Throughout the following day, groups went on a rampage of destroying company and private property. The riot squad of the Royal Papua New Guinea Constabulary was flown to the island and regained control after mass arrests. The company ceased operations for a clean-up; production restarted only after a delay of six days.

The events of 1975 attracted considerable outside interest. Blame has been placed variously on the union executive, management attitudes, management organisation and the general political climate. Probably all these factors contributed to the problem, but the political overtones are of particular interest. Nationalist sentiments were running high as the country approached independence; and a readiness to react against perceived colonial institutions is understandable. Probably of greater significance were the secessionist sympathies that were widespread in Bougainville at the time. Certainly, the predominant role played by Bougainvillean employees was considered at the time to be uncharacteristic. Of the 82 employees dismissed for anti-company activities after the riots, half were Bougainvilleans, even though at the time Bougainvilleans constituted only 30 per cent of the total national workforce.

The District Government of Bougainville, at an Assembly Meeting shortly after the riots, recorded its shame 'that Bougainvilleans have been involved in this act of violence'. Leo Hannett, then District Planner, in a covering letter to the minutes of this meeting stated:

I was shocked and ashamed that this took place in Bougainville and that so many Bougainvilleans should be involved. I am sad to see this psychology of violence and lack of respect for human life being slowly imbibed by our people. Obviously there is much for us to instil in our people — proper sense of values, proper sense of judgement and greater respect for life.

In spite of this reference to 'life', it should be noted that the riots of 1975 were directed against property rather than individuals. No people were killed; injuries were minimal and more accidental than intentional.

In the restructuring of the union that followed, the BMWU presidency went to Henry Moses, a company employee of long standing in the industrial relations management field and a local landowner-businessman. Moses was to abandon employment with BCL to devote full attention to his union and political interests. He extended his field of influence into provincial politics by winning the seat of Panguna in the inaugural elections of 1976. He went on to win national acclaim for his work in the trade union movement, the BMWU being his power base. However, his joint responsibilities as landowner and provincial politician left a sometimes hazy dividing line between his industrial and political relationships.

The 1980s brought even more politicisation of the BMWU leadership. In 1983 another Bougainvillean ex-employee was elected to the position of Senior Vice President, and in 1984 both he and Moses were elected to the Provincial Assembly. Thus the two senior BMWU executive positions were held by provincial politicians, neither of whom was a company employee. These politicians represented the urban areas of Arawa and Panguna. In addition, the provincial representative of the rural area surrounding Panguna was a BMWU research officer. Thus, in the 1984 provincial government, elected members for three electorates subject to direct mine influence had BMWU connections. This situation of non-representative union leadership, while in contravention of the BMWU constitution, persisted through the mid-1980s largely because of employee apathy. However, a dispute over holiday payment in December 1986 provided an

opportunity for the company to bring the union executive to the negotiating table with an insistence that employee representatives be present.

An election of office-bearers in 1987 elicited much more active interest from employee as opposed to political nominees. A subsequent election in early 1989 recorded an unprecedented six nominations (all employees) for the position of President and a substantial increase in the number of votes cast compared with the period when the executive was heavily politicised.

### **Business Development**

As a green fields operation responsible for virtually all its own infrastructure, BCL could have been developed as an economic enclave. However, company policymakers, supported by government planners, sought to blend the mine-dependent demand for goods and services into the economic development of the community.

An early BCL initiative that found a ready clientele among the entrepreneurial Bougainvilleans involved business advisory and agricultural extension services. The organisation of mess food-buying through rural consolidation agencies opened up a lucrative market for garden-style cash crops. Service functions ancillary to BCL's mainstream operations were devolved to local contractors. Labour contracts, transport, security services and building were typical industries that attracted individual or community involvement.

Since not all business opportunities were within the competence of such groups, provincial planners incorporated the Bougainville Development Corporation (BDC) to develop middle-size ventures often in partnership with offshore experts. BDC was structured as a public company with provincial and community government shareholders. Its initiatives included commuter air services, steel fabrication, catering services, furniture manufacture and limestone processing.

While seeking to develop satellite industries as far as possible on an entrepreneurial base, BCL recognised that initiatives were required to secure long-term PNG ownership in ventures requiring a level of financial and management expertise not then available in the local community. This was achieved by investment through the Bougainville Copper Foundation (further details of which are given on pp. 43-5 below).

The impact of business development on the provincial economy has been significant. Nevertheless, the growth of business has given

rise to factional jealousies and bred discontent about alleged injustices.

The 1974 agreement required that 'the company should conduct its business advisory services under the general policy direction of a steering committee to be established by the Bougainville Provincial Government and the company shall, if such general policy direction requires, make its said business advisory services available on as widespread a basis as is reasonably possible to all areas of the Bougainville district'. But no such steering committee emerged, and when political direction did emerge, it was ad hoc and invariably coloured by the parochial affiliations of the initiator.

Thus BCL has had to rely on its own resources to maintain a balance between the business aspirations of local landowners (who believe they have an exclusive right) and the community at large (as stipulated by legislation). Its practice has been to seek compromise, with a bias towards landowner groups provided they can demonstrate an ability to perform. Inevitably, there are cases where aspirations outweigh ability and many contracts are awarded on merit to entrepreneurs from outside the mine lease area: a factor that leads to discontent amongst some landowner factions.

The investment initiatives of the Bougainville Copper Foundation have been misinterpreted as a BCL rake-off. This misinterpretation at least partly reflects the inability of the society to come to grips with the notion of a non-profit making foundation funded by business enterprises. More important, the retailing and agricultural activities were seen as an encroachment on the preserve of local entrepreneurs, and gave rise to the widely-held opinion that BCL should limit its activities to mining. Even the BDC, at one time a success story of provincial involvement in business development, came in for its share of political flak in the mid to late 1980s. A share issue to raise additional capital in which the NSPG had declined involvement (whether deliberately or by default), giving rise to conflict between BDC management and the NSPG, was labelled by Father Momis in his Bougainville Initiative as a 'shameful hijack'.

Inevitably, the materialistic trappings of 'bisnis' with the division between the 'haves' and the 'have-nots' (often more imaginary than real) has contributed in no small way to the unrest that culminated in the 'revolution' of 1989. Commenting on local business development, Oliver notes:

Poor management and uncontrollable circumstances also plague a large percentage of individually — or family — owned productive and retail enterprises, and result in the



downfall of some of them; nevertheless, enthusiasm for earning money by starting or joining new 'BISNIS' ventures is widespread and seemingly undaunted. This is due in part to ignorance about or disregard of the hazards of such ventures, but also in many instances to the durability of Bougainvilleans' belief in the mystique of cargo. (1973:195)

The presence of the mine expanded the opportunity for entrepreneurial activity. However, aspirations outpaced opportunity and while there were some noteworthy successes, there were also failures and unfulfilled expectations. Thus, when frustrations erupted into violence, successful businesses owned by Bougainvilleans also fell under the gaze of saboteurs.

### **The Bougainville Copper Foundation**

Bougainville Copper Foundation (BCF) (originally called Panguna Development Foundation) was incorporated in April 1971 as a company limited by guarantee. The guarantors are BCL and other sponsoring companies in the CRA/RTZ group. The objectives, summarised from the Foundation's Memorandum of Association, are:

- to make grants and donations in Papua New Guinea for charitable, public, scientific, educational and artistic purposes;
- to assist and promote participation by Papua New Guineans in commerce, services and industry;
- to provide medical, educational and welfare services for people in Papua New Guinea; and
- to provide and assist in the provision for people in Papua New Guinea of training in professional, commercial, agricultural and industrial skills.

An initial grant from BCL of approximately K3 million in assets (granted before the 1974 Bougainville Copper Agreement amendment made donations subject to government veto) provided the Foundation with an independent financial base. A holding of 3.6 million shares in BCL and other investments provides a source of revenue to meet the foundation's charitable and developmental pursuits.

The activities of the Foundation are administered by an executive committee (of which majority membership must be PNG citizens), including representatives from national and provincial governments,

the North Solomons community and BCL. BCL assists in the provision of management services, subject to the overriding constraint that no income or property of BCF can be transferred to BCL (or other guarantors) by dividend or other means.

One of the Foundation's early initiatives was the launching of a retail-wholesale trading complex to service the expanding demand for trade goods and at the same time capture the financial returns from trading for the long-term benefit of the community. The vehicle for this investment was to be consolidated under the banner of Arawa Enterprises Limited. This corporation offered shares to the public in 1975 and again in 1983. Both issues were undersubscribed; BCF as underwriter subscribed the shortfall and so maintained a majority holding. BCF policy is to divest itself of this majority position by encouraging an increase in shareholders by PNG citizens or business groups. More recently, Arawa Enterprises Limited has expanded its trading activities to other parts of PNG.

The other main developmental thrust has been in agriculture, where BCF, through a subsidiary called North Solomons Agricultural Foundation, took over responsibility for agricultural extension work initiated by BCL. The village society, with its background of subsistence farming, responded positively to the increased demand for vegetables, although there was some reluctance to diversify out of traditional crops. In animal husbandry, a trial in cattle breeding failed to attract interest, but the supply of an improved strain of pig proved popular in the village community. Nevertheless, village pig production did not reach commercial proportions. To overcome this shortfall as well as maintain the supply of weaners to villagers and growers, North Solomons Agricultural Foundation established an intensive pig-breeding operation. Egg production encountered some initial entrepreneurial interest, but this fell away over time, to be replaced by an egg-laying project sponsored by the North Solomons Agricultural Foundation. These initiatives were to ensure provincial self-sufficiency in pork, bacon and eggs with prospects of an expanding market into other parts of PNG.

Another BCF offshoot, the North Solomons Medical Foundation, was set up to provide a higher standard of medical service than that available from the public hospital. While initially requiring financial support from BCF, North Solomons Medical Foundation was structured on a fee-paying basis to be viable (but not profitable) over the long term in its own right. As its objective was to provide a higher standard of health care, the North Solomons Medical Foundation clinic and small

hospital in Arawa were inevitably labelled 'elitist'. It **was** elitist in the sense that it provided the community with an option equivalent to a private medical practice: an option that proved popular in both urban and rural communities.

In spite of its activities in the field of merchandising, agricultural extension and medical services, the main long-term objective of BCF was to support community activities and projects. As a registered charitable body, it was required to distribute more than 80 per cent of its net income to worthy causes. The donation policy formulated to meet this target was directed primarily at education and health services, social and cultural activities being relegated to a secondary position.

However, while conceived and administered with good intentions, the activities of BCF were widely viewed with distrust and attracted adverse political comment. Father Momis, in his Bougainville Initiative, was to dismiss it as a 'public relations stunt' reflecting 'BCL's power of patronage'.

## Chapter 8

# BCL's Compensation Policies and Community Aspirations

### The Evolution of Compensation Policy

In *Compensating for Development: The Bougainville Case* (1977), Richard Bedford and Alexander Mamak have published a detailed coverage of the evolution of BCL compensation policies. Their research incorporated the exploration and construction phases of the project, as well as the formative years of operation through to the end of 1974.

As Bedford and Mamak point out, these policies had to be established in a virtual vacuum, since there was little in the way of precedent to call on throughout developing countries and virtually none within the Melanesian land ownership culture. 'In the extensive literature on methods by which multi-national corporations gain access to and exploit resources in third world countries discussion tends to focus on issues at the national and international levels. Considerably less attention has been given to ways of compensating those members of the host society whose socio-economic activities are immediately affected' (1977:1).

In the absence of either legislative direction or precedent, it was left to early exploration teams to sort out equitable conditions of entry with local villagers. Ken Phillips, the geologist who led the first exploration party provides an insight into the period 1964-66 (see Appendix D). While relationships tended to fluctuate, the availability of wage employment along with a generously administered system of compensation payments appeared to have gained reasonable acceptance in this early prospecting stage. However, as exploration activity increased, geologist-villager relationships deteriorated.

In the meantime, administration officials were drafting mining legislation that would take cognisance of the inadequacies of Australian law in the context of Melanesian land ownership. This revision of the mining ordinance formulated in mid-1966 incorporated provision for compensation in respect of:

- damage to surface and improvements (including crops and economic trees);
- loss of surface rights and access;
- consequential damage;
- formalisation of procedures for complaints through the Mining Warden;
- payment of occupation fees of 5 per cent of the unimproved value in respect of both private land to which surface possession is deprived under a prospecting authority (subject to a minimum of \$1.00 per acre), and mining tenements over private land (subject to a minimum of \$2.00 per acre).

In additional recognition of land-ownership rights, Paul Lapun successfully pushed through an amendment that allocated 5 per cent of royalties to landowners. This was a breakthrough, even though those with strictly parochial interests believed the landowner allocation should have been 100 per cent. Later, with the advent of provincial government, the remaining 95 per cent became part of provincial budget funding.

In 1968, the going rate for cash-crop compensation was \$1.00 per cocoa tree and \$2.00 per coconut tree. These rates were thought to be inadequate in the context of Bougainville's emerging cash crop economy; so with the Public Solicitor representing landowner groups, rates for losses resulting from BCL operations were set more realistically at \$13.50 per cocoa tree and \$15.00 per coconut tree.

Under the terms of the ordinance, compensation for crop damage was to be administered by the Mining Warden. However, with the start of construction in 1969, the Warden's Court became bogged down in an escalating number of claims. To cope with this change, BCL established a village relations section to handle claims administration directly with landowners, applying a schedule of agreed rates: a procedure that became fairly routine. Compensation rates for the loss of fish and fishing rights were set also by negotiation, in this case with the Public Solicitor acting for landowners. Unlike crop compensation, which was in the form of a one-off payment, these were structured on an ongoing basis.

In 1969, the Mining Warden ruled on standards to apply for the relocation of houses and village communities. These standards (which included permanent building materials, water tanks and toilets) were to be the norm for any future relocations attributable to mining operations. The practicalities of finding acceptable relocation sites was left to

negotiations between the company and the parties directly involved.

Ideally, from a BCL point of view, relocation should have been to a site outside mining lease boundaries, making use of plantation areas that had been alienated from custom ownership. However, the cultural ties of the people to their traditional land tracts militated against the acceptability of such a move. Accordingly, the less than ideal solution of relocation within the mining lease was adopted. The attendant social problems became a source of continuing irritation particularly in the relocated communities of Moroni and Dapera.

The provision for occupation fees introduced in the legislation of 1966 was significant in that it introduced the policy of an ongoing financial return to the holders of custom-owned land subject to mining tenement. The administration of this policy introduced the criterion of 'unimproved capital value': a concept that had to be quantified in the context of Bougainvillean land.

The special mining lease was gazetted on 10 April 1969. Others followed, the main tailings disposal area lease being formalised on 22 April 1971. The Public Solicitor came to the aid of landowners, and an accredited valuer was brought from Australia to quantify the unimproved capital value.

Leases are spread over a wide spectrum of land types, ranging from highly productive agricultural land in the foothills to swampy tracts in the lower Jaba basin. The proposal of a differential fee based on ground productivity did not gain landowner support; in any event, the sheer magnitude of such an exercise would have made it impossible to achieve consensus among the landowners in the negotiating period.

The end result (more by negotiation than by formula) was an average land valuation of \$130 per acre, resulting in an occupation fee payment for the period 1969-75 of \$6.50 per acre (\$16.25 per hectare). This was increased (more arbitrarily than scientifically) to K10 per acre (K25.00 per hectare) for the period 1975-79.

### **The 1980 Compensation Agreement**

By 1979, landowners had mobilised themselves into the Panguna Landowners' Association (PLA) under the leadership of Michael Pariu, a seminary-trained schoolteacher. This organisation was accompanied by a groundswell of village expectations (accompanied by demonstrations) of a significant increase in the occupation fee rate, which was due for renegotiation.

In 1979, the PNG Valuer-General formalised for the first time the unimproved capital values for BCL leasehold land. These valuations graded land on a productivity basis, and ranged from K3 per hectare for swamp to K50 per hectare for market garden land: a total of K221 500 for all BCL leases. Implementation of these valuations in accordance with the Mining Act would have reduced substantially the level of occupation fees payable: a completely unacceptable solution. Quite apart from the amounts involved, the relativity (a factor of 1:17) was far from attractive to landowner factions in the tailings disposal area, who had previously enjoyed a standard rate irrespective of land productivity. It was also recognised by BCL management, government administrators (both national and provincial) and far-sighted landowner representatives that some structural change in the occupation fee/compensation package would be mutually beneficial. Hitherto, payments had dwindled rapidly into the trappings of a cash economy with little evidence of any continuing benefit that would accrue to the next generation. In cases where land was permanently taken out of its traditional usage, such short-term compensation had obvious long-term ramifications.

Accordingly, against this background, the parties sought to establish a durable agreement that would:

- formalise a structure whereby payment of occupation fees above statutory requirements could be implemented within the existing legal framework;
- provide at least some element of differential compensation for land occupancy in respect of physical damage and level of inconvenience;
- introduce a trust fund aimed at securing the long-term prosperity of the community rather than the short-term affluence of particular participants.

The result was a five-year compensation agreement formalised in 1980 to cover the period March 1979 to March 1984. This incorporated:

- an occupation fee payable in respect of all BCL leased land and expressed in two components: statutory (K5 per hectare) and Panguna regional (K25 per hectare);
- physical disturbance compensation payable in respect of leased land physically disturbed by BCL operations: K10 per hectare plus annual CPI adjustment;

- social inconvenience compensation payable in respect of all BCL leased land: K15 per hectare plus annual CPI adjustment;
- bush compensation payable for loss of rights associated with the bush in leased areas and to be retrospective: K7.41 per hectare plus annual CPI adjustment;
- river and fish compensation: K150 000 annually, subject to CPI escalation;
- formalisation of crop compensation rates and village relocation responsibilities.

In addition, provision was made for some of the money (in particular inconvenience payments and bush compensation back payments) to be made into a trust fund to be administered by landowner trustees.

This agreement sought to rectify the inequity of the earlier arrangements whereby there was no financial differential between leased land which was damaged or permanently lost and that which was virtually unaffected. Nevertheless, it failed to embody the principle of differential compensation based on land productivity. As the size of the dependent population tended to reflect productivity, the variation in denominator and resultant cash benefit per capita was to be a cause of disharmony. The people from the more populous Special Mining Lease were disadvantaged (in some cases quite significantly) relative to the residents of the less populated tailings disposal area.

This agreement format was extended beyond 1984, with continued CPI adjustments (where applicable), by mutual consent. It was formalised again in 1986 to cover the period March 1986 to March 1990. However, jealousies caused by the distribution of payments and the administration of the trust fund contributed to factional rivalries within landowner groups; these were to degenerate into anti-BCL activities and rejection of established authorities. Pariu's position as leader of the PLA was endorsed in 1980, when he was elected as the member for the rural electoral division covering the Special Mining Lease area. However, changing political loyalties led to his being beaten in the 1984 elections by Melanesian Alliance nominee (and later Premier) Joseph Kabui. Inevitably his standing as leader of the PLA would also be challenged (see Chapter 9).



## **The Bougainville Initiative**

The Bougainville Initiative Fund was launched under the Melanesian Alliance banner by Father Momis in his 1987 national election campaign. It first surfaced in the form of a five-page letter dated 4 May 1987 that was handed to me at my home by Father Momis and his campaign director, Gabriel Lafitte. This letter (reproduced in this volume in Appendix C) denounced the activities of BCL, and, under veiled threat of mine closure, suggested that BCL pay direct to the NSPG an amount equal to 3 per cent of gross metal values (or 4 per cent of net sales revenue). This amounted to K12.6 million in the context of 1986 trading results.

The Bougainville Initiative inaugural letter promised that 'what is proposed here must come to pass. It will be the public agenda of the coming weeks of election campaigning'. A professional publicity campaign ensured wide and eye-catching press coverage: for example, 'BCL the pig who eats roots and leaves'. It was followed by a delegation to BCL offices led by Father Momis and supported by some provincial politicians and landowners' representatives but not by the recognised leaders of the PLA. Later in 1987 the leadership of this association was challenged by Perpetua Serero, who was awarded the status of spokesperson for the landowners in the Momis delegation.

Understandably, the idea of an escalation in the level of funds flowing direct from the mining operation to the province received wide provincial support. Thus MA ideology and Bougainville Initiative sentiments featured prominently in the provincial elections that were to follow. As Father Momis forecast, this ensured that the proposal had 'the active support of the people of North Solomons'.

The associated political rhetoric played a major role in stimulating pecuniary aspirations within the province. Furthermore, while specifically nominating the NSPG as the recipient, it highlighted the social costs borne by landowners in the mine lease area and also, if only by inference, raised expectations of added financial reward within this particular group.

While outspoken in denouncing the social and environmental impact of BCL operations, the Bougainville Initiative saw the answer in further financial gain that 'restores our dignity, confidence and self reliance' rather than curtailment of mining in the future. The proposal even suggested that 'it may be possible to begin negotiations over the moratorium which prevents exploration of the rich copper neighbouring the existing mine'. In response, BCL drew attention to the periodic

review of the Bougainville Copper Agreement that was scheduled to take place in 1988. The company recommended that this review should provide a suitable venue for the parties to discuss relative government revenues. (The additional K12.6 million 'royalty' suggested would have reduced national government revenue from taxes and dividends by some K7 million.)

The Bougainville Initiative was one of the prime catalysts, if not the major one, of the subsequent conflict. As an exercise in political pragmatism, it was highly successful. As was no doubt intended, the prospect of a significant increase in provincial funding won the support of the electorate, and Father Momis was re-elected. Unfortunately, expectations of additional funding were not realised. Bound by the legislation under which it operated, BCL was not in a position to interfere in national-provincial funding relationships: a fact that I believe was understood by those who framed the Bougainville Initiative.

The review of the Bougainville Copper Agreement scheduled for 1988 had been recommended as a suitable vehicle to discuss funding issues; but such discussions foundered through lack of government commitment. The people of North Solomons Province, their expectations raised by pre-election rhetoric but shattered by the realities of post-election politics, had just cause for frustration and discontent.

### **The National Premiers' Council**

While the Bougainville Initiative did not appear on the post-election political agenda as such, a meeting of the provincial Premiers' Council in June 1988 reiterated sentiments of enhanced provincial involvement, both financial and political, in mining ventures. Premiers' conferences had been institutionalised since the late 1970s; this 1988 meeting was the eleventh to be held.

PNG had for some time been reviewing potential changes to the mining legislation. Parochial interests were aroused by prospects of Misima, Porgera and Lihir, in addition to the going concerns of Bougainville and Ok Tedi, supplemented by increasing oil exploration. A mining and petroleum working committee was formed with a broad cross-section of involvement at provincial government level.

The report of this committee, issued in September 1988, was the basis for a submission to the National Executive Council in November by Father Momis in his role as Minister for Provincial Affairs and as Deputy Chairman of the National Premiers' Council. Understandably, the main beneficiary in the proposed new financial package was to be

the provincial government. It was proposed that royalty should be either at a rate doubled to 2.5 per cent plus 20 per cent of income tax revenue, or 30 per cent of income tax. Revenue payments were to be made through the Mineral Revenue Stabilisation Fund (suitably restructured with 'ramping' and 'payback' provisions), with payment to start at the beginning of construction.

Landowners were to be given free rein to negotiate directly with developers on occupation fees without legislated guidelines. Compensation payments to landowners were to cover loss of earnings, disruption of agricultural activities, and social disruption (this had been included in government proposals to revise the mining Act, presumably based on the BCL compensation package). The portion of royalties due to landowners was to remain unchanged at 5 per cent and payable through provincial government. In explaining this, the proposal stated:

The Committee is strongly of the view that greater cash benefits will not of themselves be the answer to the problems presently being experienced by the landowners, and which are threatening so much disruption to major mineral projects in this country. The Committee believes that the cause of these problems is that landowners are missing out on many of the benefits they imagined would be theirs as a result of these projects. Instead, in many cases, the money they get is soon spent, and there is no real improvement in their standard of living. The Committee therefore proposes that a guaranteed proportion of the increased revenue Provincial Governments receive be earmarked for the upgrading of Government services and the creation of development projects in the district where the major mineral project is located.

On the administrative side, two prerequisites were proposed for any mineral or petroleum development contract: first, a certificate of approval by the provincial government, and second, 'Adequate consultation between the relevant Provincial Government and the landowners concerning infrastructure, business development, supply and procurement, training and localisation, environment and any other agreed matter'.

To achieve this hypothetical consensus, all that was proposed was a business development program providing for local involvement in spin-off business opportunities, with the program to be reviewed annually. It was further proposed that:

- the question of mineral ownership be referred to the Supreme Court;
- provincial governments enjoy delegated power to regulate and promote small-scale mining activities (e.g. alluvial leases);
- environmental controls be vested in the Department of Environment and Conservation, not Minerals and Energy.

It was stated that 'the committee is not impressed with the prospect of Provincial Governments buying equity in major mineral projects'. In support of this it was stated that such a practice would only tie up scarce funds; it could produce few or no returns; and provincial governments were ill-equipped to participate meaningfully in the management.

Some discussion and consultation with the mining industry (through the PNG Chamber of Mines and Petroleum) followed, but changes to the mining legislation, either with or without cognisance of recommendations from the Premiers' Council, were deferred.

## Chapter 9

# The Drift to Secession

### External Interests and Influences

Missionaries (predominantly Catholic) have had a presence on Bougainville since the early 1900s, and by virtue of their involvement in education (there were no government high schools before 1964) were to play a major role in shaping the opinions of future leaders. Missionary reaction to mining was varied, although generally protective of their parishioners' land rights and damage claims. However, some spoke out against government policy on mineral management, contending that mineral rights were synonymous with land ownership as is the case in the USA.

Naturally, this opinion fell on fertile ground in the Melanesian, land-oriented social structure. The American-born Catholic priest posted to Panguna in the mid to late 1980s subscribed to this view, and was not backward in sharing it with his parishioners. Historian James Griffin, in an article 'Bougainville Stocktake' (reproduced in this volume as Appendix E), reviews the philosophy of this priest (under a pseudonym) and his influence over the bishop, Gregory Singkai. Professor Griffin, until 1991 a member of the University of PNG and founder of its Extension Studies Unit on Bougainville, is a recognised authority on the island's political development.

Bougainville in the late 1960s and early 1970s attracted more than its fair share of researchers, analysts and commentators. Some of these have been drawn on, where appropriate, in the compilation of this study. One other publication, *River of Tears*, by Richard West, warrants mention not because of its historical acumen but for the role it was to play in subsequent revolutionary sentiments. *River of Tears* is essentially a critique of the alleged insensitivity of large-scale mining to its environmental and social impact. It includes a chapter on Bougainville based on a short visit by the author in the middle of the construction period. The chapter is rife with inaccuracies, errors of omission and ideological bias. But its forecast is noteworthy. West discussed the prospect of secession underpinned by a mine-based economy and foresaw a scenario wherein 'arguments over the ownership of the mine could cause political strife even civil war' (1972:109). The emergence

of 'River of Tears' T-shirts in 1988 and slogans such as 'the blueprint of CRA's plan to destroy third world countries' (i.e. the AGA study) suggests that West's work had either had a lasting impact on the village society or had been rediscovered in the late 1980s to activate secessionist sentiments.

The identification of Panguna as a significant ore deposit attracted increased interest in prospecting in 1969/1970. Buka Minerals Pty Ltd and Rebac Exploration Pty Ltd, subsidiaries of Triako Resources, lodged applications for prospecting authorities over virtually all the areas of Bougainville and Buka not covered by the prospecting authorities held by CRA Exploration. These were not granted and, by notice in the Government Gazette of 22 April 1971, a moratorium was declared on the issue of further prospecting authorities. The Triako Group again indicated interest in a letter to the Premier in 1981 and a press interview in 1986.

In a prospectus issued by Austpac Gold NL, it was revealed that in May 1985 Austpac had entered into a joint venture agreement with Solomons Mines Pty Ltd whereby, in exchange for 500 000 shares, Austpac acquired an 80 per cent interest in exploration tenements granted to Solomons Mines. Solomons Mines, under the directorship of a senior Bougainvillean politician, his wife and an offshore entrepreneur/adviser, was unsuccessful in its application for prospecting authorities.

Subsequently, the NSPG and the MA were to develop the notion of provincial government involvement in a joint venture to develop the mineral potential of the province. The composition of this joint venture (Bougainville Resource Developments) has been given by the Member for North Bougainville (*Post Courier*, 8 February 1989) as: 16 per cent North Solomons Provincial Government; 16 per cent landowners; 16 per cent Melanesian Alliance; 52 per cent mystery owner. It is not clear how landowners are to be defined (e.g. whether of land prospected or of land subject to final, if any, mine development), nor was the mystery owner identified. Subsequent press articles (in *Post Courier*, 4 April 1990 and *The Australian Financial Review*, 12 April 1990) identify a PNG-listed company 'Patana No 82 Pty Ltd' as the exploration vehicle. Benedict Chan, a Sydney notary and Melanesian Alliance 'supporter', was cited as the architect of the joint venture concept.

The influence of Gabriel Lafitte as the MA press secretary publicising the Bougainville Initiative has already been mentioned. Lafitte was to reappear in February 1990 as spokesperson in Melbourne for the 'Bougainville Solidarity Coalition'. His involvement sparked a question

in the PNG parliament, but there is no evidence that his involvement in PNG/North Solomons politics went any further than his contribution of 1987.

### **Landowner Disharmony**

The evolution of the Panguna Landowners' Association in 1979 as a cohesive negotiating group representing landowners from the Special Mining Lease, the tailings disposal area and the port-mine access road was seen at the time as a significant breakthrough in BCL's relationship with the surrounding community. Unity of purpose between these language groups (or different clans within specific language groups) was not a characteristic of the indigenous social structure; and the PLA provided a formal contact point to discuss issues of policy at least partly free from parochial diversions.

A substantial increase in the occupation fee/compensation package of 1980 served to enhance the credibility of the PLA executive in the eyes of their constituents. Renewal of the agreement for the period 1986-90 was not accompanied by the large increases in cash disbursement that had characterised the renewals of 1975 and 1980: a fact that militated against the credibility of the negotiators amongst the more outspoken younger generation.

Early indications of disharmony within the PLA and disillusionment with the established executive were to appear in 1987. In the Bougainville Initiative delegation to BCL management led by Father Momis, Perpetua Serero from Guava village was outspoken on landowner issues. On 2 September, she advised BCL management of a change in landowner representation: a claim that was rejected by Michael Pariu, the initial architect and incumbent secretary of the PLA.

Pariu, in a letter to BCL dated 29 September 1987, denounced the new leadership duet of Perpetua Serero (chairwoman) and Francis Ona (secretary) as 'manipulated' and 'not representative of the whole area'. He claimed that the PLA executive with which BCL had so far dealt had been voted to office in accordance with 'traditional and birthright powers'. Certainly, Serero and Ona were not fully representative, since both came from the same kinship group in Guava, and Ona, at least, did not enjoy primary land rights under the traditional matrilineal system. Nevertheless, the coup was to gain momentum and political support.

By late 1987, Joseph Kabui had been elevated to the position of Premier in the provincial House of Assembly. He had been voted into

the house in 1984, defeating Pariu in the electorate embracing the village communities immediately adjacent to Panguna. By means of a letter dated 7 December 1987, Kabui formally directed BCL to switch recognition from the traditional PLA executive to the new (Serero and Ona), advising that if the company failed to comply then it 'must be prepared to meet the consequences'.

Ogan, in offering an opinion on the root cause of the issues that were to disrupt mining operations, interpreted Ona's reactions as those of 'a younger man dissatisfied with older Nasioi leadership and his own share of the compensation pie'. The assumption that landowner disharmony had its roots in the problems of clan and kinship and traditional land rights is supported by the subsequent disappearance and apparent demise of Matthew Kove, an influential member of the traditional PLA executive and Ona's uncle.

Dr Colin Filer argues that it is likely that 'deals done with one generation of landowners, or their leaders, will be repudiated by the next generation, regardless of the manner in which these deals are negotiated' (1990:27). Furthermore, 'the authority of these leaders within their communities may well be undermined by the very fact of their having been party to some previous agreement' (1990:31).

Separate, but not necessarily disassociated, from the conflicts of kinship was a growing mistrust in the management of the Road Mine Tailings Lease Trust. The trust was introduced in 1980 as a means of investing compensation payments in a manner that would provide a continuing benefit to the community rather than short-term gain to individuals. Ironically, it was an improvement in management practices in this direction that fuelled these suspicions of mismanagement. As Connell explains:

In 1983 more adequate accounting principles were introduced, there was much greater pressure on debtors, fewer loans were distributed and the new Filipino general manager took over. In short, where landowners had once had ready access to loans, and there had been limited if any pressure to repay them, there was now strict financial management and very few individuals saw any direct cash income (loans) from the Road Mine Tailings Lease Trust. (Connell, 1991:65)

The first evidence of outside (non-landowner) involvement appeared at a demonstration on 11 March 1988. A petition presented to BCL management was jointly signed by Ona, Serero and Damien Damen as 'chairman of the demonstration'. Damen, an exponent of cargo cultist



philosophies, comes from the Kongara area to the south of Panguna beyond the territorial boundaries of Panguna matrilineages but still within the Nasioi language group.

In April 1988, the new PLA executive articulated the following landowner demands:

- compensation of K10 billion;
- 50 per cent of profits to landowners and the NSPG;
- consultation on new projects;
- localisation (landowners & Bougainvilleans) of BCL ownership within five years.

While these demands were unrealistic in view of BCL's financial and legal structure, the attendant rhetoric fed the growing discontent over the environmental and social impact (both real and imagined) of BCL operations. A visit by the Minister for Provincial Affairs and the Minister for Minerals and Energy in July, and then the Minister for Conservation and Environment, resulted in an uneasy truce with landowners while they awaited the outcome of the AGA study. When this study failed to lay the blame for all social and environmental disorders on BCL, the long-threatened violence erupted with startling speed and coordination. On 21 November 1988, three days after the meeting of the Applied Geology Associates Limited, Francis Ona resigned from BCL. On 22 November, an armed holdup and theft of explosives from BCL occurred. The following day Ona spoke on Radio Bougainville about big events about to occur. Then, early in the morning of 26 November, there was an outbreak of simultaneous and highly-organised arson attacks. On 1 December a power transmission tower was toppled by explosives.

Anti-company activities were to escalate in 1989 and develop into major insurgency.

### **Mine Closure**

During the early months of 1989, militant activities spread. Plantations and businesses generally were targeted by revolutionary groups, and inter-ethnic violence increased. The army was brought in to supplement police, and a cycle of reprisal and counter-reprisal emerged.

On 18 April 1989, Francis Ona was reported to have made contact with the NSPG, advising it that secession, not compensation, was now the issue. In mid-June Perpetua Serero, in a well-attested statement

made the day before her death, said that she not only 'feared secession' but that 'the whole crisis in the province has developed into something totally different from the original demands of the landowners'.

On 15 May 1989, BCL operations were brought to a halt by continued militant activity. In June approximately 600 'non-core' status employees were retrenched. On 26 June 1989, in view of continued and increasingly severe conflict between militants and the security forces, the government declared a state of emergency. As a peace initiative, national and provincial governments formulated a package involving major public works, an increase in the landowners' share of royalty, an increase in revenue for the NSPG, and provision of equity in BCL to the NSPG and landowners. BCL supplemented this package (subject to the mine re-opening) with a package of community projects directed towards landowners, particularly those most affected by the mining operation. In early September, the Prime Minister announced that the memoranda of agreement between national government, provincial government and landowners was to be signed on 12 September 1989. On the night of 10 September, provincial Minister John Bika was shot in his village (between Kieta and Aropa airport). Bika, who had played an important role in formulating the agreement, and was an outspoken advocate of greater self-determination for the NSPG within the PNG political system as an alternative to secession, was to have been a signatory to the agreement.

As secessionist sentiments took precedence over landowner concerns, Sam Kauona, a PNG defence-force lieutenant and a Nasioi, emerged as the militants' spokesman. In an interview for the *Arawa Bulletin* at the time of the Bika assassination (which was not necessarily related to the event) Kauona listed the objectives of the Bougainville Revolutionary Army (BRA) as: complete withdrawal of troops from the province; closure of the mine; and secession. He stated, 'we will fight until we have devastated every single defence soldier on the island'.

A further peace initiative in the form of a traditional peace ceremony was organised in Arawa on 27 October 1989. Some 1500 attended, including the Prime Minister, Premier, Ministers (including Father Momis) government officials, Church dignitaries, North Solomons Province traditional leaders and BCL chairman and executives. Nevertheless, hostilities continued unabated through the rest of 1989 and January 1990. Out of growing concern for their safety, BCL decided that no company employees other than Bougainvilleans should remain on Bougainville until the situation improved. Arrangements were made for care and surveillance of the facilities to be taken

over by local contractors; and all company employees were evacuated during February 1990. All security forces (both army and police) were to leave the province shortly afterwards; PNG-sponsored services were discontinued and the island fell under the control of the insurgents.

### **Secession, Sanctions and Peace Initiatives**

With the evacuation of PNG security forces and discontinuation of services, leaders of the BRA declared Bougainville an independent republic and nominated a government. This 'government' included Francis Ona as President, Bishop Singkai as Minister for Education, ex-Premier Joseph Kabui as Minister for Justice and Sam Kauona as Minister for Defence: four Nasioi out of a total executive of 13.

Initially, the proposed republic was referred to as Meekamui (a Nasioi word meaning 'holy place' or 'sacred land'), but this was changed in favour of Bougainville: probably a cosmetic change to avoid the impression of Nasioi dominance.

Understandably, the PNG government treated secession as a non-negotiable issue. The country is a rather tenuous amalgamation, forged under colonial administration, of over 700 language groups, and displays considerable ethnic fragmentation. A breakaway by Bougainvilleans, who represent some 5 per cent of the national population, is justifiably viewed as a precedent for other secession initiatives, particularly in areas hosting other major mineral or oil discoveries. Such secession initiatives have received negligible support from either the United Nations or Pacific neighbours. Even the Solomon Islands, often mooted as a more natural linkage for Bougainville because of its geographical proximity and the resultant ethnic similarity between South Bougainville and the Northern Solomon islands, has supported PNG's integrity.

Sanctions imposed by PNG, instigated partly as a softening-up strategy but compounded by intractable secessionism, have imposed increasing hardship on the people. Medical services in particular are grossly inadequate and controllable diseases are returning. Many Bougainvillean leaders and business people have left the island to find sanctuary in other parts of PNG. Essentially, the island has returned to a subsistence economy.

In the year following the evacuation of PNG forces from Bougainville and the discontinuation of national government services, two PNG-Bougainville meetings have been convened in an effort to

resolve differences. In both instances the PNG delegation was led by the Minister for Foreign Affairs, Sir Michael Somare: an appointment seen as particularly appropriate, as Sir Michael had been the architect of the system of provincial government that had appeased Bougainvilleans' secessionist sentiments at the time of PNG independence. The Bougainville delegations were led by Joseph Kabui.

The first meeting, in August 1990, was organised by New Zealand, which provided a neutral venue in the form of an offshore New Zealand naval vessel. This meeting culminated in the Endeavour Accord, which, though it failed to resolve political differences, provided for the restoration of PNG services. However, a subsequent shipment of goods was not unloaded as a result of disagreement about responsibility for distribution.

In September 1990 the leaders on Buka island renounced any affiliation with the BRA 'government', rejected secession and requested the resumption of services and the presence of PNG security forces. BRA opposition was patchy and ineffective, thus limiting secessionist control to the main island of Bougainville. Reoccupation of Buka strained the Endeavour Accord. Secessionists stipulated that, as a precondition for the second round of talks provided for by the Accord, PNG forces should be evacuated from Buka and Nissan islands. PNG rejected this proposal as contrary to the express wish of the majority of the population of these islands. Negotiations reached a stalemate and the main island of Bougainville remained without services and supplies through 1990.

A further meeting was held in Honiara in January 1991. Inclusion of exiled Bougainvillean leaders and businessmen in the PNG delegation (including Father Momis and Leo Hannett) provided some grounds for hope that a realistic compromise could be reached. The meeting, which reached agreement on the restoration of PNG services under the umbrella of an international peace-keeping force, was heralded as a breakthrough by the participants. However, a co-commitment agreed to by the delegation providing for the disarmament of the BRA met with opposition from hard-line secessionists.

Given that the current 'government' of Bougainville was formed from the ranks of the BRA or BRA supporters without any semblance of universal suffrage, it is not unreasonable to expect that any concessions that may lead to reconciliation under the PNG political system will be viewed with suspicion. Furthermore, Nasioi dominance in BRA activities coupled with the lack of political organisation in the

people's traditional social structure will inevitably result in continued instability in leadership initiatives. Nevertheless, 'independence' has been accompanied by severe social and economic hardship. In this environment, PNG initiatives to re-establish services could provide a catalyst for compromise discussions.

## Chapter 10

### The Future of Bougainville and BCL

The basic questions about the future of Bougainville are twofold: will a political solution be found? and will the mine reopen?

These issues are inevitably related. Political stability is an essential prerequisite for the resumption of mine activities, and any political solution must address the issue of the distribution of financial benefits from mining operations. From a technical point of view, the Panguna deposit and associated extraction and treatment facilities could be returned to their previous level of operational efficiency — at a cost.

Early in 1991, BCL directors announced an order-of-magnitude estimate of the cost of re-establishing mine operations at K250-350 million. This estimate was based on the assumptions that accommodation facilities were heavily vandalised and vehicles and mobile equipment dispersed, but that there had been no concerted effort to immobilise permanently major mining equipment and fixed plant. However, a final estimate of the costs of re-activation must await a detailed analysis of the condition of plant and facilities; this will be possible only after the island has returned to a state of relative stability. In any event, the cumulative costs of recruiting, retraining, plant mobilisation, refurbishing of accommodation facilities and reinstatement of working capital will be significant, and require a major injection of additional funds. No lender can be expected to advance such funds unless reasonably assured that long-term stability has returned to Bougainville and that the events of 1989-90 will not be repeated. A lender will also be likely to reinforce the growing awareness that, although the Panguna resource remains large, it is by world standards low-grade, and for that reason requires large-scale and skilled management to be viable.

Thus, the future of the Panguna mine and the flow of revenue from it to PNG, Bougainville and landowners is dependent in the first instance on a satisfactory resolution of the political situation. Bougainvilleans are far from unanimous on whether such a resolution lies in secession or in some form of enhanced autonomy within the PNG political system. But while conflicting ideologies and personal

aspirations will continue to militate against a universally-acceptable political solution on Bougainville, the pragmatism of cash-in-the-hand is likely to play the major role in any reconciliation.

Secession has been moving on and off the Bougainville political agenda for more than 20 years and remains the rallying-cry against the perceived injustices of centralised administration. However, the fundamental cause of the disruptive activities against the mine, plantations and other business activities was dissatisfaction with the distribution of financial returns. Provincial government sought a larger share of government revenue; landowner clans sought greater financial recompense from the revenue attributable to custom-owned land holdings; and the transition of traditional land usage to cash compensation led to disagreement within clan groups on distribution procedures.

Setting aside the issue of community sharing versus landowner benefit and the complexities of equitable sharing within clans, administrations must address first the issue of how PNG and Bougainville are to share the take if secessionist sentiments are to be resolved within the PNG political system. The Bougainville Initiative offered a simplistic answer in the form of an increased levy on mining revenue. This overlooked (probably deliberately) the impact this would have had on residual revenue attracting tax and dividend distribution to the PNG government. In any event, faced with additional start-up costs of some K300 million and a net earnings history in 1980-88 of 8.5 per cent on shareholders' funds (7 per cent after dividend withholding tax), any financier would want strong assurances against further government imposts.

There is certainly scope within the existing tax structure for more of the revenue from mining to be allocated to the host province. However, any strategy to buy peace in Bougainville through budget allocations would have an inevitable flow-on to other mining operations. In view of the growing diversification of mineral (and oil) ventures, the PNG government must have reservations about any significant revision of budgeting policy.

The alternative strategy for redistributing benefits is to change ownership (see Table 1, p.4 above, for details of the current pattern of ownership of BCL shares). The idea of assigning a portion of the PNG government's holding to the province is not new and was part of the 'peace package' proposed in 1989. PNG's bargaining package could be increased by the acquisition of additional shares from either public holdings and/or CRA.

Acquisition by expropriation (such as by a forced sale at an unrealistic value) is not a likely prospect. Not only does the government favour foreign investment (albeit under strict guidelines), but the history of nationalised mining operations in developing countries must act as a deterrent to such a course of action. One possibility is a share-purchase arrangement, whereby the PNG government acquired (and redistributed) part or all of the remaining shares in BCL. This would require major funding from an appropriate international financial institution. Inevitably, such funding would not be forthcoming without assurances about the professional standing of future management.

Resolution of the current political impasse on Bougainville will require genuine effort from both national and provincial leaders to reach a compromise. Most important, the people of Bougainville deserve a return of democratic government so that they can participate in directing their future under a law-abiding regime without fear of gun law. In such an environment, the Panguna mine could be reborn for the benefit of PNG-Bougainville, and the landowner community, and provide an acceptable return to investors (both past and future).

I do not seek to offer judgement on the relativities of such benefits and returns — the past is the past and the future will need to be addressed by the parties concerned recognising the prevailing circumstances at that time. However, when such issues are addressed it will become apparent that a reactivated mine will be a significantly different operation from the old BCL. Lower grades of the residual deposit coupled with the capital cost of refurbishing and the less tangible but not insignificant cost disadvantage of disruption in operational effectiveness will militate against future financial viability. Inevitably, the cash generated, and therefore the total available for distribution, will suffer. Furthermore, economics will dictate a much less benevolent operation in terms of employment, employee benefits, infrastructure and community support than the pre-1989 BCL.

The other consideration is that whatever solution evolves will inevitably affect other mining operations in PNG. Some writers are inclined to classify the Bougainville situation as unique because of the obvious ethnic differences of Bougainvilleans. However, the fundamentals of custom-land usage and clan parochialism are equally pertinent to other mine operations, and landowners and provinces are no doubt watching with interest the outcome of Bougainville secession initiatives. PNG planners will be very conscious of this exposure in formulating a strategy for Bougainville.



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## **APPENDIX A**

### **Chronology of Events**

## Chronology of Events

	PAPUA NEW GUINEA	BOUGAINVILLE	CRA/BCL
1960	<ul style="list-style-type: none"><li>• UN Trusteeship Council resolution asks Australia to speed economic, political, social and educational development for self government or independence.</li></ul>	<ul style="list-style-type: none"><li>• A government geological report confirms the presence of intensive low grade copper mineralisation in the Panguna/Kupei area.</li></ul>	
1961	<ul style="list-style-type: none"><li>• Legislative Council formed with a majority of non-official members, including six elected indigenous members.</li></ul>		
1962		<ul style="list-style-type: none"><li>• The Buka based Hahalais Welfare Society registers dissatisfaction with government advising members not to pay Administration Head Tax. Punitive police action follows.</li><li>• Nasioi villagers in Kieta tell a UN visiting mission that they are dissatisfied with Australian rule.</li></ul>	
1963	<ul style="list-style-type: none"><li>• International Bank of Reconstruction and Development invited to PNG to suggest an economic program to match the Territory's political objectives.</li></ul>		<ul style="list-style-type: none"><li>• CRA Exploration granted an Authority to prospect over 630 square kilometres.</li></ul>
1964	<ul style="list-style-type: none"><li>• First Territory-wide election for the New House of Assembly with a majority of indigenous members.</li></ul>	<ul style="list-style-type: none"><li>• Paul Lapun elected as member for Bougainville Open Electorate.</li></ul>	<ul style="list-style-type: none"><li>• CRA geologist walks into Panguna valley on 1st April.</li></ul>
1965		<ul style="list-style-type: none"><li>• Party of village leaders visited mines in Australia</li></ul>	<ul style="list-style-type: none"><li>• Diamond drilling supported by helicopter access.</li></ul>

## BOUGAINVILLE: THE MINE AND THE PEOPLE

	PAPUA NEW GUINEA	BOUGAINVILLE	CRA/BCL
1966	<ul style="list-style-type: none"> <li>• Territory of Papua and New Guinea Mining Ordinance amended to provide for payment of occupation fees to people whose land is affected by mining.</li> <li>• Paul Lapun successfully moves an amendment to the Mining Ordinance providing for 5% of royalty to go to landowners.</li> </ul>	<ul style="list-style-type: none"> <li>• Federal Minister for External Territories, C.E. Barnes, tells disgruntled villagers that they will receive compensation but no special benefits.</li> </ul>	<ul style="list-style-type: none"> <li>• Sufficient diamond drilling completed to confirm significant copper/gold mineralisation.</li> </ul>
1967	<ul style="list-style-type: none"> <li>• Pangu Pati founded on platform of national unity and early self government.</li> </ul>	<ul style="list-style-type: none"> <li>• Landowners protest strongly to Mining Warden's Court on renewal of Prospecting Authorities.</li> <li>• Paul Lapun affiliates with Pangu.</li> </ul>	<ul style="list-style-type: none"> <li>• Mining Agreement negotiated between the Company and the Administration, with an offer of 20% equity to PNG should project proceed.</li> <li>• Agreement ratified by legislation in House of Assembly.</li> <li>• Limited road access established to support escalation of exploration activities.</li> </ul>
1968	<ul style="list-style-type: none"> <li>• Second House of Assembly election. Michael Somare elected as Pangu supporter and assumes leadership of party.</li> <li>• Mungkas Association founded by Bougainvillean tertiary students, calls for a referendum on secession.</li> </ul>	<ul style="list-style-type: none"> <li>• Bougainvillean representation in House of Assembly increases to three.</li> </ul>	<ul style="list-style-type: none"> <li>• Bulk Sampling and Pilot Plant test work confirms ore reserves.</li> </ul>

	<b>PAPUA NEW GUINEA</b>	<b>BOUGAINVILLE</b>	<b>CRA/BCL</b>
<b>1969</b>	<ul style="list-style-type: none"><li>• In the Australian High Court on behalf of landowners the Public Solicitor challenges the legality of Administration authority in granting leases under the Mining Ordinance.</li></ul>	<ul style="list-style-type: none"><li>• The expatriate owned Arawa Plantation acquired compulsorily as the site for a townsite.</li><li>• Attempts by the Administration to acquire a parcel of land for the port meets strong opposition from Rorovana villagers.</li><li>• Napidakoe Navitu formed in wake of unrest in land acquisitions.</li></ul>	<ul style="list-style-type: none"><li>• Bougainville Copper granted Special Mining Lease.</li><li>• Company reaches agreement on Rorovana land acquisition in direct negotiation with landowners.</li></ul>
<b>1970</b>	<ul style="list-style-type: none"><li>• United Party and People's Progress Party take shape.</li><li>• PNG government takes up 20% share option.</li></ul>	<ul style="list-style-type: none"><li>• Napidakoe Navitu expands influence and adds support to calls for a referendum on secession options.</li></ul>	<ul style="list-style-type: none"><li>• Public share issue.</li><li>• Shipping arrives into new port at Anewa Bay.</li><li>• Port mine access road upgraded to transport mining and construction equipment.</li></ul>
<b>1971</b>	<ul style="list-style-type: none"><li>• E.G. Whitlam advises that if elected to government, the Australian Labor Party would grant immediate self government to PNG.</li><li>• Secession issue raised in House of Assembly by Paul Lapun, but subsequently rejected by visiting UN Trusteeship Mission.</li></ul>	<ul style="list-style-type: none"><li>• Escalation in construction workforce fuels anti-redskin (other Papua New Guinean) sentiments.</li></ul>	<ul style="list-style-type: none"><li>• Construction workforce peaks at over 10 000.</li><li>• BCL granted Tailings Lease over the Jaba Valley.</li></ul>

## BOUGAINVILLE: THE MINE AND THE PEOPLE

	PAPUA NEW GUINEA	BOUGAINVILLE	CRA/BCL
1972	<ul style="list-style-type: none"> <li>• Michael Somare elected Chief Minister in new House of Assembly.</li> <li>• Father Momis moves motion to review mineral policy and include right to negotiate mining agreements.</li> </ul>	<ul style="list-style-type: none"> <li>• Bougainville representation in House of Assembly increases to four, Paul Lapun, Donatus Mola and Raphael Bele for open electorates and Father John Momis as the regional member.</li> <li>• Widespread anger felt throughout Bougainville at murder of two prominent Bougainvilleans by Eastern Highland villagers.</li> </ul>	<ul style="list-style-type: none"> <li>• Mine starts production. 1st April being date of commercial production.</li> </ul>
1973	<ul style="list-style-type: none"> <li>• PNG attains self government on 1st December .</li> </ul>	<ul style="list-style-type: none"> <li>• Bougainville Special Political Committee submits demands for District Government to the Constitutional Planning Committee.</li> <li>• Bougainvillean, Dr Alexis Sarei appointed District Commissioner.</li> </ul>	<ul style="list-style-type: none"> <li>• Copper prices rise to record levels and mine profitability soars to an unprecedented \$158 million.</li> </ul>
1974		<ul style="list-style-type: none"> <li>• Bougainville District Government evolves as the genesis of Provincial Government with Leo Hannett in role of District Planner.</li> </ul>	<ul style="list-style-type: none"> <li>• Renegotiation of Bougainville Copper Agreement.</li> <li>• Bougainville Copper agrees to moratorium on exploration within PA's.</li> </ul>
1975	<ul style="list-style-type: none"> <li>• PNG attains independence under Prime Minister, Michael Somare, on 16th September.</li> </ul>	<ul style="list-style-type: none"> <li>• Bougainville District Government votes to secede from PNG and adopts the title of North Solomons.</li> <li>• North Solomons declares independence, 1st September.</li> <li>• Bougainville Development Corporation incorporated with District Provincial Government as major shareholder.</li> </ul>	<ul style="list-style-type: none"> <li>• Industrial unrest at Panguna erupts into rioting.</li> </ul>

	PAPUA NEW GUINEA	BOUGAINVILLE	CRA/BCL
1976		<ul style="list-style-type: none"> <li>• Provincial Government formalised under PNG organic law. Dr A. Sarei appointed Premier of the North Solomon Provincial Government.</li> </ul>	
1977	<ul style="list-style-type: none"> <li>• Michael Somare returned as Prime Minister heading a coalition government.</li> </ul>	<ul style="list-style-type: none"> <li>• Father Momis returned as regional member for Bougainville.</li> </ul>	
1978	<ul style="list-style-type: none"> <li>• Genesis of Melanesian Alliance Party (MA) under co-sponsorship of John Momis and John Kaputin.</li> </ul>		<ul style="list-style-type: none"> <li>• Landowners form into a representative negotiating group — Panguna Land-owners' Association (PLA).</li> </ul>
1979			<ul style="list-style-type: none"> <li>• Landowners demonstrate in Panguna, supermarket looted.</li> </ul>
1980	<ul style="list-style-type: none"> <li>• Julius Chan assumes Prime Ministership after a vote of no confidence.</li> <li>• MA joins new coalition government.</li> </ul>	<ul style="list-style-type: none"> <li>• Provincial Government election won by Leo Hannett.</li> </ul>	<ul style="list-style-type: none"> <li>• Compensation Agreement with PLA formalised.</li> <li>• Road Mine Tailings Lease Trust Fund established.</li> </ul>
1981		<ul style="list-style-type: none"> <li>• Provincial Government demands equity in BCL, escalation in the royalty rate and an increase in the Non-renewable Resource Fund levy.</li> </ul>	<ul style="list-style-type: none"> <li>• Scheduled date for review of the 1974 Agreement. National government rejects BCL's recommendation of Provincial government involvement.</li> <li>• Road block by villagers halts production for a few days.</li> </ul>
1982	<ul style="list-style-type: none"> <li>• National elections — Somare returns to Prime Ministership.</li> </ul>	<ul style="list-style-type: none"> <li>• North Solomons Provincial Development Study prepared for Provincial Government by Economic Consultants Ltd.</li> </ul>	



## BOUGAINVILLE: THE MINE AND THE PEOPLE

PAPUA NEW GUINEA	BOUGAINVILLE	CRA/BCL
<b>1983</b>	<ul style="list-style-type: none"> <li>• Bougainville Limestone Mining launched under auspices of Bougainville Development Corporation as part of a strategy to stimulate the economy of the province.</li> </ul>	<ul style="list-style-type: none"> <li>• Milling capacity increased to 130 000TPD to improve production and compensate for declining ore grades.</li> </ul>
<b>1984</b>	<ul style="list-style-type: none"> <li>• MA endorsed candidates capture a resounding majority in Provincial elections.</li> <li>• Sarei returns as Premier.</li> </ul>	<ul style="list-style-type: none"> <li>• Compensation agreement extended for further four years with CPI adjustment.</li> </ul>
<b>1985</b>	<ul style="list-style-type: none"> <li>• New coalition takes over government after successful vote of no confidence in Somare Government. Paias Wingti becomes Prime Minister.</li> </ul>	<ul style="list-style-type: none"> <li>• Production costs reflect benefits achieved from investment in cost effective technology.</li> </ul>
<b>1986</b>	<ul style="list-style-type: none"> <li>• Aid funded mineral survey incorporated selected areas on Bougainville.</li> </ul>	<ul style="list-style-type: none"> <li>• Study on tailings disposal options culminates in proposal to construct pipeline to west coast.</li> </ul>
<b>1987</b>	<ul style="list-style-type: none"> <li>• Bougainville Initiative Fund launched as main thrust of Father Momis election campaign.</li> <li>• National Elections - Wingti retains Prime Ministership with narrow margin.</li> </ul>	<ul style="list-style-type: none"> <li>• Sarei abdicates Premiership and Joseph Kabui gains support within the House of Assembly to become Premier.</li> <li>• Pre-concentration screening plant commissioned.</li> <li>• First evidence of challenge to PLA leadership.</li> </ul>

	PAPUA NEW GUINEA	BOUGAINVILLE	CRA/BCL
1988	<ul style="list-style-type: none"><li>• Somare steps down from leadership of Pangu Pati in favour of Rabbie Namaliu.</li><li>• Namaliu forms new coalition government after vote of no-confidence.</li><li>• MA in government.</li></ul>	<ul style="list-style-type: none"><li>• Provincial elections confirm Kabui as Premier.</li><li>• Environmental impact study by Applied Geology Associates Ltd (AGA).</li><li>• AGA report angers landowners for failing to attribute a wide range of environment concerns to mining activities.</li></ul>	<ul style="list-style-type: none"><li>• Scheduled review of Bougainville Copper Agreement fails to materialise.</li><li>• Anti-company sabotage begins.</li></ul>
1989	<ul style="list-style-type: none"><li>• Army brought in to supplement police.</li><li>• State of Emergency declared.</li></ul>	<ul style="list-style-type: none"><li>• Secession replaces compensation as main revolutionary issues.</li><li>• Peace initiatives founder.</li></ul>	<ul style="list-style-type: none"><li>• Repeated sabotage results in closure of mining operations.</li></ul>
1990	<ul style="list-style-type: none"><li>• Security forces withdrawn from Province by 10 March.</li><li>• Security forces return to Buka on 21st September.</li></ul>	<ul style="list-style-type: none"><li>• Bougainville Revolutionary Army (BRA) assume control and declare an independent republic.</li><li>• Endeavour Accord (5 August).</li></ul>	<ul style="list-style-type: none"><li>• All non- Bougainvillean mine employees evacuated by 28 February.</li></ul>

## APPENDIX B

**A Dialogue between Don Carruthers,  
Chairman of Bougainville Copper Ltd,  
and James Griffin, formerly Professor  
of History at the University of Papua  
New Guinea\***

\* An edited version of this dialogue was published  
in *The Weekend Australian*, 9-10 June 1990.

## **A Dialogue between Don Carruthers and James Griffin**

**JG:** Mr Carruthers, I would like to explore with you the reasons for what appears to be the unacceptability of CRA/BLC on Bougainville in the North Solomons Province of Papua New Guinea. When I first visited Bougainville in 1969, which was three years before the mine came into production, villagers were indignant that mining had been allowed to start at all, at least in their generation and without their permission and control. 'We weep for what is being done to our land', was a frequently quoted lament of the local women, traditionally the 'controllers' of the land in a matrilineal society.

Inevitably, as you have in the strip-mining process dug a crater 4 square kilometres by 300 metres deep, reputedly the 'second biggest hole in the world', and polluted beyond recognition a minor river system, your company has also been criticised by environmentalists. However, it now appears that leading Bougainville politicians are themselves wanting to be involved in 'joint venture' mining on the island and even the Commander of the Bougainville Revolutionary Army (BRA), Sam Kauona, speaks expectantly of prospecting some eight mine sites in the province.

**DC:** Let me say first that Panguna is by no means the 'second biggest hole in the world'. There are a number of larger pits in North and South America and the USSR.

But yes, the argument has shifted. It is interesting to see that while there has been opposition expressed in Bougainville to the Panguna mine, some Bougainvilleans have been searching for a way to carry out exploration and mining themselves — and to have been doing this with people who have no track record in mining at all.

Some environmental degradation is inevitable in any mining, no matter who does it. The essential thing is to minimise it, and damage is more likely to be restricted if the resources of a competent and experienced company are employed than otherwise. While perhaps we could have done some things differently, it is difficult for us to concede that another company would have performed better overall.

The visual impact of the operation at present is probably the worst it will ever be. After many years of research and engineering, BCL was close to completing a tailings pipeline last year, which, when completed, will allow revegetation of the tailings disposal area in the Jaba Valley to commence. It is one of the unfortunate aspects of the crisis that this work has been interrupted, and the pipeline damaged.

**JG:** In discussions on mining in Papua New Guinea, issues do become

tangled. A horrified aesthetic reaction to strip mining in a majestic tropical setting as on Bougainville is, to my mind, simply healthy. However, Papua New Guinea depends and will continue to depend on mining revenues if it is to maintain even the present level of government services. A former colleague of mine recently wrote a paper with the title, 'Let them eat theory', which I think touches the quick of that problem. However, mixed up with this is the continual allegation that BCL is making excessive profits. This was behind the original demand by Francis Ona for K10 billion (\$A14 billion) compensation for the landowners and the province. Even Papua New Guineans who find this particular figure fanciful nevertheless believe that you have done altogether too well. And then, even if that allegation is satisfactorily refuted, there is the question of the distribution of PNG's share of the profits between the national and provincial governments and the landowners.

**DC:** Papua New Guinea depends and will continue to depend on mining revenues for its viability. Before the closure of our mine, BCL was contributing 17 per cent of budget revenue and some almost 40 per cent of overseas earnings and was supporting the livelihood directly and indirectly, of probably 30 000 people in Bougainville.

Since it began production, BCL has generated K1.7 billion (\$A2.3 billion) in cash, of which 67 per cent, or two-thirds, has gone to the government of Papua New Guinea, the North Solomons Provincial Government and landholders. Non-government shareholders have received the other 33 per cent and a few of those are Papua New Guinean residents. CRA, the original project sponsor, has received 22 per cent. The North Solomons has received 6 per cent, and the people there have been most dissatisfied with this view, but the distribution of these revenues has always been a matter for the national government, not the mining company, to determine.

There have been other substantial but less easily quantifiable benefits through the 12 000 employees BCL has trained, including 1000 tradesmen, and the 300 graduates we sponsored in PNG and overseas. Also, many people received training in the businesses which depended on BCL's operation.

**JG:** I can appreciate that you resent being seen as the cause of problems which are tangential to mining as such. But is this realistic? For example, in 1969 the serious issue of secession had emerged. You may remember that I said then that your company was in the wrong place at the wrong time and that, if the secession issue was not resolved

before independence, grievances over mining could only aggravate and precipitate the issue in a way that would endanger the emergent state of Papua New Guinea. In other words, the company's mere presence made it a participant in this political imbroglio.

**DC:** At least it's a relief to CRA/BCL that you see us as a catalyst rather than the cause. I think you expressed the view last year (*Financial Review*, 30 March) that civil rebellion, inter-ethnic friction and sentiment for secession existed in the North Solomons well before CRA entered in 1964. Be that as it may, CRA was encouraged to prospect by the Australian Administration which probably did not foresee today's problems. I think it would be true to say that the administrators who took the stirrings of secession at all seriously believed that mining and its multiplier effects would promote PNG nationalism rather than separatism. This was generally true of journalists and academics too, and we did extensively seek expert advice as to how to moderate our impact and make ourselves acceptable. In the early years the project was seen, not only by the Administration, but also later by the government of Papua New Guinea, as a way of giving the emerging nation the income to become financially viable. I think you can imagine the criticism BCL would have incurred if it had adopted attitudes unacceptable to government.

**JC:** Your advisers, I think, also gave you to understand that independence would not come at least until the 1980s or later. Both the 1967 mining agreement and your general strategy would have been shaped by that understanding. If I may say so, I have always marvelled that CRA could have been so naive.

**DC:** At least it's a change to be called naive rather than devious or insensitive. As I understand it, the view in Canberra and Port Moresby was that independence was unlikely much before 1990, and that we would be dealing with an administration that would uphold the 1967 agreement. However, with the thought in mind that affairs might move more rapidly than anyone was forecasting, we asked for the agreement to be ratified by the House of Assembly. It is also fair to say that during the negotiation of the agreement, Frank Espie consistently maintained that he wanted an agreement which would be seen as satisfactory by the first Prime Minister of an independent Papua New Guinea.

**JC:** Many of us thought the 1967 agreement was too generous with a protracted tax holiday provided until the 1980s. You have been accused of having anticipated the high copper prices of the early 1970s and the deregulation of gold. Sir Val Duncan of your grandparent

company, Rio Tinto Zinc, probably made this credible by continually calling Bougainville, even in the sixties, 'the brightest jewel in RTZ's crown'. You made nearly \$A160 million profit on a \$400 million investment in your first full year of operation. That in the popular mind did not enhance your company's reputation for frank disclosure. The fact that not one Papua New Guinean, let alone a Bougainvillean, was a signatory to that agreement also made some of us think that with self-government it would look 'colonial' and would be renegotiated. This happened in 1974.

**DC:** Unfortunately that is a superficial point of view and is determined by hindsight. CRA took all the risks on exploration and feasibility and in 1965, without any precedent, voluntarily offered the Administration a 20 per cent equity to be held on behalf of Papua New Guinea if and when the project was committed. That voluntary offer has still not been matched anywhere else in the world. It must also be remembered that \$A400 million represents \$A2 billion in today's values.

We could not have anticipated the substantial copper price rise any more than we did its subsequent collapse. In the case of gold, its price rose as a result of widespread world inflation in the 1970s, again which could not have been predicted in 1967. The bonanza of 1973-74 in one sense did us a disservice and created a false impression. That profit has never subsequently been equalled, and in fact the profit has been as low as K11 million in two years. Let me be emphatic that if the tax regime introduced by the renegotiation of 1974 had been anticipated in 1967 there would have been no Bougainville mine then.

**JG:** I seem to recall that Sir Val Duncan in 1974 was sufficiently disillusioned to proposition Mr Whitlam, then PM of Australia, to subsidise the nationalisation of the mine. Was this a serious problem? Whitlam of course would not buy in and BCL has, in spite of the renegotiation, made reasonable profits. Do you think you could have done better with your capital?

**DC:** I am sorry, I have no knowledge of any such proposal. I don't believe that CRA was so inclined. The CRA people felt a genuine responsibility to Papua New Guinea, and of course had a strong emotional investment in what they had built. Their attitude was to do the best they could with the renegotiation. In terms of whether we could have done better with the capital, the question is so hypothetical that I have never given it any thought.

**JG:** If compensation and joint ownership were the crucial issues as far as Bougainvilleans were concerned, it would appear that Australian

policy of the 1960s was quite ill-directed and prejudiced your standing from the beginning. For example, in 1966 the then Minister for External Territories, Charles Barnes, visited Bougainville and told astonished villagers that, while their traditional land would yield astronomical riches, they themselves would have to be content with damage compensation and spin-off benefits. Minerals belonged to the state of Papua New Guinea. Even occupation fees had not been offered at that stage and the Australian Administration bitterly opposed the struggle of the local MHA, Paul Lapun, for even 5 per cent of the 1.25 per cent royalties to go to landowners. When in 1969 the Rorovana and Arawa villagers firmly opposed the resumption of part of their land for a port and town site, Prime Minister Gorton allowed CRA/BCL to negotiate directly with villagers. They were paid substantially more than the Australian Administration had envisaged and the matter appeared to be resolved. Did they remain satisfied? Would it have been better if CRA had been allowed to negotiate directly from the start?

**DC:** By and large I think the agreement with the Rorovanans worked reasonably well, although I believe it was due to be renegotiated at the time the crisis blew up.

Acquisition of land was solely the responsibility of the Administration, and expatriates were explicitly excluded from such transactions. This policy was intended, at least partly, for the protection of the local people. But it was also designed to avoid excessive compensation being paid and setting precedents that would impact later on other, less capital intensive activities. The Papua New Guinea government has maintained a policy of trying to limit compensation payments for the same reason.

**JG:** But the landowners have been most dissatisfied with the compensation paid.

How much have you paid and to how many people and over what period of time? How much were 'one-off' payments? Let me take one example. A number of villages had to be relocated to make way for the mine. Modern houses were provided in place of traditional bush-material dwellings. Some villagers have not been able to maintain these houses and subsequently, they say, have lived in substandard conditions on the land of their ancestors. Don't you think BCL ought to have provided ongoing maintenance in such cases? Or, to put it more generally, don't you think BCL has an obligation to provide long-term comfort for people it has displaced? I have the impression that BCL's Village Relations section may have gone to sleep in the 1980s.



**DC:** With the granting of the special mining lease and start of construction in 1969, the number of claims for compensation escalated astronomically, and the Warden's Court could not handle them. The Public Solicitor became involved representing the landowners, and a schedule of agreed rates was arrived at for occupancy, crops and fishing rights.

The occupation fee was set at \$16 per hectare, later increased to K25, the area of the leases being 13 000 hectares. Although these rates were far higher than anything else that had been paid in the country, I have no doubt that some people were not satisfied with them.

By 1979 there were expectations of a substantial increase in compensation rates. The Panguna landholders formed themselves into an association for negotiations. The Valuer-General reset capital values for BCL leasehold land, and an entirely new agreement was negotiated with landholder representatives covering compensation for occupation, physical disturbance, social inconvenience, bush, rivers and fish, crops and relocation. In addition, provision was made for some of the money to be paid into a trust fund to be administered by landholder trustees.

Under the new management, compensation averaged a little more than one million kina a year in the early 1980s, rising to two million in 1989. The agreement in fact was renegotiated in 1985-86, and was due for renegotiation again this year.

**JG:** Circumstances do change and require flexible responses. For example, population growth — and the North Solomons would have at least a 3.2 growth rate per annum — reduces the value of fixed compensation levels. Should some provision have been made for this? Or, more obviously, with new mining projects in other provinces in the offing and land occupiers in those areas and their provincial governments getting better deals, shouldn't BCL have anticipated that North Solomonese would seek comparable benefits and even compensation for benefits forgone when it had the only operational mine in the country? After all, militant action began in 1988 when Francis Ona and his supporters despaired of any further negotiations bearing fruit.

**DC:** It should be remembered that there were a number of critical ingredients of the trouble which erupted in 1988 over which the company had little or no control.

One of these was disputation among the Panguna landholders about the distribution of the compensation money among themselves. Disputes over land are very common, but are usually (although not

always) contained or accommodated by a process of negotiation and trade-off. The size of the compensation payments, however, escalated the stakes, and some people (including Francis Ona) were highly dissatisfied with the way the money was being distributed by the recipients. We really did not understand this situation well enough, or recognise that the emergence of a new, better educated generation would present problems. I do believe we can be blamed for not being more conscious of these issues, although what we could have done about them I'm not completely sure.

A second factor was the escalation of expectations of increased income from the mine for the Province and the landholders during the election campaigns of 1987 and 1988. The so-called New Panguna Landowners' Association, of which Francis Ona was secretary, was formed at this time, and I am sure that the members were caught up in this escalation of expectations.

A third issue of course, not unrelated to the second, was the disagreement between the national and provincial governments about their relative share of income from the mine.

**JG:** One way in which local villagers might have been mollified would have been discriminatory provision of employment by BCL and assistance in business development. However, two common complaints have been the failure of BCL to employ enough North Solomonese and competition in business by its agencies allegedly to the detriment of the small local business man.

Are these complaints just? I hear contradictory complaints. 'BCL should stick to just mining' and 'BCL should provide more services to local people and development'. Have guidelines ever been provided to demarcate how BCL should or should not be involved with the local community?

**DC:** The company and the Papua New Guinea government saw Bougainville Copper as an operation for the country as a whole. For this reason it was felt that employment opportunities should be available for people throughout the country, with the main criterion being suitability for the job. As it turned out, about 30 per cent of employees were Bougainvilleans — which represented a considerable discrimination in their favour.

BCL did stick to mining.

There was considerable effort put into business advisory services for local people, but this led to few successes.

**JG:** There is provision in the 1974 agreement for a seven year review

'to consider in good faith whether it is continuing to operate fairly to each of the parties and with a view further to discussing in good faith any problems arising from its practical operation'. In other words, 1981 and 1988 should have seen either expressions of satisfaction with the status quo or further renegotiation. Yet nothing happened, even though in 1981 all four North Solomons MPs were in government and Fr Momis, the regional member, was number three in Cabinet. Did BCL feel that renegotiation was called for on either occasion or make any offer? Opportunities were lost on both occasions to forestall grave discontent but this has never been satisfactorily explained.

**DC:** There is provision in the 1974 agreement for it to be reviewed every seven years 'with a view to considering in good faith whether it is continuing to operate fairly to each of the parties and with a view further to discussing in good faith any problems arising from its practical operation'.

In 1981 both the government and the company had some issues on taxation which they felt should be discussed. The government also wanted to talk about studies on smelting and hydro power, and some additional controls, while the company had exploration and the standard of some government services on the agenda.

However, the main issue was the role of the provincial government. BCL felt strongly that the provincial government should be involved in the review, in view of the growing pressures for a larger share of the revenue, while the government representatives maintained that as the agreement was with the national government, there was no basis for the involvement of the province. Largely because of this impasse, the discussions fizzled out.

Another review was due in 1988, and the company felt that there were a number of things which needed to be discussed, because by then the agreement had been unchanged since 1974. So we advised the government in late 1987 that we were ready for a review, and again recommended that the provincial government participate formally.

I believe some work was done by government departments in preparation for a review, but it did not take place by the time the government changed in mid-year, and then before the new government could prepare itself the crisis blew up.

**JG:** Among many serious accusations in recent years made against the company two stand out for their scurrility if they are not true. One concerns transfer pricing. In my own inexpert way I made enquiries about the feasibility of this some 20 years ago. I was assured it was not

possible if proper surveillance was maintained. However, Fr Momis has accused BCL of 'salting away' some K60 million a year by this process. The other extraordinary accusation was by a spokesman for the Catholic Commission of Peace and Justice last year stating that BCL had been responsible for the deaths of some 100 people. As such 'deaths' have never been reported, I am at a loss to know what could have been meant and why such allegations are so recklessly made.

**DC:** Transfer pricing was simply not possible. It is sometimes forgotten that every aspect of the company's operations and business were subject to checking by the relevant government departments — including sales of the company's output. BCL was so important to the economy, and to the government's revenue, I can assure you the checking was most assiduous. In fact, the possibility of suspicion of transfer pricing was prominent in the minds of the early management, who were at pains to negotiate sales contracts with as many completely independent smelters as possible. These arrangements were directly between BCL and the smelters. The contracts, and BCL's performance under them, were completely transparent and were scrutinised by the government.

There were also accusations in early 1989 that we were secretly shipping out gold from periodic clean-up of the ball mills. There was nothing secret about it — as attested by the government departments. The people who have made these accusations have preferred not to check back with the authorities.

Of course the accusations of BCL killing people are completely untrue and plain scurrilous. I am not even completely sure what is meant by them. If the implication is that people died because of environmental impact or something, again this is quite false. For example, BCL has never used toxic chemicals in its process — an accusation which has been made on occasions.

In fact, the mine and its access had brought an unprecedented increase in prosperity to the area, which supported a large natural increase in the local population together with a better diet and better access to health and education facilities.

**JG:** Even if peace negotiations between the Papua New Guinea government and those in power in the North Solomons are successful, it is going to be extremely difficult to get at least the landowners and supporters of the Bougainville Revolutionary Army to accept the return of BCL, whatever about the rest of the North Solomonese. Fairly or unfairly, BCL is perceived as the vehicle of their woes which have now

been compounded by armed conflict and general physical suffering. (I use the word 'vehicle' rather than 'source' because that appears to be the colonial integration of the North Solomons with Papua New Guinea). Yet, if the Panguna mine is to be restarted the return of BCL is not only the effective way to do it, but there must be serious international investment problems for Papua New Guinea as a whole if BCL is not allowed to do so. May I ask finally if you see BCL's unpopularity as a result of what one of my Rorovana friends called your 'merciless intrusion' in the sixties and your inability/failure to meet local expectations or do you see most of the problems you have faced as endemic to mining in Papua New Guinea?

**DC:** I acknowledge that it will be difficult for BCL to gain acceptance for resumption of operations, but I think this is an issue to be addressed by a number of parties — not just by BCL.

Firstly, the Panguna landholders, where the problem started. They have had serious disputes among themselves, and need to settle these no matter who operates the mine. It may be 'better the devil they know'. After all, there was reasonable co-existence between them and the company for many years until expectations were raised in 1987.

Secondly, the provincial government whose main argument, I suspect, has been with the national government rather than with the company. I realise that the provincial government would like to own a large part of the company — but if they really look at the earnings record they will realise that the pickings were very lean for the owners in a number of years. Governments need more assured earnings than this.

Thirdly, the populace at large in the North Solomons. Of course they would like to see more financial benefits everywhere in the province, but this is an issue they need to resolve among themselves and with the national government.

And fourthly, the national government, which administers the mining law and has responsibilities to the country as a whole.

The issue is that all these groups would like more from the operation. Okay, but the greatest amount is provided by the most efficient operator, and there have been few who have challenged BCL's efficiency. The other way they can get more is to reduce the 33 per cent going to the non-government shareholders — but this way lies the law of diminishing returns, and the adverse effect on new investors.

I realise that there is a lot of face involved, but I trust that when they think it through, they will give BCL another chance.



## **Appendix C**

### **Correspondence between Father John Momis and Mr Paul Quodling**

John Momis

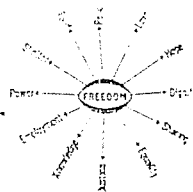


## MELANESIAN ALLIANCE

P.O. BOX 4516  
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271675

Phone: 272161



### BOUGAINVILLE INITIATIVE FUND

Paul Quodling,  
Managing Director,  
Bougainville Copper Limited,  
Panguna,  
North Solomons Province,  
Papua New Guinea.

4 May 1987

Dear Paul,

I come to you, having been a leader of this nation for over 15 years, to offer you a gift on the eve of your retirement. You have lived among us for many years. Perhaps the mine you created will not long outlast your retirement.

The gift I offer you is on behalf of the Melanesian people, and particularly on behalf of the people of Bougainville. You will come to see that what I am proposing is indeed in the hearts of all the people of Bougainville.

What I offer you is the gift of understanding, of knowing in your heart the people of this island. I offer you the opportunity to crown your long career with the achievement of gaining the friendship of the people, who currently regard BCL with great resentment. I offer you an initiative which will break the deadlock which has long frustrated us all, a way out of the stalemate which leaves us feeling exploited, and leaves you frustrated at being denied permission to explore, fearful lest our resentment again boils over, as it has in past years.

What I propose in fact offers a win for everyone, and loss for no-one.

Consider the problems inherent in the present situation. Some of what I say, you may not want to hear. Yet in your heart, you know it is true. To reject the painful truth is a mistake. The fundamental truth is that BCL has colonized our people, it has taken their land, it has reduced them to passive dependence. Our people - who to you are just Bougainvilleans, or even more anonymously 'nationals' - are now servants in a land where once they were masters. They keenly feel it, and deeply resent it. In your heart you know this to be true, even if it is your company's policy to keep a low profile, to keep such distance from the people that no-one says it to your face. So few of your staff are nationals, except for the unskilled and semi skilled who do the dirty shiftwork, breathing the dust you make when you make a hole out of a mountain. After fifteen years of mining, only a handful of nationals have a rank higher than foremen, and that number is not growing but shrinking.

I do not come to you to cause you pain. As you will see, I have come to offer a fresh initiative, based deeply in our Melanesian culture, which can do much to resolve the impasse which frustrates us all. Yet the starting point must be an honest acknowledgement of the truth, even if it is painful.

No solution can undo what has been done. Some things are irrevocable. The BCL mine has forever changed the perceptions, the hopes and fears of the people of Bougainville. You are invaders. You have invaded the soil and the places of our ancestors, but above all, your mine has invaded our minds. It is like



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~~BOUGAINVILLE INITIATIVE FUND~~

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You say you are good corporate citizens. You pay taxes to the national government, you pay wages, you pay royalties, you trumpet your public relations stunts such as the Bougainville Copper Foundation, which doles out small sums to local sports clubs and the like. You build infrastructure, you compensate landowners. Yet those very monies are also very much the problem.

You are not ruthless exploiters. You are the modern faceless corporation which takes care to observe local laws, and incorporates local people, locking them into minority shareholdings in trading operations you so generously call a foundation. The vast sums of money you make by selling our gold, silver and copper has created amounts of cash undreamt of before. And that cash has tragically seduced some of the best leaders of our people. It has robbed us of some of our finest men, who have ceased serving their people, and instead line their own pockets with the money of BCL. You may not be legally responsible for the Bougainville Development Corporation scandal, but morally it is your shame as much as ours.

The time has come for such delusions to meet the test of reality. Our culture has an ancient entrepreneurial tradition, which, if nurtured, could restore the lost dignity and self-reliance which has descended on us in the lifetime of this gigantic mine. Our Melanesian entrepreneurial tradition differs markedly from yours. Material wealth was not an end in itself, but a means to gain renown, the esteem of one's people. Thus accumulated wealth was regularly distributed back to the people who helped create it. By contrast, you are the head of a corporation, a body which lives and breathes even when you have retired to your farm in Australia. The corporation is an entity which uses the energies of men, but has its own life.

A central oval labeled "FREEDOM" is connected by lines to ten surrounding words arranged in a circle: Love, Hope, Faith, Power, Freedom, Integrity, Justice, Dignity, Service, and Truth.

BOBKO  
1994

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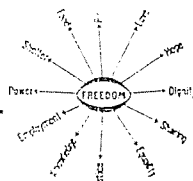
# BOUGAINVILLE: THE MINE AND THE PEOPLE



## MELANESIAN ALLIANCE

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### BOUGAINVILLE INITIATIVE FUND

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The proposal is this: that BCL set aside each year three percent of its gross income from selling our minerals, to be given directly to the North Solomons Provincial Government. This is untied aid, without strings. It is up to the government of the province to assert its dignity, capability and competence, to determine how that money may best be spent so as to foster the application of the Melanesian entrepreneurial tradition to creating small scale ventures which meet the needs of the people, and which return their benefits to the village people. As a matter of national dignity, it will be for the government to apply such funds. If we are to recover our confidence in ourselves, this is essential.

There can be no question of BCL's ability to pay. Three per cent of gross sales is, on 1986 figures, K12.6 million, a modest figure which will greatly assist the government which has most directly borne the brunt of BCL's presence. BCL staff have told us that you could easily save enough for such an annual payment, simply by utilizing more efficiently the machinery and manpower you have. Gross sales are an appropriate base line, as we do not accept your practice of salting away K60 million a year which you return to the smelters who buy our copper, for the privilege of having them accept your concentrates. We are well aware of transfer pricing and of the existing cartels. If you find three per cent of gross sales unacceptable, our alternative is four per cent of the net sales revenue you declare in your annual report.

The agreement between the national government and BCL is outside the scope of this agreement. This is an agreement to assist the people who most immediately must accommodate your massive operation. We place on notice the urgent necessity of renegotiating the national agreement, given the likelihood that superconductor technology will slash world copper demand, quite possibly as soon as five years from now; and because the mine, when it is closed, will leave us an enduring legacy of pollution, and metal concentrations in our fish for thousands of years to come. By any standard your mining benches are incredibly steep and dangerous. Landslides will be the legacy. The government, national and provincial, will inherit from you not only a giant hole where once there was a mountain, but also the long term expense of cleaning up, and this has not even been discussed with you.

We have another reason for this BOUGAINVILLE INITIATIVE. We are concerned not only for the people of Bougainville. The nation of Papua New Guinea is at a crossroad. One road leads to the repetition, all over the nation, of the tragedy of Bougainville. We have had the Bougainville Development Corporation ripoff, we have had the Placer Pacific ripoff. We can tell the nation right now the names of the next such tragedies. The names are Ok Tedi, Lihir, Misima, Forgera. Each time a few of our leaders surrender to the politics of greed, the nation as a whole moves closer to the rule of money, of a rich few holding onto power, backed by an army which protects them from the wrath of the dispossessed. So many countries have degenerated into corruption and dictatorship. PNG is a vital democracy, and can be saved such a fate, if the people can see how to live with such massive gold mines in a way which asserts the dignified right of sovereign people to ensure that benefit is distributed to all.

The alternative road facing the nation is to make good use of our deepseated

John Momis

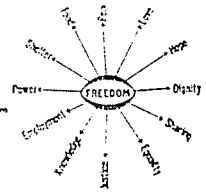


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### BOUGAINVILLE INITIATIVE FUND

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entrepreneurial tradition, adapting it to the modern need for an indigenous commercial culture which brings development to the villagers harnessing the energies of collective family effort, and ploughing profit back into enhancing that collective strength. Nurturing such enterprise will take time. But there are examples of such enterprises, even if we have now created an elite of rich men who attach themselves to foreign businesses, to whom the Melanesian entrepreneurial tradition is no longer visible.

As the BOUGAINVILLE INITIATIVE takes shape, you will <sup>hear</sup> more from the North Solomons Provincial Government.

One further issue needs to be clearly stated. Because the essence of the Initiative is to encourage local enterprise, we cannot permit BCL to swamp local enterprise by establishing giant supermarkets, at places such as Buin, or Buka, to compete on unfair terms. No local trader can possibly compete with the freight rates you get, through the availability on the ship used to bring in mine supplies of space for imported foods. The National Investment Development Authority cannot permit such expansion of BCL's activities. Be content with mining, and feeding your expatriates on expensive imported food. Do not hide behind your public relations Foundation, and pretend that such supermarkets are a charity. We are asking that you encourage initiative, not stifle it.

The social, economic and environmental impact of fifteen years of mining has not been dealt with constructively and openly until now. If it is left much longer, BCL will be gone. The people of Bougainville are determined to set a positive example to the nation. We will set a standard for dealing constructively with giants such as BCL, so that our people can again control their own lives. We will restore self-reliance, through projects funded by seed capital from the Bougainville Initiative Fund we here propose. Such money can succeed if it is spent by provincial and local community governments. They are the governments closest to the people. Only they can select projects which not only meet community needs, but which in turn generate self-sustaining financial independence for community development. We are resolutely opposed to handouts and the passive dependence they create. What we are after is seed capital, to generate communal funds which are self-sustaining, and which instil pride in community development. I am sure you will acknowledge that BCL has never attempted such intimate understanding of our Melanesian way as to be capable of identifying such projects and patiently nurturing them. Your explicit BCL policy has always been to restrict your funds for large scale projects. Only our own democratically elected representatives can wisely administer such a fund.

I played a major role in the creation of provincial governments, in part as a constructive response to the acute frustrations felt by the people of this home province of mine, Bougainville. Having been a national leader for so long, it is my belief that we must deal directly with each other, as human beings equal in dignity. I do not believe in making splashy press releases. Before publicizing this proposal I have come to you, face to face. I talk straight and true. What is proposed here must come to pass. It will be the public agenda of the coming weeks of election campaigning. But first I come to you, to offer you our friendship, and to wish you a happy retirement to top off a successful career. We invite you to retire in the knowledge that you are not only a mine builder but also a community builder.

May God bless you,

*John Momis*  
FR JOHN MOMIS

# BOUGAINVILLE: THE MINE AND THE PEOPLE

## BOUGAINVILLE COPPER

LIMITED

INCORPORATED IN  
PAPUA NEW GUINEA

11th May, 1987



PANGUNA,  
BOUGAINVILLE, P.N.G.

CABLES:  
"BOUCOP PANGUNA"

Fr. John Momis  
Melanesian Alliance  
PO Box 6516  
BOROKO, N.C.D.  
Papua New Guinea

Dear Fr. John,

In responding to your letter of 4th May, I must first assure you that it has long been my objective to see a larger proportion of the revenue generated by Bougainville Copper Limited remain within the Province. However, there are certain legal and statutory constraints under which I am bound to administer the financial affairs of this Company. These place your 'Bougainville Initiative Fund' outside my authority.

It is unfortunate that we did not have the opportunity to discuss this issue more meaningfully in an environment less dominated by pre-election politics. I believe that the periodic review of the Bougainville Copper Agreement as provided in the legislation under which we operate is a suitable venue for the parties to discuss relative Government revenues.

In the light of your stated intention to make this issue 'the public agenda of the coming weeks of election campaigning', I will no doubt be forced to defend the activities for which I am responsible. I am reluctant to be placed in this position and will do my best to stick to the facts and maintain political neutrality.

The sensationalism which the press have attributed to the issue I see as unfortunate and counter productive to the Company's relationships with Government. To me it is a cause of great personal grief to have this vote of censure cast on all that I have set out to achieve in moulding BCL into a responsible and sensitive corporation. Nevertheless, my disillusionment will not militate against my continued efforts to assist this Province to the best of my ability within the responsibility vested in me.

Yours sincerely,

P.W. Quodling  
Managing Director



## Appendix D

### Notes on Early Contact with Bougainville People in the 1964-66 Stage of the Bougainville Copper Development\*

K. M. Phillips

\* Reprinted from R. D. Bedford and A. F. Mamak, *Compensating for Development: The Bougainville Case*, The University of Canterbury, Christchurch, 1977. K. M. Phillips was senior exploration geologist with CRA. Explanatory notes in square brackets have been added editorially.

## **Notes on Early Contact with Bougainville People in the 1964-66 Stage of the Bougainville Copper Development**

In January 1964 I made the first visit to Kieta by a CRA employee with the specific intention of assessing supply access and logistic problems for our geological reconnaissance of the SPA [Special Prospecting Authority] and to discuss with the Administration authorities what problems, if any, we might have with the people and what assistance we might be able to get in terms of communication with the people. The ADC [Assistant District Commissioner] at Kieta then was Max Denehy and he remained in that capacity until late 1966. He had been in Kieta for six years at that stage and had a very good knowledge of the Nasioi personalities. Both then and until 1966 he had almost no supporting field staff — from memory two or possibly three cadet patrol officers fresh from ASOPA [Australian School of Pacific Administration] at Mosman — and probably patrolled less than he would have liked to do simply because he did not want to let inexperienced officers into the villages on anything but the most routine tasks and with nobody to hold the fort in Sub-District headquarters most of the time he had reluctantly often to get the people to come and see him rather than go out and see them. In spite of this he still covered a considerable amount of country within the Kieta Sub-District and on several occasions beyond it, being much the most senior officer in the southern half of the island. At the time of my arrival there he had more than a full time task without CRA entering the scene, for amongst other things this was (Jan. 1964) the preparation period for the first House of Assembly elections held in March that year. On his patrols in the course of this major exercise he said he had mentioned to the people the impending arrival of the CRA exploration party and there had been little reaction to this, overshadowed as it was by the election. In addition, nobody, including ourselves, thought that this would necessarily be anything other than another routine survey of some weeks or months duration.

Anyway Denehy, on the liaison with people subject, said in January 1964 that he was unable to help as he needed what staff he had but that he could probably find a local around the place who could act as an interpreter for us. My PNG background at this stage was a few weeks in the bush just out of Moresby and about two months at Porgera in the Western Highlands in 1963 which had only recently been derestricted and whose population was primitive and non-pidgin speaking. The other members of the party that set out eventually in April 1964 were a company geochemist of Latvian birth and two young Australians in their first year out of school, all new to PNG, plus Neville Robinson who was a native gold mining assistant with the Mines Division of the Lands Department based in Moresby but with most PNG contact with Highlands people in the late 1950s/early 60s. Robbie (who was killed in a helicopter crash at Ok Tedi



in 1968) himself generated the idea that he should act as our liaison for a few weeks and then carry on some alluvial gold investigations for the Mines people and the locals at Atamo afterwards. Although his background of dealing with Highlander primitives was the wrong one for Bougainville we felt it was better than nothing at all, until we were able to communicate directly with the people ourselves, which happened quite rapidly. In the interim Robbie, who had a considerable sense of humour, got on pretty well with the people we encountered, carriers, and the handful working for us and appreciated that the Bougainville people were different from his previous contacts.

Our party left Kieta in mid-April 1964 and walked up to Kupei village where we were received hospitably and accommodated in the rest house. The Kupei gold prospect was a further two hours walk about the village and we moved camp up there after a few days. The old track was overgrown and disused and this was opened up by the Kupei people (on wages) and we worked out of the Kupei gold prospect camp for about three or four weeks. The Kupei people brought produce to the camp and although they were probably largely keeping an eye on us we were quite pleased to get some income from wages, produce and payment for useful trees that we used such as black palm (limbon) etc. Much of our early labour, however, had been recruited from Rumba, the SDA [Seven Day Adventist] village and mission behind McKillop's plantation, for this was where the portage started up the track to Kupei. After a few days we had a strike on our hands when all the Rumba people (probably no more than ten) said they wanted the same pay as the 'mastas'. We were probably paying about two shillings per hour for carriers initially and I suppose around eight to ten shillings per day for cooks, etc. Whatever it was we had been told to pay the same rates as the Administration plus rations etc. and not to upset the overall wage and produce price structure in the district. McKillop in particular was concerned at a fairly early stage that we might affect the plantation economics because he used local casual labour exclusively on Arawa, a lot of it drawn from the area we were to work in. We did not observe this direction for very long because we felt that the people working and carrying for us had much longer hours and rougher conditions to work in than those on plantations or government work. This was later accepted by Denehy but not by the planters, with all of whom we had the friendliest of relations in spite of minor differences of opinion such as this. To return to the 'strike' at Kupei, we told the Rumba people that the pay they wanted was just not on and they left us in the bush and went home. The Kupei people then sent up a couple of young men (without our asking) to cook for us and the next day a large number turned up for work. This group stayed with us for some weeks and the two lads were with the Company for some years, travelling extensively on the exploration vessel,

the 'Craestar' round PNG and the Pacific.

At the same time, i.e. about the end of April/early May, some 50 people arrived at the Kupei prospect for a general discussion on what we were doing there, what our plans were, how long we intended to stay, etc. As we saw a lot of some of them in later months I realised subsequently that they had come from all over the Guava, Musinau, Kupei, Moroni, Pakia etc. and included most of the leaders or spokesmen. Oni was the chief spokesman and I shall discuss him more fully later. We, through Robbie, gave them a run down on what we were there for, should we not find what we were looking for we could be gone in three months, otherwise we might be around for months or years even, etc. Even at this early stage the question was asked why if there was enough copper in the ground could it not stay there until their grandchildren had the knowledge to develop it. Always a difficult one to answer we did our best. One must remember that there was a very small scale gold mining operation at Kupei between 1930 and 1941 which nobody would have made any money from but which the people undoubtedly thought would have produced a large fortune for the expatriates working it, and which otherwise might have been theirs. A pretty full discussion took place on the Prospecting Authority and our 'rights' to look for minerals and the meeting broke up with apparent approval for our presence and the knowledge that we would be moving to Moroni in the not too distant future. Work then proceeded for some weeks without any further queries.

It is probable that Oni had a strong influence on the outcome of this meeting. In spite of what Ogan, Oliver and everybody else has determined from hindsight and not having been there at the time, Oni was in 1964 still a very major force in the Guava — not just an outspoken Nasioi — and had been since at least the 1940s. Probably his influence was due to become less significant from this point on and subsequent events accelerated this. It was Oni who dealt with the Japanese when they arrived in 1942 and concentrated his people at Moroni and determined that they would cooperate with them after a period of non-cooperation (Paul Mason's diaries) and it was Oni who continued to defy the Allied troops when the tide was turning but who eventually changed allegiance and cooperated with Mason and assisted in the massacre of the Japanese at Moroni. It was Oni who was captured by the Nagovisi and flogged over a garamut in the late 1940s as a reprisal for some transgression by the Guavas. He was an engaging character who was easy for us to warm to and for anybody who was in the Guava in 1964 (which neither Oliver nor Ogan were) there was no doubt that he spoke with the strength of support from his society. The Guavas were of no interest to the Kieta and Nagovisi people and what they had or did and what we were doing was of no interest to the coastal people at that time, or in fact for some time to come. Gene Ogan fell over

backwards trying to avoid us and the Guava because of his studies with the south Nasioi and his direct contact with the events of 1964-66 at Panguna was nil, (as was Oliver's and for that of John Momis) and most of what has been written on this period has been based on second, third and fourth hand Bougainville hearsay, which can become more than a little distorted in the telling.

In May we moved camp from Kupei to Moroni with the help of some 150 Guava and Pakia people for we had a large store of supplies. Moroni was then occupied by only a handful of elderly people, about eight to ten at the most, and Gregory Korpa, a younger man with whom we subsequently had many dealings, when he wasn't working on Arawa, and Tau, a partly cured leper. The rest of the village had progressively moved to Pakia since the war where amongst other things they could grow cash crops like cocoa. Oni, who was then living in Guava, had an iron roof slab floor house in Moroni village which we rented (and subsequently bought and moved to Panguna and paid for at least three times during my term) and the people stored supplies under their houses for which we paid them. I felt that it was something of an incursion to be actually living in the village but the people appeared quite happy with the arrangement. In the event we did not stay long as it was a hell of a climb up to the village at the end of the day and we soon found the interesting outcrops in the creeks around Panguna Ridge and established a fly camp there in the middle of a choko patch dating from prewar prospectors' activities. By this time Robbie had left us to our own devices and headed for Atamo on Government business. Unknown to us he was turned back on the north side of the Pinei Valley by the Borimai people (probably assuming he was one of us) and returned to Kieta. About the same time, which must have been about early July 1964, I walked into Kieta through Guava village to meet our Chief Geologist. Oni was in Guava and quite unexpectedly said that he was tired of all the talk by the people about our activities (of which we knew nothing) and he wanted us to leave the area. The statement was forceful but not hostile. We still had essentially the original Kupei work force with us including one of their clan leaders (Sipura) and they were not in agreement with this sentiment at all. If they had been we would not have reached Kieta that day because of torrential rain and swollen rivers and it was only with the Kupei people's help that we made it into town — a fact which Max Denehy was quick to point out as he saw also that part of the trouble was that we were employing mostly Kupei people and no Guavas. The incident with Robbie was more serious as he was now on Government business and he was pushing for a 'show of force' both where he wanted to work and for us in the Guava. Denehy did not agree and neither did we and Robbie went back to Moresby in a huff. However, we did want an assurance that we could carry out our work unhindered and this was given

by Des Clancy the DDC [Deputy District Commissioner] from Sohano and another very fine officer. I have often said that if Clancy and Denehy had been left in charge of the Panguna situation that none of the turmoil that developed from 1966 on would have taken place — they were both men of compromise, not confrontation, and both understood the Bougainville people better than most Administration officers.

Unfortunately Clancy went back to the Southern Highlands in 1965 and Denehy was used as a scapegoat by Port Moresby for their own lack of appreciation of the situation. Mollison, the DC [District Commissioner], was virtually waiting for retirement and hoping we would go away and probably stopped a lot of Denehy's messages ever reaching Moresby. (**Not** for publication!)

Denehy called Oni and other leaders [known as 'luluais'], tultuls [luluais' assistants], etc. down from the Guava and explained the Prospecting Authority and our immediate plans to them in considerable detail. We said we would employ Guavas at Panguna and Kupeis at Kupei and we all went off quite happy. Our work then continued without incident for several months during which time our relations were cordial, we began to pay out more and more money for timber, produce etc. and of course wages as the numbers grew and the odd Bougainvillean from elsewhere on the island came to seek employment and see what was going on. At this time though our policy was to employ only people from the land-owning area. An area of ground was cleared at the Moroni people's suggestion at the junction of Barapinang Creek and the Kawerong and a substantial house was built in July/August 1964. We had agreed to pay not only for the materials used in the building but also for the trees felled to clear the ground for the building. I remember this well as there were some fine trees in this area which it seemed a shame to fell so we suggested that only a very small area of ground be cleared but to our dismay when Oritanu and the Moroni/Pakia people had finished they had cleared a good acre. By this time too we had abandoned the casual carrier system as being unfair on the hourly rate and employed a permanent line from Kupei on wages, rations, clothing, etc. to do the portage, so that Kupeis were basically the supply line, Guavas worked in the Panguna area (and later mostly became drillers' offsiders) and Moroni/Pakia people in the Barapinang area. We were still the original four at this stage but our numbers from here on began to increase in ones and twos at odd intervals. We needed more help and hired two expatriates and two trained Papuan field assistants from a service organisation in Port Moresby. The first small drill was carried in from Arawa in September 1964 along with a driller, and two larger drills, a helicopter and about four or five drillers arrived in October. We built an additional house at Panguna as well as Oni's on top of Panguna Ridge, and with the helicopter and the technical progress on

the prospect there was an increase in the number of Melbourne based company personnel visiting as well as occasional Government visitors and missionaries travelling through. Our exploration parties (usually two expatriates and some of our longer term Bougainvillean employees) were meanwhile working north through Mainoki, Karato, Atamo, south through the Nasioi and the Lulluai River, and down in the Nagovisi in the Boku-Siwai, all without complaint or interference — this in spite of the fact that a Government forestry survey group had been chased out of the Nagovisi in August/September 1964.

Another most surprising thing in retrospect was the initial lack of opposition to our pegging of the corners of Exclusive Prospecting Licences [EPLs] in December 1964. The Mining Ordinance was quite archaic at that time as you well know. There were two prospecting licences available, the SPA which was valid for 12 months with a maximum area which might have been 1000 square miles or less — I don't recall — but which gave the holder no exclusivity or right to obtain a more secure title. The second was the EPL to which stringent conditions were attached, a maximum area of 25 or 30 square miles, and which gave the holder the exclusive right to peg mining leases. However, it also required that the corners of the EPL be pegged and trenches dug indicating the direction of the boundaries. The pegs had to be about 6 inches by 6 inches by 6 feet and the application paper attached to the datum peg. Ivo Wood and other Mines Division people knew this was a hopeless exercise for PNG because amongst other things this was very similar to the way in which the people marked certain land boundaries. Ivo had been working on a new Ordinance for some time and I shall discuss this later. We were in the position where the law had not yet been changed and like it or not we had to peg these boundaries as we needed a more secure title than the SPA which was due to expire anyway. One of the corners fell in the middle of the Musinau village and one can imagine the trepidation with which we approached this task. I explained at great length that it was nothing to do with land as such but that we were asking the Administration for the right to carry on looking for copper and they required that we place these pegs around the country. McKenzie held the Warden's Court in Kieta in January 1965 and Denehy and Clancy had decided to bring people from all over the island as well as the Guava to attend the hearing. It is significant that most people other than the Guavas were bored to snores with the whole exercise, and generally indicated that CRA could go on prospecting in the Guava for ever as far as they were concerned. Even the Kietas showed little interest. There was a vigorous discussion by the Guavas on their rights relating to minerals on the land (and I had had many informal discussions with them on this subject over the preceding months) and Hec McKenzie explained the law as it existed then. There was really no opposition to our being

allowed to continue work although there were some grizzles about people not being paid for work or timber or something which was quite untrue and presumably either a straight 'try on' or a misunderstanding of some sort. Approval was given, or at least no objections were made, and the EPLs were granted. Up to this point in time (January 1965) technically it had been an interesting exploration exercise with some encouragement but nothing more. In fact there was nearly a short downturn in activity around Xmas 1964 which would have left only a couple of men on the prospect. But at this time the first really good drillhole was completed and the Company and probably the Mines people knew there was a strong probability of a mine eventuating in time. None of us had any concept of the eventual physical ramifications of this but Denehy and I and Ivo Wood, McKenzie, etc. were very concerned about the existing ordinance and what the people could expect to get out of it all, of which more later.

Exploration, especially drilling, activity was stepped up and concentrated at Panguna and later Kupei, while the odd geologist was working in areas such as Tonolei harbour, Wakunai-Torokina, etc. Misunderstanding of what we were about was widespread in 1965 but often we did not get to hear of it until long after the event. For example, Father Duffy from Koromira eventually came to see me late in 1965 to ask whether it was true that we were going to mine the whole of the Crown Prince Range with a hole running from Mt Bagana to Tonolei Harbour (incredibly he believed this himself) — the people being frightened that the island would tip over and sink with such a hole in it. The Guava people thought that the drills were pumping copper and gold out of the ground. We went to great pains to correct these misconceptions and I spent much of my time of the next 18 months talking to villagers and councils, where they existed, about our activities. As we did not know what direct monetary benefits, if any, might accrue to the people from the new Mining Ordinance, we thought it could be beneficial all round if a party went to Australia to see some of the 'advanced' society and some existing mining operations. This party consisted of a Buin-Siwai leader, a Nagovisi leader, a prominent Kieta, and two from the Guava, one selected by the people from Guava-Musinau, and one by us (Severinus Ampaoi, an educated schoolteacher) and were accompanied by Max Denehy and Clem Knight the CRA Chief Geologist. Amongst other things they saw the open pit at Mount Morgan and when asked whether the one at Panguna was going to be as big were told that it would be bigger. We were nothing if not frank. Of considerable significance was a visit to Canberra and the Minister. Denehy later referred to this meeting by saying that the villagers asked the Minister for some consideration for direct financial benefits accruing to Bougainvilleans. The Minister did not answer or directly reject this which the Bougainvilleans took as tacit approval of their request and added to the troubles in 1966.

This tour took place somewhere in the first half of 1965 I think. Except for Severinus it was largely a waste of time for although immediately on their return they were greatly enlightened, very pro us and the material benefits of mining, after their experiences had been tossed around the villages for a few nights things such as David Jones store in Sydney became the source of all cargo, etc. and cultism became worse than ever.

Meanwhile discussions with the people on the subject of what they were going to get out of it all increased in frequency — often these were with Oni and a few villagers or other spokesmen. As we did not have much ammunition I had to concentrate on the economic development benefits angle, job opportunities for youngsters, etc. But Deneny and I were becoming more worried about what future obstacles might arise.

In June/July 1965 I was away in the US for about five weeks touring some existing open pit copper mines. My replacement was a senior exploration man from Melbourne who in spite of warnings from Denehy and myself tried to push the programme along too vigorously and made the mistake of sending a party into Mainoki without any forewarning. They were told to go home and despite lengthy discussions with Denehy the next day refused to change their attitude — a situation which still exists eleven and a half years later. On my return from the USA I found that this opposition to us was spreading and that we were being asked to confine our activities to the eastern side of the Kawerong — this coming from the Moronis principally.

About this point in time (my chronology gets a little vague from here on) Haddon King, the Director of Exploration, Max Denehy and myself repaired to Port Moresby and Mt Hagen for a few days (? August 1965) to put together a document to submit to the Administration outlining our problems, what the people's problems were as we saw them, and what we felt had to be done to remedy the situation. We know of course that the new legislation was in preparation. We took this step because we were quite sure that Moresby had no real appreciation of the situation and Denehy was entirely frustrated in trying to get anything through normal channels. Naturally enough we, as the Company, had been granted a title to do something by Moresby and were now unable to do what we wanted so we felt it was up to Moresby to put the house in order. Two points that I remember well and which were generated by Denehy and myself were: 1. that the people had to get something monetarily in the way of compensation for minerals etc. and whatever was granted now must be sufficiently generous so that there would be no grounds for complaint in the future; 2. that the Government and/or the Company establish a Bougainville Development Fund — which had already been mooted by people like Paul Lapun but which we had also thought of independently. The first point was included by Haddon in the document but I don't think

the second was. Anyway neither the Administration nor the Company took this matter up which was a great pity. We dealt primarily with Frank Henderson the Assistant Administrator who assured us that all would be done to enable us to carry out our work but that no great dramas would be created and time would be needed to remedy the situation. Denehy had private discussions with Henderson and no doubt was rapped over the knuckles and also pleaded for more staff — he still had much what he had in January 1964 except for the addition of a senior P.O. to handle the Kieta Local Government Council formation, and he was by this time also acting DDC for Bougainville, Clancy having gone back to Mendi.

As we wanted to get on with some work in Moroni/Pakia ground I took to negotiating directly with the people and by promising a water supply etc. to Moroni village they agreed to let us onto their land. This cleared the air for some time and there were no further overt objections to our activities in the Kawerong Valley that I can recall until early 1966. Control of the project had now passed from Haddon King's hands to Frank Espie's as the change from exploration to evaluation took place, and early 1966 would have been Don Vernon's first involvement as Project Manager although he was still based in Melbourne.

Outside areas such as Mainoki and Karato were still tambu [forbidden] and the Karato people's attitude was typical of that which eventually spread throughout the island, namely that they were quite happy to see us working at Panguna but they would like to see what happened there, what material benefits accrued, what the benefit of a road was etc. and digest it all before deciding whether or not to let us back into their land. Also they could not understand why any minerals on their land were not supposed to be theirs. They were quite happy to discuss these points further and would be pleased to see me back again — which as it turned out I never did due to increasing pressures on my time elsewhere. This in itself was an additional cause for discontent.

The access road started about this time and we had few problems with this other than paying for the rash of cocoa bushes that sprang up overnight along the flagged route in the Pakia area. Garden destruction at this point in time we paid for by supplying food — primarily tinned meat and fish and rice — as a substitute for garden produce lost.

The next significant upset occurred in 1966 which is the one referred to on your page 10. This was a most unfortunate mishap due primarily to confused communications. We had employed Severinus Ampaoi the Dapera school teacher to help with the increasing amount of our time that was being spent on discussions with villagers about our activities. He eventually returned to this type of work many years later with BCL after he had been in innumerable other positions and now runs the Village Relations-compensation section for BCL. One of his tasks in 1966 was to



help clear the way, or at least determine whether there were any objections, for work to commence in any new area in the immediate Panguna district. We wanted to do some soil sampling between Panguna and Kupei and I asked Sev to determine if this was OK with the Kupei and Guava people whom we thought held customary rights to the area. This was done as far as I was aware and I understood that there was no problem. However, I think Sev misunderstood the location involved and whatever the reason, two expatriates and a couple of labourers went to this area and built a small helipad and fly camp — the latter consisting only of a tent fly with banana leaf sides. A small hunting party from Musinau, who as it turned out had hunting rights in this area but had not been contacted by us, were startled to find the camp and pulled it down. We were in radio contact with the party and pulled them out by helicopter straight away — they were not forcibly ejected. Because of the damage to property (which is what the men were courted for) and not knowing the reasons behind the action nor to what extent it might spread Denehy flew some police into the Panguna camp in case there was any attempt to damage property there. There wasn't and the police were withdrawn after a week, most of them the next day. Denehy and I were both very reluctant to make this move but felt that prevention was better than cure. We resisted the 'show of force' protagonists for two years and this was in effect a defeat for our principles. The five men were convicted for damaging property — not evicting us — and I thought they served only a few days before being released as no one was very happy about the incident.

Also somewhere in the first half of 1966 we had a top level Canberra visit by the Minister and one of his secretaries, Gutman. This was the major milestone in the rapid deterioration of relationships that took place from here on. Probably both Denehy and myself had been hinting to the people that better things were coming (with regard to the new Ordinance, etc.) — we probably even believed this at this stage.

We hoped that we could get the ear of the Minister and his adviser before they go too close to the people. This was not to be. Barnes stopped for about half an hour at Jackson's airport on arrival in PNG where he was briefed by Henderson. He flew to Aropa, was met by Denehy who couldn't get a word in and drove straight to a meeting the Kieta people who were told in effect that there was nothing in it (Panguna) for them but the development would be for the benefit of PNG as a whole. Denehy was thunderstruck and although not at that meeting so was I when we talked to Gutman and Barnes at dinner. Next day was even worse. The Ministerial party met a number of the Guavas at the Panguna camp. When old Oni plaintively asked if there were not a silver shilling in it somewhere for them and the Minister said no — nothing (in spite of the fact that he knew of the impending changes in the Ordinance) I knew that we had

troubles ahead. One cannot blame Barnes so much as his advisers and the briefing he got in Moresby.

Needless to say it was not long before 'Itambu' [forbidden] signs sprang up like mushrooms and the area in which we were permitted to work shrank even further. Also a new Bougainvillean arrived on the scene that we had never seen before — Anthony Ampei. A young man who claimed to have been at Sohano with the Bishop for the past two or three years and who came from Guava, he told us that he was the owner of the land which comprised the central third of the orebody and on which three of our drills were operating and we were to stay off it forthwith. So resignedly I withdrew our drillers, suspended all work, advised Max Denehy and Melbourne office and suggested they come up and sort it out. Ampei turned out to be something of a religious/cargo cult fanatic who had been in the asylum in Moresby for the previous three years, not at Sohano, and subsequently returned there where he still is. It was curious in a way that the people allowed him to become their chief protagonist for a time although a fair degree of mysticism still existed and cults were still rife.

We carried on for some time in the areas outside his ground (curiously the other people did not follow his lead) but the 'show of force' philosophy eventually won out. Denehy was removed from having anything to do with Panguna and confined to Kieta and then transferred to oblivion in Samarai at the end of 1966. Moresby decided to discredit him as a whitewash for their own shortcomings and obstinance. W. Brown was posted to Panguna by [Tom] Ellis as a hard-line kiap with explicit instructions to get us back on the job with force if necessary but presumably without bloodshed (my interpretation). By about October 1966 we were back on Ampei's ground and shortly afterwards a patrol post was established at Barapinang with a kiap [patrol officer] and a police detachment. In October I fell ill from the work and other pressures and took three months sick leave and returned again only briefly in early 1967 before being transferred and subsequently resigning about April that year. The subsequent events from October 1966 on are well documented and there is little else I can add. Except to say that when I returned in February 1967 the situation was appalling — the majority of the expatriate staff had lost all contact with the Bougainvilleans and were contained in a vacuum almost by the Administration — a sentiment with which John Dagg the kiap agreed. The early exploration people in any project are normally more vitally almost emotionally involved in everything that is going on, whereas the next stage of evaluation and then construction brings in people who don't have this involvement and quite frequently are just doing another job for wages. This change had taken place over the few months I had been away at the end of 1966 and it was pretty obvious that tolerances all round were going to deteriorate for some time to come.

## Appendix E

### **Bougainville Stocktake: Secession movement strains church-state relations\***

**James Griffin**

\* Originally published in *The Times of PNG*, 11 October 1990. James Griffin is a former Professor of History at the University of Papua New Guinea.

# Bougainville stocktake

Secession movement strains church-state relations

by Jim Griffin

'THEY'RE not shooting at people, Sean, they're shooting at the mine.'

The missionary from the central Bougainville parish who uttered this moral 'cop-out' to ABC's Sean Dorney about the BRA last year has not waited for his martyr's crown but he has returned to America where no doubt his friends will see him as a 'human-rights' hero.

His former parishioners are not so lucky in their ravaged homeland and his former bishop, with whom he was so influential, is now being called a 'murderer'.

For me nothing more clearly describes some of the confusion in church-state relations than that this allegation can be levelled at an otherwise manifestly good prelate Gregory Singkai, by a former seminarist and provincial secretary James Togel (*Post Courier* 5/10/90), himself also a worthy man and a committed Catholic church-goer.

In former days this would have been regarded as a 'scandal' of the first order, especially as even Fr John Momis appears to have castigated Bishop Singkai, but it is unlikely to move the Catholic Conference of Bishops or the Papal Nunciature to utter the appropriate anathemas and stem the bashing and killing in the North Solomons.

God forbid, however, if Singkai had appeared to condone some

sexually tainted scandal such as the Hahalis Welfare society's of the 1960s.

And there is an irony in the lack of such pointed remonstrance in this country because, whatever the alleged joyless repressions of the Christian missions, there has always been this consensus: 'Ol misinari ikam pas na kolim bel bilong ol man na bihain gavman i kam' ('the missionaries came first and stopped the fighting then the government came').

Yet what I hear on the clerical grapevine is casuistry such as that 'Bishop Singkai has only been supporting his flock' (except those in Buka, apparently) or the Government has broken the Endeavour Accord by sending troops back to Buka Island (no matter at the request of its leaders).

But prior to getting wound up about this, let us call the person who made the remark above simply Fr Whitely and treat him as a not untypical dissident priest of the North Solomons of the last 30 years.

It may illustrate a little of local moral leadership.

As an American, Fr Whitely did not see eye to eye in the 60s with Australia's socialistic principle that the minerals below the ground belonged to all the people of Papua New Guinea, not just

local landholders.

In this respect the American view was rampantly capitalist but Fr Whitely and some of his colleagues were much more conservative than that.

They thought that strip-mining was evil in itself and were aware of the way its occurrence in the Appalachian valleys of the USA had polluted the fertile lands of Ohio.

More conservative still: basically they did not want any industrialisation which would radically change the status quo in which the Catholic Church had invested so much human and material resources.

Mining, with its attendant migration pull, reckless influx of cash, disparities of wealth, induced consumerism and invitations to urban vice, seemed to Fr Whitely and others a subversion of their moral domination and of the values they had tried so manfully to inculcate.

The attitudes of Fr Whitely suggested preference for a quasi-theocracy.

To this was added a disdain for Australian rule in a multi-national Marist order whose links were with the Solomons islands and Oceania not with the rest of Papua New Guinea.

Little was done therefore among the North Solomons' principal mentors to show that any good could stem from Port Moresby in the future, no matter who would run it and, mostly notably in the Department of Education, there was continuous exasperation at the

refractory attitudes of Marist priests towards national programs.

While Fr Whitely was quite within his pastoral and aesthetic rights to express concern at the effects of the intrusion of mining, there is no indication that he or his colleagues concerned themselves with the practical question of how Papua New Guinea could become economically viable, or how budgets would balance, or export earnings remain healthy without mining income, or how humiliatingly dependent on Australia Papua New Guinea would remain.

Priestly criticism should, it seems, be taken seriously but there is no balancing obligation to provide solutions — an excellent recipe for getting the best of both worlds.

Fr Whitely was ultimately placed by his bishop in the most sensitive area of the province, among the mine site residents.

It would appear that he did not see that the renegotiation of the Bougainville Copper Agreement in 1974 with its revisionary clauses had made any difference to the 'morality' of mining or that the provincial government granted in August 1976 and agreed to by North Solomons leaders had legitimated the incorporation of the province in PNG — an act of self-determination if you like.

We will have to wait for the oral historians to get on the job to find out how far Fr Whitely stirred up his flock.

For example did he help to

circulate the lie in Fr Momis's 1987 Bougainville Initiative that BCL was salting away K60 million a year through transfer pricing, or that BCL could unilaterally hand over 4 per cent of gross income or 3 per cent of profits to the province and make it up by improving its efficiency?

Or did he do anything to repress the rumour that BCL was smuggling out large amounts of gold in 44 gallon drums from the province every few months after the ball mills were periodically scraped?

Or did he encourage his people to respect the integrity of the Applied Geologists Associations' report of November 1988 which could have calmed some of their fears about the impact of the mine on their health and livelihood?

Or did he remonstrate with Fr Mark Roberts, his American colleague of the Peace and Justice Commission, who claimed that BCL had 'killed hundreds of people' and stirred up inflammatory nonsense about 'genocide'?

But perhaps there was some casuistical rule to cover Fr Whitely's right to testify to his perceptions without the obligation of ensuring his parishioners were honestly informed.

Worse, what appears to trouble James Togel and others, Catholic, Christian or otherwise, is that there may be some such rule to excuse blatant violations of the fifth commandment — THOU SHALT NOT KILL.

Perhaps it was too much to

expect that the likes of Fr Whitely would protest publicly against the destruction of millions of kina of mining installations (partly owned by the State), or even protest against the assassination of unpopular security forces who might normally expect support from the churches in doing their duty, even if their misbehaviour was diminishing respect for them.

Perhaps the bishop and Fr Whitely felt it simply imprudent to protest against the abduction (and certain murder?) of Francis Ona's uncle Matthew Kove, when his role in the Old Panguna Landowners Association was apparently unpopular with younger people in the Guava area.

However, the case of the provincial minister, John Bika, wantonly assassinated in his own home in front of his family for failing to support secession, cried out for authoritative moral denunciation.

But what happened? The American Vicar General, who appears to have a smattering of melodramatic 'liberation theology', even advised Bishop Singkai not to offend the BRA by holding Bika's obsequies in the Cathedral.

To his credit Singkai refused to comply because, he said, Bika was his parishioner, but what did the bishop say at the requiem: 'Those who hated him, killed him.' *Em tasol!* Not a word about the BRA and murder.

No wonder Joseph Kabui, the former premier, could be so glib about Bika when he told Sean

Dorney that Bika's assassination was due to the fact that he had been judged to be 'dishonest . . . in the views of the people'. Quite a price to pay!

It seems to me that over the last 2 years it has been a morally downhill ride for Singkai, the Whitelys and the egregious Vicar General.

They affect to believe they are involved in a 'just war' not simply against the mine but against the State of Papua New Guinea.

But what are the time-honoured principles of a just war in Catholic theology which might have guided them?

A 'just cause' is one of the criteria, and that could at least be arguable in the Bougainville situation as could, where the bishop is concerned, the criterion of 'right intention'.

But the criteria that force can be used only by a 'legitimate authority' (the BRA????) and only 'as a last resort' and 'without the destruction of innocent lives' have clearly not even been considered, let alone met.

Remedies under the Namaliu government with its representatives from the province were clearly at hand.

We should now go on and ask: where were the bishops and the Papal nunciature when Bishop Singkai and his advisers were clearly failing in their duty and tolerating what anyone could see would result in anarchy and a reign of terror?

The past may give us a clue. In 1967-8 the then blundering Australian minister for Territories, Charles Barnes, complained to the Apostolic Delegate to Australia, New Zealand and Oceania about the opposition of certain American priests to mining and he asked the Delegate to get the archbishops of Port Moresby and Rabaul, both committed to Papua New Guinea, to tell Bishop Leo Lemay of Bougainville to discipline the priests.

The Delegate replied that the archbishops had no jurisdiction in Bougainville and that they were to be considered only as 'the first among equals'.

This is, of course, correct but in the present circumstances is unduly convenient. It generates inertia or, ultimately, undue satisfaction with the pallid and unregarded statements that have been issued on the present crisis by the Conference of Bishops.

Doctors may dispute, as the old saying goes, but bishops will not, in the interests of ecclesiastical solidarity and professional prestige.

Yet here was a case where a clear statement on morality was possible to guide publicly Singkai and his Vicar General.

The pity of it is now clear. Bishop Singkai is cursed as a 'murderer' by members of his own flock.

However much of an accessory he may have been, Singkai is not a 'murderer' but, as Minister for Education in the Meekamui Government, he could face a charge of treason.

This raises the old question: whatever happened to the rule that a priest should not be directly involved in politics?

Nothing untoward in Bougainville of course, because Singkai had continued to break it in favour of Fr Momis whose political party he has patronised.

As I understood it, when Bishop Lemay allowed Fr Momis to enter politics in 1973, it was for several clear reasons: someone who was acceptable to Bougainvilleans at that time and who understood their separatist aspirations was needed as regional member and as a participant in the imminent constitution-making which, it was hoped, would be based on Christian principles.

It was not, I understood, Lemay's intention that Momis would remain in politics as a party politician i.e. a politician who happened to be a priest rather than priest-in-politics.

In an extraordinary statement in 1977 to justify his continuing in politics Fr Momis said:

'As a priest, an ordained minister of God, sharing in the universal priesthood of Christ, it is both my responsibility and privilege to take a plunge unreservedly into the abyss of human affairs and in fact into human history in order to shape my

own personal destiny in the context of our personal destiny . . .'

'Our strategy to promote such a development of man must be one of an integral approach and must do away with the dualisms such as soul-body, heaven-earth, state-church . . .'

'As co-creators we must not be slaves to traditional practices and structures for the sake of conformity but rather be prepared to update them to suit the modern man' (Mimeo, 1977).

The upshot of this trendy 'gobbledegook' or 'bafflegab' is that Fr Momis, who has always had Papua New Guinea's not just the North Solomons' interest at heart, has been ignored by most of his electors in the present crisis when a status above politics may have made him morally influential.

Priests in Papua New Guinea may find after reflecting on the Bougainville tragedy, that they still have something to learn from the past wisdom of the church with its European traditions and dualisms. Otherwise, as events are going, they may find that, just as many people have come to believe that economics is too important to be left to the economists, so is the fifth commandment too vital to be left to interpretation — or lack of it — by a timorous clergy.



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# BOUGAINVILLE

## THE MINE AND THE PEOPLE

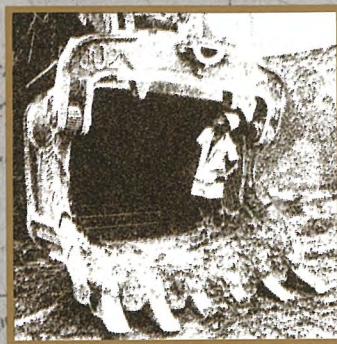
Paul Quodling

This volume is the third in the Pacific Papers Series that the Centre for Independent Studies has inaugurated in order to research the political and economic problems that arise from the development of the South Pacific.

**Paul Quodling** was associated with Bougainville Copper Limited for over 20 years, and was its chief executive for the ten years before his retirement in 1987. His direct dealings with the people of Bougainville and with the central government of Papua New Guinea have given him a unique insight into the political, social and economic tensions surrounding the copper mine at Panguna and the events leading to the closure of the mine in 1989. He sheds much-needed light on the unresolved conflict over the division of the benefits of mining activity among the landowners, the people of Bougainville, and the people of PNG as a whole.

In Paul Quodling's judgment, the two issues of the political conflict on Bougainville and the future of the Panguna mine are closely related: 'Political stability is an essential prerequisite for the resumption of mine activities, and any political solution must address the issue of the distribution of financial benefits from mining operations.'

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