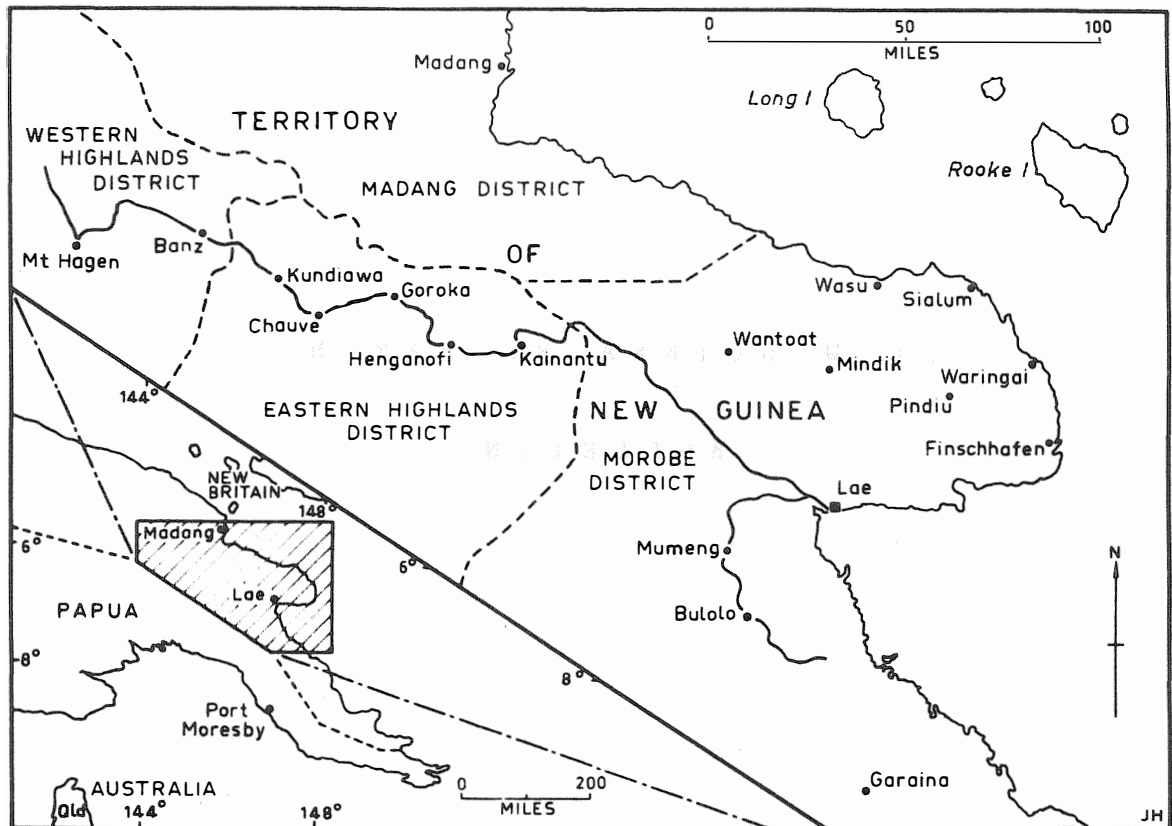


NEW GUINEA RESEARCH

BULLETIN



Map 1. Major Namasu centres

NEW GUINEA RESEARCH BULLETIN

Number 28

NAMASU:

NEW GUINEA'S LARGEST INDIGENOUS-OWNED COMPANY

I.J. Fairbairn

with contributions by W. Fugman (Ch.1)  
and Gillian Sankoff (Ch.8)

March 1969

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March 1969



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## Introduction

The Native Marketing and Supply Ltd - or Namasu - was founded in 1959 by the Lutheran Mission of New Guinea, which operates mainly in the Morobe and Madang Districts.<sup>1</sup> The company is concerned primarily with trading, i.e. the distribution of merchandise and the marketing of produce - services which the founders regarded as vital for the economic development of New Guineans and important to the economy as a whole. Trade stores have been set up in various parts of the country to supply a wide range of merchandise, on both a retail and wholesale basis, to consumers and to a large number of small retail stores owned by individual New Guineans, church congregations, missions and a few private Europeans. They also serve as buying points for produce, such as coffee, copra, cocoa, and a wide variety of fruits and vegetables. These basic services are also handled by trading vessels - Namasu's so-called 'floating trade stores' - which serve the people living in hundreds of small villages along the coast of the Morobe and Madang Districts. Although other lines of activity are also undertaken, the above functions are considered of primary importance.

The major considerations which prompted the mission to establish Namasu are outlined in Chapter 1 by its manager-director, Mr W. Fugmann. Briefly, by the early 1950s the mission recognised the merits of setting up a separate organisation to provide New Guineans with the basic trading and marketing services which it had partly attempted itself to provide. Such an organisation would, firstly, free much of the mission's human and financial resources for those aspects of mission work concerned with social and religious development. Secondly, it would be able to provide a more effective service: it had become patently clear that the mission's existing facilities were inadequate in face of the rising demand for trading services by New Guineans. Thirdly, the mission did not want to dispose of its trading and related assets to private parties since this would most likely result in little benefit for New Guineans. Fourthly, the mission wished to disengage itself from 'secular' enterprises to avoid acquiring (although it had already done so to some extent) a reputation for being a large-scale trading body: it certainly

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<sup>1</sup> Though it abbreviates the company's full title, the word 'namasu' means the 'inner kernel or core of a coconut' in the Bukaua language - a dialect of Yabim spoken and understood by most of the coastal people of the Morobe District.

would if it developed further its economic functions. Finally, the creation of a separate economic organisation subject to some control by the mission provided a further argument for the establishment of Namasu.

Since 1959, Namasu has grown spectacularly and now ranks in size and range of activities with such organisations as Burns Philp, Carpenters and New Guinea Trading which have long dominated the trading life of New Guinea. Namasu's gross sales amounted to \$1,700,000 in 1966, and are currently rising strongly. In the same year, the company employed 200 New Guineans and 15 Europeans, while total assets were estimated at \$763,000. In villages there were thirteen wholesale outlets fully operating in a large part of the Madang, Morobe, Eastern and Western Highlands Districts, and four trading vessels were occupied with coastal trade. Direct cash payments to New Guineans as wages, dividends and bonuses amounted to about \$50,000 and payments for produce to \$360,000.

Namasu's contribution to economic development through its trading and marketing network can be readily appreciated. In carrying out these services, however, it has implemented a number of policies which appear somewhat novel in the light of conventional trading practice, e.g. establishing trading facilities in backward and remote areas previously neglected by private traders and Administration-sponsored organisations. Similarly, it has provided a fairly regular shipping service to coastal communities even though the very small volume of trade makes it uneconomic.

A second major element - the admittance of New Guineans as owners and directors - ranks as an outstanding break-through in the commercial life of New Guinea. Their involvement in these ways was conceived from the outset as an integral part of the company's general objective of assisting the economic and social development of New Guineans. New Guineans have been admitted as shareholders, and they now own the biggest share of the company's capital. They have been admitted as directors: there are now four New Guineans in the present board of nine. Namasu has throughout been concerned with training New Guineans in commercial activities, and has promoted many New Guineans to positions of responsibility.

Finally, social welfare considerations, inspired largely by Namasu's mission background and connection, underlie many of its activities: on-the-job training of students for the commercial school in Lae, various measures to assist fledgling indigenous entrepreneurs, and the operation of a curio shop for the sale of local handicrafts.

The above comments provide some justification for the present attempt to document Namasu's trading experience. Chapter 1, by M. Fugmann, outlines the circumstances leading to the formation of the company. Chapters 2 and 3 outline the development of its trading, shipping and other services. Chapters 4 and 5 show the growth of the company's sales and profits, the sources of investment funds and capital expenditure, and the structure and distribution of shareholding. An attempt is made in Chapter 6 to identify those features of Namasu which appear major innovations in the

context of New Guinea, followed by an assessment and summary in Chapter 7. Chapter 8 by Mrs Sankoff, based on the results of surveys carried out in a number of sample villages, gives an account of Namasu, and the concept of business in general, from the perspective of New Guinean villagers.

This study was undertaken at the suggestion of Dr R.G. Crocombe of the New Guinea Research Unit, the Australian National University, following approval of the project by Mr Fugmann. My fieldwork was carried out from mid-December 1966 to January 1967, while Mrs Gillian Sankoff conducted hers in March and April 1967.

I wish to thank Mr Fugmann for his co-operation in the study and for writing Chapter 1 of this bulletin. A considerable debt is also owed to the assistant manager of Namasu, Mr A. Goward, for his support and interest at all stages of fieldwork. Others to whom thanks are due for help during fieldwork are Mr Ronari Unamba, Mr N. Goward, Mr B. McGrath, Mr R. Matheson, Mr H. Niall and Mr L. Nietche.

I am grateful to many people for comments and suggestions in the course of writing, in particular Dr R.G. Crocombe, Dr T.S. Epstein, Dr N. Rutherford and Dr S. Singh.



## Chapter 1

### The background

W. Fugmann

#### 1886-1939

The challenge for a Christian missionary has at all times been manifold: not only is he supposed to spread the gospel, teach the children and tend the sick, but he is also faced with the perennial question of how to deal with social ills and to raise the general economic standard of the people. When the first missionaries arrived in New Guinea they found the people were split into many hundreds of small isolated tribes whose lives were fraught with suspicion and eternal feuds. Seclusion breeds stagnation and hinders the advancement of new ideas. Under such circumstances, preaching the gospel without a general change in way of life would have been unthinkable. Here we find the roots of the economic assistance programmes which played such a prominent part in the work of the early missionaries. They imported cattle, horses, better strains of pigs, potatoes, new types of vegetables, corn, citrus fruits, tobacco and coffee. Yet the New Guineans were not interested in new-fangled ideas, new crops, or a new concept of work. They were self-satisfied. In order to awaken their dormant desires special attractions such as steel knives and steel axes were offered to them, the value of which they could discern immediately. Thus missionaries were saddled with bartering and trading from the very beginning. Gradually it became accepted that a mission station had not only a church, a school and a small hospital, but also a small store.

Once the mission started in a new area, it had to take full responsibility. There was no other trading agency to care for the needs of the people. For instance, along the 250 miles of coast from Lae to Madang there was one Chinese store in an area populated by 200,000 people. Without the service rendered by the mission no development would have taken place. These early missionaries understood very well that they could not say that their duty was simply to preach the gospel but otherwise leave the people to their old way of life. They built mission stations, schools, horse tracks; they started gardens and put young students at the mission stations to work to acquire practical knowledge. The mission stations became community centres from which new ideas were spread. At the teachers' training college at Finschhafen, Dr George Pilhofer, a very able educator, not only taught New Guineans the three

r's but also introduced the planting of coffee. Every graduate teacher took some coffee seedlings home and thus the planting of coffee was spread over a large area. The mission started plantations and soon the New Guineans followed. Most of the small New Guinean-owned coconut plantations along the coast are a direct result of that early pioneering work. During the years from 1930 to 1939 the mountain people planted tobacco which was sold by the mission to European-owned plantations as far away as Manus, Rabaul and Kavieng. Thereby a modest income was provided for an otherwise poor community. In 1938 the first consignment of indigenous-grown coffee was exported by the mission to Australia.

At the beginning of the second world war, the Lutheran mission had twenty-four mission stations, each with a trade store providing an essential service for the surrounding population. It was a very modest effort: total profit amounted to only \$4,078 for the year ending 31 December 1939, but the amount of goodwill created was infinitely more important.

### 1939-59

Prior to the outbreak of World War II, the first traces of cargo cult were apparent. Labourers returning from service with Europeans told the village people about the immense wealth of the white man. In attempts to achieve some of this wealth for themselves special houses were built, secret meetings held and prayers said. Small amounts of silver coins were put into special boxes in the hope that the money would multiply. With the outbreak of war, Europeans left the country, and with the invasion of foreign armies a new era dawned upon New Guinea. New Guineans were amazed and alarmed when they saw hundreds of thousands of soldiers equipped with the most modern tools and a never-ending stream of supply. 'These Europeans really must have a secret formula to produce all these goods. How in all the world can human beings be so rich?' After the cessation of hostilities and when it was not a paying proposition for the American Army to take their supplies home, millions of dollars worth of goods were dumped into the sea. The New Guineans were not only amazed, they were almost frightened by what they saw. 'This must be supernatural!'

It is not surprising that the result of these experiences was a flare-up of an already dormant 'cargo cult', together with a feeling of mistrust towards Europeans. 'These Europeans want to exploit us.' 'Let us get busy making up for lost time.' Old army trucks were pulled out of the bush. Trade stores were opened. There was plenty of cash available as the people received their war damage insurance. 'Cargo cult' ideas, frustration, too much ready cash, suspicion and ignorance of fundamental economics precipitated feverish activity. It took the Administration and the missions years to combat the situation. The people simply were not ready to listen. Any remark made by a European, whether a government officer or a missionary, was misunderstood.

For the mission the question of trade stores had to be reconsidered. How could missionaries effectively preach the word of God if they were

accused of exploitation? The result was that the mission decided to discontinue its trading service. However, after a very short time the missionaries living far out in the valleys and mountains of New Guinea were again faced with thousands of people clamouring for goods which they could not supply. Very reluctantly they started again to provide an essential service which nobody else could provide. Long lines of communication and the absence of roads and airstrips made it impossible for European or Chinese traders to conduct businesses economically. However, it was felt from the beginning that this could only be a temporary measure. While on the one hand the missionaries realised that they could not escape their responsibility to provide essential services, they also felt that too much of their time was taken up as trading agents for their constituencies. It is not surprising that more and more missionaries wanted to abandon their trade stores. Another very important factor was that the kind of help they could give was by no means sufficient. New Guineans who started to produce coffee and copra expected the mission ships and aeroplanes to pick up their products. How could the mission perform its main task of looking after the spiritual welfare of the people and start a large education programme involving approximately 1,200 teachers yet, at the same time, smoothly run a marketing and supply service for people living in faraway places? Thus as early as 1951 the possibility of separating the industrial and business activities of the mission was discussed. Because of lack of staff, however, it was not until 1957 that a survey was made of the economic situation and proposals put forward.

### The birth of Namasu

This survey showed that in many districts the missionaries had handed over ownership of their trade stores to indigenous communities, and acted as honorary advisers. In some districts they did practically all the clerical work while in others a larger portion was done by New Guineans. In every instance, however, it was only a make-shift arrangement. There was no central planning, no set policy and very little business know-how. For anything worthwhile to be achieved it would be necessary to relieve an already overburdened mission supply house and to organise a central buying and marketing agency to look after the many small buying points and trade stores and possibly build up its own transportation system to relieve mission ships and aeroplanes.

The easiest way to get quick results would have been to look for foreign capital and float a company to take over these activities. The mission could perhaps supply the manager and to find the money would have been no problem. There was a similar development in Ghana. The Basel mission had started an economic assistance programme in the middle of the nineteenth century and the famous Ghanaian cocoa industry was a result. After World War I the mission wanted to abandon its industrial and commercial activity so a trading company took over. However, we in New Guinea felt this would be the wrong way to go about it. Anything of

lasting interest for the people of New Guinea would have to be accepted by them as their contribution. If this new enterprise was to have any success it would have to be owned by New Guineans. Such a new company would have to be based on work with New Guineans and not for them.

Thus the Lutheran Mission, New Guinea, at its field conference in 1958 decided to sponsor the formation of a new company to be called Native Marketing and Supply Service Ltd. The idea of having a New Guinean-owned company had to be sold to the people. A programme of share promotion work started along the coast and in the mountains of the Morobe District. New Guineans invested their hard-earned money not because they understood this idea but simply because they trusted the people who told them that this in the long run would be the best investment for their savings. Their expectations of a profitable return were much greater than they were told. Their idea of the magic European ability to make huge profits, which was nourished through the 'cargo cult' movement, did not disappear overnight and is still one of the big problems to be faced by Namasu. For a New Guinean, it is not out of order to expect a 100 per cent dividend every year. Within six months the new company had approximately 1,000 shareholders who invested \$18,000. The Lutheran mission purchased a share parcel of \$40,000 to give the new company sufficient capital to start.

A valuable property, which became the company's headquarters, was purchased at Voco Point, Lae, for \$45,000 on a ten-year loan. The company was registered on 26 March 1959 and started operating on 10 April 1959.

### Growing pains

For a start the new company had two Europeans and a number of New Guineans. The manager was provided by the mission and a second man was hired in Australia. Being a practical farmer with experience in New Guinea, the latter proved of great value during the pioneering years. Most of the first eight months was taken up in share promotion work, running the small shipping service and rebuilding an office and storage room.

At first, the company had an old coastal vessel which was taken over from the previous owner with the Voco Point property. This vessel provided a shipping service between Lae and Madang/Wewak and earned the first pounds, shillings and pence for Namasu. It mainly carried petroleum products. A small work boat belonging to the Sattelberg and Malalo congregations was taken over immediately, and provided a passenger and freight service between Lae and Finschhafen and between Lae and Malalo/Salamaua, mainly for New Guineans selling their vegetables and fruits at the Lae market. The wharf, which had been acquired with the property, was in a very bad condition and took more than a year to rebuild.

The congregation-run bulk stores at Finschhafen and Ulap asked Namasu to market their coffee. First the coffee was hulled and prepared at Finschhafen but later the Lutheran mission allowed Namasu to use an old shed on the mission property at Lae, approximately two miles from Voco Point. This arrangement tided us over the first three years until in 1963 we were able to build our own coffee factory. Very little copra was purchased in the early years because of insufficient shipping space.

Lack of space and time prevented us from doing our own importing for the first eighteen months. A proper base had to be built up before we could consider going into importing and distributing goods. The Lutheran congregation-owned stores at Finschhafen, Pindiu, Waringai, Keregai, Kalasa and Ulap were supplied with goods which we purchased locally at Lae. This buying service was regarded as a delaying action until we were sufficiently secure to go into merchandising properly.

In looking back over the first two years it can be said that the company was simply marking time. Our fame had spread further than we liked and people expected us to do wonders. Our reputation was better than our ability to do the job. A new organisation cannot be set into motion at a moment's notice. New staff had to be hired and orientated to cope with the particular circumstances and background. We had to employ people well disposed towards Christian mission work whose private lives and standing did not discredit our mission background. We were short of suitable staff, finance and space. The only thing we were not short of was the unlimited confidence of our New Guinean shareholders. This confidence sometimes grew into impatience. They could not understand why we moved so slowly according to what seemed simple to them, i.e. to provide European-type goods, buy their coffee and copra and provide a good shipping service. We received urgent requests to do something for New Guineans from all four directions of the New Guinea map.

While we had many friends among New Guineans, we were not without opponents in other circles. Some Lutheran missionaries never liked the idea of the mission becoming involved in trading, not realising that it intended not to become further involved but to withdraw. To them it seemed a further involvement. Only subsequent developments convinced them of our true motives, i.e. to preserve for the New Guineans' own advantage a service which had been started by Lutheran missionaries and which if remaining much longer in the hands of the mission would have been squandered.

The Administrator as well as high government officers recognised the value of such an organisation immediately and were favourably disposed towards Namasu. Not so some of the minor officers. They regarded Namasu as some new form of trading devised by the mission to keep a hold on the people. Perhaps with their limited knowledge of our true intentions they simply could not see the realities. Our experience over the last eight years has confirmed this assumption. Whenever we went into a new district we were faced with suspicion and sometimes active opposition. However, as soon as these officers had an opportunity to observe our

activity their opposition disappeared and they became more friendly and co-operative. In many cases they realised that the presence of Namasu helped the economic development of their districts and provided healthy competition to already existing trade stores.

There was very little opposition from the larger wholesale houses in New Guinea. Apparently they did not realise at first the magnitude of our planning, and in most instances we were not in direct competition.

Thus, quietly and unobtrusively, Namasu grew and found its feet. It was the declared policy to do as much and to say as little as possible. A number of favourable conditions helped the company. The question of management was solved by the mission making available a mission member who could use his experience instead of the company having to hire a new man from outside. The board of directors was very careful in selecting new staff and people in key positions were soon imbued with a spirit of 'Namasu-mindedness'. New Guineans on the staff were trained by the company and carefully examined before they were given responsible positions. In its eight years of existence, Namasu had only one case of embezzlement by a New Guinean and that was in a branch where a man not trained by Namasu was put in a responsible position.

Another very important factor was the material and moral help of the Lutheran mission. While Namasu must one day be completely independent and cannot ask for any concessions from the mission, it was felt that it would be in its best interests to give Namasu a good start. The sooner the latter was on its own feet the better for the mission as a whole. The attitude of the mission was: 'We would rather give some assistance now in order to get out of the economic aid programme than to be burdened with it for any length of time.'

### Objectives

The objectives of Namasu may be summed up as follows:

1. Taking for granted that the political relationship between Australia and New Guinea will remain stable, it still appears highly desirable in cementing this friendship if there are also some New Guinean-owned and directed trading organisations. Partnership should never be too one-sided if it is to be successful. One of the main difficulties in dealing with developing nations is their inferiority complex. It does not help them if we constantly assure them that all these things are being undertaken for their welfare. They would like to have a hand in development themselves. It would be a bad omen for future relationships if one day New Guineans woke up and found that all the valuable trade and industry were in the hands of expatriates.

2. Co-operative movements are a must in a country like New Guinea, but they are not the only solution. We have heard New Guineans say: 'The co-operatives are our own New Guinean form of trading whereas the companies belong to the Europeans.' That way a gulf is created between

the races. We of Namasu feel that by taking share capital from Europeans as well as New Guineans, we build bridges between the races. If at a later date, after the political situation is stabilised, Namasu is completely in the hands of New Guineans with a minority European share contribution, this would only strengthen the tie.

3. Namasu is to provide 'in service training' for future leaders in the fields of trade and industry. This was intrinsic in company policy from the beginning. In other organisations started during the last few years 90 per cent of capital is in the hands of New Guineans but the voting right is exercised by European shareholders. This is not the way to provide an 'in service training' for indigenous people.

4. There are backward areas in New Guinea where the normal axioms of economics cannot as yet be applied. In order to give an incentive they will need a regular service. In a certain area served by Namasu, production has risen by 150 per cent since a regular service was introduced. The introduction of this service meant hard work and financial losses but rendering an otherwise unavailable service provides a deep satisfaction. In the long run it proved to be good business.

Generally speaking, Namasu does not regard itself as a welfare organisation. It does not pay better prices for products nor does it tend to undersell other trading firms. Its main objectives are to provide a service to the people of New Guinea and to help them feel equal with Europeans.

The management and staff of Namasu are well paid to be free from personal worries but they are not financially involved in any way and thus can exercise their functions in a detached manner, having always the welfare of the company as their main objective.

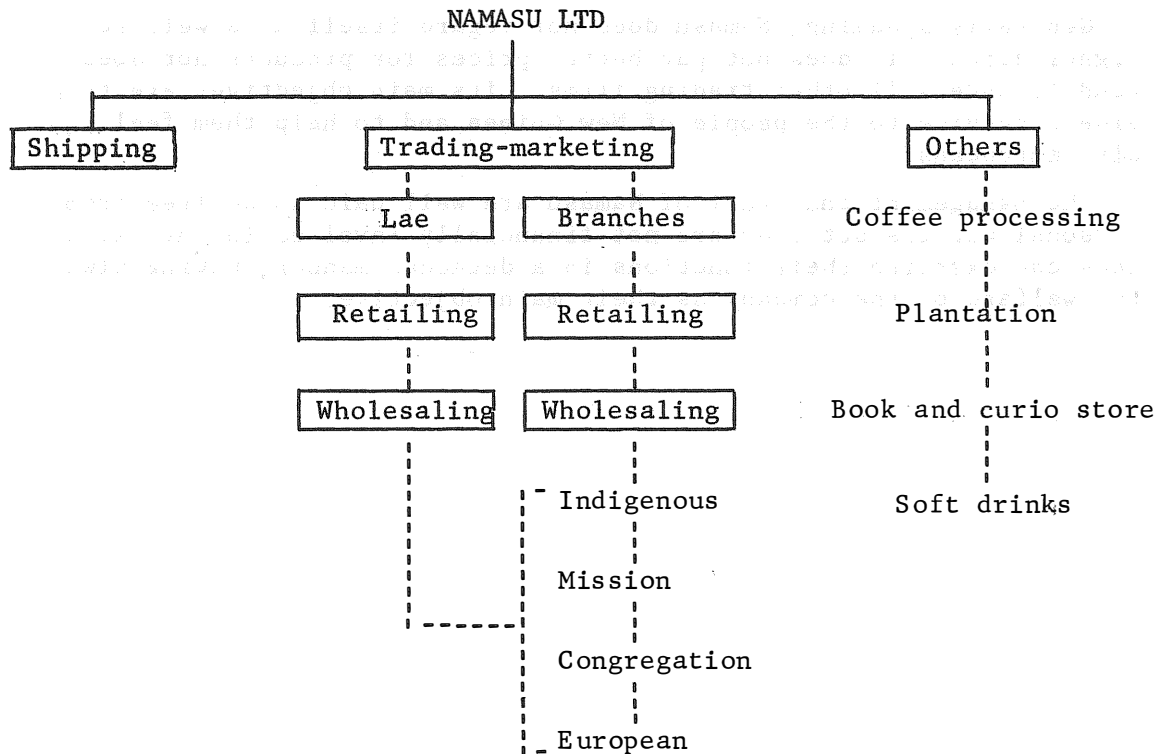
## Chapter 2

### The pattern of development: trading, 1959-66

The range of Namasu's activities has remained much the same since its creation. While trading and marketing are the major activities, Namasu also undertakes a number of smaller ventures, namely shipping, coffee-processing, a book and curio store and a plantation. The only notable addition was soft drink manufacturing in 1966. Namasu's present structure and services are shown in Figure 1.

Figure 1

#### Namasu's structure and services



## The pattern of trading

In both merchandising and trading Namasu's network of branches occupies a key role. In the distribution of merchandise, sales through branch stores have far exceeded those made through the company's trading vessels and sales outlets in Lae. Most of the branches are essentially bulk units, supplying trade goods to smaller retail stores operated by missions, church congregations and hundreds of New Guinean traders. Each bulk store, however, operates a retail department, which in some cases does a greater volume of business than the bulk store.<sup>1</sup> The delivery of merchandise to branches is made by contract with a local trucking firm, but in those stores not served by a road (e.g. Pindiu, Wantoat and Mindik) or cut off from road transport during the wet season (e.g. Goroka), air transport is necessary. In the case of certain highland branches, such as Banz and Mt Hagen, it is apparently cheaper to air-freight merchandise from Madang than to haul it by road from Lae. Sales are dominated by food items such as rice, sugar, canned fish and beef and tobacco.

Namasu's produce trade involves mainly coffee. A considerable amount is purchased in Lae (mostly under contract with particular villages or groups of villages), but the bulk flows from trading branches, particularly in the highlands. At the branch level, coffee is either purchased at store sites or at 'buying points' along main roads or at recognised spots on secondary roads and village tracks. During the coffee season the major branches will normally engage a number of trained buyers equipped with vehicles to buy coffee at these 'local markets'. Coffee is then moved to Lae at regular intervals - either by road or air - where it is processed, packed and shipped overseas. In 1966 Namasu marketed over 1,000 tons of coffee. Copra is second to coffee in importance, and in 1966 about 50 tons were purchased by Namasu, making it the biggest copra-buyer in the Morobe District. Copra is usually purchased in small quantities (typically, a few pounds from each grower) from thousands of growers living in widely scattered communities along the coastal stretch of the Morobe and Madang Districts. Namasu also buys a small volume of vegetables and fruit such as cabbages, potatoes, oranges and lemons.

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<sup>1</sup> The layout of trading stations follows a similar pattern in most stations. The most prominent building is usually the main store, consisting nearly always of a steel frame covered by galvanised iron. A number are Nissan or Quanset huts reconstructed from World War II steel frames. Normally, this building is subdivided into a bulk store, a wholesale department, a retail section and an office for the manager. Behind the main store is a collection of smaller buildings also constructed mainly from galvanised iron, which serve as storage sheds for produce and as labourers' quarters. In the larger branches, there is usually a European-style dwelling to accommodate the manager. Other equipment and apparatus generally found in the vicinity of the store include vehicles, driers for produce, petrol pumps and fuel drums.



Plate 1. The Namasu trade store near the wharf at Lae

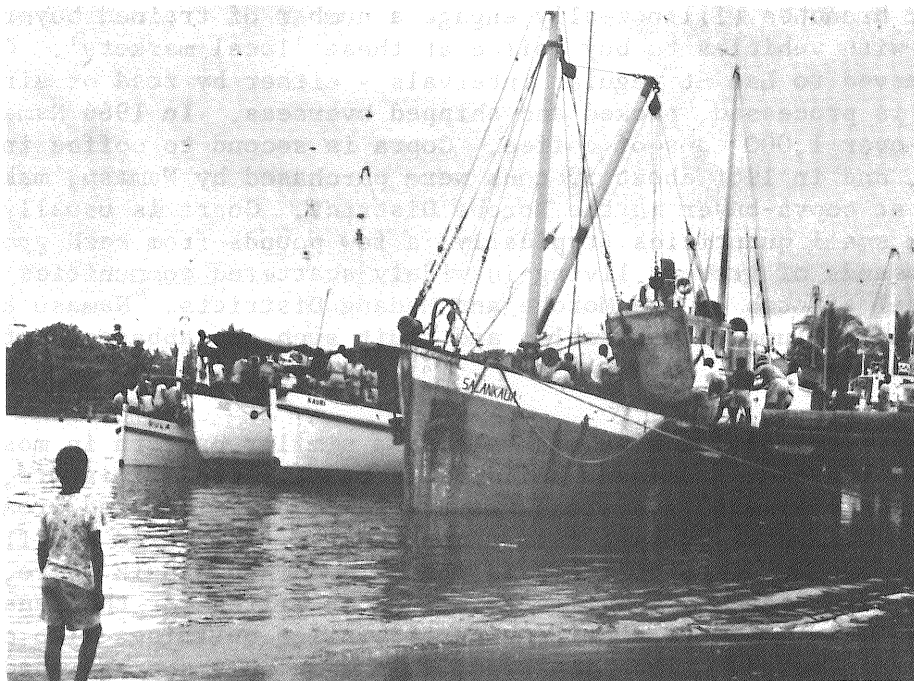


Plate 2. Namasu's trading vessels

### The development of trading, 1959-66

A key factor in Namasu's overall growth is the rapid geographical extension of the company's trading stores. By 1966 Namasu had thirteen stations (and four others about to be opened) covering a large section of the Eastern and Western Highlands and the Morobe and Madang Districts.

The task of building up a trading network could not be undertaken immediately Namasu was formed, as priority had to be given to getting it on its feet. There were purely routine tasks to be attended to, such as the recruitment of staff and the establishment of appropriate trading connections overseas, while share promotion work, especially among New Guineans, called for considerable effort. The property at Voco Point also required considerable attention and capital expenditure; as mentioned, the shipping shed, wharf, and buildings needed repairing, while the two ships needed alterations and a few new parts.<sup>1</sup> In addition, the commercial school founded by Namasu and a plantation (Timbulim) also had to be operated and supervised.

A particularly noteworthy task at the time was that of share promotion work among New Guineans. Their support was needed in order to supply a large part of the company's total capital, but even more because the need for a large indigenous participation as shareholders was basic in determining the whole structure and character of the company. The task of promoting Namasu among the villagers (in the Morobe District only at this time) had therefore to be pushed vigorously, and the task fell principally on Mr Fugmann, widely known and respected for many years by the people in the Finschhafen and surrounding areas as a mission officer. Counselling sessions were held with village groups in the Finschhafen area and in hundreds of hamlets as far apart as Ulap, Morobe, Kalasa, Hube and Bukaua. Most of the people had little appreciation of basic economic concepts and practices, so Mr Fugmann used 'picture charts' and simple parables or 'word pictures' to transmit certain concepts and ideas. Local imagery and elements of village life which could readily be grasped by villagers were used to convey abstract and complex notions such as the process of 'investment', the meaning of 'company', 'business' and the like.<sup>2</sup> The effectiveness of Mr Fugmann's effort can be measured by the fact that not long after the company had been incorporated a sum of \$18,000 had been subscribed by over 1,200 New Guineans.

For reasons already given, Namasu's trading activities during this initial phase were necessarily limited. The company took over the

<sup>1</sup> To pay for the Voco Point property a sum of \$45,000 was borrowed from the mission to be repaid over a period of ten years. The alterations to the main building were supervised by one of Namasu's directors - Isaiah Samasam, a carpenter from Bukaua village.

<sup>2</sup> See Appendix 1 for examples.

trading and marketing functions previously handled by the mission supply house at Finschhafen under the management of Mr Fugmann. Namasu also took over a store belonging to the Sattelberg congregation at Finschhafen in exchange for a parcel of its shares. However, when Namasu had established its own bulk store next door soon after this, the congregation store was returned to the local people. The marketing of coffee, copra and vegetables produced in the Finschhafen and nearby areas, and the distribution of merchandise to private traders, congregation and mission stores were the major services provided. As yet without its own importing facilities, Namasu had to rely on merchandise from trading bodies mainly in Lae. In certain areas, however, such as Ulap, Keregia, Busameng, Butibum and Buakap, Namasu not only supplied merchandise but also assisted local trading groups and individual traders to run their stores. Traders were given advice on pricing and how to keep a simple balance sheet and trading statement, and in some instances Namasu itself took over management or installed one of its commercial graduates as manager.

By mid-1960, when the administrative, office and storage facilities in Lae had been established and the pressure on managerial staff was somewhat relaxed, Namasu was able to turn to the problem of trade stores. The need for local trading services for the inhabitants of the Finschhafen and surrounding areas, including the upper coastal sections of the Morobe District, was strong. In the past, private commercial organisations had shown little interest in these regions because of inhibiting geographic conditions, low population density, remoteness and generally limited economic potential. The Administration itself, for essentially the same reasons, had largely neglected the region in its public works and other development programmes (such as the promotion of co-operatives), although the area had benefited to some extent from the efforts of an Assistant District Officer who in the early 1950s encouraged coffee-growing in the district. In practice, apart from some coastal villages which were occasionally visited by a trading vessel, the commercial life of the region, such as it was, revolved around the township of Finschhafen, where basic trading and marketing services were provided by the Finschhafen Development and Co-operative Association, Namasu and a number of private traders. It was to Finschhafen that coffee and other produce were marketed and from which the numerous indigenous-owned mission and congregational stores drew their supplies. Dependence on a single trading point involved much hardship for people living in remote and distant communities, for the walk to Finschhafen could take up to a week. Travelling parties from the Dedua-Hube region in the mountains east of Finschhafen, for example, not uncommonly take four or five days to reach Finschhafen - a journey made all the more difficult by the rugged country, the heat and the heavy loads often to be carried.

The company's first trade stores outside Finschhafen were established at Sattelberg, Pindiu and Waringai - communities which had previously looked to Finschhafen as a trading centre. The people in these areas

invested comparatively large amounts of money in Namasu and were generally keen to see a store established in their localities. Sattelberg was a convenient site as it lay mid-way between the Dedua-Hube region and Finschhafen, thus making the long walk to the coast unnecessary. Distance and persistent pressure from the people in the area were also major reasons for the move to both Waringai, north of Finschhafen, and Pindiu, well inside the interior mountains. In Waringai, the villagers had themselves taken the initiative by first building their own store and then handing it over to Namasu. Local initiative was carried even further by the people of Pindiu: not only had they built their own store, but they had also (with some supervisory help from Namasu) constructed an air-strip which paved the way for Namasu's entry.

Stores followed at Wantoat, deep in the interior mountains, and Mumeng, about twenty miles south of Lae on the Bulolo road. The people in both these areas had repeatedly asked Namasu to set up stores and as a token of their interest had invested fairly heavily in the company. The Mumeng-Buang people, for example, had bought shares valued at \$8,000. In 1961 the opportunity came to move to Mumeng when a property containing a store, storage facilities and dwellings was offered for sale.<sup>1</sup> The move to Wantoat - an area which promised to be a substantial producer of coffee - appears to have been precipitated by the entry there of a Chinese trader allegedly charging exorbitant prices. In response to renewed promptings from the Wantoat people, Namasu entered the area in 1961.

### The highlands

The extension of Namasu's activities into the highlands in 1963 was the next major step in the development of its trading network and one which proved exceptionally rewarding. The move had been contemplated from the beginning, and as early as 1960 Kainantu and Banz were mentioned as future 'trading posts'.<sup>2</sup> At that time economic opportunities in the highlands for a trading organisation such as Namasu were recognised as immense: population was comparatively heavy, and a certain measure of economic development associated with cash cropping - particularly coffee and vegetables - and transport facilities (especially air-strips and the Lae-Mt Hagen road) had already been attained. For Namasu the area

<sup>1</sup> Earlier, Namasu hawked around Lae a fair amount of produce (primarily cabbage, oranges and mandarins) bought from the Mumeng people. The trade collapsed, however, mainly because growers preferred to sell their produce at the Lae market themselves.

<sup>2</sup> At the time it was envisaged that the stores in these places - and no doubt this also applied to stores in the other districts - were to be built and administered by Namasu, but were later to 'revert' to New Guineans.

appeared to be 'wide open' for trading, despite the fact that a large number of trading organisations and mission stores were already well entrenched in such major centres as Goroka, Kainantu and Mt Hagen. There were, however, other reasons behind Namasu's decision to extend its operations to the highlands. Firstly, it felt that the company had its own unique contribution to make to the trading life of the highlands people by setting a high standard of trading as a model to aspiring New Guinean entrepreneurs. Secondly, certain groups in the highlands (e.g. in Kainantu, Chimbu and Goroka) had made strong appeals for Namasu's services, and had backed these up with large subscriptions of share money. Active encouragement had also come from mission leaders, while the Administration had expressed its approval as it had no immediate plans to expand its co-operative activities in the region.<sup>1</sup>

When Namasu would actually launch its trading activities in the highlands, however, was contingent on a number of factors. Firstly, the company's trading and shipping operations in the Morobe District had to be placed on a sound basis, for any future development would depend on the degree of success there. Secondly, it depended on the availability of staff and capital funds, both of which also depended to a significant extent on the success of the company's existing operations.<sup>2</sup> Thirdly, suitable sites for trade stores and related facilities had to be acquired - often a drawn-out affair.<sup>3</sup> The attitudes of local people as well as those of mission and Administration officers in particular areas were also of importance. For these reasons, but particularly the first two, it was not until 1962 that the board of directors seriously considered expansion into the highlands.

The broad strategy followed by Namasu in the highlands was first to build large branch stores in the major centres of Banz, Goroka, Kundiawa and Mt Hagen to serve as bulk stores supplying merchandise on a wholesale basis and purchasing produce from local growers. Priority in building was generally to be given to areas not already adequately served by other trading bodies. Thus, Banz gained priority over Goroka because its need for trading and marketing facilities was recognised as more

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<sup>1</sup> A Lutheran church conference at Banz in 1962 expressed the desire to see Namasu enter the highlands, and further recommended that congregational stores use Namasu's facilities if and when they were established.

<sup>2</sup> The need for capital resulted in the issue of a prospectus in 1964 to raise \$60,000 for the highlands move; the share promotion drive associated with this was directed mainly at the people of the highlands. At about the same time an extraordinary general meeting was convened to raise the company's total capital from \$200,000 to \$500,000.

<sup>3</sup> In anticipation of future expansion, Mr Fugmann, with characteristic foresight, had for some time submitted applications for land leases in certain key highlands locations when these had come up for tender.

urgent.<sup>1</sup> The next step was to set up smaller sub-branches, supervised by the main branches, to serve part of a region which had hitherto been dependent on the major branch. However, while this was the general strategy, the order in which stores were set up in different regions depended on other considerations, such as the availability of land sites, the location of air-strips and the extent to which local people were keen to have Namasu operating in their area.

The first of the highland bulk stores were set up in 1962 in Kainantu and Banz. Considerable enthusiasm towards Namasu had been shown by the people of Kainantu, due mainly to the influence of local evangelists and church workers who had seen Namasu at work in the Morobe District. As early as 1961, local leaders had issued a formal invitation to Namasu and had backed this up with a share subscription of \$14,000. Staff quarters and land made available by the mission at Kainantu also facilitated Namasu's move into the area. The store at Banz, a township located centrally in the large and populous Wahgi-Chimbu Valley, provides a bulk service to numerous (well over 100) congregation-owned and small private trade stores as far away as Chuave-Monono in the east of the Wahgi Valley and Teria in the west. Land for a building site had been acquired close to the air-strip. Trading proved exceptionally heavy from the start.

Operations at Goroka - a large valley also heavily populated and rich in coffee - had been held back by the lack of a suitable building site, although since 1963 two of Namasu's buyers had been trading in the area, using the mission facilities at Asaroka as a central buying and marketing depot. Land was eventually secured at Jafa Jafa about five miles west of the Goroka township, and merchandise trading commenced in early 1965.

Stores at Henganofi, Mt Hagen and Kundiawa followed. Henganofi was opened in 1964 as a sub-branch to serve part of the area previously dependent on Kainantu. It is managed by a New Guinean under the supervision of the European manager at Kainantu. The opening of major branches in Mt Hagen township and Kundiawa in 1966 provided a more effective service to the people of the large Wahgi Valley and reduced the pressure on the branch at Banz. Like Banz, these two new branches are major trading outlets in the Western and the Southern Highlands, responsible also for supervising sub-branches already in existence (e.g. Pangia in the Southern Highlands, to be supervised by Mt Hagen) or about to be built.

### Other developments

The company's recent achievements in the highlands have been accompanied by further developments in the Morobe and Madang Districts. In

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<sup>1</sup> The preference given to Banz led to a visit by a delegation from Goroka who wanted to know why their area had been ignored.

1965, a bulk store was opened in Mindik - a mountain community located about fifty miles south-west of Pindiu. The move to Mindik was regarded as a logical split-up of a fairly large trading region previously dependent on Pindiu. At Watut, ten miles towards Lae from Bulolo, a bulk store was opened in 1966 adjacent to a soft drink plant acquired earlier in the year. The scale of trading at Watut has so far been small, but it is proposed to build the store into a major supplier of merchandise to the Upper Watut-Wau-Bulolo-Mumeng region.

Namasu's current projects in the Madang District mark another major phase in the company's geographical expansion. At the time of field-work, stores and related facilities were being (or were about to be) erected in the Madang township, Wasu on the north coast and KarKar Island - all strategic points in the District. The branch at Madang, when completed, is to play a crucial role as a hub for the company's trading activities in the District. It will import directly, tranship cargo, and act as a distributing point for coastal communities such as Wasu and Sio. It is also intended that one of Namasu's trading vessels will be regularly stationed there. The main significance of Wasu is that it will handle the produce and bulk trade of most communities on the north coast.

With the move into Madang, Namasu has virtually reached the geographical extremes of its trading network. The major regions in the Eastern and Western Highlands, and the Morobe and Madang Districts will have been covered; all that remains, essentially, is to further consolidate the position of existing stores, and to fill in a few 'in-between' areas. Concerning the latter, the company is presently building or intends to build further trading outlets in places like Omkolai, Wonenara, Bena Bena, Sialum, Chuave and Vagau.

Namasu's attempt to build up its trading network has not been without set-backs and frustrations. Earlier in Namasu's development, there were areas where it received a lukewarm or even hostile reception. The Sio people on the north coast of the Morobe District provide one such example. Some years before Namasu had come into being a delegation of Sio people had asked the mission (whose economic services were then being handled by Mr Fugmann as chief supply officer) to send a boat to ship out their copra; unfortunately this could not be arranged as the mission boat was then fully committed. The Sio had not forgotten this episode, so that when Namasu later sought to raise capital in the area and to establish trading channels, it was firmly rebuffed.<sup>1</sup> A state of cold war lingered on for some years, but lately relations have improved and Namasu's trade in the area has started to grow. The development of

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<sup>1</sup> It appears that the presence of a co-operative in the area also contributed to opposition from the Sio, many of whom apparently thought that support for Namasu implied disloyalty to the Administration which was sponsoring the local co-operative.

Namasu's trading channels has also been hampered in some degree by the occasional outbreak of cargo cults - a not uncommon phenomenon in the less developed parts of the country. Thus in 1961, cargo cults were encountered in Waringai, Kalasa, Malasanga and Malalamai - areas where the company had either set up a trade store or had been trading in some volume.<sup>1</sup> Although it was common for such outbreaks to quickly die down, they have often led to a sharp drop in the volume of business, and on occasions, have caused Namasu to abandon any further interest in the area concerned (e.g. at Malalo and Saba villages).

Namasu's unfriendly reception by certain Administration people - mostly those working at the local level - must also be noted. Many local officers with whom Namasu came into contact tended to take a somewhat skeptical view of Namasu, regarding it as merely another example of mission interference in areas which they themselves were perhaps concerned to develop. In a number of locations steps were actually taken to block - or at least delay - Namasu's entry.<sup>2</sup> However, in retrospect, this factor was probably more of a 'nuisance' than a serious hindrance to Namasu's development.

From the above account several points may be emphasised for the light they throw on the expansion of Namasu's trading network. In the first place, the motives behind Namasu's activities in the Morobe District and the highlands differed to some degree. In the Morobe District the company's primary motive appeared to be to provide basic trading and marketing services to communities where such services were either very backward or non-existent - the so-called 'out of the way places' which Namasu was pledged to assist. In the highlands, this motive was also present, but recognition of the considerable opportunities for profitable trading was a prominent factor.

Secondly, in the Morobe District Namasu benefited considerably - in terms of share subscriptions and local loyalty - from the fact that Mr Fugmann and a number of the indigenous directors were well known and trusted throughout most of the region mainly as a result of their work with the mission. This was less true of the more diversified and religiously heterogeneous highlands population (including a high proportion of heathens), so that the company had to rely for 'publicity' and support on New Guinean evangelists and other mission people who had been impressed by Namasu's activities in the Finschhafen and coastal areas of the Morobe District.

Thirdly, stronger competition from traders in the highlands was a major factor in determining the location of Namasu's stores and their

<sup>1</sup> Annual Report, Namasu 1961:4-6.

<sup>2</sup> The question of how much this lack of sympathy for Namasu was brought to bear on the attitudes of New Guineans and on those responsible for processing Namasu's applications for land leases makes interesting speculation!

management. Thus, provided land could be secured, stores were set up some distance from main centres already adequately served by existing trading bodies, while, on the management side, preference was given to Europeans in respect of major branches.<sup>1</sup> There were, of course, other factors in appointing Europeans such as, for example, the comparatively large volume of business handled by the major branches.

Finally, in determining the location of a store in the Morobe District the amount of capital subscribed and the interest shown by local people were significant factors. In the highlands, more vital considerations were such factors as the economic potential of the area and the availability of land.

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<sup>1</sup> In areas with a sizeable European population, Namasu has little choice but to appoint European managers because it has been found that a New Guinean, unless he is exceptional, will invariably be discriminated against by those Europeans with whom he comes into contact in the normal course of business. If carried out regularly and far enough, such discrimination will impair the efficiency and competitive position of the store concerned.

## Chapter 3

### Shipping and other activities

#### Shipping

The service provided by Namasu's four trading vessels - the Sio, Mula, Kauri, and Salankaua - probably accounts for a large share of the coastal trade between Lae and the Madang township. The significance of Namasu's shipping service, however, lies essentially in the fact that for the nearly 100,000 inhabitants of this region, Namasu's ships provide the only regular transport by which to market produce, supply trade goods and carry passengers.<sup>1</sup> For Namasu itself, the total revenue from shipping has remained fairly constant (approximately \$50,000 to \$60,000 per annum) throughout the period, so that in the face of rapid growth of trading and marketing activity, shipping has declined in relative importance as a source of revenue.

The circumstances of Namasu's entry into shipping had been anything but promising. As mentioned, its first two vessels - the Morna (originally the Warambu which belonged to the mission) and the Mula, both of which had been acquired in 1959, required considerable repair work which Namasu could not afford at the time. Moreover, while it was recognised that shipping would play a crucial part in extending the company's trading activities in remote coastal areas and in promoting the economic and social life of these people, there was little appreciation of how far commercial shipping (i.e. carrying for other commercial organisations) should be carried. This uncertainty appears to have persisted until 1962, and was resolved only after the shipping situation had been re-examined by the board of directors.

Of the first two ships the Morna (50 tons, licensed cargo capacity of 30 tons and 20 passengers) had a short but lucrative tenure with Namasu: after only one year of operation it was scrapped.<sup>2</sup> While it was active,

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<sup>1</sup> The Lutheran Mission, the Finschhafen Marketing and Development Society (FMDS) and two local Europeans each operate a small ship along the coastal waters, but the service provided by each is far from regular, and small, remote villages tend to be neglected.

<sup>2</sup> Namasu had tried unsuccessfully to exclude it from the purchase of the Voco Point property due to its dilapidated condition.

however, the Morna carried a considerable volume of business. It operated mainly along the 300 miles of coastline from Lae up the Rai coast to the township of Madang, a stretch which contained some of the most remote and economically underdeveloped communities in the country.<sup>1</sup> Numerous 'in-between' points were regularly visited and in each a small amount of trade was transacted and a few passengers picked up and discharged. Supplies were also carried for Namasu's own trade stores in places like Kalasa and Waringai. Apart from the service to New Guineans the Morna also carried a considerable amount of cargo for the Administration. The Mula (16 tons, licensed capacity of 10 tons of cargo and 25 passengers), which had been purchased for \$10,400, spent most of 1959 being repaired. The main areas of the Mula's operations lay between Wanokai and Morobe, containing such key points as Finschhafen, Bukaua, Taremi and Salamaua, where a large number of congregation and mission as well as New Guinean-owned stores operated. For the people living in these areas the Mula - like the Morna for the more northerly communities - provided the only regular transport.

The decision to abandon the Morna, coupled with then buoyant conditions in coastal shipping, induced Namasu to purchase the Sio and Salankaua in 1960.

The Sio, about the same size and carrying capacity as the Mula, was bought for \$9,000 with the help of a ten-year loan (originally given as a grant) from the Bread of the World Fund, an overseas philanthropic organisation.<sup>2</sup> Like the Mula - and the Morna until it was abandoned - the Sio served some of the most neglected coastal areas in New Guinea. With its sister ships, it provided a passenger and charter service and acted as a 'floating trade store' for the consumers and traders of the coastal communities.

The Salankaua - Namasu's 'flag-ship' and, of the trading vessels, the biggest 'money spinner' - was bought for \$22,000 from the Department of Civil Aviation, which had used it as a trawler. Substantially larger than the other vessels (it weighed 75 tons and was licensed to carry 35 tons of cargo and 20 passengers), it served more distant points such as the Sepik area, Killeton, Sio, Madang and some of the neighbouring islands. For places like these the Sio and the Mula were too small, not only because of distance, but also because of their limited carrying capacity

<sup>1</sup> Strictly speaking the Rai coast refers to the stretch of coast from Saidor on the Morobe coast to Madang; however, it appears that the coastal region from Wasu to Saidor is also regarded as part of the Rai coast.

<sup>2</sup> The Bread of the World Organisation is an inter-denominational Protestant corporation to which all Protestant churches in Germany belong. Funds are collected during each Christmas season from all over the world, and then made available to underdeveloped countries to assist them implement 'worthy' social and economic projects.

and inability to handle rough seas. The increasing volume of freight offered by the Administration and a number of commercial organisations was an additional consideration. From the outset the Salankaua has acted as a commercial carrier - carrying large amounts of timber, fuel oil, petroleum products and general cargo for the above groups - work which often takes it to Rabaul, Port Moresby and the southern parts of New Britain and Bougainville. The volume of business has been large and highly rewarding for Namasu, despite heavy capital expenditure at times (e.g. the installation of a new Gardner 8 engine in 1962 costing \$14,000). More recently, in the face of Namasu's own burgeoning trading activity, the Salankaua has been carrying an increasing proportion of company cargo.

A vital point in Namasu's shipping development was reached in 1962, when these activities were reviewed. Within the company's overall operations, shipping had figured prominently; yet there remained the question of how far Namasu's commercial shipping activity - principally through the Salankaua - should be carried. Two basic issues were involved. Firstly, there was the question of priority. It was clear that shipping made heavy demands on the company's financial and staff resources: breakdowns were frequent, close supervision was needed, repair work and new parts proved expensive. Should the company continue to devote a large part of its resources to shipping, or should priority be given to the more basic services that Namasu had set out to provide, namely marketing and supply? On this matter, the extent of Namasu's proposed commitments in the highlands was a critical factor, since these would involve a considerable amount of capital and staff. Secondly, the future demand for Namasu's shipping service - particularly European cargo - was expected to decline partly because the Administration planned to operate its own vessel.

The board of directors decided that Namasu should withdraw entirely from commercial shipping so that a more vigorous effort could be devoted to basic trading and marketing services for New Guineans. While the smaller ships were to be retained, the Salankaua, which had been mainly responsible for outside contract work and which could not enter many of the smaller village 'ports' because of size, would be sold and replaced by a smaller vessel. However, a buyer could not be found, and the end of the year saw the Salankaua make a considerable profit. Consequently, the matter was dropped and no further effort was made to sell.

In fact, Namasu acquired another vessel, the Kauri (20 tons, licensed capacity of 20 tons and 30 passengers) for \$12,000 in 1963. It operates mainly around the Morobe coast, which had previously been served mainly by the Sio (the Sio - somewhat underpowered and smaller in terms of carrying capacity was allocated further north, including the Madang coast). The trading record of the Kauri has until now (1966) been poor; the bigger engine has meant higher operating costs, while repairs have been many and expensive.

In the economic and social life of the Morobe and Madang coasts, the contribution made by Namasu's shipping service has been notable. On the

economic side, these ships have brought the cash economy closer to the coastal communities. A regular shipping service means, firstly, that New Guineans can now be certain of a market for their produce, and secondly, that they can synchronise their planting activities in line with the expected arrival of a ship. The 'incentive effect' on production of a regular service is not unimportant and the impressive rise in the output of cash crops in the region, such as coffee, copra, potatoes, oranges, lemons and peanuts, can be attributed largely to this factor.<sup>1</sup> The social effects of Namasu's shipping are equally significant: it has induced much more social mobility - New Guineans are now able to travel more frequently to Lae and other urban centres to sell their produce, attend schools and hospitals, and to carry out business transactions. Greater contact between villages, bringing a greater sense of social awareness and identity, has also resulted.

For Namasu, an unambiguous measurement of the contribution made by shipping is not possible. Not all of its contributions to the company are reflected in shipping income (e.g. the increased sales accruing to some of Namasu's trade stores due to a more frequent shipping service). Also, Namasu does not itself look upon its shipping service purely in economic terms: it also views it as a means of providing assistance for New Guineans. However, for what the statistics are worth, the sales revenue from shipping is large (see Table 1), and in a number of years profits have been considerable. The importance of the large profit earned from shipping for the early development of Namasu's trading facilities has already been mentioned. During these years Namasu's ships also provided valuable publicity for the company: the 'Namasu' sign was prominently displayed on deck, while the distinctive whistle and engine noise (no mufflers) sounded far and wide to announce to the coastal peoples that 'their' ship had arrived.

### Lae merchandise trading

The bulk store at Voco Point is responsible for supplying merchandise to the company's outstations. A considerable volume of trading is also carried out with other groups in and around Lae, particularly mission organisations and private New Guinean traders. The volume of trading has expanded rapidly, mainly as a result of the sharp rise in the activities of outstations, and in 1966 sales were over \$700,000.

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<sup>1</sup> The rise of about 60 per cent in Namasu's total sales in the coastal area from Lae to Madang during the three years to 1965 can be attributed largely to shipping. Another indication of the production effect of shipping can be given by the movement of Namasu's copra purchases, all but a small amount of which is bought from the coastal people: for the three years from 1964 to 1966 copra purchases have been \$10,600, \$15,300 and \$26,100. See Annual Report, Namasu 1966:4.



Plate 3. Namasu's ships and stores at Lae wharf



Plate 4. Namasu's central office at Lae

The retail kiosk, across the road from the main buildings and adjacent to the wharf, was opened in 1959. It was set up principally (not without some difficulty over securing a trading licence) to sell food, soft drinks and other items to passengers on the wharf (waiting time is often considerable). The shop has proved most useful as it is the only one operating in the Voco Point vicinity. The value of sales, however, is not large, amounting to just over \$70,000 in 1966.

### Plantation

This plantation - 'Timbulim', near Finschhafen - was taken over from the Lutheran mission under a thirty-year lease from 1 July 1959. As payment for part of the total value of the lease, the mission issued \$20,000 worth of shares in Namasu. The property comprises a little over 1,000 acres, of which only 300 acres are considered suitable for agricultural purposes. At present, about 170 acres are under coffee and cocoa (mostly coffee) and some 40 acres under palms. Considerable capital has been channelled into development work, such as land-clearing, drainage, fencing and planting: to 1966 an estimated \$54,000 has been allocated out of current proceeds. As development work of this kind can be treated as current expenditure for income tax purpose, much of the capital funds used have come from tax savings.

Timbulim has so far made little contribution to the company's revenue, and has yet to show a profit. Income from copra was first received in 1961, and from coffee in 1964.<sup>1</sup> Total revenue from the property in 1966 was \$10,900, but a sharp rise is expected in the near future as coffee, cocoa and palms recently planted come into bearing.

### Book and curio shop

This is a small shop located in the township of Lae. Opened in 1959 under the joint sponsorship of Namasu and the mission (the rent was evenly split), it was an outlet for indigenous handicrafts - the only one then in Lae - and Christian literature (a 'show window of Christian literature'). One of the original aims was to buy most of the handicrafts (such as baskets, masks, spears, bows and arrows, grass skirts and the like) from mission schools and related organisations but the comparatively small volume of sales (\$59,000 in 1966) has left little margin for profit; the difficulty of securing enough carvings and handicrafts, the establishment of another curio shop in Lae in 1963, and the somewhat limited demand for the type of books in stock are largely responsible for this. This shop, however, has always been regarded by Namasu as only a 'part-time' activity. It was reorganised in early 1966

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<sup>1</sup> Some of Timbulim's coconut output is donated to the Pastor's Seminary in the Hube area in recognition of the past contribution by the local people in building up the plantation.

when the Christian Bookshop of Madang took control of the literature section, leaving Namasu in charge of handicrafts and stationery.

### Soft drink manufacturing

Further diversification of Namasu's commercial activities occurred in 1966 with the acquisition for \$7,000 of a soft drink manufacturing plant at Watut, which had been previously operated on a small scale by an Australian. The Bulolo Hotel and traders in the Wau-Bulolo area take a considerable amount of the drink which is sold under the label 'Sunshine Aerated Water', but most is channelled through Namasu's own store in Lae and other branches in the Morobe District. As this product will eventually be marketed through most of the company's branches, a considerable expansion in sales is anticipated. The rate of production during the time of field work was about 2,000 dozen bottles a month, far above that when Namasu's production began. Sales for the six months to June 1966 were over \$4,000, and the rate of return was high.

### Commercial school

This school, located at Bumayong a few miles from Lae township, is now administered by the mission. It was founded by Namasu in 1959 to train young New Guineans for commercial careers, and was the first of its kind in the country. The principal objective when it opened was to provide Namasu's indigenous staff with some formal instruction in English and commercial subjects. Teaching was carried out by several of Namasu's European staff (mainly Mr Fugmann and Mr A. Goward) and classes were held before the working day, i.e. from 6 a.m. to 7.30 a.m. In 1965, the school was handed over to the mission under whose administration the number of students has risen from 10 to the current level of 40. School facilities are modern (with living quarters provided) and subjects taught include English, arithmetic, book-keeping, typing and commercial correspondence at about Form 1 and 2 levels. Namasu's present role is that of providing students with practical on-the-job experience at the central office. The training programme varies - a particular group may spend several months of the year doing practical work, and another may be on the job for part of each day during certain times of the year. Namasu pays a nominal wage to each trainee, and also contributes to their upkeep. It usually takes a number of the annual crop of graduates, but most find employment with other organisations. Twelve were employed by Namasu in 1966.

### Coffee processing

Namasu's first coffee processing plant was an old abandoned army shed made available by the mission at Ampo, a few miles from Lae. A number of machines to facilitate processing were also purchased, including a hulling and grading machine and a conveyor belt for colour sorting. In 1963, Namasu set up processing facilities at Voco Point, across from the main

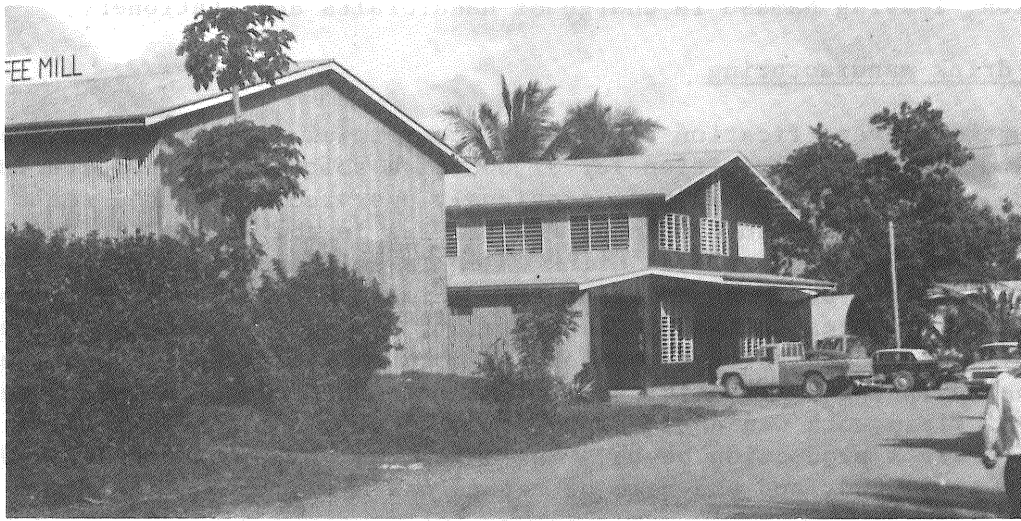


Plate 5. Namasu's coffee mill



Plate 6. Women sorting coffee at the Namasu mill

administrative building. A high degree of mechanisation has been attained, and the plant now contains a size grader, a winnowing machine and electronic colour sorters.

#### Fuel agency

Namasu acts as an agent for the Mobil Oil Co. Ltd in the distribution of oil products in some areas where it operates a major branch (e.g. Banz and Henganofi). Mission organisations are major customers. Much of Namasu's commercial shipping involves the carrying of oil and fuel products for this oil company.

#### Dress-making

This activity is small-scale and involves only about five women. It is supervised by Mrs Fugmann, and a small shed (a converted garage) alongside the Fugmann residence serves as the 'factory'.

The pattern of Namasu's development - shown to be heavily dominated by trading and marked by a certain measure of diversification - was not entirely the product of piecemeal, haphazard growth. Beliefs and 'principles' concerning the broad direction and shape of development have not been totally absent, as certain of the evidence, and interviews with Mr Fugmann and others in the company suggest. In this connection three points may be made. Firstly, there was a firm conviction that it was through trading and marketing services that Namasu would best be able to assist New Guineans in their economic and social development. The superior 'spread effect' of trading appears to have been clearly appreciated: trading (through many buying and selling points throughout the country) involved a large number of people compared with other forms of economic activity, thereby maximising the opportunity for local people to earn a cash income and to participate in the cash economy. Adherence to this view meant, on the one hand, giving priority to trading in terms of the company's resources, and on the other, forgoing those investment alternatives which threatened to involve a heavy commitment of resources, even though their prospects for success appeared to be considerable.<sup>1</sup>

Secondly, allowance has also to be made for certain social welfare considerations stemming from Namasu's mission background and linkage. The desire to assist New Guineans in their economic efforts has meant that certain activities are still operating although they have proved

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<sup>1</sup> Other possible lines of activity that Namasu might undertake include clothing and the manufacture of matches. The need to conserve capital and staff and to give priority to basic trading and marketing facilities has been the central reason why Namasu has been unwilling to go into the trucking business.

poor economic propositions, e.g. the book store, the shipping service to backward coastal regions, and a number of trade stores. Thirdly, the pattern of development has also been influenced by the fact that certain types of activity, e.g. the sale of alcoholic beverages,<sup>1</sup> have been ruled out by Namasu as a matter of principle, because of mission connections.

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<sup>1</sup> The desire to provide a 'counter measure' to the sale of this product was one reason behind Namasu's entry into the soft drink business.

## Chapter 4

### Sales, profits, capital works and income

From an examination of accounting records Namasu appears to be in a sound financial position (with shareholders' funds at \$364,144 in 1966, against total issued capital of \$220,426) while the various liquidity and asset ratios are at satisfactory levels.<sup>1</sup>

#### Sales

Table 1 shows Namasu's gross sales for each year of operation to 1966, classified under several major heads. It bears out the remarkable growth of Namasu - particularly from 1964 when the trading operations were extended into the highlands. The expansion appears all the more remarkable when it is considered that during the whole period considerable problems were constantly encountered over shortages of capital, trained personnel and working space.<sup>2</sup>

Table 1  
Gross sales, 1960-66  
(£)

| Year | Outstations | Produce | Shipping<br>and wharf | Other*  | Total     |
|------|-------------|---------|-----------------------|---------|-----------|
| 1960 | 30,152      | 57,360  | 50,500                | 1,768   | 139,780   |
| 1961 | 36,904      | 38,966  | 57,892                | 131,156 | 264,918   |
| 1962 | 84,798      | 137,862 | 50,788                | 127,548 | 400,996   |
| 1963 | 93,544      | 143,114 | 50,902                | 129,644 | 417,204   |
| 1964 | 209,608     | 292,356 | 53,550                | 184,496 | 740,010   |
| 1965 | 451,066     | 427,910 | 57,926                | 293,132 | 1,230,034 |
| 1966 | 804,098     | 386,580 | 65,998                | 443,622 | 1,700,298 |

\* Gross sales from merchandise in Lae, the book and curio shop, coffee and coconut plantation, and soft drink plant.

<sup>1</sup> For further details on the financial structure of the company see Appendix 2.

<sup>2</sup> Namasu's wharf occupies a key position in Lae to handle small ships under 300 tons; the proceeds from 'wharfage' and 'berthage' charged to crafts using the wharf totalled \$4,700 in 1966.

Namasu's sales under 'Other' in Table 1 have been heavily dominated by the bulk store in Lae. In 1961, when this store was opened, sales totalled \$120,300 and this general level was maintained until 1965 when it almost doubled. In 1966, sales from the bulk store accounted for \$359,591 of the \$443,622 shown for the group as a whole. The next important source was fuel products, which accounted for slightly over \$20,000 in 1966. The total value of sales from the trade store at Lae, the curio and book shop, and plantation is comparatively small, though each has expanded rapidly. Thus, sales by the trade store rose from \$7,000 in 1961 to \$37,940 in 1966, while the corresponding figures for the book shop were \$2,880 and \$9,698, and the plantation, \$928 and \$10,948. Included in the plantation figures for 1966 was \$2,753 for coffee; the only previous sale of this product had been made in 1963 when an amount of \$12 was recorded. Sales of Namasu's soft drinks were made for the first time in 1966, and totalled \$4,242 for the six months to June.

Estimates of outstation sales by Namasu's highland stations can be compiled from available records<sup>1</sup> and these are shown in Table 2. A similar division could not be made for coffee, owing to the lack of sufficient detail in the records, but some indication is provided by the figures of total coffee purchases in Table 2. Coffee is the only cash crop which Namasu buys in the highlands. The large increase in purchases in 1964 with the opening of several major highland branches is readily apparent. So far as can be ascertained from the records, in 1963 non-highland sources accounted for total coffee purchases, except for a small amount (\$4,600) purchased in Banz.

Table 2  
Merchandise sales and coffee purchases  
(£)

| Year | Gross sales:<br>highland branches | Gross sales:<br>other branches | Coffee purchases:<br>all sources |
|------|-----------------------------------|--------------------------------|----------------------------------|
| 1962 | -                                 | 84,698                         | 100,026                          |
| 1963 | 2,132                             | 91,412                         | 125,634                          |
| 1964 | 109,426                           | 94,182                         | 216,152                          |
| 1965 | 336,082                           | 114,984                        | 381,638                          |
| 1966 | 647,531                           | 156,567                        | 342,516                          |

A striking feature of Namasu's outstations sales in recent years has been the highly uneven pattern of distribution. Thus in 1966 two branches (Banz and Goroka), which serve some of the richest areas in the highlands,

<sup>1</sup> See, for example, Appendix 3.

accounted for 70 per cent of total outstation sales. Such a lopsided pattern is not likely to persist, however, in view of the company's plans to build other stations in these areas.

According to estimates by the merchandise manager (Mr N. Goward), about 60 per cent of total sales are made to New Guinean traders and consumers, and the remainder to mission stores (about 20 per cent), congregational stores (15 per cent) and private European stores (5 per cent). Recent statistics relating to the composition of Namasu's merchandise sales were not available, but for 1962 the estimates were: food and groceries 49 per cent, smokes 15 per cent, hardware 12 per cent, soft goods 10 per cent, clothing 8 per cent, toilet goods 1 per cent, tools 1 per cent and 'other' 2 per cent.<sup>1</sup>

### Profits

Table 3 presents aggregate figures of Namasu's net profit and dividend payments. The dividend rate has risen progressively in line with sales and profit earnings: from 6 per cent in 1960 to 7.5 per cent in 1962 and 10 per cent in 1965. This last rate was maintained in 1966.

Table 3

#### Sales, profits and dividends, 1960-67 (£)

| Year    | Gross sales | Net profit | Dividend payments |
|---------|-------------|------------|-------------------|
| 1960    | 139,780     | 7,554      | -                 |
| 1961    | 264,918     | (-1,324)   | 4,946             |
| 1962    | 400,996     | 14,518     | 5,256             |
| 1963    | 417,204     | 24,140     | 8,108             |
| 1964    | 740,010     | 29,966     | 8,520             |
| 1965    | 1,230,034   | 80,863     | 9,540             |
| 1966    | 1,700,298   | 70,594     | 22,042            |
| (1967)* | -           | (104,863)  | (24,828)          |

\* Figures for net profit and dividend payments for 1967 came to hand while this report was being written.

Table 4, calculated from Namasu's financial records, provides some idea of its major profit sources from 1964 to 1966. The large share shown for branch trading (which refers to merchandise trading only) is noteworthy, notwithstanding its relative decline in the face of a rapid rise in the share credited to Lae trading. A feature of branch trading is the outstanding performance achieved by one of the company's highland

<sup>1</sup> Annual Report, Namasu 1962:4.

branches (Banz) which, in 1965 and 1966 claimed over one-half of total gross profit recorded by all trading stations.

Table 4

Gross profit: major sources  
(%)

|                        | 1964 | 1965 | 1966 |
|------------------------|------|------|------|
| Branch trading         | 42   | 38   | 37   |
| Lae merchandise        | 20   | 21   | 29   |
| Produce and book store | 23   | 23   | 18   |
| Shipping               | 12   | 15   | 4    |
| Other                  | 3    | 3    | 4    |
| Total                  | 100  | 100  | 100  |

At the time of fieldwork the 5 highland stores (of the 12 stores then in operation) were responsible for over two-thirds of total gross profit from merchandise trading by trade stores. A further rise in this proportion is in sight as two of Namasu's highland branches (Mt Hagen and Kundiawa) have only recently been established and have yet to realise their full sales potential (actually, one of these branches made a loss in 1966). The overall trading position of the company's stores has generally been sound; a number of them have performed outstandingly well, and only a couple have shown a less than satisfactory rate of return.

A number of Namasu's activities have performed poorly, and have had to be 'subsidised' out of profits earned in other spheres. In addition to the trade stores mentioned above, activities being subsidised include the book and curio shop, the plantation, trading in vegetables and fruit (in which little interest is now shown), and two of Namasu's ships, the Sio and Kauri. Timbulim plantation, however, is considered to have considerable potential once the areas recently planted come into production. The earnings of the two ships have been negligible in recent years, and the viability of the overall shipping position has been maintained only by the Salankaua consistently producing sizeable profits. Sharp fluctuations are, however, a notorious characteristic of shipping, and it is possible that the position of the two ships may be quickly reversed.

Capital expenditure and source of funds

The company's asset schedules, first compiled in 1962 and revised several times thereafter, formed the basis for assessing the value of Namasu's capital expenditure over the period, expenditure which has largely determined the company's ability to expand. A summary of the data contained in the schedules is set out in Table 5, much in the format of the original schedules themselves. As it shows, the large expenditure of the early years was dominated by shipping (payments for ships and new

Table 5

Capital expenditure  
(£)

| Purchase price or cost<br>of building     | 1959   | 1960-61 | 1961-62 | 1962-63 | 1963-64 | 1964-65             | 1965-66             |
|-------------------------------------------|--------|---------|---------|---------|---------|---------------------|---------------------|
| Land and buildings:                       |        |         |         |         |         |                     |                     |
| Lae and Voco                              | 22,248 | 2,270   | 1,862   | 1,900   | 1,370   | -                   | 28,989*             |
| Branch stores**                           | 8,570  | -       | 1,832   | 2,316   | 7,218   | 21,680              | 31,634              |
| Staff residence (ex-<br>cluding branches) | -      | -       | 1,584   | 5,248   | 3,706   | -                   | 300                 |
| Sewing room                               | -      | -       | 400     | -       | -       | -                   | 6                   |
| Timbulim***                               | -      | -       | 6,684   | 620     | 1,806   | 1,122               | 5,336               |
| Motor vehicles                            | -      | 2,668   | 2,534   | 13,296  | 1,536   | 14,456 <sup>‡</sup> | 21,586 <sup>‡</sup> |
| Ships                                     | 53,200 | 13,734  | -       | 12,000  | 312     | -                   | -                   |
| Coffee factory and<br>equipment           | 3,234  | 682     | 876     | 9,444   | 19,674  | 1,380               | 1,377               |
| Wharf: Voco                               | 6,000  | 3,262   | 208     | -       | 3,470   | -                   | 228                 |
| Office and plant:                         |        |         |         |         |         |                     |                     |
| Central                                   | 1,242  | 378     | -       | 534     | 32      | 238                 | 2,971               |
| Branches                                  | -      | -       | -       | -       | -       | 826                 | 589                 |
| Workshop and equipment                    | 3,000  | 386     | 90      | 468     | -       | 348                 | 729                 |
| Furniture and fitting                     | 520    | -       | 134     | -       | -       | 216                 | 175                 |
| Sunshine Aerated Water                    | -      | -       | -       | -       | -       | -                   | 7,594               |
| Total                                     | 98,014 | 23,380  | 16,204  | 45,826  | 39,124  | 40,266              | 101,514             |

\* The cost of building the new warehouse and office in Lae. It is a two-storey building which, with an estimated 9,000 square feet of office and store space, has greatly relieved the long-standing pressure on storage and office space. It was completed in February 1966.

\*\* Major items are warehouses, managers' residences, staff quarters, fuel stoves, coffee sheds and drying facilities. Expenditure on some of these projects was considerable: over \$12,000 in Banz, for example, during the years 1963-66. The rise in expenditure after 1964 is due to the capital needs associated with the move into the highlands.

\*\*\* These figures apply to expenditure on equipment, staff residences and copra and cocoa driers, but not, it appears, to other 'development works' such as land clearing and improvement. Moreover, the extent to which the capital expenditure shown was financed out of current revenue ('plantation development') as distinct from reserves and capital raisings is not known.

<sup>‡</sup> This rise in expenditure is also due to the highlands move.

parts), and of the middle and more recent years by coffee processing, storage and administrative facilities in Lae, and building and vehicles.

The values shown in Table 5 are essentially book values and there is little doubt that they significantly understate the real magnitude of Namasu's capital outlay. This is so for two main reasons. Firstly, Namasu has been able to use its own workmen (carpenters, engineers and unskilled labourers) in the construction of many of its buildings and related facilities. This has meant that labour costs have been kept to a minimum, with a consequent saving of capital funds. Secondly, much of Namasu's material requirements and equipment has been imported directly through its own trading facilities, thus eliminating certain intermediate costs which have in turn cut expenditure to a minimum. It would, of course, be difficult to estimate precisely the overall value of labour and material saved by the company in this way.<sup>1</sup> However, the accountant at Namasu, Mr A. Goward, has estimated that the values recorded in the schedules could safely be raised by about 25 per cent for a more realistic picture of the company's total capital expenditure.

The major sources of finance for Namasu's capital programme are shown in Table 6. Again these figures are based on company accounts and related documents, and therefore do not take account of certain 'non-monetary' sources of input (e.g., the labour contribution mentioned above). The amounts shown as 'loans' refer to the net annual increments in the total value of loans - both secured and unsecured - shown in the company's financial accounts. In this the major 'lenders' have been mission bodies - both local and overseas - and various international church funds. At 25 July 1966 the lending groups comprised Lutheran Economic Service Commission (\$26,900) and the Evangelical Lutheran Church of New Guinea (ELCONG) (\$36,058).<sup>2</sup> These loans are usually made at below commercial rates. 'Undistributed profits' are net profits less taxation

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<sup>1</sup> Two examples of such 'savings' did, however, come to light: by using its own 'buildings teams' Namasu was able to construct the new office and warehouse at Lae for \$25,000 instead of an estimated \$40,000; similarly it was able to build the coffee factory for \$23,000 instead of \$39,000 (see Annual Report, Namasu 1966:9). Savings of this sort probably account for a large part of the difference in the asset values shown in the 1965 annual report, wherein the 'real value' of fixed assets for 1965 was shown as \$314,400, against a 'book value' of \$191,650 (see Annual Report, Namasu 1965:6).

<sup>2</sup> The Lutheran Economic Service Commission (LESC) is a non-profit organisation whose object is to promote economic development projects in New Guinea such as cattle stations and copra drying. In general, projects are selected on the basis of business principles, and finance is provided on either a loan or grant basis. Most of the funds available for distribution by LESC are collected from overseas Lutheran bodies. ELCONG, the New Guinean counterpart of the Lutheran Mission, was founded in 1956 and incorporated in 1965.

and dividend payments, while the amounts shown as current revenue are equal to plantation costs as shown in the current accounts - included here since these charges were channelled towards development work in the plantation.

Table 6

Sources of investment funds  
(£)

| Year | Share sub-<br>scriptions | Loans (excludes<br>bank and trade<br>credit) | Undis-<br>tributed<br>profit | Depre-<br>ciation | Current<br>revenue | Total   |
|------|--------------------------|----------------------------------------------|------------------------------|-------------------|--------------------|---------|
| 1960 | 95,768                   | 46,444                                       | 7,554                        | 8,000             | 4,010              | 161,776 |
| 1961 | 9,494                    | 22,262                                       | -                            | 1,316             | 10,234             | 43,306  |
| 1962 | 8,028                    | -13,544                                      | 9,262                        | 3,890             | 8,368              | 16,004  |
| 1963 | 11,220                   | 8,064                                        | 16,052                       | 11,152            | 12,066             | 58,554  |
| 1964 | 7,954                    | 22,262                                       | 21,446                       | 10,684            | 7,668              | 70,014  |
| 1965 | 13,482                   | 5,432                                        | 71,540                       | 20,346            | 8,666              | 119,466 |
| 1966 | 79,720                   | 23,966                                       | 48,552                       | 24,786            | 3,131              | 180,155 |

Table 6 reveals that share and loan money were particularly prominent in the early and later years, and that depreciation and undistributed profits have been rising in importance. The principal source of finance not included in Table 6 is bank credit, to which significant resort has only recently been made.

Cash flows to New Guineans

From the financial records it is also possible to indicate the value of direct cash flow to New Guineans in the form of wages, bonus payments, dividends, director's fees and payments for produce. Most of the components in the estimate, including bonuses, directors' fees, wages charged to major trading branches, shipping and the plantation can be extracted directly from the company's annual reports and financial statistics. The other components had to be calculated from the available statistics and from the results of my own enquiries; this procedure applied to wages paid by the central office (from which European earnings had to be subtracted), payments for produce (the small amount of Namasu-grown produce had to be allowed for), dividends (the share paid to indigenes are not listed separately), and to handicrafts (had to be identified from the total sales figures of the book and curio shop). Without claiming complete accuracy, the estimates in Table 7 set out the results of the calculations. The total represents a sizeable payment, all the more significant as certain payments (such as dividends and outlay for produce) are widely distributed and involve many thousands of New Guineans scattered over a large section of the country. For those in remote

areas particularly, such payments probably constitute the only source of cash.

Table 7

Direct cash payments to New Guineans, 1966

(\$)

|                      |            |              |
|----------------------|------------|--------------|
| <hr/>                |            |              |
| Wages:               |            |              |
| Branches             | 11,740     |              |
| Shipping             | 5,674      |              |
| Plantation           | 3,980      |              |
| Other                | 16,883     |              |
| Bonuses              | 1,000      |              |
| Dividends            | 13,000     |              |
| Directors' fees      | <u>75</u>  | 52,352       |
| Payment for produce: |            |              |
| Coffee               | 342,516    |              |
| Copra                | 17,484     |              |
| Other produce        | <u>626</u> | 360,626      |
| Handicraft           | 5,000      | <u>5,000</u> |
| Total                |            | 417,978      |

## Chapter 5

### Shareholding

Namasu is the first company in New Guinea to operate on the basis of joint ownership between Europeans and New Guineans. In admitting New Guineans as shareholders, Namasu had two basic objectives: firstly, to give New Guineans an opportunity to participate in the ownership of a modern commercial organisation, a development which Namasu regarded as both timely and consistent with official development policy in other spheres (e.g. the promotion of co-operatives, extension services in agriculture and local government councils) and, secondly, to provide New Guineans with a further outlet for the investment of their savings. Over 5,000 New Guineans are now shareholders in Namasu, and although at present they claim a little over one-half the total issued capital of the company, it is the aim to raise the proportion even further. Complete ownership one day by New Guineans is possible and shareholders, both European and New Guinean, are not infrequently reminded of this.

The view that only New Guineans should be allowed to subscribe to shares in Namasu, and that any capital provided by the mission or other bodies would be accepted only as loan money, was seriously considered in initial discussions concerning the form that Namasu should take. However, this was rejected on a number of grounds. Firstly, Section Five of the New Guinea Ordinance (1933-38) made it compulsory to have Europeans as shareholders, as it stipulated that two-thirds of the issued capital of a company registered in New Guinea had to be held by, or on behalf of, British subjects, and New Guineans were not British.<sup>1</sup> Upon pressure from Namasu, this section of the Act was repealed in 1961 and New Guineans declared to be British subjects, thus allowing unrestricted participation as shareholders. Secondly, it was not believed likely that the company's expected capital needs would be adequately met

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<sup>1</sup> This section applied to companies which had as one of their objects the 'engagement in agriculture, pastoral or forestry products, mining for coal or iron ore, or navigation'. In 1960 it was necessary to refuse a certain amount of New Guinean capital as the one-third limit had already been reached (see Annual Report, Namasu 1960:9).

by capital funds collected from New Guineans alone.<sup>1</sup> Thirdly, it was envisaged that Namasu would play a special role as a 'bridge institution' where both Europeans and New Guineans (and different New Guinean groups) shared in the ownership and control of a common enterprise. Finally, it was considered desirable that Lutheran bodies should remain in a position to exercise - at least during the formative years - a controlling influence in the company by holding a substantial part of the total capital.

Nevertheless, Namasu has gone a considerable way towards increasing the New Guinea proportion of the total shares, as can be seen from Table 8.

Table 8

Shareholding\*  
(£)

|                                   | 1960   | 1961   | 1962    | 1963    | 1964    | 1965    |
|-----------------------------------|--------|--------|---------|---------|---------|---------|
| New Guineans                      | 30,572 | 31,728 | 46,576  | 49,950  | 63,354  | 74,316  |
| Europeans                         | 11,934 | 16,978 | 21,554  | 23,664  | 23,870  | 24,392  |
| Lutheran Mission of<br>New Guinea | 40,000 | 40,000 | 40,000  | 40,000  | 40,000  | 40,000  |
| Total                             | 82,506 | 88,706 | 108,130 | 113,614 | 127,224 | 138,708 |

\* Authorised capital remained at \$200,000 until 1965 when it was raised to \$500,000.

A notable feature of Table 8 is the rise in the New Guinean share from 37 per cent of the total to 53 per cent. On the demand side, Namasu's capital needs have generally been high throughout the period, and at times considerably above the total funds available from share subscriptions and profit and loan sources. Given the company's cautious attitude towards a too heavy reliance on borrowed funds, the result has been a continuing state of under-capitalisation.

On the supply side, it was understood from the beginning that the mission would not be able to provide additional capital funds. Its initial \$40,000 investment has remained unchanged, and the mission would like to withdraw this as soon as it can without seriously disrupting the financial position of the company.<sup>2</sup> Namasu's basic desire to raise the

<sup>1</sup> Thus, apart from the mission investment, it was envisaged that \$30,000 would be raised from Australian Lutherans.

<sup>2</sup> The need to provide sufficient 'British' capital to fulfil the two-thirds provision of the New Guinea Ordinance had been a major reason behind the mission's initial investment.

proportion of New Guinean equity has tended to limit the extent of European shareholding - at least since the two-thirds provision of the New Guinea Ordinance was repealed. Europeans were encouraged to invest in Namasu as long as the New Guinean proportion of ownership was rising, or at least being maintained. The heavy inflow of European funds in 1966 - as will be shown below - was, however, an important departure from this general rule.

The inflow of investments by New Guineans in the last few years has been well below the rate desired by Namasu and their overall share has not risen significantly. The result of recent share promotion work in villages has been somewhat disappointing. The reasons are not easy to identify but a few of the more prominent factors may be noted.

Firstly, the easier capital situation of the early years was due to a number of special factors, including the strong desire by people to see Namasu set up trading operations in their locality - a desire which tended to be strongest in the most backward areas. A common pattern was for villagers, or 'circuits'<sup>1</sup> encompassing groups of villages (assisted perhaps by local mission people), to collect often large amounts of money themselves, and then to offer this money to Namasu by way of share subscriptions in order to encourage the company to enter that area. Invitations of this sort were made by groups in Finschhafen, Pindiu and Mumeng, and later in several highland branches. However, once Namasu had established a trade store, the interest of local people in further investment usually declined; the motive behind their investment, namely attracting Namasu into their area, had been achieved.

Another special consideration lay in the strength of Mr Fugmann's personal influence in areas covered by Namasu's expansion. In the course of early promotional work in the Morobe District, visits by Mr Fugmann to hundreds of villages had been vital in building up trust in Namasu and in encouraging New Guineans to invest. However, in the highlands, Mr Fugmann's influence could not be used in share promotion, as he was comparatively unknown there.

Also contributing to the recent poor response to Namasu's share drives is the greater number of outlets for New Guineans to invest their money (e.g. in co-operatives, trade stores, plantations, trucks and tractors) and Namasu's 'failure' to live up to the unrealistically high expectations of New Guineans for returns from their investments.<sup>2</sup> Some

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<sup>1</sup> A circuit is an administrative unit used by the mission, comprising a number of congregations and from 2,000 to 25,000 people.

<sup>2</sup> Not unrelated to this point was a view which apparently had gained wide circulation among New Guinean shareholders that whereas co-operatives distributed their profits among members, Namasu did not. On the matter of returns on investments there appears to have been a common belief among shareholders that they would get back by way of an annual dividend the value of their original investment.

dissatisfaction over the method of paying dividends to villagers had also been evident: the amount of dividend earned by shareholders in a particular village (or in some cases groups of villages) is calculated, packed in an envelope and delivered to the head man or some other leading personality in the village for distribution, which does not ensure that individual shareholders are paid the correct amount, or that they are paid at all. A further source of dissatisfaction among many New Guinean shareholders lay in Namasu's failure to grant them more favourable prices for their products - a concession many had expected. The existence of two kinds of shares, preference and ordinary, paying different rates of dividends had also been a constant source of confusion and grievance.<sup>1</sup> Preference shares had been made available to New Guineans in order to provide some protection for their investments, and by 1966 about 3,000 were holding this type of share. Many in the group, however, could not appreciate the reasons for the lower rate of dividend they were being paid in relation to holders of ordinary shares, and their sense of grievance was no doubt heightened by the fact that all European shareholders owned ordinary shares. In an attempt to eliminate the source of misunderstanding Namasu in 1966 converted all preference shares to ordinary shares.

The difficulty over the supply of New Guinean capital underlines the figures of Table 8. They also explain to a large extent two significant developments in 1966. The first was the acceptance of a considerable amount of European capital: of the \$79,844 share money approved by the board of directors in 1966, Europeans accounted for \$40,000 (of which \$29,704 originated in Australia). This left \$39,844 from New Guineans, \$24,000 of which was claimed by ELCONG, so that the total amount subscribed by individual New Guineans was comparatively small. Secondly, an appreciably higher overdraft limit was successfully negotiated with a bank source.<sup>2</sup>

As noted, the amendment in 1960 of the New Guinea Ordinance widened the opportunity for New Guineans to participate as shareholders in Namasu. In 1961 the whole basis of shareholding was liberalised. Originally, the company's articles of association stipulated that only members of the Evangelical Lutheran Church could hold shares in Namasu<sup>3</sup> - a

<sup>1</sup> The company's authorised capital of \$200,000 (up to 1965) comprised \$40,000 preference shares and \$160,000 ordinary shares. The limits set for the rate of dividend payable on preference shares were a minimum of 5 per cent and a maximum of 8 per cent.

<sup>2</sup> The rejection of a proposal to seek share capital from American Lutherans was due mainly to strong opposition by the New Guinean members of the board of directors.

<sup>3</sup> Members of the Evangelical Lutheran Church were defined to include the following bodies: United Evangelical Lutheran Church, American Lutheran Church, ELCONG, Neuendettelsau Mission Society (Germany) and the Lutheran Mission of Leipzig (Germany).

provision inspired mainly by the New Guinean members of Namasu anxious to protect the special aims and characters of the company, especially against other religious groups who might buy into Namasu on a large scale. The undesirable implications of this provision, however, soon became apparent, for it was contrary to the basic spirit of Namasu and also tended to restrict its capital raising potential. Moreover, it was realised that the company's trading position was stronger than anticipated and that other groups could not harm it if they were admitted as shareholders.<sup>1</sup> Under Mr Fugmann's initiative, therefore, the original provision was revoked, and shareholding was opened to such members of the Evangelical Lutheran Church and any other person whom the directors might think fit.

Finally, a notable feature of New Guinean shareholding is the fact that very few shareholders have asked for their money back: to 1961, only four of about 3,000 shareholders had returned their shares.<sup>2</sup>

### European shareholding

At the end of 1966, European shareholders in Namasu numbered only 81, most of whom were resident in Australia. Of those living in New Guinea, the majority are connected with the mission in some way as evangelists, school teachers, technical advisers, nurses and other medical personnel. Many of these people regard Namasu as a singularly suitable outlet for their savings. Of those residing in Australia, some had previously been in New Guinea as mission workers, but the largest number consists of those who responded to Mr Fugmann's share promotion work among Lutheran congregations in 1959 and 1965.<sup>3</sup> They have tended to regard their investments as a means to render assistance to New Guineans in their social and economic development rather than as a monetary investment in the usual sense of the word.

According to the company's share register, of the 81 European shareholders 55 were overseas investors (nearly all resident in Australia);

<sup>1</sup> Recent events at Watut have tended to revive such fears; for motives which are not yet entirely clear, a Rural Progress Society at Watut has been buying a considerable number of Namasu shares from people in the area. As private purchase of this type is apparently illegal, Namasu has appealed to the co-operative office to investigate the matter.

<sup>2</sup> See Annual Report, Namasu 1961:13.

<sup>3</sup> These visits to Australia have a three-fold purpose; to carry out a share promotion tour among Lutheran congregations, to recruit staff (in 1965, for instance, seven new staff members were recruited), and to attend the General Synod of the United Evangelical Lutheran Church of Australia. For the promotion of Namasu, all states except Western Australia have been visited.

this overseas group owned shares to the value of \$18,526. European shareholders in New Guinea numbered 26 and invested \$5,866. This pattern has been prevalent since 1960: in March 1961, for example, overseas investments totalled \$13,302 as against \$3,676 local.

#### New Guinean shareholding

The average holding of New Guinean shareholders is comparatively small. In mid-1966, it was \$14.50. The modal value was \$10, the minimum amount that can be subscribed. A random inspection of the share registration book revealed that of 15 entires for New Guineans at various dates in December 1965, 6 were holdings of \$10. The largest single investment found was \$240 by a shareholder in the village of Pugluup in Mt Hagen. No other investment of over \$200 was located but there were a number (not more than 20) of investments between \$100 and \$200. One cannot, of course, regard these large holdings as belonging to individuals for although listed under names of individuals, many are made on behalf of family and religious groups.

Table 9 shows the heavy concentration of shareholding in the Morobe and Eastern Highlands Districts, which is not surprising in view of the company's pattern of expansion. Investments by highlands people have only recently become significant. In March 1961, there were only five highland shareholders who held shares valued at \$190 out of a total New Guinean figure of \$10,740; three were located in the Banz area (the three claimed 55 shares), one at Kainantu (25) and one in the Mt Hagen area (15).

Table 9  
New Guinean shareholding, 1966

| District          | Congregations | Villages | Number of shareholders | Value (\$) |
|-------------------|---------------|----------|------------------------|------------|
| Morobe            | 34            | 471      | 3,560                  | 49,638     |
| Madang            | 7             | 88       | 220                    | 2,436      |
| Eastern Highlands | 4             | 376      | 1,037                  | 16,204     |
| Western Highlands | 2             | 12       | 12                     | 620        |
| Central Highlands | 1             | 1        | 1                      | 10         |
| Chimbu            | 1             | 54       | 311                    | 4,438      |
| Total             | 49            | 1,002    | 5,141                  | 73,346     |

Table 10 lists the main shareholding areas in 1966. In compiling this table, regions have been defined to include a number of 'congregations', an administrative unit used by the mission and adopted by Namasu. Some care is needed in interpreting this table as regions are not comparable in size of population, wealth and willingness to invest in Namasu. However, it does reveal where Namasu's shareholding strength lies. The 23

congregations listed account for \$60,000 which means that the remaining 25 are responsible for only \$9,000 to \$10,000.

Table 10

Shareholding by major regions, 1966

|              | Congregations | Villages | Value<br>(\$) |
|--------------|---------------|----------|---------------|
| Morobe:      |               |          |               |
| Finschhafen  | 7             | 116      | 14,584        |
| Kalasa       | 3             | 34       | 5,154         |
| Malalo       | 1             | 35       | 4,548         |
| Buong        | 1             | 25       | 4,000         |
| Mumeng       | 1             | 27       | 4,972         |
| Lae Womba    | 1             | 20       | 2,188         |
| Ulap         | 4             | 52       | 4,220         |
| Watut        | 2             | 25       | <u>4,214</u>  |
|              |               |          | 43,880        |
| Highland:    |               |          |               |
| Asaroka      | 1             | 141      | 5,586         |
| Kainantu     | 1             | 210      | 10,022        |
| Chimbu       | 1             | 54       | <u>4,438</u>  |
|              |               |          | 20,046        |
| <b>Total</b> |               |          | <u>63,926</u> |

## Chapter 6

### Directorship, employment and other special features

#### Directorship

As an innovation, the involvement of New Guineans as directors in Namasu is second only in significance to their participation as shareholders. Five of the nine members of the first board were New Guineans, while the present board comprises six New Guineans out of a total membership of twelve.<sup>1</sup> The admittance of New Guineans as directors was regarded as an essential element of the company's structure, although it was recognised that their contribution to policy-making would probably be small initially and might remain so for a considerable time.<sup>2</sup> Their inclusion would give them an opportunity to participate in the formation of the company's policy, and introduce them to the mechanics of a multi-purpose commercial organisation. The experience would eventually enable them to make a more substantial contribution to the company, particularly in those aspects of its activities bearing directly on the economic life of their people.

In the nomination and election of indigenous directors Namasu has sought to attract New Guineans who possess leadership qualities and influence in their communities and who have an elementary understanding of modern commerce and business organisation. The practice has been to

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<sup>1</sup> The present members of the board are: Gideon Abeng - teacher (Boakap); W. Fugmann - manager-director of Namasu (Lae); Revd R. Pech - secretary of the mission (Lae); C. Radke - accountant (Lae); Isaiah Samasam - planter and storekeeper (Bukaua); Kamdreng Samuel - carpenter (Butibum); Lot Sangaba - teacher (Wasu); Revd F. Scherle - missionary (Lae); Mek Singilion - council vice-chairman (Pindiu); A. Zimmerman - engineer (Lae); Kamong Zurewe - church secretary (Lae). Messrs Ramin, Zimmerman and Singilion were appointed in 1960; the chairman of the board is Revd Pech, who was first elected in 1959.

<sup>2</sup> On many occasions the indigenous directors have played an active, practical part in the company's development and operations; as mentioned, the alterations made to the main buildings in Lae in 1959, for example, were supervised by Isaiah Samasam.

appoint persons of Lutheran faith who have gained some prominence in such fields as mission work, school teaching, trading and leadership in traditional society. The importance of a Lutheran background - a qualification which also applies in the case of European members of the board - is understandable in view of the special character of Namasu's background and objectives. Also taken into account in the selection of suitable candidates are age, knowledge of English and the geographic distribution of shareholders.<sup>1</sup>

Not surprisingly, the New Guinean contribution to policy formation in Namasu has so far been minimal. To my knowledge not a single major policy matter has been initiated by them, and their participation in formal meetings has gone little beyond requests for clarification and explanation of issues under discussion. They have generally tended to follow the lead provided by their European colleagues, and, where they have influenced an issue it has generally been on the side of caution. This is no doubt the product of their limited understanding of economic principles and practice coupled with a lack of experience in operating an organisation of the size and complexity of Namasu. Nonetheless, the influence of the New Guinean members should not be underestimated: in the last analysis no policy matter can be adopted without their support, and at times this has not been easy to secure. In discussions to widen the basis of Namasu's shareholding in 1960, for example, Mr Fugmann had a considerable task in convincing them that the basic objectives and character of the company would not be undermined by the admittance of other groups as shareholders. And, as mentioned, in 1966 a motion before the board proposing to seek capital funds from Lutherans in the United States was rejected largely on the strength of their opposition.

While a more positive contribution by New Guineans to the shaping of company policy is no doubt a matter for the future, it can be enhanced in the short term by improvements in channels of communications between the company and the New Guinean directors. A serious problem facing the directors, it was learned from interviews, was the lack of information on company activity.<sup>2</sup> The fact that some of the directors live in remote

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<sup>1</sup> Four of Namasu's New Guinean directors (Zurewe, Samasam, Samuel and Gideon) come from the Yabim speaking areas around Finschhafen; one (Mufuanu, but not now a director) had come from the Kate speaking area north of Finschhafen; another (Lot) hails from an area north of Finschhafen. The fact that Namasu has not yet appointed a director from the highlands is partly due to its recent arrival there. See Appendix 4 for descriptions of some of Namasu's indigenous directors.

<sup>2</sup> This problem was emphasised by Zurewe, the most articulate of the indigenous directors. In an interview he said, 'Namasu is now a very big company...and it now covers a very big area...and we do not know what is going on...at meetings we discuss problems, and they explain to us, but we don't learn very much'.

areas and therefore find it difficult to keep in contact with current developments provides only part of the answer; in part it is also due to Namasu's failure to provide them with basic information. In interviews, the directors themselves expressed the view that it would be desirable for the company to produce a regular bulletin or circular, in pidgin, containing information on recent developments of interest to them and the shareholders. Furthermore, copies of the agenda for board and general meetings should be made available well in advance of such meetings to allow preliminary discussions and perhaps explanations of the problems in question. Minutes of meetings should also be recorded in detail, rendered in pidgin, and made available to directors for future reference. Such measures would, they felt, prepare them for discussions, and possibly help them make a more positive contribution to decision-making. Moreover, it would place them in a better position to explain company matters to shareholders, who tended to look upon them as their spokesmen. For Namasu itself there is much to be gained by promoting these measures to assist the New Guinean directors. If properly informed, they could act as valuable mouthpieces for the company in villages, and also provide useful information on the economic needs and problems of their communities.

### Employment

Namasu's employment pattern contrasts sharply with that of other commercial enterprises in New Guinea. The underlying policy is to promote New Guineans to positions of responsibility<sup>1</sup> whenever they are considered competent for the job, and practical support for this aim is provided by the company's effort at staff training. While this policy is a corollary of the company's basic objective of promoting economic development among New Guineans, one has to recognise that it is a sound policy from an economic standpoint, as the difference in the cost of employing a European and New Guinean of equal efficiency is considerable. In practice, this policy has made most impact on positions of responsibility at the intermediate level, such as works foremen and supervisors, office clerks and managers of sub-branches and stores in smaller centres. Lack of qualifications and experience have been the major reasons for New Guineans' exclusion so far from promotion to top-level positions.

At the time of field work there were approximately 30 New Guineans and 14 Europeans occupying positions of 'responsibility' in the office, shipping, bulk store and branch stores - a proportion in favour of New

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<sup>1</sup> Positions of responsibility include branch managers, heads of departments, clerks and ship's captains as well as works supervisors. Apart from the number occupied in leading positions there are also about 110 New Guineans employed as labourers, drivers, builders and sailors. During certain times of the year the numbers in the latter categories normally rise substantially.

Guineans which, with the possible exception of Waso Ltd of Wapenamanda, is not equalled by any other major trading organisation in the country.<sup>1</sup> The most conspicuous placement of New Guineans was at central office where the clerical staff consists of approximately twelve New Guineans and only two Europeans (an accountant who is also assistant manager, and a receptionist-secretary). The former group, all but a few of whom have graduated from the commercial school and been trained by Namasu, handle almost all the clerical jobs, including the highly complex accounts section. In shipping, there are three New Guinean captains and only one European, while in village trading indigenous managers are responsible for all but five of Namasu's branches and sub-branches.<sup>2</sup>

It would appear that the promotion of New Guineans to positions of responsibility has been carried as far as now practicable. On economic grounds there are strong arguments for continuing to reserve the top managerial positions for Europeans until New Guineans with the necessary background and training are available. To push them into high level positions at this point of the company's development could undermine its growth potential. The New Guinean directors interviewed appreciated the importance of this problem, but at the same time made it clear that the company should do more to train people for top managerial positions.

### Management

Apart from the mission's large shareholding in Namasu, the existing arrangement concerning the manager of the company represents the most direct link between Namasu and the mission. Mr Fugmann, who holds the rank of 'lay missionary' with the mission, is formally 'on loan' to Namasu. Namasu is charged an annual fee for his service, while the mission itself is responsible for paying his salary (at usual mission rates).<sup>3</sup> This arrangement arose naturally out of the circumstance of the company's beginnings (i.e. Mr Fugmann was the logical person to manage the company), but this was not intended to last. The appointment of future managers is now the responsibility of the board of directors who are empowered to appoint anyone they consider suitable whether or not he is of Lutheran faith. On present indications it is likely that this particular link with the mission will be broken when Mr Fugmann chooses to retire: the most senior members of Namasu's staff who appear

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<sup>1</sup> Waso, which was formed by the New Guinean Lutheran Mission operating mainly in the Western Highlands, was modelled directly on Namasu. For more details see Fairbairn 1967:89-97.

<sup>2</sup> Trading branches headed by Europeans are Banz, Goroka, Kundiawa, Kainantu and Watut.

<sup>3</sup> Originally, it was intended that Mr Fugmann's salary would be paid directly by Namasu once it had been established as a viable concern.

well in line for promotion as managers do not belong to the Lutheran church, although they are members of other Protestant churches.<sup>1</sup>

### Village assistance

Several activities provided by Namasu are essentially measures to assist New Guineans in their economic effort, for in many cases they are not strictly paying propositions. Namasu's genuine concern for promoting economic development is a major rationale for these measures, although less idealistic motives are not absent; thus a reluctance to resort to price changes as a competitive weapon has meant that the company must rely to a certain extent on its 'welfare' services to gain the loyalty and patronage of New Guineans. The long-term advantages of these services have also been recognised.

Three of Namasu's activities which fall in the above category, namely, shipping, training, and trading in handicrafts, have already been outlined. In shipping Namasu's fairly regular service to hundreds of remote coastal villages - too small to be commercial propositions - has tended to stimulate the economy of these areas. The benefits of Namasu's trading efforts have extended well beyond Namasu itself, while the book and curio shop has served as a valuable outlet for local handicrafts. Of Namasu's other forms of direct assistance, those carried out at the village level are the most notable. At this level Namasu's basic approach is represented by the expression 'help through self-help', and it sees its own role as that of a catalyst through which New Guinean growers and traders can do things for themselves. Namasu's activities in the village trade store sector (characterised by a high casualty rate) provide perhaps the best illustration of the application of this philosophy. A central feature of this policy is to encourage New Guinean entrepreneurs to enter retail trading, and to provide scope for this Namasu has tended to concentrate on wholesaling.<sup>2</sup> Furthermore, it has always been prepared,

<sup>1</sup> The possibility of a non-Lutheran becoming manager of the company was a matter of some concern for Zurewe, one of the New Guinean directors, who felt strongly that this link with the mission should be maintained. It was apparent that he had been influenced by the co-operative example, in which the link between a particular co-operative and the Administration was embodied in the person of the co-operative officer.

<sup>2</sup> Namasu prefers to establish bulk stores to supply the smaller retail stores operated by New Guinean traders, mission and congregation bodies and a few Europeans. Despite the emphasis on bulk trading, retail sales through its branches are considerable, and in a few individual stores exceed bulk sales. In the case of the Mumeng store, for example, over half the volume of sales is made on a retail basis; when Namasu set up its operations in this locality, it was hoped that it would encourage the local people to establish their own stores, but to date the response has been disappointing.

through its facilities at central office and branches, to provide various kinds of practical help to New Guineans.

Considerable weight is attached to rendering assistance to New Guinean traders, and branch managers are encouraged to familiarise themselves with local village conditions, establish close and friendly links with villagers and provide various technical and managerial help when asked. Assistance to villagers takes many forms. For example, many local store-keepers need to be instructed on the pricing of their merchandise (under-pricing and outright 'gifting' of trade goods are common problems), and require help on such matters as ordering building materials, designing and constructing stores, and purchasing capital goods. In some cases, managers provide regular supervision of a simple system of accounts for local traders.<sup>1</sup> The European managers interviewed fully recognised the importance of this aspect of their work, and devoted much time to it. The fact that Namasu deals with over 700 indigenous-operated stores gives some idea of the training value of this type of assistance.

The promotion of New Guinean entrepreneurship and the desire to reduce the dependence of indigenous businessmen and consumers on European and Chinese traders (many of whom in each group are prone to exploit New Guineans) are the basic motives for Namasu's assistance in this area.<sup>2</sup> It is apparent, however, that the policy has considerable merit for Namasu's own trading interest. In addition to winning the loyalty of villagers, Namasu's assistance to local traders will tend to strengthen the retail basis upon which its own bulk trading activity largely depends.

Direct assistance to villagers has assumed other forms. In 1959, Namasu organised the building of an air-strip in the Hube area and thereby opened up that region for further economic development. Built with the aid of voluntary local labour, it was subsequently taken over by the Administration. In 1962, Namasu appointed a project manager, a sort of 'public relations man', to advise and assist villagers in such matters as growing marketable produce, operating trade stores, and constructing stores, copra kilns and driers.<sup>3</sup> It was also envisaged that he should

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<sup>1</sup> New Guinean traders are also assisted by the issue of simple order forms containing a list of certain standard items and their prices at retail. As these items are printed in both English and pidgin local traders can usually fill them in themselves.

<sup>2</sup> This is not to suggest that indigenous traders themselves do not exploit villagers by such means as short-weighting and over-charging; however, it is my impression that where these practices occur, it is largely unintentional.

<sup>3</sup> Finance for this project was obtained from an international Christian organisation (see p.20, footnote 2). Although this project was short-lived, some notable results were nevertheless achieved - for example, the many kilns built in the Buang mountains and Malamakai, and the onion-growing experiment in the Dedua area.

be something of a 'spiritual adviser'. Namasu has, on occasions, helped villagers build roads (e.g. the current project at Waringai), and has always been ready to provide information and advice to village groups on a wide range of problems, e.g. to the Boanas recently on the question of whether the large amount of money they had collected should be used to buy an aeroplane to carry their coffee to the urban markets or to build a road.

### Mission and mission bodies

There is much misunderstanding on the nature of the relationship between Namasu and the Lutheran mission: a widely held view is that Namasu is under mission control and that a considerable part of the company's profits accrue to that body. Namasu has gone to great lengths to emphasise that it is a trading company in its own right, functioning independently of the mission, and that any dealings between them are conducted on a strictly commercial basis. To emphasise this Namasu has, in certain areas, deliberately set up a store alongside a mission store, e.g. Chimbu, Mt Hagen and Banz. At the same time it has firmly recognised the practical value of the mission link, and has always been prepared to acknowledge its origins and existing connections with the mission.

Though a firm indication of the significance for Namasu's growth of its mission background and links cannot be given here, there is little doubt that it has been major. This is apparent from Namasu's capital structure, management, the use of mission facilities and the practical help provided by missionaries on the spot in certain areas (e.g. Kundiawa and Mindik). The existence of a large number of mission and congregation-owned stores was a major advantage, for it meant that Namasu could count on an already established clientele for its bulk trade, which, among other things, allowed it to economise in the use of capital funds. In many areas (e.g. Chimbu and Mt Hagen) local missions had been buying coffee for many years, so that when Namasu entered it was able to tap an already viable trade. Other ways by which Namasu has gained from mission and mission bodies include securing loans on easy terms and outright grants from international bodies willing to provide aid in underdeveloped areas. A particularly valuable example here was a grant of \$42,000 which, however, Namasu chose to treat as a loan, obtained in 1959 from a church organisation known as Neuendettelsau.<sup>1</sup> This money helped considerably in getting Namasu established: part was used to buy

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<sup>1</sup> Neuendettelsau, a Lutheran organisation in Germany, had secured the initial grant from the 'Bread of the World Fund'. The total grant from this fund was instituted by Namasu as the 'Namasu Economic Development Fund' and a special committee consisting of three representatives from the mission and two from Namasu was set up to administer it.

a trading vessel, part to employ the project manager to promote economic development among villagers, and part to help finance the work associated with the commercial school. Loans of quite substantial amounts from similar international and local bodies have also been made.

There have also been many contributions of a less tangible kind. Thus, Namasu's image and status vis-à-vis New Guineans, especially in the Morobe area, have been strengthened by its mission association (much as those of a co-operative are enhanced by the fact that it is sponsored by the Administration) - an association to which New Guineans (and not only Lutherans) attach considerable significance. Additionally, in many areas Namasu could count on assistance and sympathetic treatment from various mission bodies and individual missionaries, e.g. many local missionaries have acted as intermediaries between Namasu and local groups. The advice and information received from senior mission personnel and the publicity given by church evangelists in certain areas have also played valuable parts in the company's development.

## Chapter 7

### Growth factors and conclusions

Various references have been made to a number of problems encountered by Namasu in the course of its development. Some are normally associated with the growth of an enterprise, e.g. shortages of capital and trained staff and inadequate storage and office facilities. Others stem mainly from the particular trading circumstances of New Guinea: problems of transport, co-ordination between head office and remote branches, and special problems of trading in a predominantly subsistence village environment. Yet despite these difficulties, Namasu has been able to achieve a remarkable trading record which has been a cause of some surprise not only to outside observers, but also to Namasu itself. It is, of course, not easy to isolate the main factors responsible for this development, and only those of most significance - both of external and internal origin - are outlined here.

Firstly, over most of the country there was considerable demand for the retailing, wholesaling and marketing services which Namasu was willing to provide. This stemmed partly from recent Administration efforts (and long-standing efforts by mission bodies) to encourage cash cropping among New Guineans, partly from the opening up of new agricultural areas by road and air, and partly from the rising aspirations of New Guineans for higher cash incomes. Thus in the mountain and coastal regions of the Morobe District, coffee-growing had been undertaken for many years, but few trading organisation - or co-operatives - had shown any interest in these areas (apart from mission and indigenous-owned stores). In not a few places Namasu was able to enjoy certain advantages by being first. In many sections of the highlands, though many trading bodies were already in operation, the momentum given to economic development by the new Lae to Mt Hagen road, and the effect on production of the Administration's extension service in certain areas combined to offer considerable scope for trading. Namasu's bulk service in particular filled a major trading gap in both the highland and lowland districts. The presence of a large number of congregation and mission stores and numerous indigenous units ensured that this service would be well supported. Another favourable 'external' factor might be mentioned, viz. the fact of freer trading conditions resulting in the lifting of input restriction in New Guinea in 1959.

Reference has already been made to some contributions Namasu has gained from the mission background<sup>1</sup> which have conferred on it not a little advantage over other trading bodies. Throughout its development Namasu has tended to look upon the mission as a sort of 'helper of last resort' (one often comes across the phrase 'the mission is our mother' in Namasu's reports and files) whose advice and assistance were on hand for the asking. Namasu itself, while quick to disclaim any allegation that it was a mission-controlled organisation, has always been prepared to use its mission connection to advantage.

Thirdly, Namasu has been able to gain certain advantages from the involvement of New Guineans as directors and shareholders. The fact that a number of well-known and influential indigenous leaders, such as Kamong Zurewe, Isaiah Samasam and Kamdreng Samuel, were serving as directors helped to build up trust and loyalty in the company among New Guineans. This proved particularly valuable during the early phase when it was necessary to mobilise a large amount of capital from indigenous sources. The loyalty displayed by a considerable body of shareholders has also tended to strengthen Namasu's trading position throughout the country - an important advantage where competition was significant.

Fourthly, certain features of Namasu's policy vis-à-vis New Guineans at the village level have significantly reinforced its trading position. Mention has already been made of various measures to assist indigenous traders and growers,<sup>2</sup> and these have undoubtedly generated considerable goodwill and loyalty. Furthermore, Namasu's price policy in respect of both produce and merchandise handled at village stores has been an important factor. On the one hand, the company has aimed to keep prices comparable with those in other parts of the country: more favourable prices for produce or merchandise have never been part of Namasu's policy to assist New Guineans. On the other hand, the company has generally sought to maintain a high degree of price stability, even in the face of competitive price-cutting by other traders and the occasional sharp variations in export prices.<sup>3</sup> Earlier in its development, Namasu itself also used price-cutting as a competitive tool. The emphasis on price stability arises from recognition that frequent price changes tend to confuse New Guineans, a fact which may react unfavourably on production incentives, and from the company's preference for relying on quality of service offered rather than prices in competing for the loyalty of New Guineans. Then again, Namasu has insisted on keeping strict control of trade store credit, the general policy being that each store must conduct its trading activities in terms of cash. By adhering strictly to this policy Namasu has virtually eliminated the problem of bad debts which is

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<sup>1</sup> See p.49.

<sup>2</sup> See pp.48-50.

<sup>3</sup> In practice head office generally gives broad guidelines on the level of prices to be charged for major items - both produce and merchandise - but managers determine the actual prices charged.

a common malaise among traders in New Guinea, both expatriate and indigenous.

Fifthly, close supervision is kept over trade stores by a number of 'control' measures. A branch inspector from central office regularly checks stock, cash on hand, and the general trading position of stores. Individual stores are visited three or four times a year. Branch managers must submit a monthly report on their assets and general trading position to central office. Sub-branches, usually under the management of New Guineans, are also subject to regular (usually weekly) supervisory visits by managers of the large adjacent branch. More recently quarterly staff conferences which branch managers must attend have been instituted, although the prime reason for these conferences is to improve co-ordination between the branches and head office.

Sixthly, Namasu has been highly selective in the appointment and handling of staff. In the selection of European staff, emphasis is placed on an individual's ability to fit in with the 'Namasu family' in the sense that an employee must be sympathetic to Namasu's Christian orientation and aims. A sound character (a religious background is considered desirable), willingness to work with New Guineans, youth and ability are qualities which Namasu looks for.<sup>1</sup> Experience to date has shown that the company has generally been fortunate in its choices, and the dedication and loyalty shown by many of Namasu's European employees confirm the effectiveness of this policy. Considerable care is also taken in the selection of New Guineans to positions of responsibility. This is evident, for example, in the appointment of indigenes as managers of trade stores: only those trained and employed by Namasu for at least two years have been promoted to these positions. On the whole the special care taken in this area has proved highly effective.

Seventhly, Namasu has been able to benefit from certain cost advantages. In the course of development, significant savings of capital funds have resulted from the use of its own working teams, and by the fact that it could import materials directly through its own trading facilities. Furthermore, its salary and wage levels have been slightly below those paid by most other trading and Administration bodies in the country, so that current operating costs have been somewhat lower. The payment of lower pay-rates for New Guineans no doubt is explained by the existence of a buyer's market in the employment situation for local people, and to some extent by the use of commercial trainees to carry out certain tasks. In the case of Europeans the matter is somewhat more complicated, and appears to be related to such factors as job availability, reasonably congenial working conditions, the chance to be associated with a rapidly

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<sup>1</sup> The phrase 'pioneering and bridge-building type' is often used by Namasu to describe the type of employee it would like. When Namasu advertises in newspapers for European staff, the fact that it is a Christian organisation with special aims is always emphasised.

expanding organisation, sympathy with the company's aims and activities and a certain degree of idealism.<sup>1</sup>

Finally, there is Mr Fugmann's contribution, which was probably the most crucial element in Namasu's development and achievements. Namasu is largely Mr Fugmann's creation, for it was he who conceived of the venture as a practical possibility, and who pushed until it became a reality. As manager since the company was formed, he has supplied the drive, entrepreneurial skill and example which has seen the company grow into what it now is.

Mr Fugmann's contribution owed much to a background in business coupled with a firm appreciation of the social and economic needs of New Guineans.<sup>2</sup> His close knowledge of local conditions (mainly in the Morobe District) had been acquired while serving with the mission: he came into contact with New Guineans at all levels, learned a number of local dialects, and gained a considerable insight into the customs and economic problems facing villagers. More than anything else this experience impressed upon him the value of an organisation such as Namasu, and later, when he had become manager, to implement the various policies at the village level already mentioned. The task of selling shares to New Guineans during the early phase of the company's development was also aided by the contacts and prestige built up in the area while working with the mission.

Business experience and a lengthy background in New Guinea, however, provide only part of the clue to understanding the factors behind Mr Fugmann's vital contribution. There are, of course, more personal aspects which were probably more fundamental but upon which little can be said here. No doubt there was the firm conviction that a trading institution such as Namasu - with its Christian mission orientation - had a definite and valuable role to play in promoting the social and material life of New Guineans, and that in a sense Namasu would serve

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<sup>1</sup> The possible relationship between Namasu's current salary rates and the long-standing problem of staff shortage may be worth examining.

<sup>2</sup> Mr Fugmann had worked as a junior officer in a co-operative organisation in Germany before coming to New Guinea in 1933 as a lay officer of the Lutheran Mission (he had had no religious training). In the mission headquarters at Finschhafen, he was first a storeman, and then worked in the accounts section; in 1935 he was put in charge of the mission supply house. With the outbreak of war, he was interned in Australia (Brisbane) and after release was employed as a book-keeper in a butcher's shop in Brisbane. He later operated as a manufacturer's agent and established a small mail-order business with a partner. In 1950 - encouraged by his wife whose father had been a well-known missionary in the Morobe District (Keysser) - he returned to New Guinea as a supply officer for the American Lutheran Mission. He remained in this capacity until 1957 when he was entrusted with the job of organising Namasu.

as a vital complement to what mission bodies were attempting to achieve in the social and religious fields - in essence, a practical confirmation of the Lutheran principles of the 'oneness of man', the 'oneness of gospel and life'. There was also the desire to confound those skeptical of Namasu, and to ensure that Namasu succeeded for the sake of its shareholders, particularly the New Guinean group. Whatever the strength of personal beliefs and convictions such as these, there is no gain saying the fact that they have combined, in the person of Mr Fugmann, to provide Namasu with vigorous and highly effective leadership.

### Conclusions

It is likely that Namasu will maintain a strong rate of growth for at least a few more years. No major change in management is anticipated; a number of trading stations recently opened have yet to realise their full trading potential; there are plans to extend trading operations into new areas; and some of Namasu's subsidiary activities are only now coming into full production. There appears to be much scope for realising economies of scale while problems of staff and capital are unlikely to be the major constraints on expansion they were in the past. However, while Namasu's growth prospects are highly favourable, there are a number of areas to which the company will have to pay special attention. Insofar as they can be regarded as problems they concern mainly the special objectives which Namasu has pledged to implement,<sup>1</sup> although they are not without some bearing on the trading side of the company.

The first of these problems concerns the supply of New Guinean capital. As pointed out,<sup>2</sup> Namasu's share promotion efforts in recent years have had little more than moderate success. This has meant, on the one hand, that the basic objective of progressively raising, or at least maintaining, the share of indigenous equity has made little headway (in 1966 the share fell slightly). On the other, the poor response has tended to undermine the overall capital position of the company: as long as the goal of further New Guineanisation in ownership is adhered to, some control on the intake of European money has been necessary. In recent years, particularly with capital needs in the highlands, the company has resorted to bank finance and a larger supply of European capital, but these are essentially short-term bridging measures, for the basic goal of raising as much capital as possible from New Guineans remains.<sup>3</sup>

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<sup>1</sup> See pp.6 and 7.

<sup>2</sup> See pp.39-40.

<sup>3</sup> There is, of course, the possibility that the company's capital needs from equity sources will be sharply reduced in the near future due to a tapering off in the rate of expansion and to a greater reliance on the company's own profit, which has been rising strongly, as a source of investment funds. Should any of these possibilities eventuate they will have important implications for the structure of ownership.

Part of the problem over capital must be attributed to Namasu's own failure to take more vigorous steps to encourage investors. For some time the responsibility for share promotion work has been left largely to a New Guinean member of staff with limited training in such work who devotes only part of his time to the job. This approach leaves much to be desired in the light of the large number of villages which should be visited and the inherent difficulty of working with people generally lacking in commercial and economic sophistication. Recognition of the problem has forced Namasu to examine a number of alternative approaches, including the possibility of training several persons - including perhaps one European - to undertake this work on a full-time basis.

Additionally, Namasu appears to have made little effort to encourage its shareholders to reinvest their dividend earnings. So far the practice of reinvestment has been minimal; in part this has been due to Namasu's failure to appreciate the value of this avenue as a potential source of capital funds, in part to the particular way dividends have been distributed.<sup>1</sup> Moreover, the amount of dividend paid to shareholders holding the minimum amount subscribable (which involves most investors in the New Guinea group) is insufficient to allow the purchase of a single share. That New Guinean investors will respond favourably to efforts to encourage them to plough back their earnings into the company has been borne out by the experience of Waso of Wapenamanda.<sup>2</sup>

Another problem concerns Namasu in the training of New Guineans for positions above the intermediate level. Until now, these positions have had necessarily to be filled by Europeans due to the lack of qualified and experienced local people; but at the same time it must be said that Namasu's own efforts in this direction have been limited. Pressure of work imposed on senior staff members has been such that little time could be devoted to training, and it would appear that any progress in this area will have to depend on the availability of more European staff. The problem is of some significance for European domination at the top tends to give the appearance of deliberate discrimination, which of course is contrary to the spirit and objectives of Namasu.

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<sup>1</sup> See pp.39-40.

<sup>2</sup> Wasu has given much thought to ways by which to encourage more New Guinean investment (and reinvestment); one approach, calculated to appeal to status-conscious villagers, has been to build up the 'prestige' value of investment in the company; another has been to provide for a comparatively high minimum amount subscribable - \$20 - which would give a correspondingly big dividend payment to those holding the minimum number of shares. Reinvestment is also facilitated by the fact that at a dividend rate of 10 per cent, which it has been paying, the amount of dividend paid on a minimum holding of shares is sufficient to allow a shareholder wishing to reinvest to buy a single share unit. See Fairbairn 1967:89-97.

Furthermore, it is necessary to mention the problem of communication between Namasu and its shareholders and directors. With increasing size, Namasu has tended to become, for many New Guineans, a large, amorphous and impersonal organisation somewhat uninterested in and out of touch with its shareholders. Furthermore, it is evident that many shareholders have not been able to comprehend the scale, complexity and direction of the company's operations, and not surprisingly, some have tended to become disillusioned, dissatisfied and sometimes openly bitter.<sup>1</sup> The problem is difficult and not wholly to be attributed to Namasu, but the company can do much to improve channels of communication and to dispel many grievances and ill-feelings among shareholders. The possibility of publishing bulletins and reports in pidgin or local dialects for regular distribution has been mentioned.<sup>2</sup> It might also be possible for senior members of staff and directors to undertake occasional visits to main shareholding areas to meet villagers and explain company policy and current developments.

Finally, one can perhaps anticipate a problem regarding the disposal of future earnings. There are several reasons why it can reasonably be expected that Namasu may find itself with a surfeit of liquid funds in a few years. Failing a major catastrophe, profit levels are expected to remain high and rising in the intermediate term, while reserve funds are already at unusually high levels.<sup>3</sup> Furthermore, on present indications, capital and other commitments (e.g. housing for staff which has lagged behind general development) will tend to level off and even decline. Assuming that any of these prognostications are borne out, Namasu will then be faced with a number of possibilities: it may turn to new lines of activities, it may further extend its trading operations and it may be prepared to pass on to shareholders a larger portion of profits. It may choose to carry out a combination of these possibilities. The case for greater benefits for shareholders is not without substance, for although the dividend rate has been high, shareholders have not had the benefit of capital appreciation, due to the fact that shares may be obtained at par from the company, while a market for trading in Namasu shares is virtually non-existent.

This account of Namasu's trading experience and achievements to date has shown that within a comparatively short time the company has grown from rather humble beginnings into something of a trading giant, whether judged on the basis of sales, profits, or geographic spread of its operations. That it has solid prospects for maintaining this pace of development is also apparent. The following appear to be its contributions to the general economic life of New Guinea.

<sup>1</sup> See Chapter 8.

<sup>2</sup> See pp.45-6.

<sup>3</sup> General reserves in 1966 totalled \$60,000, and rose in 1967 by \$120,000 to \$180,000.

1. It has shown that the corporation form of business organisation, appropriately modified to the particular conditions of New Guinea, provides a further avenue, in addition to co-operatives and smaller trading units, for New Guineans to participate in commercial life.

2. It has conduced towards a more efficient allocation of resources, first by combining European managerial skills with indigenous capital and labour, and, secondly, by providing an investment outlet for indigenous funds which might otherwise have been used unproductively.

3. It has provided a vital link between the subsistence (or, more accurately, semi-subsistence) sector and the advanced sector by its shipping service and network of trade stores. It has thereby stimulated the demand for trade goods among New Guineans and provided the mechanism for the effective exploitation of productive potential in the village economy. Both these factors are critical for stimulating economic development among the indigenous people - at least during the initial stage of their development.

4. The company's wholesaling activity has benefited the village retail trade sector by providing a readily accessible source of supply of trade goods, while its assistance to New Guinean store-keepers has helped to raise the level of indigenous entrepreneurship.

5. The rise in cash income and realisation of various external economies made possible by Namasu's trading activities in certain areas have had a cumulative effect on economic development by inducing other commercial organisations to enter such areas.

However, there can be little doubt that the special innovations initiated by Namasu, namely the involvement of New Guineans as shareholders and directors, the training of local people for commercial occupations and their employment in leading positions within the company are at the forefront of Namasu's overall contribution. The significance of these measures becomes evident when one examines the present structure (and policies) of the commercial sector in New Guinea. The general picture is one of overwhelming dominance by Europeans (and Chinese, to a lesser extent) in the ownership and control of commercial enterprises. One finds that New Guinean participation has been confined largely to co-operatives, local government councils, village trading (the so-called 'canteens' and 'bush stores' that proliferate in rural areas) and a few medium- to large-size enterprises operated by more sophisticated individuals and groups. Furthermore, only a few larger commercial organisations provide formal training for New Guineans in the commercial field,<sup>1</sup> while few New Guineans have been employed in any but the most menial and unskilled jobs. In this context Namasu's innovations constitute major breakthroughs, and in pioneering them, it has provided something of a model for those organisations, both private and mission, in promoting

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<sup>1</sup> For example, the Carpenter group. See Cannon 1967:98-102.

greater New Guinean participation in commerce and industry and economic development in general. Though the real significance of these innovations can only be known in future years, several commercial bodies (notably Waso of Wapenamanda and Highland Commodity Exchange of Goroka) have already demonstrated that they have a far wider application. By almost any economic criteria, the Namasu experiment deserves to be closely examined by those interested in the problems of economic development in New Guinea and other developing countries.

## Chapter 8

### Wok Bisnis and Namasu: a perspective from the village\*

Gillian Sankoff

Before the Europeans came, we New Guineans were poor people. We lived the same way our ancestors had; we were just ignorant, good-for-nothing bush people. Then the Europeans came, and they brought with them all kinds of goods, the like of which we had never seen before, and they brought money, too. We wondered where these things came from, and we finally discovered that they came from a kind of work called business.

Although we did not really understand what business meant, we decided to try it. At first, we tried selling sweet potatoes or yams to each other, as we thought that might be business; we also tried growing coffee to sell. Then a few of us set up little trade stores, and bought rice, kerosene, tinned fish and other things to sell, thinking that might be business. After that, some people bought trucks for carrying passengers, believing that this was business. Now after all this time I must confess that I still do not know what business is all about, - nevertheless I have bought this truck and I am going to give it a try. These twelve men you see before you have contributed money towards the purchase of the truck, and I have brought them here to this party tonight so that you, my relatives and friends, will recognise the men who will take me to court when the business fails.<sup>1</sup>

This is an excerpt from a speech at a Port Moresby party given in March 1967 by a group of New Guineans for the dedication of a new truck.

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\* I wish to thank the Canada Council, under whose auspices I did anthropological research in New Guinea during 1966-67. I would also like to express my gratitude to Dr R.G. Crocombe for encouraging and facilitating this research project, and to Dr R.F. Salisbury for help during the preparation of this paper.

<sup>1</sup> Throughout the chapter, quotations from interview material have been translated from Neo-Melanesian (New Guinea pidgin English or tok pisin).

It exemplifies the confusion on the part of many New Guineans about profit-making enterprise (now considered by some to be the key to wealth), as well as their feelings of inadequacy in undertaking such enterprises.

This chapter presents the results of an enquiry into the opinions and attitudes of New Guineans, mainly in rural areas, on the nature of the profit-making enterprise (known widely by the Neo-Melanesian term wok bisnis) of Namasu. Chapters 1 to 7 have outlined what Namasu is, and what it has done during its eight years of existence, and this chapter attempts to assess what the people say and think it has done, and what they think it is.

### Research procedure

Field work was carried out mainly in March and April 1967, in the coastal and sub-coastal areas of the Morobe District, as well as in parts of the Eastern Highlands. To obtain as wide a perspective as possible on the views of Namasu's rural shareholders, I decided to interview a selection of villagers in a number of regions. Accordingly, I toured the Salamaua, Finschhafen, Buang, Kainantu, Henganofi and Lae areas, and visited villages in each one. I also interviewed people from other areas in the Morobe District including Hube, Dedua, Wau, Bulolo and Mumeng, as well as migrants from farther afield: the Western Highlands, Chimbu, Madang, the Sepik and Papua.

I avoided using official contacts and formal introductions, preferring to arrive in villages unannounced and alone, i.e. unaccompanied by representatives of any institution such as government or mission. Wherever possible, however, I had some informal contact, usually through people I met prior to the survey during the course of anthropological field work in the Buang region south-west of Lae: a schoolteacher's relatives to look up in Finschhafen, Buangs' trade-friends to visit in Lae-Wampa, ex-evangelists (blakmisin) to call on in Salamaua. Interviewing (in Neo-Melanesian) was informal and often casual. On arriving in a village, I would explain that I had been sent by a university to learn about business activities in the area. I wanted to talk to businessmen, people who owned trade stores, large plantings of coffee or copra, and so on. Rarely did I interview villagers in isolation. Usually one or two of the local business leaders took me on a tour of the village in the late afternoon after they had returned from work. Following the evening meal, discussions often continued into the night, and involved a group including such people as businessmen, teachers, local government councillors and mission elders, as well as a crowd of less distinguished citizens. In one village near Kainantu, people were so curious about the purpose of my visit that the house in which I was staying was like a side-show stall at a circus, with the membership of the audience constantly changing. I managed three group interviews here with almost entirely different sets of people. Only my host, who sat through all three despite his poor understanding of Neo-Melanesian, was a bit puzzled at the end of it.

I waited for points of interest to arise in conversation, my role being to keep discussion focused on the topics of business, co-operatives and Namasu. To start with, I would initiate a discussion of business in general, during the course of which I elicited local perceptions of the term bisnis, and at least a listing definition. From there we would proceed to a discussion of specific businesses and if Namasu had not been mentioned earlier, I would ask whether it were active in the area, whether this village were involved in any way. I encouraged people to volunteer information about the subject of shareholding, instead of directly introducing the topic (e.g. by asking if there were any shareholders present). Questions were all open-ended, but I tried to cover a certain list of topics in every interview (or discussion), by introducing, if necessary, the questions: What is Namasu? What does it do? Who owns it? What does it mean to be a shareholder? In what activities does Namasu engage in this area and what do people think about them? If there are any co-operative societies in the area, what are people's attitudes towards them and is Namasu in competition with them? Since many of those interviewed at the beginning of the survey also brought up the topic of what Namasu had done to foster local business, I included this as a topic in later interviews. Some interviews did not include all these questions because ignorance on the part of the interviewee about some of the first questions precluded asking the later ones.

In addition to the village discussions, I did a number of individual interviews using the same informal methods. I interviewed fourteen truck drivers in the Kainantu-Henganofi, Finschhafen, and Wau-Bulolo-Mumeng areas in the course of travel from place to place. The Lae and Wau markets provided a locale for some interviews, as did several stores and private homes.

At the beginning of the survey, I was largely ignorant of the formal organisation of Namasu, and I deliberately refrained from seeking information from official Namasu sources, so that I would form an assessment mainly by attempting to look at Namasu through the eyes of the villagers.

## Results

The following views were expressed by respondents on the series of questions mentioned above.

### 1. What is Namasu?

The level of general awareness of, as well as interest in, Namasu is high in regions where Namasu has long been active, i.e. the coastal strip starting north of Finschhafen and including the Finschhafen area itself, the Bukaua coast, Lae, and continuing somewhat farther south than Salamaua, as well as in the inland Hube and Buang regions. Villagers throughout the area have bought shares or, as they put it, have contributed money to help Namasu grow. Virtually anyone can supply the information that Namasu is a company or business, and that its activities include coffee and copra buying, shipping, and supplying small

trade stores. Several respondents explained that Namasu stands for Native Marketing and Supply.

Some respondents expressed uncertainty over how Namasu ought to be defined. To the question, 'Is Namasu a company', they immediately answered, 'No', and then hesitantly stated that it was a kind of business, perhaps, but its New Guinean shareholders and its mission connection rendered it a dubious sort of company at best.<sup>1</sup> These informants finally satisfied themselves with a definition such as bisnis bilong ol Lutheran, reserving judgment on whether or not Namasu qualified for the more grandiose title kampani. Others knew even less. Though they had perhaps heard its name, they were unaware of Namasu's activities or of the fact that people can hold shares in it. A few, like the two who answered that Namasu was the name of a rich kampani masta in Lae, were completely misinformed.

In the Wau-Bulolo area, as well as in areas where Namasu has entered only fairly recently (Henganofi, Kainantu), people knew very little about Namasu. In the Kainantu area I visited many villages in which most people had no knowledge at all of Namasu. Though with a little prodding some of them admitted that they had seen or heard of the local Namasu bulk store, that was all they knew. Even entrepreneurs using Namasu's wholesaling services to stock their trade stores often had little idea of what exactly Namasu was, generally assuming it was merely another of the numerous coffee-buying, trade store-supplying companies operating in the area.

## 2. To whom does Namasu belong?

Only a small proportion of respondents, mainly successful entrepreneurs themselves, gave the right answer, i.e. Namasu is a company belonging to its shareholders, who are mainly New Guineans. Others who gave this answer were people of some education, such as teachers and pastors, as well as those with some special connection with Namasu, such as employees.

Between this group and the 'don't know's' who made up about half the respondents in areas less involved or only recently involved with Namasu, was a middle group who gave wrong, or at best incomplete, answers. Some said Namasu belonged to the Lutheran mission, though several, on probing, changed their answers to something like, 'The mission only guides it, it really belongs to the shareholders'. Some of the people whose first response to the question was, 'Mr Fugmann' (one of these was a Namasu employee) made a similar qualification. Those in remote areas who replied that they thought it belonged to the local European manager did not, however, follow suit, as most had no information about the organisation, and this response was simply an assumption on their part.

<sup>1</sup> The 'European' quality of companies (samting bilong ol masta) is discussed on p.72.

To elicit more detailed answers from those who had replied that Namasu belonged to its shareholders, I often used the ploy, 'Somebody told me that Namasu belongs to the mission. Is this not true, then?' This question frequently brought a response of indignation and impatience on the part of the more sophisticated. One Finschhafen entrepreneur had this to say:

The person who told you that must have been a real ignoramus (bus kanaka). Of course some people still do believe that Namasu belongs to the mission, just as there are people who believe that our local co-operative society belongs to the Department of Agriculture. However, in the first case the mission only provides guidance and advice to Namasu, whereas in the second the agricultural officer does the same for the co-operative.

Two respondents, a Salamaua man and a Buang, explained that there was no real mission connection at all, that Mr Fugmann had belonged to the mission before Namasu was started, but had left it in order to manage Namasu, which was a separate organisation.

A number of people, mainly Lutheran mission teachers, pastors or evangelists, explained that the mission had wanted to look after men's material needs as well as their spiritual ones; this was why it had started this economic venture. But the mission's association with Namasu was a source of confusion to many, among them non-local (i.e. non-Morobe District) New Guineans. When questioned on what they knew about Namasu's operations, they explained that though they were familiar with co-operative societies from their home areas, they felt that Namasu was not quite the same, and since their mission had never gone in for any such activity, they were at a loss to understand the workings of Namasu.

Some shareholders expressed confusion as to who was eligible to hold shares. Many said that at the beginning one had had to be a Lutheran, but that by now the policy might have been changed. For many of those interviewed, the idea that the shareholders of a company are its real owners proved difficult to grasp. Some were proud that Namasu was impressively large, analogous to Burns Philp or New Guinea Company, and that it belonged to them, the people of New Guinea. A Buang village representative, chosen to attend Namasu's shareholders' meetings and keep the people of his village informed on Namasu's activities, confidently told me that when independence came to New Guinea, the other companies would all leave, and Namasu alone would look after commercial activities. Others doubtfully, or sometimes bitterly, made statements such as the following, 'They said it belonged to us, but I do not think it really does'. 'Why?' 'Because we are not getting any good out of it.' Others were more skeptical. As one Salamaua man complained, 'It is supposed to belong to us as shareholders, but that does us little good when we have nothing to say about how it is run and get no benefits from it'.

### 3. How is Namasu organised?

It is common at the village level to have a locally chosen committee-man to look after Namasu affairs for that particular village. Villagers expect him to attend shareholders' meetings and report what happens to them. Sometimes he is asked to collect their dividends and is responsible for distributing the money to them. Such men serve in a purely informal capacity as far as Namasu is concerned, but in many villages it is commonplace to have such a representative for every external institution that impinges on it (the local government councillor or committeeman [kaunsil, komiti], the co-operative society representative [direkta, or director], the mission elders [bos misin], the savings and loan society representative, the Tony Voutas<sup>1</sup> komiti, and so on). In this way they fit Namasu into the familiar pattern. If there is a member of Namasu's board of directors living in a village, he, of course, is regarded as the resident expert, and no other committeeman is chosen. As well, there are a few villages which appear to have no organisation as far as Namasu is concerned, simply a number of individual shareholders.

### 4. What does it mean to hold shares in Namasu?

Most shareholders explained the principle of shareholding as follows: a person contributes a sum of money to Namasu, buying a share or shares, and in this way becomes a member of Namasu. He pays this money to help Namasu develop as a business. Then Namasu gives him back a dividend (most people referred to this as profit [win mani, propit mani]) every year.

It was the next question, 'Where does this profit come from?' which greatly puzzled most respondents. Only a very few were able to explain that Namasu had made money on such activities as buying coffee and copra and selling these to 'other countries', on goods sold in trade stores, and on shipping. The money left over after expenses had been paid, they said, was then divided among the shareholders. An old man from Salamaua told me how silly the people of his village were, believing that they should get free rides on Namasu ships. 'If Namasu carried them for nothing,' he asked rhetorically, 'where would their profits come from every year?' And a young, barely literate emigrant from the Sepik area explained the principle of holding shares very clearly, emphasising that Namasu's shareholders were exactly analogous to European shareholders in various big companies active in the Lae area. Such sophisticated respondents were, it must be stressed, in the minority.

Most informants were considerably taken aback by this question (i.e. the source of their dividend money). A Madang man, for example, thoughtfully replied, 'You know, that's one thing they just never told us. I really do not know'. And though many people evidently had not given the

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<sup>1</sup> M.H.A., Kaindi Open Electorate.

matter much thought previous to my asking, some had in fact seriously pondered over it and had arrived at the wrong conclusions. Many of the Bukaua-speaking people near Salamaua, for example, thought that their yearly dividend was a portion of the actual money that they themselves had originally contributed. When the amount returned to them each year finally reached a total equal to their original contribution, their 'name would be finished in Namasu', and that would be the end of it - no more money would come back to them. Such people obviously thought that they were lending money to Namasu, and that the economic relationship between themselves and Namasu would be ended as soon as all the money had been returned. Some were upset and disappointed, on the issue of the first dividend, that they did not receive back their total investment. Looking at it as a loan, they did not understand why they were not being repaid in full.

In one coastal village where people claimed concern over this point yet admitted having no idea how the system worked or from where their dividend money came, I enquired whether they had asked their local representative these questions. The young store clerk replied:

Yes, we have asked them, but the talk they bring back from meetings is always the same - about how the money is being used to expand the business in Goroka, Mt Hagen and other places in the highlands; while we, the people who first contributed money to help Namasu get started, are not receiving any benefits, nor are we told why our money is not working to help our own area or why the dividends we receive are so small.

Misunderstandings occurred at every level. In Finschhafen, a relatively developed area with several successful entrepreneurs and experience of a co-operative society, people were confused more about the details of profit sharing than about the general principle of shareholding. Particularly puzzling to them was the fact that Namasu pays propit mani according to the number of shares a man holds, and not according to the amount of produce he sells to Namasu. Some respondents volunteered the term ribeit (rebate), which they understood to be a subcategory of propit mani, and explained that ribeit is the kind of return they get from the Finschhafen Marketing and Development Society.<sup>1</sup> This return, they said, is more equitable because it is directly related to the amount of ongoing help they gave to the co-operative (in selling produce to it). All the more

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<sup>1</sup> Most small local co-operative societies make periodic payments based on the amount of produce sold to the society (or the volume of goods bought from the society). It comes partly from periodic price adjustments by agencies like the Copra Marketing Board, and partly from quoting deliberately low buying prices (or high selling prices) to insure against any losses, while returning any balance directly to the producer (or consumer) to make his net selling (or purchase) price better than he would obtain elsewhere.

sophisticated respondents who mentioned the term ribeit mistakenly believed that this type of propit mani comes from the sale of produce to Australia and other countries; the type of propit mani Namasu distributes comes instead from the wholesaling and retailing of trade store goods. One man told me that since shareholders get only propit mani based on trade store and wholesaling profits, and not ribeit from Namasu, the ribeit money probably goes to the mission (which fact, he assured me, was quite acceptable to him, since the mission had helped Namasu and deserved some reward). Though a number of interviewees felt that it was unfair that people who never helped Namasu by selling copra to it got the same dividend as those who always sold their copra to Namasu, others were more philosophical, like the Finschhafen man who reasoned, 'We must realise that business works in many ways which we are only beginning to understand. This is the way this particular business runs, and we should accept it'.

##### 5. How do people feel about Namasu?

Shareholders generally thought that their dividends<sup>1</sup> were woefully small. Not one person interviewed said that the present dividends could be described as good. Only in the Kainantu-Henganofi region were shareholders not dissatisfied. Though they also said profits were small, their attitude was, for the most part, uncomplaining and optimistic about future progress.

In coastal areas, however, a constant stream of complaints was heard. Even staunch supporters of Namasu, and such important men within the company as directors, shook their heads sadly when it came to the question of dividends. They apologetically admitted that returns to shareholders were unfortunately low as yet, but explained that the company was relatively new, and hoped that the situation would improve in future. Few shareholders, however, were so patient. Several respondents, for example a man from Kamkumon village, Lae, at first denied that they received any dividends at all, only to alter their original view by saying that the little they received was so small as to be no better than nothing. A Buang entrepreneur who had resisted the urging of friends and relatives to invest in Namasu told me that the low level of dividends investors were now receiving had proved his decision right. Some respondents said they would prefer their money to 'stay inside the company', so that they could withdraw a reasonably large amount at a later date. Many made the analogy with banks, and some said they would like Namasu to operate as a bank. Then, they thought, interest could be left to accumulate until one wished to withdraw whatever proportion of the 'deposited' money plus interest one wished.

The fact that investments are, for all practical purposes, frozen, provides the basis for another grievance. As there is no stock market in New Guinea, investors cannot get their money back unless they

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<sup>1</sup> Ten per cent in 1966; see p.31.

themselves find a buyer, and a buyer of whom the company approves. People with whom I talked, however, did not realise that this alternative was open to them. All they knew was that anyone who had tried to get his money back had been frustrated in his efforts. I heard several sad tales about such attempts; tempers flared on the issue. The inability to withdraw money once invested aggravates the discontent about dividends. According to one serious respondent in the Finschhafen area, 'How do they expect the shareholders to be happy when they refuse to refund a man his money when he wants it?' And a Salamaua man complained, 'Even when a man dies his heirs do not get the money back, as they should; instead they have to take over his shares'.

The few people in coastal areas not preoccupied with the question of dividends, who expressed satisfaction with Namasu's activities in general and said they were planning to buy more shares were usually larger investors, economically successful and/or educated men. They expressed hope that dividends would be higher in future, and said that they were satisfied with the services that Namasu provided, such as wholesaling and shipping facilities. People in the highlands, as previously mentioned, did not complain, though, like the coastals, they considered their dividends to be rather small and did not understand where they came from.

The coastal people overwhelmingly expressed great disappointment. They felt they had been cheated, promised something that they never in fact received. Again and again I heard the bitter remark, 'Ol man bilong Namasu i man bilong giaman tasol' (all the Namasu people are simply liars). Accordingly, I asked people what they thought the company should have done to have acted fairly with regard to its shareholders, what promises they thought had been unfulfilled. The answers to these questions provided some insight into what people's expectations about Namasu had been. A combination of factors including traditional culture, contact history, exaggerated expectations and problems in communication have combined to produce the current dissatisfaction and misunderstanding on the part of the coastal people.

## 6. Namasu and local business

Most businessmen whose trade stores were being stocked by Namasu were pleased with the service Namasu was providing them. At a store in one coastal village, however, there were loud complaints from both the clerk and the assembled villagers about Namasu's prices, service, lack of assistance in the construction of a new store building, and refusal to occasionally supply goods free of charge or at reduced rates. In another coastal village, people proudly pointed to their community store, explaining that when they had heard a rumour that Namasu was planning to buy it from the original owner, they had quickly raised sufficient money to buy it for themselves. They did not want it to fall into Namasu's hands, they continued, because then any profits it made would be distributed all over the Namasu area, and would not stay in the local community. This was not the only instance of people regarding Namasu

as a competitor, as such cases occurred both in a Buang village (where the local entrepreneur's fears about loss of business consequent to the establishment of a Namasu store were, to some extent, justified) and in a village inland from Finschhafen.

In regions where people experience a state of relative deprivation with respect to other areas, they sometimes blame Namasu for not having helped local businessmen develop their area. This is particularly true of the Salamaua region.

## 7. Namasu and co-operative societies

Considerable confusion and unrest had occurred in some areas because of the presence of two competitors (generally Namasu and an Administration-sponsored, locally based co-operative society) for the cash crop. Usually the local people hold shares in both organisations, and to both they profess some degree of loyalty. Anxiety about this sort of situation has arisen in several areas including Buang, where the cash crop is coffee, and Finschhafen, where it is copra. At the first stage in the organisation of a co-operative society (that of contributing money, buying shares, becoming members) there is little trouble. The saturation point for collections, contributions and so on, especially those with some future economic reward offered to the contributors, does not appear to have been reached. People quite readily contribute a pound or two (now dollars) to any new venture.<sup>1</sup> It is at the next stage, of marketing the produce, that the trouble occurs. People are hesitant about selling to either organisation; they cannot decide which one they should patronise. Worse still, advocates (often unofficial) of both sides sometimes engage in overly ambitious efforts to induce people to support their organisation, and much ill-feeling results.

In the Finschhafen area, respondents all stated that formerly there had been a great deal of competition and trouble between the two societies. This deplorable state of affairs was now over, they said, because 'we have realised that the two organisations are here to stay and that we should support them both'. Community leaders told me that they encouraged people to sell to both groups, as it would be a disgrace if one business was a success while the other failed.

### Namasu and Wok Bisnis

To understand the things people said and the way they felt about Namasu, I decided that it would be instructive to consider the general premises and assumptions from which they proceeded in thinking about Namasu. Accordingly, I also investigated attitudes towards somewhat analogous ventures such as co-operative societies, as well as conceptions about the phenomenon of bisnis.

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<sup>1</sup> Inducing people to make a second contribution to the same organisation is much more difficult.

Etymology and pronunciation notwithstanding, the Neo-Melanesian word bisnis and the English word 'business' do not have identical meanings, as can be seen even from the brief opening quotation in this paper. Though related words in related languages may have partially or entirely different meanings (or, more technically, may have different sets of referents or semantic fields), many people find this difficult to accept for Neo-Melanesian, mainly because they tend erroneously to regard it as 'a debased form of English' (Salisbury 1967:48). As terms are introduced into Neo-Melanesian at different times and in different ways, changes can and do occur in meaning, just as they do in pronunciation. An example which makes this point quite clear is a comparison of the Neo-Melanesian brada or barata, and the English 'brother'. English 'brother' means 'male sibling'; Neo-Melanesian barata means 'sibling of the same sex'; thus a woman referring to her barata is in fact talking about her 'sister'. Words borrowed into Neo-Melanesian from other languages have undergone similar transformations in meaning, cf., for example, Salisbury's discussion of the change in meaning undergone by the Tolai word vung when adopted into Neo-Melanesian as bung (Salisbury 1967:47). Thus to speakers of Neo-Melanesian, words borrowed from English come to refer to activities and situations relevant to the changing society of New Guinea. Through use, these words become generalised in distinctive ways so as to correspond even less with the original English meaning. The referents of words like bisnis are constantly changing, partly because the economic situations in which speakers of Neo-Melanesian find themselves are constantly changing. There is no a priori way of knowing what a Neo-Melanesian word means except by investigating the way it is used by speakers of Neo-Melanesian.

Despite the disparate indigenous cultures in the region under study, the term wok bisnis has the following common referents:

1. In a list of the kinds of work encompassed by the term bisnis, respondents mentioned activities such as cash cropping (copra, coffee, cocoa, peanuts and so on); other primary production such as timber and mining; secondary production such as carving and home industries; services such as trucking, plumbing and carpentry; commercial enterprise such as stores.

2. Bisnis is a subcategory of the larger category of wok. As opposed to subsistence horticulture, work done solely to take care of one's day-to-day food requirements, bisnis is work done specifically to produce some enduring benefit to those pursuing it. It usually involves significant investment, expenditure of time, effort or money. Even more important, however, is that it should pay off handsomely in the future, producing money and/or capital less liquid than money such as coffee or coconut trees.

3. Bisnis is work a man does to lukautim skin bilong en, probably best expressed in English as self-interest. It is an activity much more individual in nature than most other kinds of work, and the principle of sharing the fruits of labour is considered to apply much less. People

often describe businessmen as hard or stingy, but also concede that they work harder than most other people and deserve to profit from their efforts.

4. Though bisnis may include involvement with the cash economy in virtually any capacity other than that of wage earner,<sup>1</sup> people who operate on a small scale and whose investment is minimal are not called businessmen. Though the activities of such people may be called bisnis, they are expected to produce only a bit of spending money for the small-scale investors themselves, and not to provide anyone's fame and fortune.<sup>2</sup>

5. Bisnis was formerly the sole preserve of the European,<sup>3</sup> and this is still so to a large extent. The history of contact with a technologically superior, obviously wealthy and racially disparate society has produced over much of New Guinea, as in many colonial and ex-colonial societies, feelings of inferiority and frustration on the part of the indigenous people.<sup>4</sup> Such feelings, often experienced and expressed in racial terms, are well captured in the Neo-Melanesian 'Mipela no inap' ('We are [intrinsically] incapable'). The phrase applies particularly to the intractable bisnis which seems to bring so many benefits to the Europeans, and yet success in which is so difficult for the local businessman to achieve.

In one Buang village everyone was convinced not only that any initiative in business on their part was doomed to failure because of their lack of competence, but also that it was illegal. When a government patrol arrived in the village some six months after one brave man had defied local opposition and started a trade store of substantial proportions, everyone ran to warn the entrepreneur that the patrol had come to arrest him for his rashness.

The New Guinean idea of business as a sole European domain includes a wide spectrum of beliefs. At one end of the scale is the naive faith in the existence of a cargo deity and a cargo secret (Lawrence 1964), the means to wealth which is being systematically concealed.<sup>5</sup> At the other

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<sup>1</sup> For an interesting comparison with Tahitian attitudes towards wage labour, 'fast money' as opposed to 'slow money' or cash cropping, see Finney 1967.

<sup>2</sup> Cf. p.73.

<sup>3</sup> All white people in New Guinea are commonly referred to as Europeans.

<sup>4</sup> Cf., for example, Fink (1965), particularly quotations from essays written by New Guinean students; Batton (1967:75), demonstrating the sad results of the colonial experience on even well-educated people; also Fanon (1961), the classic study of the social-psychological effects of colonialism.

<sup>5</sup> This belief was not encountered in my survey, but for a discussion of cargo, see p.74.

end is the sober appreciation on the part of many well-educated New Guineans that running a business successfully involves many and complex skills, solid financial backing, opportunities for obtaining credit, and so on, which they have not commanded sufficiently well, they feel, to produce the desired results. As well, there is a large middle group of semi-educated people who are disgruntled because of their lack of means to achieve the standard of living to which they aspire, and who are resentful in varying degrees of those who have failed to provide them with these means. They differ from the cultists in that they believe that the road to success lies in education, agricultural training, and so on, but they often have little appreciation of what this involves and what returns it can be expected to provide for them. Aspiring businessmen within this group have explained to me how much thought and worry they have spent on the question of 'how to succeed in business', how they have tried to emulate the practices of European businessmen, but how in the end they have realised that their present state of knowledge is simply insufficient to deal with all the problems involved.

6. As to precedents for or analogies to business in traditional society, opinions are mixed. Probably at least half the people interviewed believed that business is something entirely new, that there was nothing at all like it before. Most of these people also expressed confusion as to how business operates, saying that they are unclear in their minds and do not really understand what it is all about. People from Hube, Finschhafen and Lae mentioned trading activities in pre-contact days, explaining that although money is an integral part of business today, in pre-contact times other media of exchange were used. The activity, they stressed, was the same, and qualifies as bisnis. A man from Butibum village, Lae, emphasising the organisation and management aspects of present-day businesses, said that the analogy is to be found in communal work projects such as housebuilding, in which returns were made to labour in the form of a feast sponsored by the householder-cum-organiser. And a last opinion, held by a Buang man, is that the pre-contact analogy is to be found in the work a man did with his children and grandchildren in mind, as opposed to work such as gardening to provide for immediate food needs. According to him, this future-oriented work included things like planting pandanus palms or trees for barkcloth manufacture. Here the analogy lies in the concept of an investment which will bear fruit in the future.

7. Bisnis is a central obstacle to be overcome in the pursuit of wealth, and a successful business involves two main elements. First, some significant profit or benefit should accrue to the businessman. Second, success in business symbolises the importance of the businessman and, by extension, his group. The investment is meant not only to benefit the individual businessman, but to endure for the benefit of his descendants, of the whole group of which he is leader or representative. Further, since it serves as a symbol or advertisement of their success to other groups, visible symbols of success, fixed physical assets such

as modern buildings, machinery and so on are very important.<sup>1</sup> To one informant from the Western Highlands, the group aspect of bisnis was central. He explained in his folk etymology of the term that it was an extension of the original meaning of bisnis (i.e. a kinship group)<sup>2</sup> to include work carried on by a group of relatives for their corporate benefit. This does not mean that any particular business is not primarily an individual venture.<sup>3</sup> The businessman and his immediate family are chiefly involved, both in terms of contributions to and profits from the business. But the fact that a much larger group reaps at least prestige from it means also that its members can be called on for assistance, financial or otherwise, if necessary.

These seven points summarise the aspect of the term wok bisnis as defined by a majority of New Guineans in the study area,<sup>4</sup> and these ideas provide the basic frame of reference people use in thinking about Namasu. An appreciation of them is central in understanding the reaction of the people who hold these concepts to virtually any business venture or economic development programme. Before proceeding with the discussion, however, it might be worthwhile to consider the matter of cargo cults.

The areas over which research was carried out have little or no history of cargo cult, nor did I find any evidence of cargo beliefs, certainly not in the strict sense. That is, nowhere did anyone state, or intimate, a belief that cargo is, or could be available through magic, ancestors or spirits. Several made statements such as, 'We are not like those stupid people you sometimes hear about who believe that cargo springs magically out of nowhere. We know that it comes from bisnis'. Though everyone with whom I spoke purported to approach the subject from a rational point of view, two qualifications must be stressed: (a) cargo is a sensitive topic, and people are not likely to admit to holding cargo beliefs, especially in their undiluted form and to a stranger; (b) the sample was biased toward sophisticated people such as entrepreneurs, councillors, teachers and so on. Hence I do not deny the existence in the area of cargo ideas, or the premises that underlie them.

It must be emphasised, however, that thinking in terms of cargo is not the irrational and illogical wandering of the so-called 'native mind'.

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<sup>1</sup> Cf. Lawrence 1967:45.

<sup>2</sup> Though numerous other respondents also mentioned the kinship meaning of bisnis, this man was the only one to draw a relationship between the kinship meaning and the economic meaning.

<sup>3</sup> Cf. pp.72-3.

<sup>4</sup> Some of these concepts are probably held in other areas as well. With care, it may be possible to apply some of the conclusions drawn in this paper to other areas, but see also relevant literature, e.g. Lawrence (1964, 1967), Maher (1958, 1961), Schwartz (1962, 1967).

Though Lawrence (1964) is at pains to point out the logical structure of cargo philosophy, and demonstrates clearly that the fault lies in false premises, in incorrect and impartial information, he has frequently been misinterpreted by those to whom the processes of 'native thought' are in some mysterious way different from 'modern thinking' (e.g. Feldt 1967:58). Similarly, the understanding of business displayed by the people questioned in this survey can best be accounted for in terms of their attempts to logically relate the sometimes small number of facts and partial information available to them. So, although the people in the sample display a wide range in levels of sophistication, in appreciating how business really works, and in understanding the concepts involved (such as investment of capital, profit margins and dividends) this range correlates with the range of information and experience they have.<sup>1</sup> It is incorrect and misleading to explain the misunderstandings occurring among people whose cultures supply them with different first premises as simply the result of their having minds that work in different ways.

### Discussion

What I shall try to resolve in this section is the seeming paradox in Namasu, i.e. that from the European point of view, it is a highly successful business venture, yet its success as a bisnis is not so clear cut. From the point of view of its villager shareholders, its success has been mixed. In the ensuing discussion, I shall proceed according to broad regional divisions, paying most attention to the problems of the coastal areas.

In the highlands, people appear to be well satisfied with the activities of Namasu and of co-operative societies, and with business enterprise in general. Progress has been rapid and people have experienced steadily rising living standards and material benefits. Here Namasu, through its wholesaling and transport services, has provided many entrepreneurs with the means to start trade stores, and they express gratefulness for and satisfaction with these services. In the marketing field, too, highlanders are used to many companies competing for their coffee, and such competition causes fewer crises of conscience.

It is in the coastal areas that people express problems and dissatisfaction, and by dwelling on some of these grievances I hope to provide some explanation for their occurrence. People are most obviously

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<sup>1</sup> Beliefs of a lifetime are, however, tenacious. 'Information' here means accepted information, which usually implies that it has been tested and carefully fitted into the world view of the acceptor, a process which takes both time and positive reinforcement. That a person has heard one or two (or five, or ten) lectures on economic development does not necessarily mean he has assimilated this information and can use it, or even that he believes it.

dissatisfied with levels of dividends. It is clear that shareholders are disappointed because their expectations far exceeded present returns. What, then, were these expectations? A mission teacher from a village south of Salamaua told me seriously that prospective investors had been promised that the investment of a sum of \$12 would at some time in the future pay off to the tune of \$12,000, although this might not be until one's grandchildren's time. Though his views were more exaggerated than those of most respondents, people were generally contemptuous of the present profit level, making statements such as, 'Six shillings! what kind of a profit is that?' Most of them had obviously expected profits to be more nearly commensurate with the sum they had invested, if not equal to it. And a fair proportion believed that something of the order of double or triple their investment would be equitable.

Such exaggerated expectations provide the investigator with two problems: first, to discover where the rumours originate, and second, to explain why they are believed. In considering the first point, it is well to remember that many villagers received their information about Namasu second- or third-hand. Meetings for the purpose of providing information and soliciting share capital were frequently held by Mr Fugmann or other officers of the company at a village in some central location. Hinterland villages sent a few representatives who frequently did not understand very well themselves, and the story was further distorted when it finally reached the more remote locations. Allied to this was a process that normally occurs when a representative of some external institution arrives in a village to impart some new information. For weeks afterwards, villagers mull over the matter, talk about it, interpret it in terms that make sense in the local context. Two sums of money quite separate in the original talk may be related to produce rumours like the \$12 to \$12,000 mentioned above.

It is important to remember, too, that people have very little on which to base their expectations about the magnitude of profits. With scant previous experience of the dividend system, and with no specific information about what returns to expect, the element of hope or wishful thinking that people bring to any such new venture flourishes. Any optimistic note in the sales-spiel of the organiser about the expected success of the foundling organisation is immediately taken up and magnified. Government officers have often mentioned in conversation the impossibly high expectations that mushroom at the inception of co-operative societies, rural progress societies, and so on. Schwartz, discussing co-operative societies on Manus, has this to say (1967:37):

Even after the dissipation of this hope of cargo and large profits to be distributed regularly among members, many had unrealistically high expectations of the returns and advantages to members to be expected from the normal operation of the co-operative societies.

But Namasu, in its very success, has another problem to contend with. Because it has the symbols of success - buildings, trucks, ships - people

say, with some pride, that their company has 'made it', that it can now hold its own with any other big company. But what about the other element of success, the benefits accruing to the owners? As one man from Finschhafen phrased it, 'A big company like that should be able to reward its shareholders more substantially'.

People reason as follows: 'Previously we were ignorant of how to become wealthy, but now we understand that the way to wealth is through the development of business. Namasu is a successful business. We own it. Why, then, are we no better off than before?' This logic has led some shareholders to doubt one or other premise in the argument. Thus a Salamaua man said, 'Oh yes, Namasu used to belong to the people when it was just getting started, but now that it is big and successful it does not belong to us anymore. It is just like any other company.'

Moreover, the New Guinean impression of Namasu as a highly successful business is not exaggerated. As shown in earlier chapters, Namasu is now worth probably three times its capitalisation of \$140,708. At the same time, the shareholders still receive their 8 per cent or 10 per cent dividends in terms of the original \$6 or \$10 value of their share. Shareholders get neither the benefits of capital gains nor substantially increased dividends, so that the feeling of not participating in Namasu's growth is not at all unreasonable.

The comment from the man who said that dividends were so small as to be no better than nothing throws light on another aspect of the shareholders' views. People invested money optimistic of getting a profit back, hoping that their money would increase and multiply. At least, they felt, they should get back the same amount. The dividends they are now receiving are testimony to the fact that their money is increasing and multiplying, but most shareholders have no appreciation of this. Their original investment is frozen; many of them have scant hope of ever seeing it again, like the Dedua man who remarked, 'Nating mani i lus' (Probably my money is lost to me), and the little money brought in every year from a \$6 or \$10 investment does not compensate for this loss.

Two men - one from Hube and one from the Western Highlands - told me how well satisfied they and people from their areas were with the services Namasu was providing. According to the Hube man, it is the people with very small shares who are upset, because their dividends each year are so small. The rich men with big holdings and other interests, he said, are not unhappy. This statement has some truth in it. The small shareholders do not understand that Namasu is not some sort of bank, and are worried not only that their money is not increasing, but also that it seems to be decreasing.<sup>1</sup> The villager-investor generally has very little

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<sup>1</sup> See p.67.

capital with which to manoeuvre. He is unwilling to have amounts of money tied up for long periods with nothing to show for it in the meantime.<sup>1</sup>

The most important grievance, however, is that Namasu has failed to assist in the development of small local areas. Though they usually do not express it as loudly as they do the grievance over dividends, I believe people feel it more deeply. Particularly in regions such as the Salamaua coast which are backward or underdeveloped commercially, and which have had a longer and more disappointing history of European contact than have newer areas like the highlands, people feel that Namasu has cheated them. At the inception of Namasu, they were convinced that Namasu would help their own small area to develop and progress (in Neomelanesian, kirapim ples), that their own standard of living would be raised.<sup>2</sup> This, they complain, is precisely what has not happened. Exactly where such hopes originated is not entirely clear. It is true, however, that Namasu is only one in a long series of disappointments. With each new scheme or project (co-operative society, savings and loan society, local government council, even the establishment of savings accounts and distribution of bankbooks), people's hopes are raised, only to be dashed again when they realise that there has been no appreciable change in their standard of living, no significant increase in their income, in fact no real progress, for them, at all.

In the case of Namasu, company officials probably explained that the new venture was being started in order to help New Guinea and New Guineans progress and prosper, and many people who heard such statements interpreted them very parochially. These same people now face two facts: (a) Namasu is obviously a success, and (b) their little area did not progress much, if at all. As a result, they are even more keenly disappointed with Namasu than with many less successful projects.

To appreciate why people's bitterness over the lack of local development is directed towards Namasu, it is instructive to consider the word 'help' (halivim). People feel that their contributions have been given in order to help Namasu; in return, Namasu should help them, now that it is prosperous and can afford to do so. This includes, as they see it, things like carrying them free of charge on ships, supplying goods to trade stores at reduced rates or else free, providing materials for the building of trade stores, and lending money to local businessmen. Someone from a Western cultural background might well think such hopes ridiculous, objecting that expectations of such 'gifts' as free trade store cargo are quite baseless. Like 'help', however, the term 'gift'

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<sup>1</sup> People are happier with an investment in a project like the village truck, from which eventual returns may be unlikely, but in which there are substantial immediate benefits in prestige, and sometimes in service.

<sup>2</sup> See also Schwartz 1967:37-8.

is better understood in a wider context. From Mauss (1950) onward, numerous authors have shown that gifts are rarely, if ever, considered 'free', in the Western socio-economic system as well as others. A gift often serves to mark the relationship between economic partners.<sup>1</sup> As expressed by Belshaw (1965:46), a gift may be 'the material symbol of a relationship, the sealing of a contract, the payment for a service openly rendered, one element in a complex of continuous exchanges, or part of a stock which the recipient uses to maintain further social obligations'.

But such expectations have arisen not only from people's idea that Namasu has an obligation to help its shareholders. There is also in some places a fundamental misunderstanding of what Namasu is and of what money contributed to Namasu can be expected to produce. One old mission elder told me that the people in his village had been under the impression that the money they had contributed to Namasu was to go towards the setting up of a trade store in their village.<sup>2</sup> Now that they realised this was not what the money was used for, they had no idea just what had happened to their contribution. Others, certain that Namasu was to function as a savings and loan society to assist local businessmen, were disappointed to find that Namasu would not give loans. Even those who emphasised 'help' did not say they expected this help to be given indiscriminately. A store clerk at one coastal village said:

A man who is a member of Namasu, and who has saved up some money on his own to start a business, for example a trade store, should be able to get some help from Namasu, at least a loan! He has already proven his good faith by saving some of the money himself.

To the disenchanted coastals, Namasu is too big and impersonal for them to feel a part of it. They resent the fact that their own area has lagged; they grumble that Namasu does not care about small local areas, that their money has helped finance the development of the highlands while they have been left behind. In the main, regions in which people feel neglected are also regions which offer the least economic potential; dissatisfaction and relative deprivation are likely to grow unless new alternatives for them are discovered.

The Finschhafen area is one that perhaps offers the most promise, as it appears to have survived and surpassed the stage in which the Bukaua-Lae-Salamaua areas now find themselves. With a vigorous co-operative

<sup>1</sup> For a discussion of obligations obtaining between a recent co-operative enterprise with indigenous leadership and the village people who contributed capital to it, see Crocombe and Hogbin 1963:12-13.

<sup>2</sup> As one of Schwartz' informants put it, 'We thought that we would put together our money to bring the cargo into our villages...and then we found that when it came, in spite of our being shareholders, we had to buy it' (Schwartz 1967:37).

society (the Finschhafen Marketing and Development Society) as well as Namasu operating in the area, they seem to have largely overcome the troubles arising from the puzzling competitive situation. In addition, they have profited from the experience, training and attention of a number of Namasu personnel as well as a fairly large complement of Administration officials, particularly Department of Agriculture, Stock and Fisheries staff. And perhaps even more important, there are several well-established local entrepreneurs (who themselves praise and actively support both Namasu and FMDS) whose progress over the years from modest starts has proved to former doubters that this is in fact the way to make money.

In Finschhafen, the highlands and Hube, once a certain amount of development had occurred, people began to appreciate the services and facilities which would make further progress possible, as they themselves had observed the important part such services played in the initial development. Thus they approvingly listed the following as the kinds of help Namasu has given them: transport facilities, making goods and building materials available for trade stores or sometimes other structures such as copra driers, and channels through which to market their cash crops.

In areas presently in the doldrums, people list, as items in the free help they wish for, the kinds of things that they see other regions have already acquired. Whether they will be able to progress and develop in the way that Finschhafen has, whether their present discontent will deepen into further self-pity, resentment, and perhaps more simple explanations of where wealth really comes from, or whether a less spectacular alternative, such as wholesale emigration in favour of wage employment, will take place depends to some extent on the leadership and education they receive from institutions like Namasu.

### Summary

The following factors are of central importance in the misconceptions currently in circulation about Namasu, and about some co-operative societies as well.

1. The principle of making an investment and getting a return on it was sufficiently rare, if not unknown in traditional societies, to make it a difficult concept for people to grasp. The example of planting a long-term crop was cited only by one or two people, and it can be argued that competitive exchanges produced propit in prestige rather than in material goods.

2. The fact that in Namasu the dividend, but not the original investment, is available has masked from most investors the fact that their money is increasing, and has given rise to other interpretations such as that they are slowly being paid back a loan they made to the company, or the justified view that their original money has been lost (i.e. they cannot get it back) and what they are receiving is some sort of conciliatory payment instead.

3. The loan society or bank interpretation of Namasu has aggravated feelings of frustration in shareholders who do not see why Namasu cannot now lend them some money. Namasu does not behave as they consider an economic partner should.

4. Namasu's success has caused puzzlement about the reasoning behind the popular view of success in business as the road to wealth, as well as about the New Guinean's place in Namasu.

5. Investors holding very small shares (who formed the key portion of Namasu's initial capitalisation) are usually the least educated, the least wealthy, the least satisfied about returns they are presently receiving, and the most worried about the money they have 'lost' and cannot get back.

6. The expression 'developing the area' (kirapim ples) has been too freely or carelessly used not only by Namasu representatives but by many people concerned with development, over a period of years. It has been subject to some highly parochial interpretations which have given rise to a good deal of disappointment and disillusionment.

## Appendix 1

### Word pictures

The following are some of the 'word pictures' first used by Mr Fugmann, and recently by Namasu's share promoters, to explain certain concepts and ideas to villagers.

Namasu and New Guinean participation. The size and power of a river depends on the number of contributory streams. Namasu is a river and shareholders are contributing streams, so the greater the number of streams the stronger will Namasu tend to be. (Also used in this connection is the idea of Namasu as a central post around which a house is built.)

Loyalty to Namasu. Just as a sensible person feeds only his own pig and not someone else's, so he should trade with Namasu which belongs to him and not with another trader.

Investment and dividends. A Namasu share is like a hen, and dividends are like the eggs that the hen lays. Thus, if a hen lays ten eggs in a year, the company will give one or two of them to shareholders, while the rest are used for increasing the stock of hens; a man who gives all his eggs away is unwise. Shareholders therefore receive only part of Namasu's profit, and the rest is retained to make the company grow.

Share transfers. A house can be built by having each man bring a post; and having built it, one can bring the whole house down by taking out one's post. So should you want to claim your post it is necessary first to find another man willing to put one in place of yours, so that the building will not collapse. Thus before shares can be transferred, one must find another man willing to buy them.

## Appendix 2

### Balance sheet, 30 June 1967 (\\$)

|                                                    |                | 1967           | 1966           |
|----------------------------------------------------|----------------|----------------|----------------|
| <u>Assets</u>                                      |                |                |                |
| <u>Fixed assets at cost</u>                        |                |                |                |
| Buildings, plantation, wharf                       | 233,466        |                |                |
| Less depreciation                                  | <u>29,957</u>  | 203,509        | 169,752        |
| Ships, motor vehicles                              | 115,407        |                |                |
| Less depreciation                                  | <u>46,154</u>  | 69,253         | 69,647         |
| Plant, equipment, fixtures                         | 52,857         |                |                |
| Less depreciation                                  | <u>21,550</u>  | 31,307         | 28,974         |
| Sunshine Aerated Waters                            | 9,531          |                |                |
| Less depreciation                                  | <u>1,020</u>   | <u>8,511</u>   | <u>7,241</u>   |
|                                                    |                | <u>312,580</u> | <u>275,614</u> |
| <u>Current assets</u>                              |                |                |                |
| Cash on hand                                       | 33,286         |                | 23,928         |
| Sundry trade debtors                               | 52,728         |                | 83,080         |
| Stock on hand at cost or market value              | <u>454,298</u> | 540,312        | 358,748        |
| Prepayment - income tax                            |                | <u>18,361</u>  | <u>21,756</u>  |
|                                                    |                | <u>871,253</u> | <u>763,126</u> |
| <u>Liabilities</u>                                 |                |                |                |
| <u>Authorised capital</u>                          |                |                |                |
| 250,000 ordinary shares \$2 ea.                    |                | 500,000        | 500,000        |
| <u>Issued capital</u>                              |                |                |                |
| 124,141 ordinary shares \$2 ea.                    | 248,282        |                | 220,426        |
| Profit and loss appropriation account              | 43,397         |                | 83,718         |
| General reserves                                   | <u>180,000</u> |                | <u>60,000</u>  |
| Total shareholders' fund                           |                | 471,679        | 364,144        |
| <u>Current liabilities</u>                         |                |                |                |
| Trade creditors                                    | 67,564         |                | 182,062        |
| Other creditors and accrued charges                | 22,293         |                | 22,614         |
| Secured loans repayable before 30.6.68             | 4,500          |                | 4,500          |
| Unsecured loans repayable before 30.6.68           | 10,540         |                | 8,733          |
| Provision for income tax                           | 22,175         |                | 18,000         |
| Provision for dividend                             | 24,828         |                | 22,043         |
| Bank overdraft                                     | <u>154,617</u> | 306,517        | 39,296         |
| <u>Deferred liabilities</u>                        |                |                |                |
| Secured loans                                      |                | 4,500          | 9,000          |
| Unsecured loans: DM13,922.17 ea. DM4.475 = A\$1.00 | 3,111          |                | 4,444          |
| other                                              | <u>85,446</u>  | <u>88,557</u>  | <u>88,290</u>  |
|                                                    |                | <u>871,253</u> | <u>763,126</u> |

## Appendix 3

Gross sales by individual stores, 1964-66  
(\\$)

| Branch                         | Sales<br>Year ending 30 June |                |                |
|--------------------------------|------------------------------|----------------|----------------|
|                                | 1964                         | 1965           | 1966           |
| Banz                           | 87,000                       | 254,000        | 403,000        |
| Finschhafen                    | 31,000                       | 34,000         | 32,000         |
| Goroka                         | -                            | 39,000         | 167,000        |
| Henganofi                      | -                            | 19,000         | 40,000         |
| Kainantu                       | 26,000                       | 24,000         | 35,000         |
| Kundiawa                       | -                            | -              | 678*           |
| Mindik                         | -                            | 6,000          | 20,000         |
| Mt Hagen                       | -                            | -              | - *            |
| Mumeng                         | 20,000                       | 23,000         | 29,000         |
| Madang (planning stage)        | -                            | -              | -              |
| Pindiu                         | 16,000                       | 20,000         | 26,000         |
| Sattelberg                     | 9,000                        | 12,000         | 9,000          |
| Waringai                       | 6,400                        | closed         | 15,000         |
| Wantoat                        | 11,000                       | 17,000         | 24,000         |
| Wasu (not operating yet)       | -                            | -              | -              |
| Watut (Sunshine Aerated Water) | -                            | -              | 6,400**        |
| Pangia                         | -                            | -              | - *            |
| <b>Total</b>                   | <b>206,400</b>               | <b>448,000</b> | <b>807,078</b> |

\* These stores were opened after or some time late in June 1966; for the period July-October sales proceeds from Kundiawa were \$16,600, from Mt Hagen \$53,230, and from Pangia \$5,200.

\*\* Production started in February 1966, so that the amount shown applies to a five-month period. See Annual Report, Namasu, 1966:6.

#### Appendix 4

##### Some New Guinean directors of Namasu

Kamong Zurewe. Age 40. Secretary since 1951 of the Sattelberg Circuit of fourteen congregations with approximately 22,000 people, and the oldest circuit in the Lutheran mission. Before the war he was a mission teacher. He is keen, very intelligent, understands English very well and has a good standing in the community. In 1966 he was secretary of ELCONG, and a member of the Papua-New Guinea Land Board, the Advisory Committee of the Reserve Bank of Australia and the Lae Town Advisory Council. He has also become a fully qualified minister.

Lot Sangaba. Age approximately 38. Born at Sio village, north of Finschhafen. He has visited Australia and can read and write in two vernacular languages, but his English is limited. He was educated in a mission secondary school, and later became a teacher. He is a man of high intelligence and has a good standing among his people.

Isaiah Samasam. Age 35. He lives at Bukaua village, 39 miles from Lae. He has had an extremely successful store for more than ten years, and his is the only store owned by a New Guinean in the whole area which did not go broke at one time or another. He is a good carpenter, and owns a well attended cocoa plantation.

Gideon Abeng. Age 35. Born at Boakap, near Salamaua. He is a mission teacher and speaks very good English. At present he is attending a special course at the Lutheran mission all-English school to qualify for his A certificate. He has been to Australia, and his standing in the community is very good.

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