

# The Sustainability of Local Business Development Around the Ok Tedi Mine, Papua New Guinea

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## **Declaration**

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Anita Iko Togolo

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Finally, to my late mother, Mary Cath (1947–2006), this thesis is dedicated to you. Your love for PNG, family and scholarly pursuits have been my inspiration.



## **Abstract**

This thesis is about the local business development program associated with Ok Tedi Mining Limited (OTML) in Papua New Guinea (PNG). Resource companies in PNG support and establish local landowner companies through their local business development programs with three broad goals: to fulfil their mining agreement terms, to maintain their social licence to operate in the community and to contribute to sustainable mine closure planning. Resource companies aim to develop landowner companies capable of meeting governance and compliance requirements, being commercially viable and generating benefits beyond mine closure. Whilst all resource companies in PNG invest in local business development programs, scholars and extractive resource industry experts agree that resource companies are not producing landowner companies that are both commercially self-sufficient and sustainable. The few in-depth studies of local landowner companies in PNG do not consider the relationships between local landowners and the resource company department that manages the local business development program. This thesis investigates all actors and contributing elements in OTML's local business development program in order to discover the factors behind local landowner company underperformance.

This thesis uses a qualitative organisational ethnographic approach and draws on interviews with participants from four key stakeholder groups — OTML personnel, local landowner companies, mine area local landowners and government officials — to explain the factors these stakeholders believed contribute to the success and sustainability of local landowner companies. Detailed observations of the interactions between local landowner company representatives and OTML's Economic Programs Department also provide insight into the nature of the relationship between the two groups.

This thesis explores Australian and Canadian Indigenous entrepreneurship associated with large-scale mining in order to provide the basis for a discussion of landowner companies in PNG's extractive resource industry. This thesis argues that the framing of the corporation as multiple, dynamic and permeable is the most useful way to understand the relationships between OTML and its local landowner companies. It also discusses resource project local content policies and outlines the local business

development programs of other major resource projects in PNG. After providing a historical overview of OTML's local business development program, this thesis outlines how OTML manages its local landowner companies and examines the various ways local landowner companies access OTML departments.

This thesis demonstrates that, over the last four decades, OTML has made consistent efforts in managing its local business development program through its Economic Programs Department. Whilst the relationship between OTML and its local contractors has largely been positive and robust, this thesis found that OTML's local business development program has produced few landowner companies that could be considered successful and sustainable.

This thesis makes an original contribution to research on Indigenous entrepreneurship in PNG's resource sector in four ways. Firstly, it provides insight into Papua New Guinean landowner company business practices. Secondly, it examines the central role OTML departments play in supporting local business development. Thirdly, it identified the current weaknesses in OTML's local business development program. And finally, it considers ways in which project-affected local landowners might generate benefits for their communities beyond mine closure.

## List of Abbreviations

ANU	The Australian National University
BHP	Broken Hill Proprietary Ltd
CEO	chief executive officer
CMCA	Community Mine Continuation Agreement
DCBR	Department of Community and Business Relations (of OTML)
FCS	Fubilan Catering Services
FRPG	Fly River Provincial Government
ILUA	Indigenous Land Use Agreements
IOTP	Impact of the Ok Tedi Project (report)
IPA	Investment Promotion Authority
IPI	Ipili Porgera Investments Ltd
IPP	Indigenous Procurement Policy
ISS	Infrastructure Support Services
KLC	Kimberley Land Council
L&RS	local and regional supplier
LLG	local-level government
LMP	lease for mining purposes
LNG	liquefied natural gas
MFN	Muskowekwan First Nation

MoA	memorandum of agreement
MRA	Mineral Resources Authority
MRDC	Mineral Resources Development Company
MRSM	Mineral Resources Star Mountains
NGO	non-government organisation
OTDF	Ok Tedi Development Foundation
OTML	Ok Tedi Mining Limited
PJV	Porgera Joint Venture
PNGSDP	Papua New Guinea Sustainable Development Program Limited
SBDC	Small Business Development Corporation
SME	small and medium enterprise
SML	special mining lease
TCS	Tax Credit Scheme
VPC	Village Planning Committee

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# **Chapter 1 Introduction**

This thesis examines the evolution and implementation of the local business development program associated with Ok Tedi Mining Limited (OTML), which is currently a state-owned enterprise operating a copper and gold mine in Western Province of Papua New Guinea (PNG). The primary research question is: to what extent has OTML's local business development program assisted local landowners to create long-term benefits for mine-impacted communities? The thesis seeks to answer this question by focusing on two areas: the relationships between OTML and local landowner companies; and the role of the local business development program in this process.

Chapter 1 provides context to the research by briefly outlining local business development programs associated with resource projects in PNG. The chapter then identifies the problem this thesis addresses and outlines its subquestions. Lastly, it provides a synopsis for each chapter of the thesis.

## **1.1 Context**

The Ok Tedi mine is one of seven major mineral and petroleum projects currently operating in PNG (PNG Chamber of Mines and Petroleum 2020). The mine is located in the northwestern corner of Western Province, approximately 1000 kilometres northwest of PNG's capital, Port Moresby. OTML has operated the copper, gold and silver mine since 1984, and it became a state-owned enterprise in 2013. The Ok Tedi mine is the longest-operating mining project in PNG and has been politically, socially and environmentally controversial. The mine's most recent challenge was the suspension of operations for eight months (from August 2015 to February 2016) due to a dry weather event.

As part of the company's broader social responsibility to local communities, OTML offers local landowners the opportunity to obtain business contracts. OTML has a designated department to manage its local business development program, the Economic Programs Department. This thesis investigates how the Economic Programs Department has implemented OTML's local business development program. OTML's main offices and the majority of local landowner businesses are

located in Tabubil township. Tabubil, the Ok Tedi mine site and the mine area villages are located in the Star Mountains Rural Local-Level Government (LLG) area, North Fly District, Western Province. Because Tabubil is the centre of landowner company–OTML interactions, analysis is limited to Tabubil-based landowner companies.

The Ok Tedi mine was chosen as the focus of this study because it is the longest-operating mine in PNG, presenting an ideal opportunity to examine the evolution of OTML's local business development program. In addition, as one of the largest mines in PNG, OTML has both a dedicated department responsible for assisting project area landowners and more resources available to support local business development than other, smaller operations.

## **1.2 Addressing the gap in local business development literature in Papua New Guinea**

There is a wealth of academic literature that outlines the way resource companies enact their community development activities in PNG (Banks 2006b; Banks et al. 2013, 2016, 2017; Richardson 2018). However, the issue of local business development associated with resource companies largely has been excluded from this scholarly analysis. Furthermore, there are only five case studies that specifically focus on the local business development programs of resource companies (Bainton and Macintyre 2013; Banks 1999, 2006a; Brooksbank 2002; Jackson 2015, 2016). Three of these studies looked at the Papua New Guinean context more broadly, covering all operating projects up to 2016, and offer important background on the state of local businesses associated with resource projects in the country (Brooksbank 2002; Jackson 2015, 2016). The other two examined elements of local business development at two resource projects: the Lihir gold mine (Bainton and Macintyre 2013) and the Porgera gold mine (Banks 1999, 2006a). Until this thesis, the Ok Tedi mine had not been studied with focus on its local business development. Rather, other recent scholarly attention has focused on the environmental disaster that occurred in the early 1990s (Kirsch 2002, 2007, 2014), as well as its environmental impacts and the 1996 court case against Broken Hill Proprietary Ltd (BHP) (Banks and Ballard 1997). The issue of the Ok Tedi mine closure and sustainable development has also been explored in the literature (Filer and Jenkins 2017; Jenkins 2016).

Apart from the aforementioned studies on landowner companies and local business development, the existing PNG-focused extractive resource literature does not include detailed discussion of local suppliers. Local suppliers are discussed in a broad sense with the focus on two areas (Banks 2014:94; Kemp 2009:204):

1. Local suppliers are listed as key stakeholders in resource projects alongside landowners (or mine-impacted communities), resource companies, industry, non-government organisations (NGOs) and donors.
2. Local supplier business contracts are listed as a benefit stream available to landowners<sup>1</sup> alongside royalties, compensation, equity dividends, training and employment (both direct and indirect) and the provision of infrastructure through the Tax Credit Scheme (TCS) (Bainton and Jackson 2020:369; Banks et al. 2017:208).

The literature clearly shows that local business development contributes to a mine's indirect employment. The literature argues that such benefits may be 'several times larger than benefits from direct (mining) employment' (Oxford Policy Management 2011:22, cited in Banks 2014:94). Although scholars writing about local business development in PNG provide varied estimates on the number of jobs created by these local suppliers (Bainton and Jackson 2020:371; Filer et al. 2016:114; Jackson 2015:7), unreliable statistical evidence in PNG makes it difficult to ascertain accurate figures. The PNG Chamber of Mines and Petroleum claims that the extractive resource industry creates between four and five additional jobs for each job directly or indirectly linked to the work of exploration, construction and extraction (Filer et al. 2016:114).

The wider literature on business development in developing countries discusses local suppliers as being part of a country's local content policy (Dietsche 2018; Hilson and Ovadia 2020; Ramdoo 2018; White 2017). The purpose of a country's local content policy (also referred to as local content requirements) is to create value locally by building domestic linkages to the extractive industries (Hilson and Ovadia 2020). Local content policies aim to develop local upstream and downstream industries and foster economic development (Hilson and Ovadia 2020:253). Local content requirements usually include targets for the employment of Indigenous people; the transfer of

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<sup>1</sup> Benefit streams are specified in the resource site's mining development contract and development forum agreement.

technology to local operators; the transfer of industry knowledge to Indigenous people; the conduct of research and development in-country and mandatory Indigenous equity stakes in procurement contracts; and new exploration and production activities (Hilson and Ovadia 2020:254). Whilst many countries with extractive industries have invested in the development of local content policies, laws and regulations, this thesis recognises that there has been scant empirical research on what local content policies actually deliver on the ground (Dietsche 2018:152). Chapter 2 briefly discusses the issue of local content policy and Chapter 3 explains how local participation through local landowner companies fits into the extractive industry in PNG.

### 1.3 Key terms

This section provides brief definitions of the key terms in this thesis in the context of local business development programs, including: local business development program, local landowner companies, and success and sustainability. More in-depth explanations of these terms are outlined in Chapter 3 (sustainability, success) and Chapter 4 (local landowner companies).

A local business development program includes several elements:

- local landowner companies
- the relevant departments in a resource company that provide assistance to local landowner companies (in the case of OTML, the primary department is Economic Programs)
- the strategy the resource company develops and implements to manage its local landowner companies.

The terms ‘local landowner companies’, ‘landowner businesses’, ‘local suppliers’ and ‘local contractors’ are used interchangeably in this document. For the purpose of this thesis, the definition of a local landowner company associated with a resource project aligns with the definition Jackson provided in his 2015 report (Jackson 2015:15).<sup>2</sup>

A landowner company:

- is a limited company<sup>3</sup>

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<sup>2</sup> Chapter 4 outlines some of the difficulties in establishing a clear definition of a local landowner company.

<sup>3</sup> Excluding business groups and other unincorporated entities.

- is recognised by a resource project operator as a local contractor/supplier
- is largely under the control of local people — ‘local’ as defined by the applicable mining agreement, and
- provides services to, and fulfils contracts awarded them by, the resource company.

Determining whether a landowner company has been successful requires at least two key measures: the landowner company must rigorously comply with commercial best practice, especially in the area of governance; and the success (or failure) needs to be assessed in terms of the landowner company’s aim (Jackson 2015:3). Whilst commercial best practice and the governance of landowner companies can be assessed using available data,<sup>4</sup> landowner company aims are difficult to ascertain because few have their own constitutions. This thesis uses Jackson’s definition of a sustainable business as one (2016:71):

- that has the potential to outlive the project that gave rise to it or, alternatively, last until such time as its owners voluntarily close its operations, and/or
- where the benefits the business generates can be (and are) invested in activities that continue to generate further benefits.

This thesis acknowledges that this mainstream, conventional Western definition of a successful and sustainable business may not align with the local Indigenous definitions highlighted in recent Pacific-based literature (Scheyvens et al. 2017, 2020). Further to this, the socially and culturally embedded nature of Indigenous businesses will be briefly discussed in Chapter 2.

## **1.4 Thesis problem and significance of the research**

The literature outlines three main areas where local suppliers associated with resource projects can create long-term benefits for project area landowners and residents. The first is through landowners’ increased exposure to business operations and business knowledge. Another is through local businesses create benefits for landowners is through local employment and increased employment opportunities in other provinces.

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<sup>4</sup> This data largely comes from the Investment Promotion Authority, resource companies and industry reports.

Lastly, there are three main ways a landowner company can contribute financially to mine-impacted communities:

- dividend payments to their shareholders
- extending their business operations to other provinces in PNG
- investing in other businesses or property in other provinces in PNG (or internationally).

This thesis explores the decisions of landowner company directors and management in their use of profits and the impacts these decisions have on company performance and perceptions of the company as successful and sustainable.

During a mine's operational phase, the success of a landowner company is largely assessed by the company's financial performance and compliance levels. However, determining a landowner company's sustainability is difficult because it relies on outcomes only realised post-mine closure (Bainton and Jackson 2020). Because there are no current examples of mining operations with the features required to assess a landowner companies' sustainability, no landowner company in PNG can be considered sustainable. To assess landowner company sustainability, a mining operation requires the following features:

- mining operations had voluntarily closed
- well-established local landowner companies
- sufficient time had passed to determine whether any further benefits were generated as a result of landowner company activities (or investments).<sup>5</sup>

Few studies document the post-mine closure environment and any income-generating opportunities available to mine-impacted communities in PNG (Boutilier 2017:26). The Misima gold mine is the only large-scale mine in PNG that closed voluntarily, however, it did not have well-established local landowner companies.<sup>6</sup> Since the mine's closure, artisanal mining has been the most important informal economic activity on the island

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<sup>5</sup> Whilst Bougainville's Panguna copper mine (managed by Bougainville Copper Limited, a subsidiary of Conzinc Rio Tinto) had some local business development, they did not have any landowner companies and Bougainville Copper Limited was forced to cease operations due to destruction of company property and the subsequent civil war from 1989 to 1998.

<sup>6</sup> The Misima gold mine operated from 1985 to 2004, closing voluntarily in 2005. For discussion on attempts made to develop landowner companies at Misima, see Botta et al. 2014; Boutilier 2017; Jackson 2015.

for mine-impacted communities (Boutillier 2017; Filer et al. 2016:128–29). In addition, the training and direct employment Misimans received from the mine enabled them to find jobs at other mines in PNG and send back remittances (Botta et al. 2014:6; Filer et al. 2016).

The available data on the state of local landowner companies associated with resource projects in PNG is incomplete;<sup>7</sup> however, published evidence shows that landowner companies have limited capacity to provide long-term benefits to project area landowners.<sup>8</sup> The common issues faced by both larger and smaller companies are financial mismanagement and a lack of experienced directors and management. The larger, well-established local contractors are more successful as commercial entities compared to medium and smaller contractors. However, historical evidence provides examples of resource companies ‘rescuing’ these landowner companies (Bainton and Jackson 2020:373).<sup>9</sup> The smaller contractors continue to face two broad issues (Brooksbank 2002):

- Many depend solely on the resource company for business assistance as well as business contracts. Few have the financial capacity to extend their operations beyond the host province or invest in other commercial ventures or property. These businesses are less likely to survive beyond the resource project.
- Some companies have shareholders belonging to the same family, or even clan, as opposed to a broader shareholder distribution encompassing landowners across the entire mine impact area. This type of shareholder distribution can result in any company profit concentrated in just a few people.

In PNG, resource companies are obligated to provide local business development opportunities to local landowners as a benefit under their specific memorandum of agreement (MoA).<sup>10</sup> The resource company decides the extent and nature of this assistance. Mining projects differ in terms of their geographic location, capital

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<sup>7</sup> Refer to Jackson (2015) for discussion on the issue of incomplete data on landowner companies.

<sup>8</sup> Sources include (but are not limited to) resource companies, the Investment Promotion Authority, industry bodies such as the Papua New Guinea Chamber of Mines and Petroleum and various social impact studies of resource project sites.

<sup>9</sup> Noteworthy current examples of the assistance or rescue of larger landowner companies include: Anitua (Lihir gold mine), Ipili Porgera Investments (Porgera gold mine), Cloudlands Investment and Star Mountain Investment Holdings Limited (Ok Tedi gold and copper mine).

<sup>10</sup> The Ok Tedi project has its own Act 1976.

expenditure, length of expected mine life, financial prospects, road and air infrastructure and size of mine impact area. These factors influence a resource company's local business development strategy. For example, the local business development requirements of a project with an expected mine life of five years would be different to those of a project with an expected mine life of 20 years because there would be fewer resources available for that company to invest in its area (Bainton and Jackson 2020:367).

Bainton and Jackson questioned the capacity for local business development to translate 'into forms of economic activity that will survive — or be sustainable — beyond the life of individual projects' (2020:374). Resource companies expect that local business development can produce long-term benefits. The gap between this expectation and the current (and historical) output Jackson (2015) referred to highlights the need for research in this area. Such research matters for two reasons: firstly, because benefits generated by local landowner companies consistently fail to reach the intended recipients (project area landowners); and secondly, because landowner companies currently lack the capacity to continue beyond mine closure and therefore will be unable to deliver the intended future benefits to the community.

This thesis seeks to explain the gap between the efforts resource companies make and the results of local business development programs. It also examines the ways resource companies implement their local business development programs in order to better understand the nature of the relationships they have with their local contractors. This thesis contributes to knowledge on local business development programs associated with resource projects in PNG and identifies opportunities for resource companies to further improve these programs to ensure they create long-term benefits for project area landowners.

## **1.5 Research questions**

In addition to the main research question of this thesis, which asks to what extent OTML's local business development program has assisted local landowners to create long-term benefits for mine-impacted communities, the following subquestions frame the rest of the discussion:

- What do the relationships between OTML and its local landowner companies tell us about the nature of the corporation?
- What factors do research participant groups believe contribute to the success and sustainability of local landowner companies?
- Why is it that, despite OTML's considerable and consistent commitment to its local business development program, few local landowner companies have emerged that can be considered successful and sustainable?
- How might resource companies improve the implementation of their local business development programs?

## 1.6 Chapter synopses

Chapter 2 looks at the gaps in the three key bodies of literature relevant to this topic: Indigenous entrepreneurship, the corporation and large-scale mining. It begins by defining Indigenous entrepreneurship, with a focus on First Nations people in Australia and Canada. It then outlines some of the challenges Indigenous entrepreneurs face in these countries and points to commonalities in the challenges faced by Papua New Guinean entrepreneurs. Chapter 2 draws on the relational model to demonstrate its usefulness in framing the corporation (as multiple, dynamic and permeable) and explaining the relationships between a resource company and its local suppliers. It explores corporate social responsibility and local content policies, drawing relevance to local participation in the form of local procurement. The final section of the chapter narrows the discussion of Indigenous entrepreneurship to the large-scale mining context and provides short case studies of both Indigenous Australian and Canadian First Nations entrepreneurship in this context.

Chapter 3 focuses on local business development specific to the PNG mining sector. It begins by examining the country's legal and policy framework for local business development, followed by an explanation of the preferred area policy and the rise of landowner companies. The third and final parts of this chapter present the results of the local business development programs of two of PNG's larger and more established resource projects, the Lihir gold mine and the Porgera gold mine.

Chapter 4 outlines the qualitative research methods used and the justification for their use. The first section explains the key terms used in the thesis and outlines the

landowner company ownership structure and their contractual arrangements with OTML. The next two sections discuss this author's position as a researcher and describe the research site and the author's access to it. The final section of this chapter presents the author's methodological approach and its influence on the research process and theoretical lens used. Organisational ethnography proved to be an excellent tool to understand the perceptions of the key research participant groups — OTML participants and the local landowner company representatives. Pseudonyms are used throughout the thesis for participants' responses.

Chapter 5 provides a historical overview of OTML's local business development program, from the mine's discovery in 1968 up until the end of the author's data collection in December 2020. This chapter is divided into three sections. The first examines OTML's business development from mine exploration in 1968 to the mine's feasibility studies in 1980. The next documents the period from the start of mine construction in 1981 until the end of BHP's operation of the mine in 2000. The final section of the chapter explores local business development from after BHP's departure (as project operator) in 2001<sup>11</sup> to the expected mine closure in 2029. This section also discusses the three OTML internal reviews of its business development program conducted over the 20 years of operation, as well as the impact of the dry weather event that occurred in 2015.

Chapter 6 begins by defining corporate spaces and the ways mining companies manage the social performance function. The first section also discusses how this function is carried out through mining companies' community relations (or community affairs) departments. The second section outlines OTML's organisational structure and the business units and departments that support its local business development function. This section also describes the functions of the three OTML departments primarily responsible for providing support to local landowner companies: Economic Programs, Contracts Administration and Legal, and Infrastructure Support Services (ISS). The final section explores the complexity of the relationships between OTML staff and landowners, including direct communications between the two groups. This

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<sup>11</sup> BHP stopped operating the mine in 2001 and transferred its equity to the PNG Sustainable Development Program Limited in 2002 (Filer and Jenkins 2017:231).

section also examines the various ways local landowner companies access OTML departments.

Chapter 7 explores research participants' perceptions of the success and sustainability of local landowner companies and draws on fieldwork data from semi-structured interviews, focus groups and fieldnotes. The chapter is divided into five sections, with the first four dedicated to the views of each participant group. The four participant groups involved in this research were OTML employees, Tabubil-based local landowner companies, local landowners from the mine area villages and government officials from Western Province (the Star Mountains Rural LLG and the Fly River provincial government (FRPG)). The fifth section covers the common themes identified across the participant groups.

Chapter 8 is the concluding chapter and divided into four sections. The first three sections are thematic, focusing on the corporation, Indigenous entrepreneurship and local landowner companies, and the relationships between OTML and its local landowner companies. The fourth and final section of this chapter considers some of the implications, recommendations and limitations of the research. More broadly, this thesis suggests several areas where resource companies in PNG, including OTML, could improve their local business development programs.

## **1.7 Summary**

This research examines OTML's consistent efforts in local business development and the results of its local business development program. The thesis highlights the level of investment OTML makes in their Economic Programs department as a significant contributing factor to their local business development results and explores the central role this department plays in supporting local landowner companies. Whilst Chapter 6 explains how resource companies tend to prioritise technical business units over non-technical ones, it also highlights the considerable investment OTML has made in its Community Relations Department. The Economic Programs Department, however, is under-resourced. This thesis considers the impact further investments by OTML in its Economic Programs Department could have on the results of its local business development program.

This thesis also argues that the nature of the relationships between OTML and its local landowner companies is dynamic, multiple and robust. It considers the access landowner companies have to OTML staff and management to discuss their local business development concerns and the positive impact this access has on the nature of the relationships between OTML and local landowner companies. This thesis also shows how this robust relationship dynamic assists with OTML's social licence to operate in the project area.

# Chapter 2 Literature Review

## 2.1 Introduction

This chapter examines Indigenous entrepreneurship in the form of local business development in the large-scale mining sector. The chapter draws on literature primarily focused on Indigenous entrepreneurship in Australia and Canada to provide a broad definition of Indigenous entrepreneurship and to outline some of the ways Indigenous business development is approached in countries where Indigenous people are in the minority. The chapter also defines what a corporation is and examines the relationships between large-scale mining corporations, project area Indigenous-owned businesses, and policies, legislation and relevant government agencies. In this thesis, project area Indigenous-owned businesses are interchangeably referred to as 'local landowner companies', 'local suppliers' and 'local contractors'.

This thesis deals with Indigenous-owned companies that are commercial entities operating in the formal economy. The existing literature around Indigenous entrepreneurship in the Pacific focuses on PNG, Fiji and Tonga. This literature tends to centre on the informal market sector rather than the formal market sector, and the discussion is limited to one or a combination of micro-enterprises, informal market operators or not-for-profit community-based organisations. This thesis does not discuss any enterprises in PNG's informal economy.

Some examples of literature on the informal market in PNG include discussions of oil palm plantations in West New Britain Province (Curry and Koczberski 2012; Koczberski and Curry 2005) and small-scale village businesses, such as trade stores (Curry 2005), local fresh food markets (Curry et al. 2019) and large-scale commercial food production (ibid.).

Beyond PNG, there is little literature that explores entrepreneurship in the Pacific. Scheyvens et al. (2017) discussed community-based tourism operations in Fiji, and Keen and Ride (2019) explored market vending in the urban Pacific context. James (2002) talked about the emergence of traditional enterprise in low socio-economic groups in Tonga. He presented the concept of traditional enterprise 'as an attempt to capture the way in which people living in households below a certain level of income

in Tonga cooperate with others in order to survive or progress economically' (James 2002:269).

For many Pacific Islanders, identity is understood within a wider set of social relations (James 2002). Scholars explain that social and cultural facets are embedded into economic transactions, and these transactions include Indigenous entrepreneurship (Curry 1999, 2005; Curry and Koczberski 2012). The discussion on the social embeddedness of economies began with Polanyi in the 1940s and 1950s (Curry 2005:232). According to Polanyi, the way an economy is created depends on how it is embedded in society and within economies — both social and economic logic motivates workers and employers (Curry 2005:234).

There are differences in the legal, social, economic and political characteristics of PNG and the two countries of focus in this chapter, Australia and Canada. PNG is a developing country, while Australia and Canada are developed. Further, unlike Indigenous Australians and Canadian First Nations, PNG's Indigenous population has acquired control of state institutions and retained ownership and control of their land and resources (Bainton and Skrzypek 2021). However, these differences are not relevant to this thesis. The key issue here is how mining companies implement local business development in Indigenous communities and how relevant legal and policy frameworks address local business development.

The Australian and Canadian literature was chosen for two reasons. Firstly, these countries impose similar obligations on mining companies. Country-level policy frameworks impose obligations on mining companies to acknowledge and give special treatment to Indigenous communities in mine-affected areas (*ibid.*). Mining companies themselves are also signatories to international standards of corporate social responsibility, such as the Equator Principles (2020), which create similar obligations. Secondly, the literature on these two countries is relevant because most of the mining companies in PNG that have engaged in local business development are Australian (BHP and Newcrest) or Canadian (Placer and Barrick Gold). These mining companies also operate mines in their own countries.

The first section of this chapter defines 'Indigenous people' and 'Indigenous entrepreneurship'. It also explores how Indigenous entrepreneurs define success and the challenges they commonly face. The next section examines the corporation as an actor and defines corporate social responsibility and local content policies. The following section explores three theoretical frameworks: liberal economic theory, the 'view from the inside' and regulation theory. These frameworks provided the foundation for the choice of theoretical lens used for this thesis. Finally, this chapter introduces the broader issues Indigenous entrepreneurs face in both Australia and Canada in the large-scale mining context.

## **2.2 Indigenous entrepreneurship and defining success**

This section draws from comparative literature that discusses Indigenous enterprise associated with large-scale mines across Australia and Canada and the commonalities in the experiences of Indigenous entrepreneurs. It begins with scholarly definitions of Indigenous entrepreneurship to highlight the elements that distinguish it from non-Indigenous entrepreneurship.

Mining companies' continued focus on corporate social responsibility obligations has created a variety of benefit streams available to mine-affected communities. The benefits packages resource companies create often include areas such as health, education, gender, employment and training. Local business development is also sometimes included as a benefit stream. This includes commercial opportunities for landowners to create businesses that provide essential goods and services to the mining company that would otherwise be provided by non-local companies or the mine itself. The next section demonstrates how large mining companies consider their local business development programs evidence that they are fulfilling their corporate social responsibility obligations.

Approaches to local business development for Indigenous people can operate at three different levels. Firstly, at a national level, policy initiatives to support local businesses can be created that are accessible to any Indigenous individual or business. These initiatives can involve the supply of goods or services to any public or private entity. Australian examples of national level policy initiatives include the Indigenous

Procurement Policy (IPP) and Supply Nation. These initiatives are discussed in more detail in the final section of this chapter.

The next level at which local business development for Indigenous people can operate is specific to the mining industry. Agreements between mining companies and project-impacted communities contain provisions for Indigenous businesses to supply goods and services to the mines. These agreements express a general preference for Indigenous businesses, as defined by each agreement. In Australia, these agreements are called native title agreements or Indigenous Land Use Agreements (ILUAs); in Canada, Impact Benefit Agreements; and in PNG, development forum agreements or benefit-sharing agreements. The third level at which local business development can operate, also addressed in agreements, is targeted at businesses owned by local landowners specifically from the mine impact area.

Looking at all three levels at which local business development can operate helps to frame the discussion on large-scale mining and Indigenous entrepreneurship in Australia and Canada in the final section of this chapter. More broadly, these three levels provide a lens through which to view how local business development initiatives operate in PNG, as covered in Chapter 3.

### **2.2.1 Definitions of Indigenous entrepreneurship**

It is important to provide clear definitions of Indigenous people and Indigenous entrepreneurship, as some ambiguity and contention exists within the literature. Whilst definitions of Indigenous vary from one global institution to another, and from one scholar to another, Peredo et al. (2004:5) agreed that the term comprises the following three core elements:

- descent from a population inhabiting a region prior to later inhabitants
- geographical, political and/or economic domination by later inhabitants<sup>12</sup>
- maintenance of some distinctive sociocultural norms and institutions.

Other characteristics include an attachment to ancestral lands and their resources, modern subsistence economic arrangements and distinctive languages. Indigenous

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<sup>12</sup> Whilst this element does not apply to PNG, the population is still described as indigenous to the land.

populations are also associated with the dimension of a ‘“collective” or community-based orientation’ (Peredo et al. 2004:5). In colonised countries, Indigenous populations often make up a minority of the total population (ibid.).

Hindle and Lansdowne (2005:9) defined Indigenous entrepreneurship as:

*the creation, management and development of new ventures by Indigenous people for the benefit of Indigenous people. The organizations thus created can pertain to either the private, public or non-profit sectors. The desired and achieved benefits of venturing can range from the narrow view of economic profit for a single individual to the broad view of multiple, social and economic advantages for entire communities. Outcomes and entitlements derived from Indigenous entrepreneurship may extend to enterprise partners and stakeholders who may be non-Indigenous.*

The concept of Indigenous entrepreneurship needs to be considered separately because it can differ considerably in nature to mainstream or non-Indigenous entrepreneurship. This thesis considers the idea that the goals and outcomes on which Indigenous enterprise are focused often orientate toward the community rather than the individual (Cahn 2008:1; Peredo and Anderson 2006:260).

Scholars acknowledge that entrepreneurship and business development are central to improving the economic development of Indigenous peoples globally (Peredo et al. 2004:3). Amongst Indigenous groups, entrepreneurial activity in the private sector can vary widely, from the collective community-based efforts of the Māori in New Zealand (Frederick and Henry 2004, cited in Peredo et al. 2004:3) to the individual entrepreneurship spin-offs of the Kumeyaay bands in California from tribal casino gaming (Galbraith and Stiles 2003, cited in Peredo et al. 2004:3). Whatever form the enterprise takes, the literature supports the view that Indigenous entrepreneurship is distinguishable from other forms of economic activity by Indigenous peoples (Peredo et al. 2004:3). Indigenous entrepreneurship is different from non-Indigenous entrepreneurship because Indigenous people often come from a socio-economically disadvantaged position compared to non-Indigenous people. In addition, their agenda is often not solely economic development; rather, economic development is seen as a ‘part of the larger agenda of rebuilding their communities and nations and reasserting their control over their traditional territories’ (Peredo et al. 2004:6). This larger agenda

is framed in international declarations such as the 2007 United Nations *Declaration on the Rights of Indigenous Peoples*.

### **2.2.2 Indigenous entrepreneurship: defining success and common challenges**

When considering why Indigenous people engage in entrepreneurship, it is important to understand how Indigenous groups perceive the concepts of success and sustainability. The literature reflects the diverse ways Indigenous groups and enterprises define these concepts. Professor Dennis Foley, an Indigenous Australian scholar, provided a specific definition for Indigenous entrepreneurship in the Indigenous Australian context (Foley 2003, 2006). Foley's use of the following definition of entrepreneurship adequately describes an Indigenous understanding of the concept by incorporating not only profit maximisation but other values and types of capital (social, cultural, environmental):

*Entrepreneurship is a subversive activity. It upsets the status quo, disrupts accepted ways of doing things, and alters traditional patterns of behaviour. It is at heart, a change process that undermines current market conditions by introducing something new or different in response to perceived needs. It is sometimes chaotic, often unpredictable. Because of the dynamic nature of entrepreneurship and because of the entrepreneur's ability to initiate change and create value ... the concept of 'creative destruction' is an apt description of the process ... the entrepreneur thus disrupts the economic status quo, and as a result creates new market opportunities (Smilor 1997:341, cited in Foley 2003:135).*

One of the key characteristics of Indigenous entrepreneurship is that profit cannot be attributed as the single or primary motivating factor for engaging in business (Foley 2000, 2006, 2008; Hindle and Lansdowne 2005; Scheyvens et al. 2017). This section explores the motivating factors for Indigenous entrepreneurs as well as some of the shared challenges they face.

Maritz and Foley (2018:2), respected scholars in the field of Indigenous entrepreneurship, found that factors other than just financial criteria or profit define the success of Indigenous entrepreneurship. As such, its definition needs to be inclusive of the social, cultural and historical aspects and circumstances of Indigenous peoples and written from an Indigenous standpoint. Foley's definition of Indigenous Australian entrepreneurship is a broad one, and he acknowledged that other Indigenous peoples

globally have their own definitions (Maritz and Foley 2018:2–3). Foley's work (summarised as follows) included scholarly engagement with the broader literature on Indigenous entrepreneurship across Canadian First Nations and Native American groups, as well as some work with the Indigenous minority in Ireland, the Traveller community (less commonly known as the Pavee) (Foley 2012:66).

Whilst Foley's research has captured important issues in Indigenous entrepreneurship in Australia, it has generally been limited to the urban context. His work does not cover issues faced within Indigenous entrepreneurship in remote Australia, where much of large-scale mining (the focus of this research) takes place. Few scholars have conducted any in-depth exploration of Indigenous entrepreneurship in the Australian mining context, and more research in this area is needed to understand the issues particular to these remote regions. Indigenous entrepreneurs in remote mining regions tend to face different sets of challenges, including geographic isolation, access to capital, limited markets, socio-economic factors and whether their business is mine-dependent (Buultjens et al. 2010).

Drawing from his work in Australian urban settings, Foley identified the following seven key dimensions that distinguish entrepreneurial networking in Indigenous cultures from that in non-Indigenous cultures: drivers for the activation of relationships; views of network; the role of family dynamics; diversity; business relations; and the relationship between social and business spheres (Maritz and Foley 2018:3). One of the key findings from Foley's more than 15 years of qualitative research is the overt, covert, institutional and lateral racism Indigenous entrepreneurs face (Maritz and Foley 2018:4). Foley also found that Indigenous entrepreneurs tend to commence business with the following disadvantages (Maritz and Foley 2018:3–4):

- less business expertise (social capital)
- lower education qualifications (human capital)
- lower capital resources (financial capital)
- restricted access to finance
- nominal to no access to working capital resources
- little to no real property for bank security
- little financial wealth, and

- nominal established commercial networks.

These dimensions highlight the necessity for Indigenous entrepreneurs to act on relationships. Because they often have no social or human capital within their networks, they need to obtain wider (non-Indigenous) networks to commence business (Maritz and Foley 2018:4).

Foley referred to the last of the seven dimensions that distinguish entrepreneurial networking as 'the relationship between social and business spheres' (Maritz and Foley 2018:3). There are notable differences between the non-Indigenous Australian and Indigenous Australian approaches. For non-Indigenous Australians, networking is seen as an extension of their social interactions and is culturally accepted and encouraged. In contrast, Indigenous Australians have seen it as a business necessity to engage non-Indigenous businesses (ibid.). One initiative that brings the social and business spheres closer for Indigenous Australians is the Indigenous Chambers of Commerce, which are currently being established in Australian states and territories. Initiatives such as these provide Indigenous entrepreneurs more opportunities to engage in networking (ibid.).

Maritz and Foley emphasised the cultural aspects of Indigenous entrepreneurship and that the exchanges taking place in this environment are 'as much as or more for social and cultural purposes than for material gain' (2018:5). Peredo and Mclean (2010:608) proposed that communal and social goals rank higher for Indigenous entrepreneurs than for those in modern industrialised societies. A consistent theme throughout the limited literature covering Indigenous entrepreneurship was the emphasis on 'strong communal and tribe bonds' (Foley 2012, cited in Maritz and Foley 2018:6).

In 2002, Foley conducted a qualitative study into Indigenous entrepreneurs based in grounded theory and action research. The study intended to have entrepreneurs' perceptions of business success emerge from the data (Foley 2003). Foley geographically confined the study to the eastern seaboard of Australia and used the following three criteria for participation selection: management control and majority ownership by Indigenous Australians; commercial enterprise without recurrent

government funding;<sup>13</sup> and participants who met the requirements of the Indigenous Australian entrepreneurship definition (see quote provided earlier in this section) (Foley 2003:136–37).

Foley's study, like this research, explored the participants' perspectives on the success of Indigenous entrepreneurship and how they measured it (Foley 2003:137). From an initial 118 Aboriginal enterprises, Foley reduced the study's participant pool to 18 (ibid.). The study results indicated that success to Indigenous Australian entrepreneurs had little to do with money or status; instead, there was a collective interpretation of success. As an example, businesses were seen as successful if they had established themselves and not failed — and, subsequently, if the business had prospered and accumulated some wealth (Foley 2003:138). In contrast, the mainstream measure of business success was based primarily on achieving profits. A motivating force for mainstream entrepreneurs also tended to be a perceived rise in social status as a result of monetary success. In defining success, the study participants viewed wealth as increased stock levels or business assets to expand the enterprise (ibid.). Wealth did not consist of personal wealth, such as jewellery or expensive clothes (ibid.). The study participants were cautious when defining success. Although proud of their achievements in continuing the business, they were unsure of their acceptance by both black and white societies (ibid.). Foley's study highlights how cultural differences can influence Indigenous peoples' definition of success in business.<sup>14</sup> For example, Indigenous Australian entrepreneurs were more comfortable talking about the value of sharing wealth with their family or community as opposed to accumulating wealth. This value was evident in participants' discussions about their realisations that income earned by the business had to be reinvested in the business (Foley 2003:138).

Foley also recognised seven elements of commonality among successful Indigenous Australian entrepreneurs: positivity, face, chaos, education and industry experience, networking, immediate family and discrimination (Foley 2003:139).

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<sup>13</sup> Aboriginal corporations were excluded from this particular study as they obtain tax benefits and status as non-profit organisations (Foley 2003:136–37).

<sup>14</sup> Refer to Scheyvens et al. (2017) for discussion of other indicators of business success and sustainability in the Pacific Islands context.

Respondents referred to face (or perceived image) and their need to project a certain image to the business and wider community. Foley (ibid.) defined face as 'outward show, to judge by appearances, the image that is projected'. The study showed that, for Indigenous Australian entrepreneurs, face involved two main projected images: accountability, or legitimacy, and social acceptability. In order to project the image of business accountability, or legitimacy, to mainstream Australia, respondents described the example of having to employ a non-Indigenous accountant so financial institutions did not question them (Foley 2003:140–41). The second projected image, social acceptability, described Indigenous Australian entrepreneurs' involvement on the boards of non-Indigenous community organisations (Foley 2003:141). Through their involvement in non-Indigenous boards, respondents saw themselves as becoming role models to their wider community and, subsequently, breaking down racial stereotypes about Indigenous Australians. Overall, respondents saw their involvement on boards of this nature as both 'a direct result of their social acceptance in the business world' (ibid.) and a benchmark of their business success.

In Foley's study, the element of chaos described two characteristics common to Indigenous Australians entering a new venture (ibid.). The first points to the respondents' approach to their entry into business. Whilst respondents began their entries with the identification of a business opportunity and a desire to start a venture, during the planning stage, they lacked organising systems to efficiently set up the business. The second characteristic of chaos was a trigger or some kind of crisis (a traumatic, chaotic situation) in the entrepreneur's life that provided the impetus to create the business (ibid.).

Where the Indigenous Australian entrepreneur may perceive themselves as the outsider in the dominant Euro-Australian environment (Foley 2006:13), Papua New Guinean entrepreneurs face a different scenario. Although PNG was colonised by the Germans and British, and then was under Australian 'protection', local Indigenous people continued to maintain rights to their land. It is estimated that over 90 per cent of Papua New Guineans are landowners (Weiner and Glaskin 2007). Papua New Guineans have never felt the loss of their land to the same extent as other Indigenous peoples of colonised nations such as Australia and Canada, where the Indigenous populations are minorities. Despite making up the majority of the population, Papua

New Guineans still share concerns about poverty, health and a desire for better family outcomes.

Cultural and family values are an important consideration when discussing Indigenous entrepreneurship, as these values differentiate it from non-Indigenous entrepreneurship (Fuller et al. 2005; Hindle and Moroz 2010; Peredo and Anderson 2006). Foley's research on urban Indigenous Australian entrepreneurs uncovered some concerns they have in understanding their own cultural values — values that are often 'elusive, complex and contestable' (Foley 2006:15). One commonality amongst Indigenous Australian groups is contemporary kinship values constructed around reciprocity and bloodline connection (ibid.). The importance of providing for their family cannot be underestimated. Foley indicated that the primary concern for Indigenous Australian entrepreneurs is 'the well-being and improvement of their respective Indigenous families in wider society' (Foley 2006:16). The literature demonstrated a similar concern by Canadian First Nations entrepreneurs (Anderson et al. 2006:47; Kayseas et al. 2015). Providing for the basic health, housing and education needs of their families is what drives both groups to succeed in their businesses (Anderson et al. 2006; Neill 2002:34–37, cited in Foley 2006:17). Foley pointed to a sound education and industry experience as common characteristics of successful Indigenous Australian entrepreneurs (Foley 2003, 2006:22).

#### *2.2.2.1 Common challenges faced by Indigenous entrepreneurs*

This thesis now examines some of the challenges Indigenous entrepreneurs face and the strategies they use to address them.

Foley discussed the 'dark side' of responsible business and management as involving 'the cultural cost of being Indigenous, and conducting an enterprise in a non-Indigenous business environment' (Foley 2017:24). In the 1990s, the tourism and hospitality industries had the highest representation of Aboriginal businesses. These industries were an immediate (and convenient) opportunity for Indigenous entrepreneurs to commercialise and commodify parts of their culture. Outside of these industries, Indigenous businesses tended not to identify as Indigenous due to both the perceived and real racism they might encounter (ibid.). However, there has been an improvement in this area recently due to more inclusive and supportive initiatives,

including the Australian Government's IPP in conjunction with Supply Nation, a national directory of Indigenous-owned businesses (both the IPP and Supply Nation are detailed later in this chapter). These initiatives support Indigenous Australian businesses through procurement policies within government and across corporate Australia (ibid.).

Research in the field of Indigenous entrepreneurship has shown that Indigenous Australian business owners have operated under the additional burden of various financial and social stressors (Foley 2017:28). Indigenous business owners often feel like they have to prove themselves in the business world due to the layers of racism that exist within Australia (Foley 2017:28–29). An example of this racism is the perception that the business will not survive; that the Indigenous business owner could 'go walkabout'; and the mistrust of Indigenous people's business skills, including the management of business funds (Foley 2017:28). Research has also shown that the success of Indigenous-owned businesses can be seen as a surprise (by both the Indigenous community and non-Indigenous businesses) rather than a given (ibid.).

Foley's research was conducted across Australia for over two decades and revealed the challenges commonly faced by Indigenous entrepreneurs in establishing and operating their businesses, some of which are shared by Indigenous entrepreneurs in PNG. These challenges are listed as follows in the order of importance research participants reported in the interviews (Foley 2017:29–30):

- racism (overt or covert; physical or exclusionary)
- lack of business and working capital finance
- stress, increased blood pressure, increased coffee and cigarette intake
- lack of business expertise, naivety coupled with poor business planning
- lack of business training
- the inability to get after-hours industry assistance with business problems
- inability to recruit qualified, trained staff prepared to work for minimal wages
- time away from families in the start-up phase of the business, especially time away from children in their formative years when 60–80 hours a week are spent in the business

- loss of cultural capital due to the lack of time spent with children and/or wider community and family
- in the early stages of the business, the financial constraints limit what you can do.

## **2.3 The corporation, power and policy instruments**

Before an examination of Indigenous entrepreneurship in the large-scale mining context in the next section, this section provides definitions for three important terms: the corporation, corporate social responsibility and local content policies.

### **2.3.1 The corporation**

This part first describes the various activities of a corporation, then discusses the two models predominantly used to view corporations as actors. Corporations comprise many transactional activities, and these activities create social relations. Welker (2014a:6) proposed that these transactional activities are 'latently available for identifying, evaluating and transforming the corporation'. These activities include (Welker 2014a:6, 2016:409):

- employing workers
- producing commodities for consumers
- consuming natural resources
- expelling waste
- borrowing and lending money
- paying taxes
- lobbying governments
- disbursing returns to investors
- engaging in lawsuits
- establishing subsidiaries
- engaging local suppliers
- subcontracting, partnering, investing and competing with other corporations.

The transactional activity this thesis examines is the corporation's provision of local business development opportunities through the engagement of local suppliers.

This part examines the two opposing views commonly used to explain what the corporation is: the *homo economicus* (economic man) model and the relational model of personhood. Both models construct the corporation as both an actor and a human subject. In explanations for both models, the actor or subject has interests, intentions, responsibilities and actions. The models construct corporations as actors in different ways — and these ways determine the responsibilities we assign to them.

*Homo economicus* is a term generally used in economics to describe a model for human behaviour. This model is defined as ‘an individual with interests and preferences and a rational capacity oriented to maximizing those preferences, which are usually considered as self-regarding’ (Melé and González-Cantón 2014:9). Welker outlined how this model is applied to the figure of the corporation as:

*an actor with prior interests that govern and explain its action is an important orienting device, but it rests on a model of the human subject — the natural, fully realized, discrete, unfettered, self-present, and self-knowing liberal individual (Welker 2014a:1–2).*

The *homo economicus* model plays two roles in defining the corporation: prescriptive and forensic (Welker 2014a:2). Those subscribing to this model believe that corporations should maximise profits for shareholders; in this way, the *homo economicus* model provides a clear explanation of what a corporation should do. The second role the model plays is forensic, focusing on ‘how to identify a unit of responsibility in a fiendishly complex, multiply layered and decidedly trans-national apparatus of harm-production’ (Ferguson 2012:560). This model asserts the corporation’s actions as intentional and apportions blame to the corporation if its actions cause harm. The political theorist Iris Marion Young described such blaming practices and noted that ‘we tend to see those blamed as guilty of wilful harm’ (Young 2006:42, cited in Welker 2014a:2).

The *homo economicus* model has two problems. Firstly, it provides a poor basis for understanding individual humans from an anthropological perspective (Welker 2014a:2). Anthropologists such as Douglas and Ney (1998), Godelier (1999), Mauss (1985), Polanyi (2001) and Sahlins (1972) explained the notion of the person and its complexity. The limitation of the *homo economicus* model in understanding individual humans does not provide confidence that it can adequately explain complex collectives

like the corporation. Anthropologists largely reject the *homo economicus* model explanation of the corporation because it lacks complexity and does not allow for contradictions.

The second problem with the *homo economicus* model is that it does not adequately explain where the corporation starts and ends (Welker 2014a:2). The corporation could include its employees, creditors, subcontractors, suppliers and shareholders (Welker 2014a:3–4). The corporation could also include corporate property, both tangible (e.g. buildings, computers, documents) and intangible (ideas, reputation). In the context of striking workers, passive investors, built infrastructure, equipment, documents and waste, Welker asks, ‘Under what circumstances does all of this diversity belong inside the container of the corporation?’ (2014a:3). Whilst much corporate behaviour fits into the *homo economicus* model, this thesis argues that the relational model is a more useful way of understanding the corporation.

Compared to the *homo economicus* model, relational models of personhood developed by anthropologists better explain what constitutes a corporation. This thesis uses the explanation of the relational model of personhood developed by anthropologists working in South Asia and Melanesia (e.g. Marriott 1976; Strathern 1988) (Welker 2014a:5). This model draws on the notion of the ‘dividual’ or ‘partible personhood’ as presented by Strathern (Mosko 2015:361):

*The dividual is a composite being, one who is divisible or divide-able into component parts or relations that are transactable with other similarly constituted dividuals (Mosko 2015:362).*

In this model, dividuals are mutually composed of the reciprocated elements of each other (Mosko 2015:367).

When the relational model is applied to corporations, the individual is treated as partible, composite and permeable (Welker 2014a:5). The relational model provides the opportunity to ‘explore how corporate identity and interests are distributed and contextual’ (ibid.). Welker (2014a:4) brought together the idea of the corporation as ‘an actor endowed with particular goals and rationalities with the corresponding “system” of material relationships and practices’. She also described how these multiple, but connected, ideas and systems ‘hang together’ despite tensions and inconsistencies

(ibid.). In addition, Welker (2014a:5) explained that complexity and contradiction are regular features of the relational model. She approached corporations as 'inherently unstable and indeterminate, multiply authored, always in flux, and comprising both material and immaterial parts' (ibid.). Further to this point, Owen and Kemp (2017:23) discussed debunking the idea that mining companies are 'entirely coherent, singular, monolithic entities' and compared them to other large organisations:

*While there is a certain lure associated with presenting the corporation as one large intentional entity, our experience tells us that mining organisations are equally as disjointed as any other large organisation (ibid.).*

Welker posed two interesting and pertinent questions about the boundaries of a corporation and how to define them (Welker 2014a:19): does a corporation include its creditors, subcontractors and suppliers? Does it include those who own it, i.e. its shareholders? There can be financial reasons large corporations choose to engage contractors instead of providing the goods and services themselves. Geipel (2017:436) explained that 'companies can lower their supply chain costs in the long run by building up the capacity of local suppliers of goods and services'.

Filer and Le Meur's (2017) arguments on the social and political space around large-scale resource projects help to explain the multiple roles actors play. The three stakeholder groups mentioned so far — mining companies, government agencies and local Indigenous communities — form the triangular model of political relationships. It is assumed that each of these groups 'contain a set of organisations of the same general type, whose interests are represented in the way they are organised' (Filer and Le Meur 2017:22). During the 1990s, another stakeholder group was added to this model, thus creating a rectangular model of stakeholder politics. Banks and Ballard described this group as the 'fourth estate', comprising 'a wide variety of NGOs, financial intermediaries, lawyers, business partners and consultants' (2003:304). Compared to the first three groups, the range of actors comprising the fourth estate is even more difficult to define because they don't belong to a single organisation. Rather, they are part of this group because they are allies or supporters of actors within one of the three principal stakeholder groups (Ballard and Banks 2003; Filer and Le Meur 2017). Politics occur within and between each of the organisations in each of the stakeholder groups, and this thesis supports the view that groups of actors can

assemble in ‘many different ways in relationship to many different issues’ (Filer and Le Meur 2017:22).

### **2.3.2 Theories of power and negotiation**

Liberal economic theory and assemblage theory underpin the theoretical lens chosen to discuss power and negotiation between resource companies and Indigenous peoples in this thesis. The discussion of the ‘view from the inside’ demonstrates how this thesis frames the study of mining corporations and the way these corporations enact their corporate social responsibility commitments.

#### *2.3.2.1 Liberal economic theory*

Whilst liberal economic theory is a suitable starting point to discuss the dimensions of power relationships amongst resource companies and Indigenous peoples, it does have limitations.

According to this theory, a large resource project should provide substantial opportunities for Indigenous people to engage in the economy through direct employment (O’Faircheallaigh 2013a:21). It is assumed that local people in rural and remote regions where resource projects are taking place will benefit through higher wages. It is also assumed that extractive industries pay higher wages than other industries and generate additional incomes through employment and profit in supporting industries.

Critics of liberal economic theory point to empirical evidence of the limited and negative economic outcomes experienced by rural and remote communities, including persistent poverty; the undermining of existing economic activity; and failure to generate significant supporting industry (ibid.). Some scholars argue that fundamental, structural features of extractive industries, as well as their position within the national and global economies, make it difficult for mining to encourage broad-based development (ibid.). In addition, it is argued that there is an exploitative relationship between these rural and remote areas — where the extractive industry dominates — and the industrial centres they serve. Human, physical and capital resources flow in one direction: from the rural areas to the industrial centres. The role of state agencies in these regions is also key to this discussion. The literature strongly suggests the

tendency for state agencies (in both industrialised and developing countries) to favour the interests of resource companies over those of Indigenous peoples (Bainton and Skrzypek 2021).

Liberal economic theory does not present an encouraging picture for Indigenous peoples. However, O’Faircheallaigh (2013a) argued that there are contemporary and relevant examples of marginalised groups having the capacity to alter how they deal with extractive industries, particularly where there is potential for changes in the distribution of power through avenues such as mine agreement making. The process of mine agreement making offers an opportunity to examine the ways Indigenous peoples challenge the dominance of resource developers and the state and whether this process results in benefits to Indigenous people affected by resource extraction.

The case of the liquefied natural gas (LNG) project in the Kimberley region of Western Australia considers ‘whether the dynamic between Indigenous people and extractive industries is changing’ (O’Faircheallaigh 2013a:23). There are four important stakeholders in this particular case study: the Traditional Owners of the proposed resource site, the Kimberley Land Council (KLC), the state government of Western Australia and the developer, Woodside Energy Limited (O’Faircheallaigh 2013a:26). The two native title groups of the project area are the Goolarabooloo and Jabirr Jabirr people (ibid.). This combined group was referred to as ‘the GJJ’, and their consent was required for the LNG project to proceed (ibid.). Kimberley Aboriginal people established the KLC in 1978 to ‘provide a regional political platform from which they could oppose uncontrolled development’ (O’Faircheallaigh 2013a:23). In Australia, the *Native Title Act 1993* can provide for the ‘sharing of project revenues; employment and business development programs to benefit Aboriginal people; and a measure to protect cultural heritage and the environment’ (ibid.).

For nearly two decades, the KLC have supported the Kimberley Aboriginal people to negotiate agreements for mining, agricultural and other projects (Kimberley Land Council 2020; O’Faircheallaigh 2013a:23–24). The role of the KLC was crucial, providing Traditional Owners support with agreement negotiation and the LNG site selection process (O’Faircheallaigh 2013a:28). This case also demonstrates the ability

of the KLC and Traditional Owners to 'mobilise politically in response to opportunities that arose' during the negotiations with Woodside and the State (ibid.).

### 2.3.2.2 *'View from the inside'*

There is a growing literature examining the inner space of mining operations and how they implement their corporate social responsibility obligations (Kemp and Owen 2013:524). The 'view from the inside' a mining company is one lens through which to understand how they implement their corporate social responsibility commitments (Kemp et al. 2011; Rajak 2011; Welker 2014a). This body of research draws together organisational theory and ethnographic methods (Kemp and Owen 2013:524). Kemp and Owen (ibid.) noted that corporate social responsibility has often been assessed by the results it produces rather than the company's attempts. This assessment is a one-sided view often reiterated and reinforced by the scholarship that favours the view from the community (Bainton 2010; Kirsch 2002, 2014).

American anthropologist Marina Welker provided an account of an American mining corporation in Sulawesi, Indonesia, where she conducted her doctoral fieldwork (Welker 2014a). She lived in a village near the mine and divided her time between visiting the company and liaising with the community. This approach influenced the author of this thesis' interest in engaging with OTML to answer research questions. Another example of a social scientist who chose to base themselves at an extractive resource site as part of their doctoral fieldwork was Glenn Banks in Porgera, PNG (Banks 1997). In his thesis, Banks identified his 'dual position as a consultant to the company and academic commentator on the relationship between company and community' and acknowledged the opportunities and constraints provided by his position (Banks 1997:42–44).

Bainton and Owen (2019:767) discussed the issue of researchers moving between different 'zones' when studying the resource industry in Melanesia and argued that engagement between the range of interests is 'fraught with difficult ethical, methodological and ontological challenges'. Such engagement can be a challenging experience for researchers in this environment. They can be accused of aligning themselves with the interests of the resource company, particularly if they spend long

periods of time in the field (Bainton and Owen 2019:769). The fieldwork site can be the head office of a corporation or the offices at their remote project site.

### 2.3.3 Policy instruments and corporate social responsibility

Policy and legislation relating to local content policy within the extractive industry differs across countries, and Table 1 provides a broad outline of the different levels and types of policy. The table details instruments at the national government level as well as the corporate and local levels.

**Table 1. Local content policy instruments**

Level	Policy instrument	Subtype of policy instrument	Details	Examples	
National/country level	Policy statements		Broad statements of government policy outlining local content policy objectives and principles	2012 Sierra Leone Local Content Policy	
	Primary legislation		Enacted in acts of parliaments and statutes	Nigeria's Oil and Gas Industry Content Development Act 2010	
	Secondary legislation	Regulations	Delegated; emanate from primary legislation		Ghana's Minerals and Mining (General) Regulations, L.I 2173 of 2012  Tanzania's Petroleum (Local Content) Regulations 2017
		Ministerial orders			Angola imposes specific local content obligations on companies carrying out oil and gas activities in the country
		State, province or territory level			Australia's mining acts administer licences and leases  State agreements set out the rights and obligations of the state and the developer and can include details on local sourcing and employment  ILUAs between mining companies and native title owners, where more specific local content provisions are developed to fit the needs of the Indigenous community

Level	Policy instrument	Subtype of policy instrument	Details	Examples
Corporate	Mining contracts, agreements and bidding rounds for concessions or production-sharing agreements		<p>These contain legally binding requirements in respect of local content</p> <p>Mainly used in the hydrocarbon sector, rarely in the mining sector</p>	Brazil
Local	Community development agreements or Impact Benefit Agreements		<p>Formal agreements between investors in the mining sector and the communities likely to be impacted by the project</p> <p>Voluntary or mandatory in nature, often guided by primary legislation frameworks</p> <p>Agreements engage mining firms in delivering social and economic benefits to local community</p>	Australia, Canada, PNG and Ghana.

Source: Adapted from Ramdoo (2018:7–8).

At the national government level, the broad definition of local is also associated with:

- nationality or citizenship, in the case of employment;
- business registration and/or headquarters, ownership and/or control of capital; and
- value addition, when a percentage of locally sourced inputs are used in the manufacturing process, or when the raw material is used as an input for further transformation by local industries (Ramdoo 2018:2).

The meaning of 'content' in 'local content' refers to national government policy responses to the following policy objectives:

- increasing the participation of domestic industries
- development of the local workforce
- transfer of technology or of intellectual property to local firms or government agencies
- the conduct of research and development and innovation activities locally, or financial contributions to fund local institutions for that purpose
- fostering downstream value addition and beneficiation of locally produced raw materials (Ramdoo 2018:3).

Local content policies have potential challenges at the resource company level, and many companies have failed to implement these policies due to a variety of political and economic factors (Ramdoo 2018:4). Policy instruments at the company level include mining contracts, agreements and bidding rounds for concessions or production-sharing agreements. Two challenges worth noting are the lack of clear objectives and guidelines on the process and that 'incentives given to local firms may lead to inefficient allocation of resources and market distortions if they are not time-bound' (Ramdoo 2018:4–5).

Many examples over the last century illustrate the 'irresponsible exploitation of people and resources' by transnational corporations in the extractive resource sector (Rajak 2011:9–10). Some scandals surrounding allegations of such exploitation include illegal uranium mining in Namibia (Rio Tinto); exploitation of the black workforce in apartheid South Africa (Anglo American); involvement with paramilitary outfits in Columbia (BP); complicity in the oppression of Ogoni people in Nigeria (Shell); and armed conflict surrounding the Panguna mine on Bougainville, PNG (Rio Tinto) (Rajak 2011:8–9). Over the last three decades, the extractive resource sector has created initiatives to make the business of mining more socially responsible and sustainable (Hilson 2012:131; Rajak 2011:9), and corporate social responsibility has become increasingly important to large-scale global extractive corporations (Kemp et al. 2011:94). There has been a proliferation of voluntary regulation and codes of conduct on corporate social responsibility, sustainable development, stakeholder relations and community

consultation (ibid.). Mining companies implement corporate social responsibility initiatives both to gain the required social licence to operate and to 'mitigate and manage social and political risks due to rising expectations domestically for a better and more equitable distribution of wealth' (Ramdoo 2015 in Ablo 2020:325).

Amongst scholars, the definition of corporate social responsibility is varied and contested (Fordham et al. 2017:366). This thesis defines corporate social responsibility broadly as 'a company's commitment to contribute towards the wellbeing of wider society' (ibid.). This commitment to wellbeing has five key dimensions:

- social (relationship with business and society)
- environmental (natural environment)
- economic (socio-economic and financial)
- voluntary (actions not prescribed by law)
- stakeholder (stakeholder or stakeholder groups) (Dahlsrud 2008, cited in Fordham et al. 2017:366).

One element of the corporate social responsibility policies of global mining companies involves business development strategies for project-impacted communities. These strategies are usually included in mining contracts and agreements at the company level (as indicated in Table 1) or in local-level agreements such as community development agreements or Impact Benefit Agreements.

Local-level agreements (including community development agreements and Impact Benefit Agreements) are of particular interest to this thesis because they are made between resource project-affected Indigenous groups, resource companies and national governments. Countries use different terms to describe similar benefits packages, and similar sets of stakeholders are involved in reaching these agreements. In the United States, the agreements are referred to as community benefit agreements and are negotiated between real estate developers and local Indigenous groups (O'Faircheallaigh 2013b:222). In Canada, the same agreements are referred to as impact and benefit agreements and are negotiated for the development of mines and pipelines in the north of the country (ibid.). In Australia, they are called native title agreements or ILUAs (ibid.). In Peru, they are referred to as consent agreements. Finally, in PNG, they are referred to as development forum agreements or benefit-

sharing agreements (Banks 2003, cited in O'Faircheallaigh 2013b:222). This type of agreement is discussed in more detail in Chapter 3.

## **2.4 Large-scale mining and Indigenous entrepreneurship: Australia and Canada**

### **2.4.1 Indigenous Australian entrepreneurship**

Only around 20 per cent of the Australian continent is legally owned by Indigenous Australians — this land is often referred to as the Indigenous estate (Altman 2009:1). 'Ownership' in this case refers to ownership under native title laws, which more often than not excludes the ownership of minerals (ibid.). The land legally owned by Indigenous Australians represents an estimated Indigenous population of 798,400 (Australian Bureau of Statistics 2018).<sup>15</sup> Indigenous people comprise 3.3 per cent of the Australian population (ibid.) but do not share equitably in the wealth of the mining sector (the activity of which often occurs on their lands) (Altman 2009:1).

#### *2.4.1.1 National policies and initiatives in Australia*

Over the last five years, the Commonwealth Government has worked at improving their policy framework to provide specific opportunities for Indigenous-owned businesses. An example is the IPP, established by the Australian Government in 2015 to encourage all federal government departments to increasingly engage Indigenous-owned businesses. The primary purpose of the policy is to 'stimulate Indigenous entrepreneurship and business development, providing Indigenous Australians with more opportunities to participate in the economy' (Australian Government 2015:6). The IPP requires that a percentage of all Commonwealth procurement contracts (0.5 per cent in 2015–16, increasing to 2.5 per cent by 2018–19) are awarded to Indigenous-owned firms (Storey 2016:2). The IPP also requires that procurement contracts valued between AU\$80,000 and AU\$200,000 for the provision of goods and services in remote areas must be awarded to Indigenous-owned firms (ibid.). In order to identify suitable Indigenous businesses, the IPP directs Commonwealth Government departments to use the national directory of verified Indigenous businesses, Supply Nation. Supply Nation provides the platform for the Commonwealth Government to increase their use of Indigenous businesses and for departments to alter their

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<sup>15</sup> These figures are according to Australia's 2016 census.

procurement policies to reflect their support for such businesses (Collins and Norman 2018:153–54). In addition to the Commonwealth Government, Supply Nation allows all corporate and not-for-profit organisations to access Indigenous enterprises (Collins and Norman 2018:154). The IPP has increased opportunities for Indigenous businesses to receive contracts from Commonwealth Government departments, and revenue earned from these contracts directly contributes to their business and working capital finance. Supply Nation has allowed Indigenous businesses visibility and accessibility across both the public and private sectors.

In 2017, the then Minister for Indigenous Affairs in the Abbott government, Nigel Scullion, commented that Australia's Indigenous business sector had been overlooked (MENA report 2017). Scullion noted that in 2013 Indigenous businesses were awarded only AU\$6.2 million in Australian Government contracts (ibid.). In the five years since the IPP commenced, the number of participating Indigenous businesses and the number of contracts awarded to them has increased significantly. In that time, the IPP has generated AU\$2.7 billion in economic activity for the Indigenous business sector. The Commonwealth Government and their major suppliers have awarded a total of 19,527 contracts to 1935 Indigenous businesses (National Indigenous Australians Agency 2020).

The emergence of institutions such as Indigenous Chambers of Commerce in both states and territories in the last decade (although not all states and territories have one) has provided spaces for Indigenous Australian entrepreneurs to network with other Indigenous business owners. Some of the chambers offer business capacity building as well as broader training and networking opportunities with non-Indigenous businesses. Indigenous Australians can also access support to establish a business through a Commonwealth Government entity, Indigenous Business Australia.<sup>16</sup> The Indigenous Business Australia was created primarily 'to assist and enhance Aboriginal and Torres Strait Islander self-management and economic self-sufficiency' (Indigenous Business Australia 2020a). The support Indigenous Business Australia provides takes

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<sup>16</sup> Individuals must be of Aboriginal and/or Torres Strait Islander descent, at least 18 years of age and cannot be an undischarged bankrupt or under consideration for bankruptcy. Business entities or not-for-profit organisations must have at least 50 per cent Indigenous ownership and cannot be under notice of external administration or investigation (Indigenous Business Australia 2020).

place through a variety of mechanisms, including business planning, business finance, business support and business skills workshops (Indigenous Business Australia 2020b).

#### *2.4.1.2 Indigenous Australian entrepreneurship in the large-scale mining context*

In theory, Indigenous Australians living in remote areas who are beneficiaries of a resource project have the opportunity to maximise a range of benefit streams, including those of business development. In Australia, 60 per cent of mining operations are near Indigenous communities (Buultjens et al. 2010:598).

#### *Generic mining company policies on local procurement and corporate social responsibility commitments*

Australian mining companies claim they are, as part of the broader global movement, aligning corporate social responsibility commitments with the principles of sustainable development. In Australia, the majority of major mining companies and some mid-tier companies subscribe to international corporate social responsibility standards for the extractive industry, such as those set by the International Council on Mining and Metals. However, scholars note a significant gap in compliance measures to ensure the implementation of these standards (Holcombe 2021:205). These commitments and industry standards require companies to find effective ways to engage with Indigenous Australians where economic activity is taking place on their land (Fordham et al. 2017:366–67). Recognition of Indigenous land rights has made it difficult for mining companies to ignore the needs of affected Indigenous communities (Buultjens et al. 2010:599). Resource companies need acceptance from the community and stakeholders. Most often, the decision to engage a corporate social responsibility framework is a strategic rather than intrinsically moral response (ibid.). Mining companies also need to attend to these corporate social responsibility frameworks from a political and reputational perspective (O'Faircheallaigh 2008). Despite the challenges involved, the fact remains that mining companies in Australia are investing in these corporate community relations strategies (O'Neill et al. 2019; Trebeck 2008). Banks referred to these strategies and activities as 'corporate community activities' (Banks et al. 2013, 2016, 2017).

In Australia, partnership agreements between Commonwealth Government entities and native title holders, such as ILUAs, have created better opportunities for Indigenous Australians (Buultjens et al. 2010:599). Under the *Native Title Amendment (Indigenous Land Use Agreements) Act 2017*, agreements associated with mining projects can provide Indigenous beneficiaries entrepreneurial opportunities (Holcombe 2009:149). In fact, Langton (2017:3) noted that ILUAs are a key instrument in providing ‘the best opportunity to deliver economic opportunity to Indigenous Australians’.

#### Specific agreement measures that favour landowners

Although Indigenous Australians may be beneficiaries of monies through an ILUA, they need to meet certain conditions before they can receive capital from the agreement to start a business (Holcombe 2009:168). Indigenous Australians in mine-affected areas often have to prove that they are ‘business ready’ in order to receive capital to start a business (ibid.). They can also face cultural pressure as well as community development ‘frameworks’ within these agreements and more broadly across the mining industry (ibid.). Royalty payments flow to traditional owners, and these payments may have a collective focus. However, business preference usually favours any Aboriginal business without distinguishing between collective and individual businesses. The following examples demonstrate the specific agreement measures directed at business development opportunities for traditional owners: the East Kimberley Regional Partnership Agreement and the Yandicoogina Indigenous Land Use Agreement in the Pilbara, Western Australia.

Memorandum of understanding documents were signed in 2005 between the Australian Government and the Minerals Council of Australia to work ‘with Indigenous people to create prosperous and sustainable communities’ (Australian Government of Western Australia 2006; Human Rights and Equal Opportunities Commission 2007, cited in Buultjens et al. 2010:599). The East Kimberley Regional Partnership Agreement is an example of this memorandum of understanding; the East Kimberley Regional Partnership Agreement was created as a pilot under the memorandum and signed in June 2005 (Buultjens et al. 2010:599). This particular regional partnership agreement related to a business development project and comprised four partners: Argyle Diamond Mine, Voyages El Questro Wilderness Park (a tourism enterprise), employment and training providers, and Indigenous organisations (Australian

Government and the Government of Western Australia 2006, cited in Buultjens et al. 2010:599). These partnerships 'have the potential to be an important instrument for government, industry and communities to coordinate community development schemes' (Buultjens et al. 2010:599).

The Yandicoogina Indigenous Land Use Agreement in the Pilbara, Western Australia, provides an example of the main mechanism beneficiaries use to engage with the monetary benefits, including business development, associated with a mining project on their land. The two organisations established to manage the ILUA were the Gumala Aboriginal Corporation Gumala and Gumala Investments Pty Ltd (Holcombe 2009:149). Holcombe's research described the tensions among the various beneficiaries in accessing these benefits. (Holcombe 2009:153–54).

In Australia, there is limited scholarly literature assessing the progress of the opportunities contained within ILUAs, memoranda of understanding and regional partnership agreements,<sup>17</sup> making it difficult to provide concrete conclusions about the Australian experience in this area. Apart from the Yandicoogina ILUA, there is little publicly available data that reviews the progress and outcomes of mining ILUAs in Australia. A similar issue arose in attempting to understand the performance of existing mining-related memoranda of understanding between the Commonwealth Government and the Minerals Council of Australia, as well as the associated regional partnership agreements between mining companies, Indigenous organisations and private sector entities.

#### **2.4.2 Canadian First Nations entrepreneurship**

There is a growing field of ethnic and minority entrepreneurship in countries that have Indigenous populations, including among First Nations groups in Canada. This section presents a case study from Canada in order to explore Indigenous entrepreneurship associated with the potash industry. This case study was selected because it provides evidence of a successful engagement between Indigenous groups and non-Indigenous business partners that created sustainable outcomes for the project-

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<sup>17</sup> Rio Tinto's *Submission to the Senate Select Committee on Regional and Remote Indigenous Communities*, 6 June 2008 lists a number of memorandum of understanding documents signed, as well as regional partnership agreements (Rio Tinto 2008:15–16).

affected communities. The case study also demonstrates the important role leadership plays in such engagement. The broader literature describes the nature of the economic engagement involved as strategic alliances, partnerships, contractual agreements, equity and non-equity alliances, joint ventures, mergers, acquisitions and strategic networks (amongst other terms) (Gordon et al. 2017:4). The constitution of Canada recognises three groups of Aboriginal people: First Nations, Inuit and Métis (Kayseas et al. 2015). In 2016, there were more than 1.6 million Aboriginal peoples in Canada, accounting for 4.9 per cent of the country's total population (Statistics Canada 2017). Between 2006 and 2016, the Canadian Aboriginal population grew by 42.5 per cent, more than four times the growth rate of the non-Aboriginal population during the same 10-year period (ibid.). Of the total Aboriginal peoples in Canada, First Nations people represent the majority, followed by the Métis, with the Inuit making up the minority (ibid.). Aboriginal people in Canada represent more than 600 distinct First Nations governments (or bands) and comprise more than 70 distinct language groups (ibid.). Similar to many Indigenous peoples globally, Canadian First Nations people experience low educational attainment, low standards of living, high rates of mortality and high unemployment (Gordon et al. 2017:9).

First Nations people in Canada tend to live on the periphery of the mainstream economy, and the institutionalisation of Indigenous peoples is evident in the Indian Act 1876 from over a century ago (ibid.). This Act governed life in First Nations reserves (ibid.), much like the discriminatory legislation enacted in Australia against Indigenous Australians. As a result, many First Nations communities are now underdeveloped (ibid.), again similar to the Australian Indigenous situation.

One way Indigenous groups can negotiate resource benefits from their land is through strategic alliances. A strategic alliance is defined as 'a voluntary partnership between two or more relatively independent organisations that agree to pursue some ongoing activity or process so as to improve firm performance' (Das and Teng 2000; Li et al. 2010, cited in Gordon et al. 2017:4). Drawing on Karl Polanyi's work on social embeddedness, Gordon et al. (2017:2) used the term 'mixed embeddedness' to describe this type of alliance. Indigenous people may view strategic alliances as a means to 'acquiring resources, legitimization of inalienable rights and achieving a host of different socio-economic goals' (Gordon et al. 2017:4).

The Muskowekwan First Nation (MFN) group's engagement with a non-Indigenous entity presents an appropriate case study to examine strategic alliances. This First Nations group has a potash mine built on its reserve lands (the first time this has occurred in Canadian history). Potash is a type of salt that contains the element potassium, which is used in textile production, cement and animal feed supplement (Gordon et al. 2017:8). The MFN is a Nahkawiniwak (Saulteaux) band located in the Touchwood Hills, approximately 135 kilometres northeast of Regina, Saskatchewan, Canada. Large-scale resource company Encanto Potash Corporation was seeking to explore and prove the potash resource located on MFN lands. In order to engage with the large-scale resource company, the MFN communities established a corporation, Muskowekwan Resources Ltd.

Gordon et al. (ibid.) described the mineral compound potash, in economic terms, as inelastic — regardless of price increase, consumers will continue to purchase it. Because potash is concentrated in only a few geographical areas globally, its ownership tends to be focused on a small number of corporate and government actors (Gordon et al. 2017:9). A third of the 1823-strong Nahkawiniwak population lives on-reserve, with other First Nations communities living nearby (Indigenous and Northern Affairs Canada 2015, cited in Gordon et al. 2017:7).

Strong political leadership within the MFN group has resulted in positive social and financial outcomes for the communities affected by potash exploration (Gordon et al. 2017:10). Encanto Potash Corporation was the first private company to recognise and take advantage of this type of opportunity. In addition to exploring and proving the resource, the corporation's main objective was to establish the institutional and regulatory groundwork to purchase a stake in the Muskowekwan project (ibid.). The Muskowekwan Resources Ltd board comprises five members: two elected Muskowekwan officials from the Chief and Council, one community member and two independent experts (ibid.). Chief Reginald Bellerose, the leader of the MFN, plans to reinvest the revenue from the potash project into social programs and human development initiatives to improve the community and reduce dependency on federal funding (ibid.). This revenue is expected to come from royalties, property taxes and leases.

Muskowekwan Resources Ltd and Encanto Potash Corporation came together to form the joint venture First Potash Venture, wherein Muskowekwan Resources Ltd gets a seven per cent equity share in Encanto and has two seats on the board, and Encanto takes the remaining three seats (ibid.). The notable part about this arrangement is the absence of an Impact Benefit Agreement (ibid.), otherwise known in Australia as a community development agreement. In Canada, an Impact Benefit Agreement occurs when resource companies are engaged in projects that take place within the traditional territories of Indigenous communities (ibid.).<sup>18</sup> The potash project takes place on reserve land that MFN purchased through the 1993 Saskatchewan Treaty Land Entitlement framework (ibid.). The purchase of this land gave MFN more leverage at the decision-making level. There was a known void within the Indian Act; to resolve this void, MFN entered into the First Nations Commercial and Industrial Development Act 2010. Prior to the Act, the Canadian federal government was unable to develop regulations that allowed provincial legislation and regulation to apply on First Nations lands (Flanagan et al. 2010:149). The MFN hoped that entering into this Act would provide a greater degree of project certainty for investors (Gordon et al. 2017:11). The First Nations Commercial and Industrial Development Act 2010 improves modern provincial regulations for investors as well as better controls provincial authorities' powers to prevent investors from encroaching on federal jurisdiction on-reserve (ibid.).

Gordon discussed the centrality of the Indigenous worldview in the process of joint venture discussions (Gordon et al. 2017:12). The inclusion of elders is important to sound business transactions, and traditional values encourage a collectivist approach (ibid.). Muskowekwan Resources Ltd is a community-owned economic development corporation established to distribute resource benefits to the community, including local employment, training and business opportunities, infrastructure development, social programming, education, self-sufficiency and, ultimately, escaping poverty (ibid.). The MFN also refer to the importance of their connection to land, the reawakening of the Salteaux 'spirit,' in building towards self-reliance. Gordon also talked about two ways the building of social capital makes this joint venture so successful: the venture's associated relationships and new approaches to improving existing institutional and legislative frameworks (Gordon et al. 2017:13). The social

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<sup>18</sup> In PNG, these agreements are referred to as development forum agreements (see Filer 2008, 2012a).

capital is specifically referred to as bridging capital and bonding capital (ibid.). Bonding capital is described as the internal social capital within the affected community, which can develop through the revitalising of traditional values and culture, as well as the need to educate community members on the development approach (ibid.). This case demonstrates the success of a joint venture between an Indigenous entity and a non-Indigenous entity, with a high level of community-controlled decision-making.

### **2.4.3 Summary**

Several lessons from the two aforementioned examples of Indigenous Australian and Canadian First Nation experiences have relevance to Indigenous entrepreneurship in PNG. Firstly, specific historical, political, economic, legal and geographic circumstances influence the outcomes of Indigenous businesses associated with extractive resource projects. Relevant national legislation in Canada<sup>19</sup> and specific agreement measures in Australia<sup>20</sup> have the potential to improve local business development outcomes. Secondly, it is important that Indigenous enterprises exercise the option of forming partnerships with non-Indigenous entities, known in the Canadian context as strategic alliances or mutually beneficial alliances. In the Canadian First Nations case study, this type of partnership has assisted Indigenous businesses to create and develop sustainable business models. However, there is scant literature that provides in-depth analysis of Indigenous Australian engagement and outcomes in business development within the extractive resource industry. In addition, the available literature on the Indigenous Australian experience does not include discussion on such partnerships.

## **2.5 Conclusion**

This chapter reflected on the experiences of Indigenous Australians and First Nations Canadians and the local Indigenous businesses they have established that are associated with large resource projects. The experiences of Indigenous Australians and Canadian First Nations people highlight the many societal challenges they encounter that drive them to engage in businesses to improve their situation. In contrast to the largely profit-driven Western corporate culture, Indigenous peoples'

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<sup>19</sup> Canada's First Nations Commercial and Industrial Development Act 2010.

<sup>20</sup> Australia's ILUAs under the Native Title Amendment (Indigenous Land Use Agreements) Act 2017.

motivation is frequently driven by the need to provide for their families and improve their local community outcomes.

Having dealt with the conceptual literature and wider framework on Indigenous entrepreneurship in the large-scale mining sector, the next chapter focuses on local business development in PNG.



## **Chapter 3      Local Business Development in Papua New Guinea's Mining Sector**

### **3.1 Introduction**

This chapter focuses specifically on local business development in the PNG mining sector. Firstly, it introduces the legislation relevant to local business development, then provides a definition of a local landowner company in PNG. The chapter then discusses policies relevant to business development, including the preferred area policy, the Development Forum and resource development agreements. Next, the chapter explores local business development programs in the PNG mining sector and explains the roles of resource companies and relevant government agencies. Finally, this chapter presents the results of local business development programs in two of PNG's established resource projects, the Porgera gold mine and the Lihir gold mine.

### **3.2 Legal and policy framework for local business development in Papua New Guinea**

This section explores how the preferential treatment of landowner companies has become embedded in PNG's legal and policy framework; this discussion is important because landowner companies are not clearly defined in the legislation. The section begins with a brief discussion of the colonial economy and the influence nationalist sentiment had on the development and implementation of the country's foundational documents: the Faber Report of 1973, Sir Michael Somare's eight-point 'Improvement Plan' (also referred to as the 'Eight Aims') and the five National Goals and Directive Principles contained in the preamble to the PNG constitution. These documents played a significant role in the formation of legislation pertinent to small and medium enterprise (SME) in the country. The section then examines the relevant provisions within the Companies Act 1997, the Business Groups Incorporation Act 1974 and, where relevant, the Land Groups Incorporation Act 1974. Finally, the relevant government institutions and their roles in supporting national (Indigenous) enterprise in PNG, in particular the SME sector, are summarised.

### 3.2.1 Colonial economy and foundational documents

This section begins with a brief description of pre-independence PNG through to independence on 16 September 1975. It examines the Indigenous population's engagement in an economy dominated by people of European origin and the desire for an economy that was finally 'theirs'.

PNG was an Australian protectorate prior to the country's independence in 1975. Not only was pre-independence a critical time for the development of PNG as a nation, this period also shaped the philosophies that would drive the state forward into the future (May 2004:310). The philosophy of the Melanesian way underpinned founding documents such as the Eight Aims (also known as the Improvement Program) that would later contribute to the country's constitution (MacWilliam 2013:221).

As well as owning and operating mines, plantations and trading companies, foreign-owned companies and expatriates were also their primary beneficiaries. Whilst the colonial economy was dominated by foreign ownership, postwar the political focus shifted towards ensuring the Papua New Guinean population was involved in and benefited from economic development in the region (May 2004:303). The focus was then on the development of settler plantations on leased land. Efforts were also made towards stimulating PNG's smallholder cash cropping. In 1951, the Australian Government commissioned a research team from The Australian National University (ANU) to conduct a review of the development of Papua and New Guinea (May 2004:304). The authors of the report made several recommendations, including that priority be given to the development of smallholder agriculture, the establishment of a road system and various fiscal reforms (ibid.; Denoon 2012:11).

During the 1960s, the colonial administration made belated attempts to promote 'native enterprise' by supporting agricultural marketing cooperatives (MacWilliam 2013:9). Australia commissioned another study during this period<sup>21</sup> to conduct an economic survey of the territory, and the subsequent report supported a development strategy

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<sup>21</sup> In 1962, Australia again was criticised by another United Nations visiting mission for not doing enough clear forward planning, with the previous five-year plan already having concluded (May 2004:304). Australia responded by commissioning another study, this time by the International Bank for Reconstruction and Development, to conduct an economic survey of the territory. The International Bank for Reconstruction and Development conducted the survey in 1964, and results were published in the World Bank report of 1964 (ibid.).

based on maximising strong agricultural exports of copra and coconut (Denoon 2012:13; May 2004:305).

By the mid to late 1960s, it was settled that self-government and then independence would occur within a decade (MacWilliam 2013:211). In the lead up to the country's independence, political development in PNG increased rapidly, with the formation of an articulate nationalist group determined to ensure Papua New Guineans came to own and benefit from the PNG economy. In 1968, PNG's first major political party, the Papua and New Guinea Union (Pangu Pati), was established. The Pangu Pati party's main goal was to increase Papua New Guinean participation in politics and the economy, as well as to push for the country's early independence (May 2004:306). By April 1972, PNG had attained self-government, with the then leader of the Pangu Pati, Michael Somare, forming government with a national coalition of parties (Clunies Ross and Langmore 1973:iv).

Prior to independence in 1975, the early to mid 1970s was an important period in PNG because foundational documents were being developed that would influence the country's constitution. In addition to the constitution, two foundational documents — the Faber Report and the eight-point Improvement Plan — indicated the nature of support for national (Indigenous) enterprise.

In 1972, the International Bank for Reconstruction and Development engaged a consultant team from the University of East Anglia to conduct an economic study of PNG (Australian Government 1973). The report, now referred to as the Faber Report, recommended economic policies for an independent PNG (Conroy 2015). The Faber Report emphasised the need for 'more reliance on the development of small-scale Indigenous activities and less on injections of capital, technology and manpower from overseas' (Australian Government 1973:6). Strategies outlined in the Faber Report were later encapsulated in the Eight Aims, presented by Somare as a philosophy of government (Conroy 2015; Denoon 2012:129). The Eight Aims was a set of national goals that the new government incorporated in modified form into the constitution as the National Goals and Directive Principles (Conroy 2015). In late 1972, the then Chief Minister of PNG, Sir Michael Somare, announced the eight-point statement of basic aims for PNG's Improvement Plan (PNG Central Planning Office 1973). The House of

Assembly held a wide-ranging debate about the kind of society Papua New Guineans wanted. Following this debate, the House of Assembly endorsed the Eight Point statement in early 1973 as ‘the basis for economic planning in the coming years’ (ibid.).

A Cabinet Committee on Planning was formed in the Central Planning Office<sup>22</sup> and produced *Papua New Guinea’s Improvement Plan, 1973–1974*, which included the Eight Aims (ibid.). The Improvement Plan, one of the government’s major policy documents at the time, focused on four issues: the need for the people of PNG to play a greater role in the economy; the need for equality among people and areas; the need for much greater attention to rural development; and the need for self-reliance (ibid.). The aim most relevant to the discussion of national (Indigenous) enterprise in this thesis is ‘an emphasis on small-scale artisan, service and business activity, relying where possible on typically Papua New Guinean forms of business activity’ (PNG Central Planning Office 1973:2–3). This aim reflected the broader desire for Papua New Guineans to have increased control of the country’s economy (ibid.).

The Eight Aims were then incorporated in modified form into PNG’s national constitution as the National Goals and Directive Principles. There are five national goals outlined in the preamble to the constitution,<sup>23</sup> and each has several corresponding provisions. Two provisions concerning national (Indigenous) enterprise are relevant to this discussion: the first is contained within the third national goal, and the second is contained within the fifth national goal. Table 2 lists these national goals and their corresponding relevant provisions (guiding principles).

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<sup>22</sup> The term ‘Central Planning Office’ was used in the early 1970s. The current name of this department is Department of National Planning and Monitoring.

<sup>23</sup> The five National Goals are: (1) integral human development liberation and fulfilment; (2) equality and participation; (3) national sovereignty and self-reliance; (4) natural resources and the environment; (5) Papua New Guinean ways (Government of Papua New Guinea 2006).

**Table 2. Guiding principles to Indigenous enterprise as outlined in the Papua New Guinea constitution**

National goal	Name	Declaration	Relevant provision (guiding principle)
Third national goal	National sovereignty and self-reliance	'We declare our third goal to be Papua New Guinea to be politically and economically independent, and our economy basically self-reliant'.	'Citizens and governmental bodies to have control of the bulk of economic enterprise and production'.
Fifth national goal	Papua New Guinean ways	'We declare our fifth goal to be to achieve development primarily through the use of Papua New Guinean forms of social, political and economic organization'.	'Particular emphasis in our economic development to be placed on small-scale artisan, service and business activity'.

Source: Government of PNG (2006:4).

### 3.2.2 National legislation relevant to Indigenous enterprise

This section focuses on the provisions of two pieces of legislation most relevant to local landowner companies in PNG: the Business Groups Incorporation Act 1974 and the Companies Act 1997. The Land Groups Incorporation Act 1974 is also discussed where relevant. This section is important as it maps out the legal parameters and reporting requirements of local landowner companies. The information provided here contributes to the discussion later in this chapter about local landowner companies specifically associated with the mining industry.

The Business Groups Incorporation Act 1974 and the Land Groups Incorporation Act 1974 were intended as legal instruments to support the second guiding principle of PNG's national goals: 'particular emphasis in our economic development to be placed on small-scale artisan, service and business activity' (Mugambwa et al. 2007:705–6).

The aim of these Acts was to bring 'Indigenous, traditional forms of business structures into the modern economy' and 'encourage business by allowing for easy formation and operation' (Tashjian 1989:175–76). The Business Groups Act and the Land Groups Act are both less complex than the Companies Act 1963, particularly the accounting and reporting requirements (Tashjian 1989:176). Both the Business Groups and Land Group Acts incorporate land and business groups with perpetual succession and limited liability protection for their members (ibid.). These groups are separate from the

Companies Act and operate underneath their own legislation. The aim of the Land Groups Incorporation Act is to allow customary groups to 'organise themselves to hold and use their land as incorporated bodies rather than as individuals' (ibid.). Land groups are special types of business organisations only available to Papua New Guineans (Tashjian 1989:175).

The current Companies Act 1997 is much simpler than its predecessor, the Companies Act 1963. The complexity of the 1963 Act started with the five different types of companies possible based on members' liability, with specific obligations for each type (Mugambwa et al. 2007:203). The types of companies were:

- companies limited by shares
- companies limited by guarantee
- companies limited by both shares and by guarantee
- unlimited companies (with and without share capital)
- no-liability companies.

The 1963 Act was heavily criticised. Some criticisms included that it was:

*too complex, too expensive to operate under, and imposed very onerous obligations on local businessmen, and was therefore not 'conducive to the growth and expansion of indigenous enterprises' (Deklin 1999, cited in Mugambwa et al. 2007:204).*

The Companies Act 1997 reduced the types of companies to two: limited and unlimited liability companies, with all companies now having to have shares (ibid.). It is not clear whether amendments to the Companies Act in 1997 made any significant difference to the national government's willingness or ability to apply the first guiding principle contained within the constitution: 'citizens and governmental bodies to have control of the bulk of economic enterprise and production' (Government of PNG 2006:4). Unlimited companies must have a constitution, and all shareholders are fully liable for all debts of the company if it becomes insolvent (Mugambwa et al. 2007:205). Under section 27 of the Companies Act, however, limited companies are not required to have a constitution (Jackson 2015, 2016; Mugambwa et al. 2007:220). Most local landowner companies in PNG are limited companies.

A company must have a name and at least one director. If there is only one director, he or she must be 'ordinarily resident in PNG'; if there is more than one director, at least one of them must abide by this criteria (Mugambwa et al. 2007:206). In order to be incorporated, a company must have a registered office, an address for service and a postal address (ibid.). The Companies Act 1997 also allows for exempt companies to be registered; these companies have fewer reporting requirements (ibid.).

An exempt company is one that, during a relevant accounting period, did not meet at least two of the following three criteria (ibid.):

- total assets of more than K5 million
- more than 25 shareholders
- more than 100 employees.

Mugambwa states that 'if a company satisfies only two of the above three requirements, it can still be an exempt company if all the shareholders agree not to appoint an auditor for the relevant accounting period' (ibid.). A subsidiary of an exempt company is also an exempt company.

The Companies Act has three weaknesses. Firstly, many local landowner companies associated with large-scale mining companies are small businesses and satisfy at least one (if not all) of the aforementioned three criteria. As such, these companies claim exemption from submitting independent financial audits (Jackson 2015:18). These audits make a company accountable to its shareholders by being transparent about financial performance. The exemption provision means shareholders must place their trust in directors, and sometimes this trust is not justifiable (Jackson 2015:19). The second seemingly unpoliced loophole in the Act relates to the exemption provision (the first weakness). Some landowner companies that claim this exemption do submit audited financial statements. However, section 212(3) of the Act allows these exempt companies to withhold information on directors' fees or expenses from the public at large. Remarkably, the company's shareholders are often denied this information as well (Jackson 2015:7).

The third weakness in the Companies Act relates to two sections in the Act: 42 and 412. Section 42 allows any person to participate in the decision-making and benefit-

sharing process and does not treat landowner companies as a separate kind of company. In section 412, the only distinction made between shareholders is those who are citizens (or residents) and those who are not. Together, these two sections of the Companies Act allow landowner companies to 'have proxy shareholders who are not customary landowners, and representing the landowner communities at large' (Wangi 2018:2). Scholars note that this makes it possible for outsiders (non-Papua New Guineans) to take advantage of the ambiguity, potentially pursuing their own interests rather than those of the customary landowners (Filer 2019; Whimp 1995).

### **3.2.3 Government institutions relevant to Indigenous enterprise**

The Investment Promotion Authority (IPA) is a statutory body created to register and regulate businesses in PNG established by the Investment Promotion Act 1992.<sup>24</sup> The IPA is responsible for the administration of PNG's business laws, including the Companies Act 1997, the Business Groups Incorporation Act 1974 and the Associations Incorporation Act 1966. The IPA has three main roles: to provide information on investment opportunities in PNG and export opportunities to international markets; to create awareness about investment queries from the public; and to facilitate business introductions through its database of foreign and domestic investors and networking partners (Investment Promotion Authority 2020). Amongst other functions, the IPA has an online Registrar of Companies where local landowner companies are required, by law, to keep their business records up to date. Landowner companies are also required to maintain up-to-date company details, including any changes to the company name, operating address, constitution, directors and shareholders.

The business and shareholder structures of landowner companies can change regularly (Wangi 2018:3). For example, different landowner groups can nominate their own trustee shareholders for the same company. Decisions like these can make it difficult for the IPA to manage any changes in company structure (ibid.). The shareholder structure of landowner companies can also include individuals, families, clans or incorporated land groups (Wangi 2018). Another component of the legal and

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<sup>24</sup> When first established at the time of independence, the IPA had a different name. Its current name reflects a shift in national policy from the restriction to promotion of foreign investment.

policy framework for local business development in PNG is the preferred area policy, discussed in the next section.

### **3.3 The preferred area policy and the rise of landowner companies**

The preferred area policy in PNG is an initiative that was created to provide special assistance to less developed areas particularly in resource project-affected areas. The foundations of the preferred area policy can be traced back to the original Ok Tedi Agreement, specifically the clauses that stated OTML would, 'where "practicable", give first preference in project and local business development to "the landowners" in and other people originating from the Kiunga and Telefomin subprovinces' (Filer 2005:920).<sup>25</sup> The preferred area policy also originated from the idea of less developed areas and can be traced back to the country's foundational documents discussed in section 3.2.1. In 1975, the incoming Indigenous-led government was focused on fairness and addressing the potential needs of those who were deemed to be underprivileged or less advanced. Processes surrounding the development of other mines during the 1970s and 1980s, such as Porgera gold mine, also influenced the thinking around the preferred area policy.

The business development component of the preferred area policy was clearly articulated in the Mining (Ok Tedi Agreement) Act of 1976. In the early years of Ok Tedi's operation, there was still discussion that the local concessions clauses be fostered 'to ensure local people reap major economic benefit from the project', particularly in reference to local business development (Jackson et al. 1980:312–13). Two clauses in the 1976 Act demonstrate how companies would be required to apply the preferred area policy to local business development. Firstly, clause 32.1 states:

*The Company shall promote, support, encourage and lend assistance to Papua New Guineans desirous of establishing enterprises and businesses providing goods and services for the Project and for the town constructed by the Company and the residents thereof, and shall generally promote, support, encourage and assist the establishment and operation of local enterprises in the Mining Area, provided that nothing in this Clause shall oblige the Company to lend money to any Papua New Guinean or local enterprise.*

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<sup>25</sup> Specifically, clause 30.6 sets out the preference for local residents.

Secondly, clause 32.3 illustrates the importance placed on the preferred areas:

*In so far as it is practicable the Company shall give first preference in its assistance hereunder to landowners in and other people originating from the Kiunga and Telefomin sub-provinces of the Western Province.*

In the case of Ok Tedi, preferred areas describe those closest to the mine site: Kiunga District (Western Province)<sup>26</sup> and Telefomin (Telefomin District, Sandaun Province). Even in the early stages of the development of the Act, the national government was concerned with giving preference to landowners originating from those ‘preferred areas’ (Filer and Jenkins 2017:236–37).

The following statement in section 1 of the Mining (Ok Tedi Mine Continuation [Ninth Supplemental] Agreement Act 2001, 25 years following the original 1976 Ok Tedi Act, reflects connections to the national policy on providing special assistance to less developed areas. Section 1 of the 2001 Act states that it:

*to the extent that it creates or otherwise gives rise to rights, privileges, obligations and duties that are not the same as between citizens, is intended to be a law for the special benefit, welfare, protection and advancement of members of underprivileged and less advanced groups and residents of less advanced areas for the purpose of Section 55 of the Constitution (GoPNG 2001:4).*

Section 55 of the constitution says that ‘all citizens have the same rights, privileges, obligations and duties’ (Filer 2005:920). Those responsible for national policy were keen to apply the meaning of this clause from the constitution to the mining industry. Equal access equated to the offering of additional support and benefits to those in mine-affected areas (Filer 2005:920–21).

Benefits based on a series of graduated geographical zones (or concentric rings) have now been widely accepted by all stakeholders: the project’s ‘own landowners’ having first preference, then the Indigenous population of a larger sized ‘project area’, the population or government of the host province and, finally, the nation or government as a whole (Filer 2005:921). These concentric zones determine entitlements, with a

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<sup>26</sup> Kiunga District (or subprovince) became North Fly District in 1995.

myriad of issues related to who is a landowner and, if they are, their entitlements (Filer and Imbun 2009:84).

### **3.3.1 Business development component of the preferred area policy — Misima, Porgera and Lihir**

By the mid-1980s, the business development component of the preferred area policy had become part of the national mineral policy framework. By 1985, the PNG Government had developed the Standard Mining Agreement (1985) (also referred to as the Mining Development Agreement). This agreement provides guidelines for the development of local businesses for resource projects (Pacific Agribusiness 1987:32). Provisions within clause 21 of the Mining Development Agreement deal with local suppliers and business development. Socio-economic impact studies for three resource projects (Misima, Porgera and Lihir) all made recommendations to the government about the design of the business development programs mining companies intended to implement. Three government agencies were involved in assessing these studies: the Department of Finance and Planning,<sup>27</sup> the Department of Trade and Industry and the Department of Minerals and Energy.

The social impact study for Misima gold mine, located in Milne Bay Province, was conducted in 1986, and the authors of the study provided advice on the mine's business development program. They emphasised that Misima would be a large, short-lived project and that business development should have both a regional focus (on the Milne Bay Province) and a national focus (Gerritsen and Macintyre 1986:216). The report referred to the following Ok Tedi Agreement clause relating to business development, which demonstrates that this component of the preferred area policy was becoming the standard requirement for resource companies. Clause 31.1 stated that:

*the company shall use services, foodstuffs, supplies, fuels, materials, plant and machinery supplies produced or manufactured in PNG whenever the same can be obtained on comparative terms, conditions and delivery dates and are in all substantive respects of quality comparable with those available from outside PNG (GoPNG 1976).*

The 1989 revised version of the socio-economic impact study at the Lihir project (Filer and Jackson 1989) outlined business development recommendations for the project.

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<sup>27</sup> By 1986, the Department of Finance and Planning had absorbed the National Planning Office.

These recommendations demonstrated the influence of national policy on local business development associated with resource projects. The introduction chapter of the study stated that the ‘Kennecott–Niugini Mining Joint Venture plans to promote local businesses on Lihir and elsewhere in New Ireland in a manner consistent with the policies of the State of Papua New Guinea’ (Filer and Jackson 1989:4). The study outlined the following guidelines for the joint venture’s business development program. Preference to local clan or community groups would be given in the following order (Filer and Jackson 1989:12):

1. Groups that are majority owned by customary owners of the land within the special mining lease (SML) or other leases acquired by the project under the mining development contract
2. Other Lihir-based groups
3. Groups based elsewhere in New Ireland.

In 1987, the then operator of the Porgera gold mine (located in Enga Province), the Porgera Joint Venture (PJV), commissioned a local business development study for the project. This study outlined the relevant policies and proposals and how PJV would attempt to address local business development clauses in the Mining Development Agreement (Pacific Agribusiness 1987:1). The PJV used the following guidelines to address the key local business development requirements of clause 21.1:

- The Company shall encourage and assist Papua New Guineans desirous of establishing businesses providing goods and services for the project (clause 21.1 (b)).
- As far as it is practicable, the Company shall give first preference in its assistance to Papua New Guineans from the Province in which the project is situated, and particularly to the landowners and other people from the mining area (clause 21.2).

The main approach taken by the PJV was to ‘establish an “umbrella” organization (Ipili Porgera Investments Ltd) through which major business development opportunities could be channelled for the benefits of people *from the mining area* [author’s italics]’ (Pacific Agribusiness 1987:11). The Ipili Porgera Investment (IPI) is discussed in the following section of this chapter.

### **3.3.2 The Development Forum and the basic mining package**

The government of PNG created the Development Forum during negotiations for the Porgera gold mine in 1988 and 1989 (Filer 2012a:147; West 1992:9). Originally, the Development Forum comprised a series of tripartite discussions between representatives of the national government, the relevant provincial government and the local landowning community, all of whom were required to secure joint endorsement of a development proposal (Filer 2008:120). The set of agreements discussed at the Development Forum would map out future distribution of project-related benefits and responsibilities between the three entities (Derkley 1999:26; Filer 2008:120; West 1992:11) . The tripartite agreement model included the execution of three separate but interconnecting agreements between: the Papua New Guinea state and provincial government; the Papua New Guinea state and landowners; and the provincial government and landowners (Derkley 1999:26; West 1992:14).

Although the forum originated in the mining sector, it is now enshrined in national legislation and has spread to other sectors of the national economy (Filer 2008:120). The forum 'has been modified to meet the political challenges posed by a succession of major resource projects' and has received international recognition as a mechanism to increase the level of participation by local communities (Filer 2008:121). Resource-dependent developing countries face obstacles in achieving sustainable development outcomes in two areas: the distribution of benefits (including rents and revenues) and business development opportunities (particularly with mining companies) (Filer 2008, 2012a). Despite higher levels of community participation through institutions such as the Development Forum, there are still weaknesses that allow pre-existing inequities within landowning groups to dilute the benefits to other recipients (Derkley 1999:54–57).

The institution of the Development Forum has been described by scholars as the most important innovation in the mineral policy framework since the renegotiation of the Bougainville Copper Agreement (Filer and Imbun 2009:87–88). The establishment of the Development Forum was the national government's response to a report commissioned by the National Premiers' Council in 1988 (Filer and Imbun 2009:86). The forum was a political innovation that was subsequently incorporated into the

Mining Act in 1992. The mining minister had a statutory obligation to facilitate such a forum:<sup>28</sup>

*before the grant of any special mining lease (SML) to consider the views of those persons who the Minister believes will be affected by the grant of that special mining lease', including 'such persons as he thinks will fairly represent the views' of the applicants for the SML, the 'landholders' of the proposed SML and any other land to be leased by the applicants, the national government, and the relevant provincial government (GoPNG 1992:7).*

Section 3 of the PNG Mining Act 1992 requires the mining minister to convene a forum before granting a SML in order to 'consider the views' of the developers, the local 'landholders', the provincial government and the national government (Filer 2008:123). Because section 3 of the Act does not mention benefit-sharing agreements that might come from the consultation process, national government officials involved in drafting the legislation were able to claim that agreements made in the forum were not legally binding (ibid.).

The same national government officials developed a template known as the basic mining package for the Porgera negotiations and then applied it retrospectively to mining projects already in operation. At that time, the basic mining package was applied to mines both in the production phase (Ok Tedi and Misima mines) and the licence phase (Kutubu and Hides oil and gas projects) (West 1992).<sup>29</sup> The basic mining package had six economic components, explained briefly here (Filer 2008:123–25):

1. Royalty redistribution

The royalty redistribution component achieved two things: firstly, it increased the proportion of mineral royalties allocated to the customary owners of land from which the mineral resources were to be extracted; and secondly, it reduced the proportion of royalties allocated to provincial governments (Filer 2008:123; West 1992:16). Following the renegotiation of the Bougainville Copper Agreement in 1974, the PNG Government set the royalty rate at 1.25 per cent of the value of production. In addition, of this 1.25 per cent, the

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<sup>28</sup> Section 3, Mining Act 1992.

<sup>29</sup> Mining project proponents were required to have local business development programs before the basic mining package was devised in 1988.

government raised the proportion reserved for local landowners from five per cent to a minimum of 20 per cent (Filer 2008:123).

2. Optional equity

Under the basic mining package, the national government would bear the initial cost of the optional equity component that allowed the provincial governments and local landowners each to acquire up to five per cent of the total equity in a resource project (Filer 2008:123–24). Under this new provision, the national government agreed ‘to hold a portion of its equity in trust for provincial governments or local landowners until the accumulated dividends matched the original purchase price’ (Filer 2008:124).

3. Special support

The special support component established a new grant that the national government would transfer to the provincial government hosting a major resource project. The grant was equivalent to one per cent of the annual value of mineral production (Filer 2008:124). This grant aimed to compensate provincial governments for the reduction in royalties allocated to them by the royalty redistribution component (West 1992:16).

4. Infrastructure development

The infrastructure development component enabled ‘provincial governments and local landowners to negotiate for additional grants from the national government to finance public infrastructure in the affected area’ (Filer 2008:124). This component was separate to the special support grant and would be allocated for public infrastructure during the construction phase of a new resource project. It was seen as justified because the previous two components discussed — royalty redistribution and special support grants — were dependent on mineral production and would not be available until a project was operational.

The remaining two components of the basic mining package, economic opportunity and seed capital, are most relevant to local business development.

5. Economic opportunity

The economic opportunity component referred to the developer’s requirement to ‘give preference in training, employment and business development

opportunities to local landowners, followed by other PNG citizens (Filer 2008:124–25; West 1992:17). In this component, the national government applied the “preferred area policy” in the process of approving a company’s proposal for development’ (Filer 2008:125).

#### 6. Seed capital

Seed capital is the final component of the basic mining package. It required the national government to guarantee a loan to assist one landowner company in each affected area to ‘take advantage of new business development opportunities created by means of the economic opportunity component of the package’ (Filer 2008:125).<sup>30</sup> The loan amount was agreed at K500,000.<sup>31</sup>

During the Development Forum process, stakeholders discuss the nature of support to be provided for local business development, as well as support provisions more broadly in the province (Filer 2008:124–25). Discussions on local business development at the forum, as well as any decisions made, are in no way legislated or binding (West 1992:14). However, the trend over the last 20 years is for resource companies to become more sensitive to the risk of losing their social licence to operate. This awareness has resulted in resource companies paying more attention to local business development initiatives and local preference policies.

### 3.3.3 Resource development agreements

Three agreement types frame the development of major resource projects in PNG, and they are usually agreed upon in this order (Filer et al. 2016:108):

1. Compensation agreements
2. Development agreements
3. Benefit-sharing agreements.

Compensation agreements involve ‘the holder of an exploration licence and the customary owners of the land covered by the lease’ (Filer et al. 2016:108). Development agreements are made between the national government and prospective investors and are concerned with the distribution of the economic costs and benefits

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<sup>30</sup> The national government’s provision of seed capital to locally owned companies was apparently the novel element in the package.

<sup>31</sup> This amount was agreed at a time when the kina was approximately of equal value to the United States dollar (West 1992:17).

of the project between the two parties (ibid.). These agreements are based mainly on the national policy framework prevailing at the time. Development agreements require 'national participation be specified in training and localisation plans and business development plans' (ibid.). These plans are subject to the preferred area policy, which also informs the negotiation of benefit-sharing agreements (Filer et al. 2016:109). Benefit-sharing agreements are negotiated through the Development Forum between customary landowners, the national government, and the provincial and local government(s) hosting the project (Filer et al. 2016:108). Developers are not formally involved in the negotiation of the benefit-sharing agreements, which must be finalised before the government can grant mining development licences (ibid.).

These agreements mean that some landowner groups miss out on benefits depending on where they sit in the concentric circles of benefit, with the inner circle being made up of customary landowners covered by the licence, then the project area people or government of the host province and then the rest of the country (Filer et al. 2016:109).

### **3.3.4 The idea of the landowner company**

The idea of the landowner company was made prominent in the extractive resource sector by the local business development component of the preferred area policy. By 1990, the idea of a landowner company had also entered into public and policy debate in PNG, particularly in the forestry sector (Barnett 1989a, 1989b; Whimp 1995).<sup>32</sup> At this juncture, two important points must be raised about landowner companies: firstly, that landowner companies are more difficult to define from a strictly legal point of view than national companies; and secondly, that there has been a great deal of debate about their effectiveness in representing the interests of landowners.

Scholars have noted that landowner companies in PNG have no precise legal definition under the Companies Act 1997 (Bainton and Jackson 2020:370). The Act does not distinguish landowner companies as a separate type of company; therefore:

*there is no legal requirement for them to have land groups as their shareholders, despite the fact that some of them do so, and despite the*

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<sup>32</sup> It could be argued that the preferred area policy in the mining and then petroleum sectors contributed to the idea that landowner companies require special treatment, but the connection is not a simple one.

*existence of longstanding recommendations for such a requirement to be introduced as a mechanism of accountability (Filer 2019:80).*

In the mining sector, landowner companies are distinct from national companies because their owners are also the customary owners of project area lands (Bainton and Jackson 2020:370). In the forestry and agricultural sectors, however, the parameters that define customary owners are not as clear (Filer 2019:79–80). Various proposals were made in the early 2000s that would have clarified the legal definition of a landowner company by requiring all shares to be held by incorporated land groups (Power 2000a, 2000b, 2008). However, no action has been taken since then to implement these proposals.

There is much debate in PNG on the effectiveness of landowner companies in representing the interests of landowners, with much of the discussion focused on the forestry sector (Filer 2012b, 2014; Gabriel and Wood 2015; Roberts 2019). A 1995 report commissioned by the World Bank (Whimp 1995) provided many examples of shareholders attempting to divorce themselves from the landowner company, claiming the company did not represent them and their interests. The World Bank report also outlined how the policy reforms following the Barnett Inquiry (Barnett 1989a, 1989b) sought to diminish the role of landowner companies in the development process.

Despite the ongoing confusion in PNG over the definition of landowner companies, they have come to be an increasingly prominent feature across all economic sectors, not just mining and petroleum.

### **3.3.5 Implementing local business development programs in Papua New Guinea**

This section discusses the PNG Government's role in local business development and resource companies' local business development obligations to mine-affected communities. Then, a definition of a sustainable local landowner company is provided.

According to Jackson (2016:25), the PNG Government is 'anxious for the resource sector to help develop a broad base of business skills around the country'. Despite this, the national government's input into local business development at resource sites has for many years been 'negligible' (Jackson 2016:64). The government's

involvement in local business development has been limited to the creation of committees to monitor resource company spend on project purchases using PNG suppliers (ibid.). Jackson noted, however, that 'to some extent the State is increasing its role in LBD [local business development]' in recent years, primarily through the government Mineral Resources Authority (MRA) (ibid.). The MRA, a key agency within the national government, is responsible for supervising resource companies' implementation of local business development commitments (amongst numerous other functions). These commitments are agreed upon prior to the construction of a mining project and outlined in the resource project's MoA (Jackson 2016:25). The role of the MRA is somewhat of a balancing act, as Jackson noted:

*The MRA has to operate in such a way as to achieve a balance of its roles as both a promoter of the mining industry and also as its supervisor. It can readily be seen by landowners as 'being on the side of the companies'; it can as easily be perceived by companies as an obstacle to project development; and it runs the risk of being seen by both developers and landowners as simply maximising the State's share of project benefits (ibid.).*

Despite the limited business development advice and assistance provided by the government over the years, the MRA has gradually become an important player in local business development. Recently, it increasingly provides contracts to local companies to undertake infrastructure projects on its behalf (ibid.).

Although not legislated, all mining companies are obligated to provide local business development programs, along with other training and employment benefits, albeit with varying success (Brooksbank 2002:iii). Theoretically, these benefits are afforded to those in communities either in the SML area or within the vicinity of the project area. These benefits can also extend to other communities within the province. The type, scope and value of the benefits from these particular streams varies across project sites (Brooksbank 2002:iv).

Over the last 40 years, mining companies have either fulfilled or exceeded the statutory requirements under their mining development contracts and other agreements set for business, employment and training (Jackson 2015, 2016). Nevertheless, it is difficult to ascertain whether these initiatives have sufficiently prepared landowner communities to create sustainable income-generating activities. There is an underlying

concern that mine-impacted communities have always been dependent on the mine, and that will remain the case.

A 2002 study on local landowner companies in PNG outlined the varied results of business development programs associated with the Lihir gold mine, Porgera gold mine and Ok Tedi up until 2002 (Brooksbank 2002). All the local landowner companies studied faced similar issues concerning the cultural prioritisation of status over commercial success and accumulation of capital. Brooksbank (2002:53) also noted the in-built inefficiencies of these companies and a lack of 'diversification of business activities and investments'.

Brooksbank's 2002 report demonstrated common themes across the three project sites and that small to medium projects face slightly different challenges. Brooksbank cited four common themes (Brooksbank 2002:54–55):

- Larger landowner companies have a better chance at sustainability beyond mine closure.
- More thought is required to involve local landowners in business development opportunities during the construction phase.
- Smaller companies are the least likely to survive post–mine closure due to a lack of thrift exercised in business transactions.
- The efforts of developers' business development staff have focused on maximising local input and involvement in mine-related spin-off and service business activities.

Before providing a working definition of a sustainable local landowner company, it is important to note that establishing any successful and sustainable business is already a difficult challenge. In addition, 'the challenge of establishing Lancos in remote areas of a developing country is a major one and should never be underestimated' (Jackson 2015:7). To provide context, establishing a business, even in more 'congenial circumstances', is not always successful nor 'long-lived' (Jackson 2016:71). Further to this point, management practitioner and scholar Arie De Geus mentioned that 'most commercial corporations are dramatic failures or, at best, underachievers' (Arie de Geus 2002, cited in Jackson 2016:71). De Geus calculated that the average life span of large multinational companies 'did not appear to be much more than 40 years whilst

the average lifespan of all companies appeared to be less than 15 years' (ibid.). Jackson noted that the average age of landowner companies at Ok Tedi, the longest-operating mine in PNG, was estimated to be at least 15 years (Jackson 2016:71).

Jackson defined a sustainable business as (ibid.):

- one which has the potential to outlive the project that gave rise to it or, alternatively, to last until such time as its owners voluntarily close its operations; and/or
- one where the benefits it generates can be (and are) invested in activities that continue to generate further benefits.

The first point raises the question of whether local landowner companies can provide benefit streams that outlive a project. In 2016, Jackson could point to only three specific examples of local landowner companies that had shown promise so far in achieving the two characteristics of a sustainable business (Jackson 2016:72):

- Anitua — a landowner company associated with the Lihir gold mine, New Ireland Province
- IPI — a landowner company associated with the Porgera gold mine, Enga Province
- NKW Holdings — a landowner company associated with the Hidden Valley gold mine, Morobe Province.

These three landowner companies have two things in common: they have established a degree of independence from the resource company they are associated with, and they have built up a suite of assets that have the potential to generate future financial returns for the owners (ibid.).

### **3.4 Results of business development programs in Papua New Guinea's mining sector**

This section briefly explores the local business development programs at two established resource sites in PNG: the Porgera gold mine and the Lihir gold mine. These resource projects were selected for two reasons: firstly, the extent of the relevant literature for each; secondly, at both projects a locally owned landowner company has developed into a national company by virtue of its investments beyond

the mine-affected area from which it originated. In Porgera, this landowner company is IPI, and in Lihir, the company is Anitua.

### **3.4.1 Business development programs at Porgera gold mine**

The Porgera gold mine is located in the Enga Province, approximately 600 kilometres northwest of Port Moresby. Mine construction began in 1989, with production commencing in 1990. The Porgera gold mine is owned by the PJV. Barrick Niugini Limited is the mine's current operator. Barrick Niugini Limited and Chinese-owned Zijin Mining own 47.5 per cent each, the Enga Provincial Government 2.5 per cent and the Porgeran landowners the remaining 2.5 per cent (Burton and Banks 7/5/2020).

In June 2019, Barrick Niugini Limited applied to the PNG Government for a 20-year extension of their mining lease. In April 2020, however, PNG Prime Minister James Marape announced that his government would not renew Barrick Niugini Limited's lease (ibid.). As of April 2021, the government has agreed to renew the lease under the terms of a new development agreement, but the mine has yet to restart operations (Barrick Gold Corporation 2021).

The mine is located among the Ipili people, a distinct cultural group (Biersack 1995; Golub 2006). From 1990 to 2006, the Canadian-owned mining company Placer Dome Inc. operated the Porgera mine through its subsidiary, Placer Niugini (Banks 2006a:81). Barrick Gold acquired the mine from Placer Dome in 2006 and was the major shareholder at that time (75 per cent) (Banks 2006a:81).

Before mine construction began in 1989, Porgera landowners were well prepared for business development opportunities. The efforts of the Porgeran landowners were focused on a single landowner company entity, IPI. In 1983, IPI was established by several prominent landowners and the management of PJV (Banks 1994:81; Jackson 2015:48). The local landowners pushed for these opportunities at the Development Forum in 1989 (Jackson 2015:4, 49). Unfortunately, in 1991 and 1992, IPI experienced financial difficulties and was close to bankruptcy (Jackson 2015:48). In 1993, PJV worked with the PNG Banking Corporation to begin the slow process of 'resurrecting' IPI (Jackson 2015:49). IPI experienced financial difficulties again in 1997, and in 2006 Placer Niugini assisted with its recovery. By the end of 2013, IPI's situation had

improved dramatically (Jackson 2015:50), with a turnover of US\$87 million, net assets of US\$34 million and approximately 1200 employees (ibid.). Interestingly, fewer than 400 of IPI's employees are in Porgera. Much of its business is outside the project area, with operations at seven locations around PNG, and most of its income is from outside the PJV (Jackson 2015:50). As of 2015, IPI continued to dominate the local business development opportunities at Porgera (ibid.).

The majority of local landowner businesses at Porgera are owned by small families or individuals, but few of these businesses are based in Porgera and not many are owned by Porgerans (Jackson 2015:50–51). In addition, many of these businesses are based in Enga Province, but outside of the Porgera project area. Jackson noted in his 2015 report (2015:50) that many of these smaller businesses were not registered with the IPA. The relevant literature does not clearly explain the nature of the relationship between IPI and these smaller companies. However, given IPI's increasing development beyond Porgera and the PJV's emphasis on 'buying Porgeran', the limited literature points to further investment in developing these smaller landowner companies as worthwhile (Jackson 2015:55).

### **3.4.2 Business development programs at Lihir gold mine**

The Lihir gold mine is located on Aniolam Island, the main island of the Lihir group of islands in New Ireland Province. It is a large-scale gold mine approximately 900 kilometres northeast of Port Moresby. Construction of the mine commenced in 1995 and gold production began in 1997 (Dunn 2002:64). The Lihir gold mine is owned and operated by the Australian company Newcrest Mining Limited and is one of five mines they own and operate globally. Newcrest has two mines in PNG, two in Australia and one in Canada (Newcrest Mining Limited 2020a). Newcrest employs approximately 4500 people at Lihir, with a combination of residential and fly-in-fly-out personnel (Newcrest Mining Limited 2020b). Ninety per cent of Newcrest employees are Papua New Guinean (ibid.). In 1995, the PNG Government issued a 40-year SML for the Lihir project (Bainton 2010:16). The current expected mine closure date is 2035.

Initial gold deposits at Lihir were discovered during a Bureau of Mineral Resources geological survey conducted between 1969 and 1974 (ibid.). In preparation for the submission of their feasibility study to the PNG Government, the Lihir Joint Venture

arranged for extensive community consultation between 1986 and 1994. This consultation included the commissioning of detailed social and economic impact and baseline studies by the Department of Minerals and Energy (Bainton 2010:17). The socio-economic impact studies included several recommendations for local business development (Filer and Jackson 1989) that were in line with the national policy framework.

One part of the consultation process was to conduct a social risk assessment for the Lihir project. This assessment was undertaken in 1994 by Rolf Gerritsen, a development economist, and Martha Macintyre, a social anthropologist (Bainton and Macintyre 2013:146).<sup>33</sup> Gerritsen and Macintyre recommended ‘the mining company’s support for the establishment of businesses that would serve the needs of the company’s activities’ (ibid.). As part of that assessment, the authors also recommended the company:

- utilise the locally owned company that had already been formed to provide catering, cleaning and maintenance of the camps where fly-in-fly-out workers were accommodated
- develop earthmoving companies that could quarry and supply coronus, and make and grade roads
- develop a security and maintenance company for the airport facility (ibid.).

A variety of services were needed, including labour hire, building contractors, vehicle sales and servicing, a fuel outlet, waste collection and disposal and a hotel for business visitors (ibid.). The plan also included a supermarket, post office and banking facilities (ibid.). Bainton and Macintyre (ibid.) stated that ‘by 1996 all of these businesses had been established, and almost every village had at least one building company’.

In 1995, after nearly a decade of negotiations among Lihirian landowners, the company and the PNG Government, the Integrated Benefits Package Agreement was signed (Bainton 2010:25–27). The agreement specified that those within the SML would receive royalties, compensation payments and new houses if they were relocated. In

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<sup>33</sup> The Export, Finance and Investment Corporation, an Australian Government institution that was the initial insurer for the project, commissioned the social risk assessment for the Lihir gold mine (Bainton and Macintyre 2013:146).

addition, these people would have privileged access to spin-off businesses, training and employment. An important provision within the Integrated Benefits Package Agreement was that it be reviewed every five years (Bainton 2010:29).

In this early period, much local business development support was provided to local Lihirans, initially through interest-free loans (Bainton and Macintyre 2013:146). At the time, the company's business development section also provided advice and training on business planning and management, in addition to free bookkeeping and accountancy services (Bainton and Macintyre 2013:146–47).

Between 2000 and 2007, local landowners again negotiated the Integrated Benefits Package Agreement (Bainton and Macintyre 2013:147). During this time, returned Lihirians who were formally educated and experienced working in towns were able to influence the new agreement. These returning Lihirians had a better idea of business opportunities associated with the project (Bainton and Macintyre 2013:147). Bainton and Macintyre described the persistent tension between the younger returning Lihirian men and the older male clan leaders or landowner representatives as:

*between the ethics of distribution and reciprocity and the accumulative practices of the new elite ... which has dramatically restructured clans, dissolved corporate solidarity, and transformed 'everyday' and ceremonial exchange practices (Bainton and Macintyre 2013:147–48).*

The Lihir landowners' largest and most successful company is called Anitua. Similar to IPI at Porgera, Anitua has been one of the few local landowner companies associated with a resource project in PNG to have developed a business presence across the country and beyond (Jackson 2015:56). Anitua has several subsidiaries, including Anitua Supermarket and Nationwide Catering Services (Jackson 2015:60). In addition to Anitua, there are numerous smaller Lihir-based and Lihirian-owned landowner companies. These smaller companies are divided into four sets of businesses, as identified by Lihir gold mine staff: clan investment vehicles, relocation businesses, 'specific issues companies' and 'special project companies' (Jackson 2015:62). There are two points worth noting here about these smaller landowner companies: firstly, they all offer similar services, which makes it difficult to establish economies of scale (Bainton and Macintyre 2013:158); and secondly, they are sometimes in competition with one of Anitua's many subsidiaries (Jackson 2015:61).

Lihirians have had three advantages in local business development outcomes: being able to see the results from the Porgera Development Forum; the return of several knowledgeable and well-educated expatriate Lihirians to the island who assisted in negotiations; and traditional ‘prophecies’<sup>34</sup> were fulfilled by the arrival of the mine, which buoyed the landowners’ confidence in seeking maximum benefits from the resource company (Jackson 2015:56).

Despite some apparent successes, Bainton and Macintyre concluded that business development prospects on Lihir are not encouraging and that “‘business development’ ... has divided people and entrenched inequalities’ (Bainton and Macintyre 2013:161). However, Jackson did not entirely agree with Bainton and Macintyre’s assessment of the local business landscape (Jackson 2015:56), more hopefully proposing that:

*if the small Lancos [sic] try to maximise immediate income and simultaneously invest some of that in a sustainable way whilst also increasing current consumption, whilst Anitua maximises future incomes, then an almost ideal situation would be arrived at (ibid.).*

### **3.4.3 Summary**

There have been varying levels of success in the experiences and outcomes of umbrella companies (or their equivalents) at other resource projects in PNG (Bainton and Jackson 2020; Jackson 2015, 2016). There are few examples of successful, large local landowner companies (such as IPI or Anitua) that have their own business functions and also provide the umbrella function to smaller ones. Jackson suggests that it is better the umbrella function remains with the resource company or other such organisation (Jackson 2015:4).

## **3.5 Conclusion**

PNG’s foundational documents played a significant role in the development of legislation relevant to Indigenous enterprise in the country. In addition, the mineral policies of PNG, including the Development Forum, has provided the framework for local landowners to pursue benefits and negotiate business contracts with developers. Beyond its mineral policy, the PNG Government has played a limited role in local

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<sup>34</sup> For more information on these prophecies, see Bainton 2010.

business development associated with the resource industry. The responsibility of supporting local landowner companies remains largely with resource companies.

In order to maintain a social licence to operate, large mining companies in PNG have made significant investments in local business development programs. These mining companies have attempted to create programs that encourage well-run and sustainable local landowner businesses. This chapter has described the local business development programs of the Porgera gold mine and the Lihir gold mine, two well-established resource projects in PNG. Each site has a large, successful, locally owned local landowner company: IPI at Porgera and Anitua at Lihir. The resource companies at each site have provided substantial support to their respective landowner companies, including rescuing these landowner companies when they have encountered financial difficulties.

Whilst resource companies in PNG have made considerable investments in local business development, so far these efforts have not produced the desired results. There are few landowner companies that could be considered successful and sustainable. This thesis explores OTML's local business development program and how this program contributes to the success and sustainability of its local landowner companies.



# Chapter 4 Research Methods

## 4.1 Introduction

This thesis explores the interactions between large-scale mining companies and Indigenous-owned SMEs using qualitative research methods. The research undertaken considered the local landowner companies that have business contracts with OTML and was limited to the geographic region of Star Mountains Rural LLG area in the North Fly District, Western Province.

The last 20 years has seen an increasing academic interest in Indigenous entrepreneurship, with scholars in this area clearly distinguishing it as a separate field of study from non-Indigenous entrepreneurship (Foley 2017; Foley and O'Connor 2013; Hindle and Lansdowne 2005; Maritz and Foley 2018; Scheyvens et al. 2017; Shirodkar et al. 2018). However, related literature provides limited discussion on locally owned enterprises operating alongside a mining project, usually in a remote area (Gordon et al. 2017; Holcombe 2009, 2010; Jongwe et al. 2020). Further, current literature on resource companies and their local suppliers provides a limited grasp of stakeholder definitions of success and sustainability. There are few empirical studies that examine the relationships and interactions between Indigenous-owned SMEs and large-scale mining corporations and how these relationships influence the outcomes of Indigenous-owned businesses. The brief case studies in Chapter 2 revealed how Indigenous peoples define Indigenous entrepreneurship and success in entrepreneurship.

Richard Jackson's work on local landowner companies associated with multiple resource projects across PNG was extensive and the most thorough at a country level to date (Jackson 2015, 2016). Jackson's study has provided an appropriate starting point to answer the questions this thesis poses. Scholars in PNG's extractive resource industry literature have noted that further in-depth studies on local business development are needed (Banks 1999; Bainton and Macintyre 2013; Jackson 2015, 2016). Choosing to conduct an organisational ethnographic study of a mining corporation and its local suppliers enabled a thorough analysis of interactions between the two groups. In addition, this choice of study addressed a part of this thesis' overall

aim. This methodological choice allowed me to apply the theoretical lens I selected and also influenced my research process.

This chapter is divided into four sections. The first defines relevant concepts used in this thesis, including local landowner companies, mine area villages and Community Mine Continuation Agreement (CMCA) communities. It also discusses the ownership structures of local landowner companies and the contractual arrangements between them. The next section discusses the author's positionality as a researcher and how this positionality informed the methodological approach and choice of methods. The third section discusses access to the research site. The final section outlines how the choice of a qualitative research methodology determined the research methods and tools utilised during fieldwork.

## **4.2 Definitional issues**

### **4.2.1 Terms**

This section is divided into two parts. The first part provides the definitions of a local landowner and the three broad mine impact areas: mine area, preferred area and the CMCA regions. The first part also explains how mine area villages are part of a broader preferred area region<sup>35</sup> and the associated benefits landowners in these areas receive from OTML. The second part then provides a definition of a landowner company.

Filer (2017:32) summarises the fundamental principle of landownership in PNG as:

*every automatic (or Indigenous) citizen counts as a 'customary landowner' by virtue of his or her membership in one of the multitude of customary social groups (tribes or clans or lineages) that supposedly have exclusive customary rights over land.*

The aim of this section is not to provide a detailed analysis of the definition of a customary landowner. Instead, the aim is to define concepts like landowner as they pertain to the terms used in this thesis in relation to the Ok Tedi Project: local landowner company, local landowner businesses, local supplier or local contractor. The focus here is not on contestation over who the customary landowners are or

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<sup>35</sup> Preferred area region is defined in Chapter 3.

should be in specific resource projects, as such contestation can be extensive, complicated and protracted (Filer 2006, 2007; Jorgensen 1997, 2006).

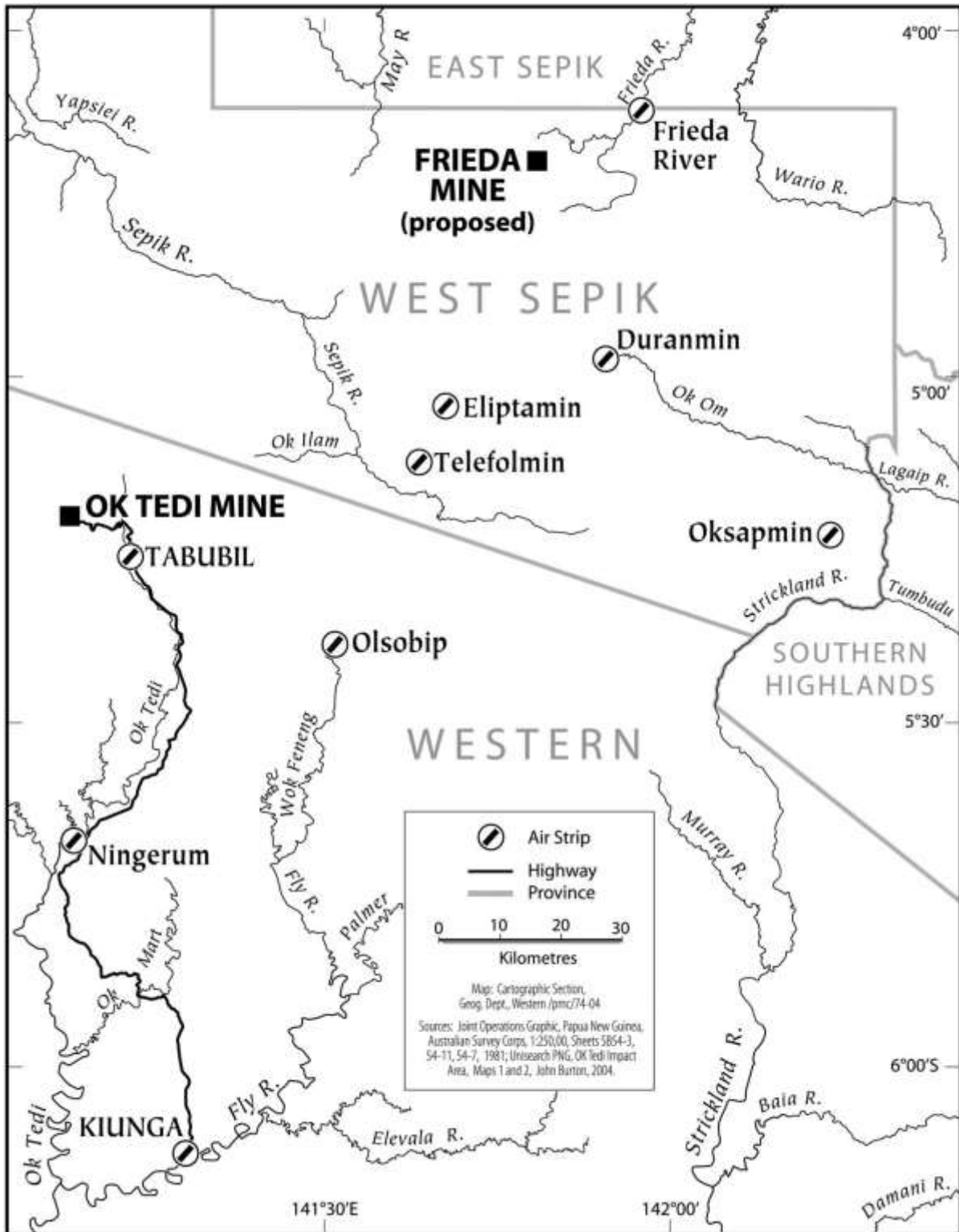
#### *4.2.1.1 What are the mine impact areas at Ok Tedi?*

It is important to begin by discussing how the areas of impact for Ok Tedi are defined. Over the past four decades, there have been multiple amendments to the original Ok Tedi Mining 1976 Act. These amendments have changed several boundaries defining which landowner groups are included in the impact area and the types of benefits they receive (Filer and Jenkins 2017). There are currently three broad impact areas or groups that extend from the mine site on Mount Fubilan to the end of the Fly River: the mine area, preferred areas and the CMCA communities. The distinctions between these three impact groups are significant, as they determine the benefits each group receives, including those related to local business development.

The Ok Tedi mine site is located on Mount Fubilan in the Star Mountains of the northwestern corner of Western Province. The mine's impacted communities also include villages in the southwestern corner of West Sepik Province, directly to the north of the mine site (see Map 1) (Jorgensen 2006:136). The customary landowners involved are the Min people, who are of the mountains and share features of 'culture, language, and mythology of descent from a common ancestress (known as Afek)' (Jorgensen 1996, 2006).

There are 10 mine area villages in total — six from the Wopkaimin clan of the Min people and four from the Upper Awin area. The Wopkaimin are the customary landowners of both the Ok Tedi mine site and Tabubil township, which includes four villages surrounding the mine site and two villages of the Tabubil township area (Jenkins 2016:42,81–82). These six Wopkaimin villages are referred to as the mine area villages and receive the most benefits from the mine through royalties and compensation (ibid.). Those living in the four Upper Awin villages are classified as lease for mining purposes (LMP) landowners, as 'the mine tailings dam was to have been built on their land; however it was abandoned due to unstable land conditions' (Siop 2008:8).

**Map 1. The Ok Tedi region**



Source: Jorgensen (2006:237). Permission for use of map received from author.

Because the original Ok Tedi Act did not recognise all Min groups as landowners of the mine site, all of the remaining Min villages located farther away from Tabubil and the mine site were placed into the preferred area grouping (explained in a following section). This preferred area group — as determined by clause 30 section 6 of the Ok Tedi Principle Agreement — of Min villages and customary landowners of Kiunga<sup>34</sup> (including Awin and Ningerum areas) became the next tier of mine-impacted communities (Filer and Jenkins 2017:236).<sup>36</sup> This second tier receives fewer benefits than mine area villages, as explained later in this chapter. The preferred areas also includes the mine area villages.

The third mine impact area spans all the way down the Fly River and is known as the CMCA region. This area is discussed later in this chapter.

#### Mine area villages

The mine area landowners are determined by three mining leases: the SML and two LMPs, LMP1 and LMP2. The SML covers the area around Mount Fubilan (the mine site), and the two LMPs cover the area around the Tabubil township (LMP1) and the site of the proposed mine tailings dam (LMP2). Table 3 lists the leases and associated villages. Map 2 shows the study area site, the Star Mountains Rural LLG area. This map includes all villages listed in Table 3, all of which are part of the preferred area.

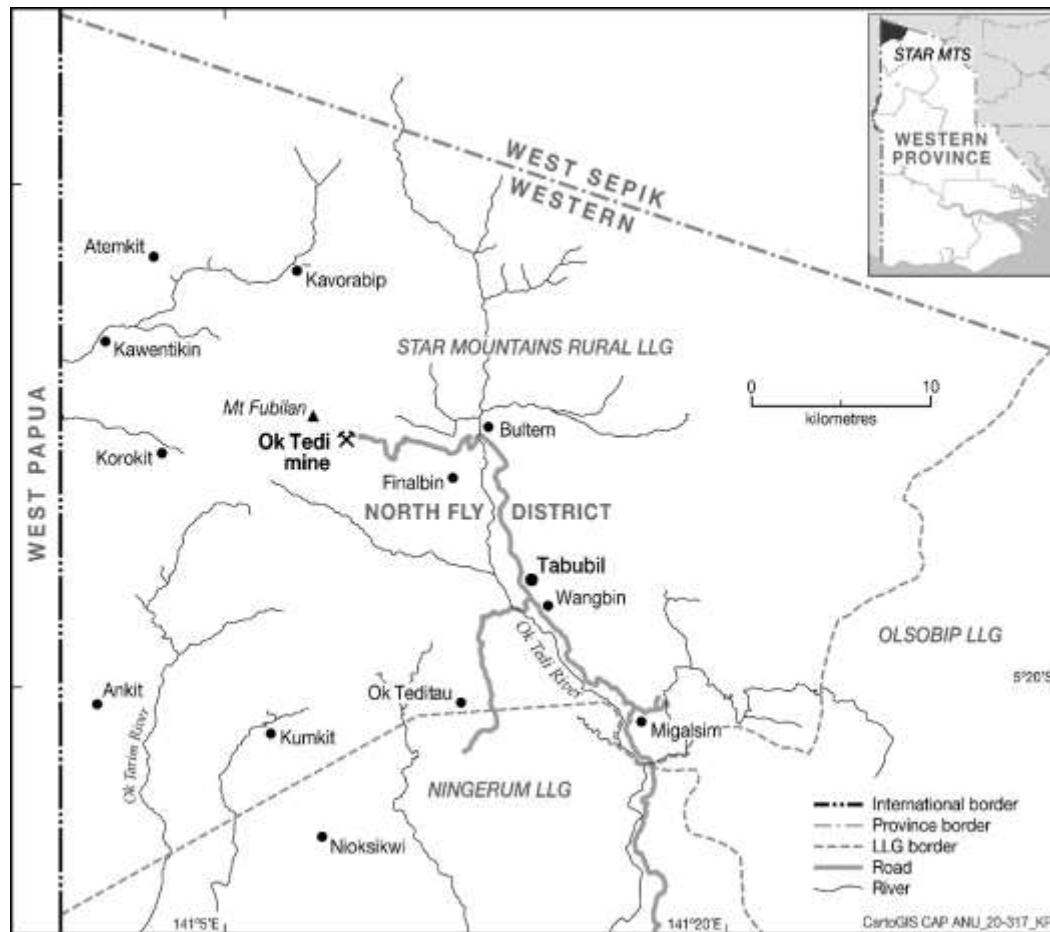
**Table 3. List of mine leases and associated villages**

Lease	Geographic area	Landowning villages
Special mining lease	Mount Fubilan, the mine site and surrounds	Bultem, Kavorabip, Finalbin and Atemkit
Lease for mining purposes (LMP1)	Tabubil township and surrounds	Wangbin and Migalsim
Lease for mining purposes (LMP2)	Proposed mine tailings dam	Oktidetau, Kumkit, Ankit and Nioksikwi

Source: Burton (2007:189,193); Jenkins (2016:42); Siop (2008:4–5).

<sup>36</sup> The preferred area refers to the North Fly District and the Telefomin District. At the time of the Act, the North Fly District included Kiunga.

**Map 2. Study site area, Star Mountains Rural Local-Level Government area, Western Province**



Permission: ANU CartoGIS 2020.

#### Preferred areas and associated benefits

Under the original Act of 1976, landowners in the Kiunga and Telefomin districts were only guaranteed ‘a small amount of direct income ... from the project — a mere one-twentieth (five per cent) of project royalties’ (Jackson 2015:22). In addition to this income, the Mining (Ok Tedi Agreement) Act 1976 granted the Kiunga (including Awin and Ningerum) and Telefomin people preferred area status for employment and business development (Burton 2007:193).<sup>37</sup> The Olsobip and Lake Murray areas are also included as preferred areas; these areas are located in the northeastern part of Western Province, to the east of the Star Mountains Rural LLG area (see Map 1).

<sup>37</sup> See Chapter 3 for further discussion on the preferred area policy.

Landowners from the preferred areas receive benefits such as business development and employment with OTML (ibid.). Landowners from the Telefomin District are also beneficiaries of infrastructure projects funded by the TCS funds (Jenkins 2016:163).

#### Community Mine Continuation Agreement communities

In addition to the mine area villages and preferred area groups, a third group of landowners is impacted by the Ok Tedi mine — the CMCA communities. The following brief explanation of the CMCA communities is justified due to them being part of Ok Tedi's mine impact area. In addition, the study site includes one of the CMCA trust regions (the Mine Villages). Whilst there are local landowner companies associated with CMCA communities (excluding the Mine Villages region), it was not within the scope of this thesis to discuss them. Because commercial business is concentrated in the Tabubil township, similar geographic limitations were purposely imposed on the study site.

The environmental degradation of the mine and the subsequent international lawsuit in 1996 by the Yongomm people created an additional impact group. In 1996, the Yongomm people took the then developer, BHP, to court over extensive environmental damage to the Fly River. Following the international arbitration, there was an out-of-court settlement and OTML initiated the process of CMCA consultations in 1999 (Filer and Jenkins 2017:234–35). The CMCA's define the cash compensation, investment and development payments OTML makes to the communities affected by the mining operations in return for the license to continue operating the mine until 2025.

The CMCA's were finalised in 2002, with 149 villages signing six CMCA's (Filer and Jenkins 2017:240). Each CMCA represented one trust region. The six CMCA trust regions were (Kalinoe 2008:19–20, cited in Filer and Jenkins 2017:240):

- the six mine area villages
- North Ok Tedi (the Ningerum area)/Nupmo<sup>38</sup>
- Lower Ok Tedi (the Alice area)
- the Highway
- the Middle Fly

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<sup>38</sup> There are 18 villages in the North Ok Tedi trust region. Four are LMP villages located in the Upper Awin area: Oktidetau, Kumkit, Ankit and Nioksikwi (Jenkins 2016:85).

- the South Fly.

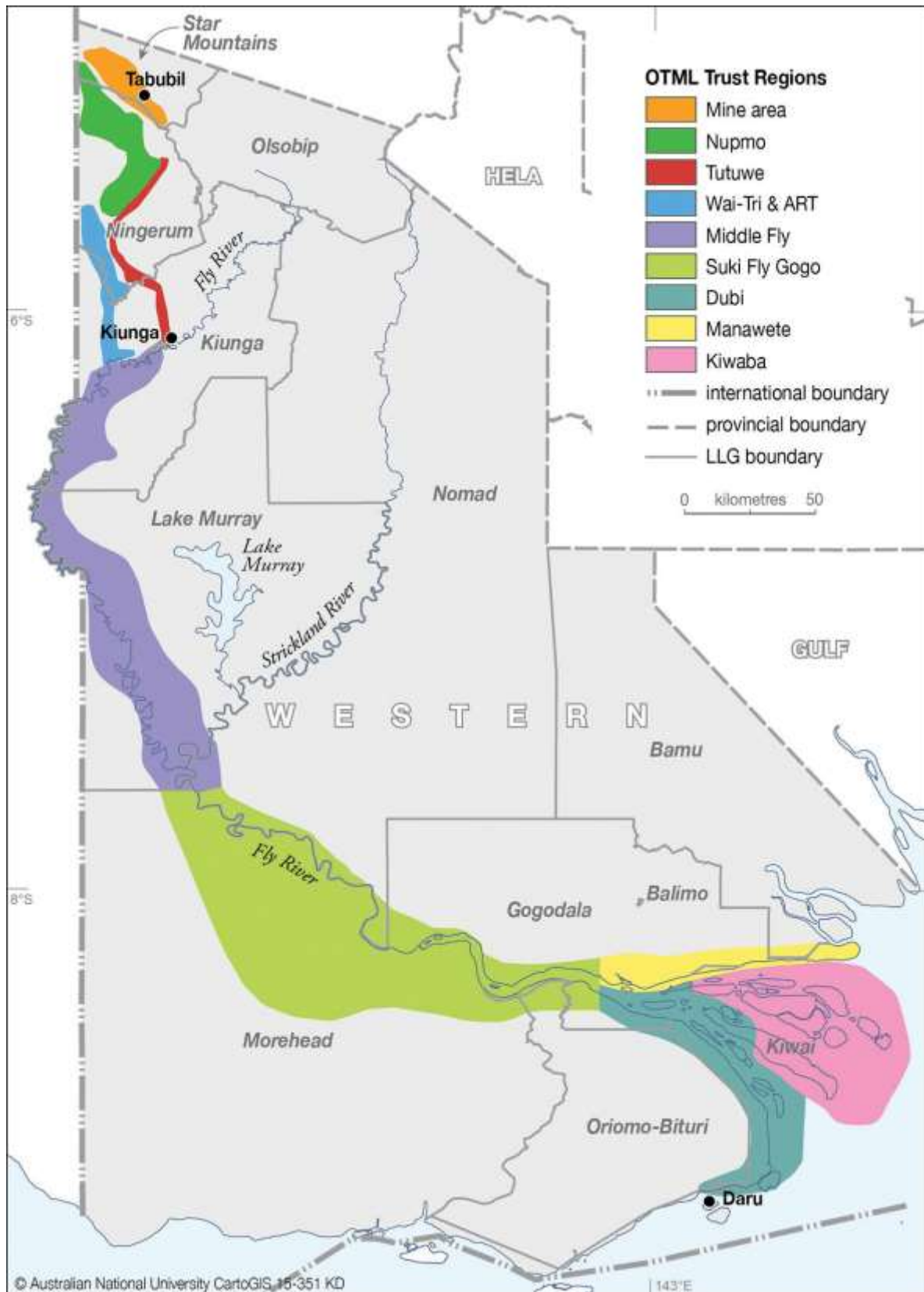
In 2006, OTML reviewed and renegotiated the CMCA's with the communities. As a result, the number of trust regions grew from six to nine. The changes included the South Fly region being divided into four parts — Suki Fly Gogo, Manawete, Kiwaba and Dudi, effectively adding another three trust regions, including nine villages. The number of CMCA communities increased from 149 to 158 (Filer and Jenkins 2017:240).

The CMCA communities are currently grouped into nine regions (see Map 2) and represent over 147,000 people (OTML 2020d). The nine CMCA regions extend from the mine to the South Fly and are:

- the Mine Villages (Mine Lease Area)
- the Highway
- North Ok Tedi/Nupmo
- Lower Ok Tedi
- the Middle Fly
- Suki Fly Gogo
- Manawete
- Kiwaba
- Dudi.

Filer and Jenkins reported in 2017 that, according to the 2011 national census figures (if they are accurate), the combined population of all CMCA villages is 101,413 (Filer and Jenkins 2017:240). This means the combined population of these villages represents 56 per cent of the total population of Western Province (ibid.).

**Map 3. Community Mine Continuation Agreement trust regions, Western Province**



Source: ANU CartoGIS, ANU (cited in Filer and Jenkins 2017:241). Map reproduced with the permission of CartoGIS Services, ANU College of Asia and the Pacific.

#### 4.2.1.2 *What is a local landowner company?*

The broadest definition of a landowner company, sometimes shortened to 'lanco' in the literature, is a company owned by landowners. At the most basic level, clan groups can organise themselves as entities for business purposes through either the Business Groups Act 1974 or the Incorporated Land Groups Act 1974.<sup>39</sup>

For the purpose of this thesis, the definition of a local landowner company associated with a resource project aligns with the definition Jackson provided in his 2015 report *The Development and Current State of Landowner Businesses Associated with Resource Projects in Papua New Guinea* (Jackson 2015:15). A landowner company:

- is a limited company, excluding business groups and other unincorporated entities
- is recognised by a resource project operator as a local contractor/supplier
- is largely under the control of local people — 'local' as defined by the applicable mining agreement
- provides services to, and fulfils contracts awarded to them by, the resource company (Jackson 2015:17).

There are several reasons it is difficult to establish a clear definition of a local landowner company. Jackson's definition excludes business groups, yet potentially includes some companies that are not actually 'locally controlled' (Jackson 2015:17). Further complicating the matter, if the impact area of a project changes, companies not previously categorised as landowner companies may become recognised as one at a later stage. Jackson's definition also excludes landowner entities that have an indirect but significant reliance on the resource company. These entities include businesses set up in towns such as Kiunga or Tabubil that were established primarily to provide goods and services to the town but that do not have a direct contract with OTML (ibid.). The third part of Jackson's definition, that a landowner company is 'largely under the control of local people — "local" as defined by the applicable mining agreement', is not necessarily clearly defined (ibid.). For the purpose of local business development, OTML defines local as being from one of the three impact areas

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<sup>39</sup> These Acts are discussed in more detail in Chapter 3.

described earlier in this chapter, but they do not appear to set a minimum percentage of local ownership composition in a landowner company.

#### **4.2.2 Company ownership structures and contractual arrangements with OTML**

This section comprises two parts. The first outlines the different ownership structures of local landowner companies associated with OTML and describes the two types of contractual arrangements in place between OTML and its local contractors. These ownership structures are based primarily on the ethnic origin(s) of the company's ownership: from the three impact areas, a Papua New Guinean national or an expatriate. The second part describes the business sectors and local landowner companies operating within Tabubil township.

##### *4.2.2.1 Company ownership structures*

For the purpose of this study, landowner companies were selected on the following bases:

- Landowner companies must be owned by landowners from within defined areas of impact (landowner companies relevant to this study were owned by landowners from the mine area and preferred areas impact groups).
- Landowner company operations must be based in Tabubil, Star Mountains Rural LLG or North Fly District.

Local landowner companies can be categorised differently based on their ownership structures. For the purpose of this thesis, the following list defines the different types of companies formed by local landowners from OTML's three impact groups. The first two types (100 per cent landowner companies and joint venture partnerships) can have direct contracts with OTML. The third type, business groups, cannot (as explained later in this section).

1. One hundred per cent landowner company — a company that is 100 per cent owned by any landowners from the three impact areas.
2. Joint venture partnership — a company that is owned by both landowners from any of the three impact areas and a Papua New Guinean national company OR a company that is owned by both landowners from any of the three impact areas and a foreign-owned company.

3. Business group — a group of landowners from any of the three impact groups formed to create partnerships with other companies; business groups do not have direct contracts with OTML .

The following part focuses on these three landowner company ownership structures: 100 per cent local landowner companies, joint venture partnerships and business groups.

#### One hundred per cent local landowner companies

Landowners (or landowner groups) organise themselves in different ways to form companies. An individual or group of landowners can own a company under the Companies Act 1997. Customary landowners can also conduct business by incorporating the customary group as a business entity under the Business Groups Incorporation Act 1974 (Filer 2009:38–39).

In PNG, mine area landowners often have a holding company to manage landowner equity in the resource project as well as a variety of investments. In the case of Ok Tedi, this company is Mineral Resources Star Mountains (MRSM). MRSM is slightly different to others across the mining sector as it also directly manages landowner companies. Both landowner companies and business groups can choose to create larger companies by partnering with either a PNG national company or a foreign-owned company through a joint venture partnership.

MRSM is a landowner-owned company that is a subsidiary of the state-owned Mineral Resources Development Company (MRDC). The MRDC is mandated by the Oil and Gas Act 1998 to manage project benefits, which are held in trusts by corporate trustees. These trusts are subsidiaries of MRDC (for Ok Tedi, this is MRSM) (Mineral Resources Development Company 2020). The traditional role of MRDC subsidiaries, such as MRSM, is to manage investments for landowners of resource projects. MRSM holds the equity interest (3.05 per cent) for mine area landowners of the Ok Tedi mine (Jackson 2015, 2016). Jackson commented that MRSM is ‘unusual ... as it plays an important business management role (as opposed to an investment management role) at Ok Tedi’ (Jackson 2015:38). The two companies Jackson referred to as being

directly managed by MRSM are Fubilan Catering Services (FCS) and Tabubil Engineering (Jackson 2015, 2016; Siop 2008).

#### Joint venture partnerships

Joint venture partnership arrangements comprise an Indigenous company and a non-Indigenous company. At OTML, most of the current joint venture partnerships have a local (Western Province) component and a foreign-owned component (often Australian). Joint venture partnerships can also be between a local landowner company and a PNG national company.

Joint venture partnerships tend to be formed most frequently during the construction phase of a resource project, and this also occurred with Ok Tedi. The intention of resource companies in encouraging joint venture partnerships was to provide opportunities for locals to engage in business, employment and training (Brooksbank 2002:41). An example of such a partnership occurred during the construction phase of Ok Tedi. Ten to 15 local business groups established a company called Star Earthmoving and engaged in a 50:50 joint venture partnership with a PNG-owned transport company, Pagini Transport (known at the time as KT Transport Pty Ltd) (*ibid.*). Bechtel-MKI, the construction contractors for OTML, provided Star Earthmoving with capital by guaranteeing Agricultural Bank loans to purchase dump trucks (*ibid.*). The company leased trucks used in the construction of the Kiunga–Tabubil Highway and township establishment. Once this work was completed, however, the joint venture partnership arrangement was dissolved (*ibid.*).

Joint venture partnership arrangements at Ok Tedi have not always worked in favour of the local landowner company involved, as detailed further in Chapter 5 (Brooksbank 2002; Jackson 2015:43).

#### Business groups

In addition to being incorporated as limited liability companies, another way local landowners organise themselves is through the formation of business groups. The Business Groups Incorporation Act 1974 provides for ‘the incorporation of customary groups for business and other economic purposes’ (Tashjian 1989:177). These business groups usually choose a group leader to represent them (Jackson 2015; Siop

2008). For some business groups, the group leaders are elected regularly by the shareholders. Business groups can also combine with other business groups or individual landowners to form companies.

#### *4.2.2.2 Contractual arrangements with OTML*

There are two types of contractual arrangements between OTML and its local and regional suppliers: 'as and when required' and three-year 'fixed' contracts (Jackson 2015).

Local contractors that have fixed (three-year) contracts make up the minority (field notes, June 2018). They are usually large companies and provide critical services to the mine. Current local landowner companies in this category are FCS and Camp Administration (field notes, May 2018).

The majority of local landowner companies in Tabubil fall into the 'as and when required' category. Given these companies tend not to provide critical services to OTML, they are more vulnerable to shocks in the system such as environmental changes (i.e. low levels of the Fly River) or financially lean times for OTML. Local landowner companies of this size can also face cash flow issues (field notes, June 2018).

### **4.2.3 Business sectors and local landowner companies in Tabubil**

Current local landowner industries in Tabubil can be divided into two groups: specialised and non-specialised. Businesses in highly specialised industries require significant levels of investment in both qualified staff and/or training programs. These industries include electrical installation and maintenance, metal fabrication, engineering, earth moving and building and construction. Companies delivering these highly specialised services tend to be more closely related (and critical) to the operation of the mine, and they are usually engaged by OTML on a three-year fixed contract.

Local landowner businesses in non-specialised industries include housekeeping, commercial cleaning/janitorial, waste management, transportation, minor civil works and maintenance and security. These businesses draw largely from the local community for their workforce, require lower-skilled labour and deliver in-house

training. There is more competition within industries that traditionally have lower start-up and labour costs (lower barriers to entry). In Tabubil, there are more landowner companies available to operate these kinds of businesses. Local landowner businesses that fall under this category are more likely to be classified as 'as and when required' contractors, and there is more competition between these businesses to win contracts from OTML to provide these services.

The following four industries do not attract a high level of competition for contracts: labour hire, pest control, clothing and uniform production, and sign-writing and printing. The main reasons for this are that existing companies have established relationships with OTML,<sup>40</sup> and that there is not enough work volume or regularity to attract competition. Local landowner businesses currently focused on providing labour hire services include Wokman Teleoks Ltd and StarHR (field notes, June 2018).

In Tabubil, industries requiring higher skill levels and investment in assets and capital include electrical installation and maintenance; transportation; building and construction maintenance; and large-scale catering and hospitality. One example of a larger landowner company delivering catering and hospitality services is FCS.

In addition to operating the mess for OTML staff, FCS also own and operate the Tabubil Country Club. As an extension of both entities, FCS offer function catering (with OTML as the main client).

### **4.3 The author's position as a researcher**

This section considers the author's positionality as a researcher of mixed Papua New Guinean–Australian heritage. Positionality refers to the researcher's 'insider or outsider relationship to the community engaged in the inquiry'; positionality is also multidimensional in nature (Rowe 2014:2–3). Dimensions of culture, class, gender, age and political or social identity can define 'the degree of commonality between researcher(s) and participants' (Rowe 2014:3). The author was born in the

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<sup>40</sup> One example of a landowner company that has an established relationship with OTML is Wokman Teleoks Ltd (labour hire).

Autonomous Region of Bougainville (when it was North Solomons Province) and departed in 1989 prior to the start of the civil war.

Conducting research within PNG, I confronted the insider and outsider dilemmas. As a middle-class female with mixed-race Papua New Guinean–Australian heritage, I was aware of my privileged position entering the field site of a remote mining town to examine the inner workings of a mining corporation and its associated local businesses. I was interested in the views of a range of participants:

- OTML employees and management
- local landowner companies
- local landowners from mine area villages, and
- government officials from LLG and FRPG.

Research participants were both Papua New Guinean and expatriates and came from a range of backgrounds. Papua New Guinean participants originated from both within and outside of Western Province. Expatriate research participants were from Australia. This range of participants meant that I took different approaches in my engagements with each.

My conversational fluency in Tok Pisin was an asset in the field. This ability assisted the participant recruitment process for participants whose first language was Tok Pisin. I used Tok Pisin in the focus groups with local landowners and minimally in semi-structured interviews.

In addition to the use of Tok Pisin, my Bougainvillean heritage was another point of connection with some landowner participants. When I explained to landowner participants that I was from Bougainville, some of them mentioned they were aware of the Panguna copper mine and the conflict. Those participants familiar with Bougainville drew a connection between my background and their own and said they felt comfortable with me because I would understand issues they faced as mine-impacted landowners.

My father, Mel Togolo, has been involved in the mining industry for the last 30 years and is well known to several senior Ok Tedi employees. My father is currently the

country manager of the Canadian company Nautilus Minerals, which intended to conduct world-first seabed mining exploration in PNG. Over his 30-year span of extractive industry involvement, my father has worked for several mining companies and mining-related government agencies, including MRDC, Highlands Gold and Placer Dome. Occasionally, when people heard my surname, they linked it to my father's — in a positive way; others had not heard of it but enquired whether it was Papua New Guinean.

Going into the field, one of my assumptions was that culture played an important role in how people's behaviours and practices are interpreted in business. I assumed that Papua New Guineans' ways of doing business were different to non-Indigenous contexts, for example, how businesses operate in Australia. Bainton and Macintyre (2013) discussed local business development at Lihir gold mine and explained that local landowners have associated business ownership with social status and the big-man culture. Lihir had many local landowners companies, many of them small ones. Everyone wanted to be a business owner and there was constant competition for business contracts from Newcrest Mining. I assumed that culture influences business performance, as well as how Papua New Guineans define the success or failure of a business.

#### **4.4 The research site and access**

I was interested in studying local landowner companies in the extractive resource industry in PNG because I could see that by establishing sustainable businesses, landowners had the opportunity to create long-term benefits for their communities. I understood that these economic opportunities were not available to all in PNG and wondered why certain local landowner businesses were unsuccessful. Having also observed the mining industry and increases in its social obligations to mine-affected communities, I was interested in the ways resource companies conduct landowner business development programs.

I took into consideration (and experienced firsthand) that not all mining companies are in a position to accommodate a researcher or research student wishing to study them. Prior to my research application to OTML, I approached another small to medium-scale

mining company that had been operating in PNG for less than a decade. The initial support from this company was later withdrawn.

When considering the range of mining companies appropriate to my research, it occurred to me that OTML represented an opportunity to examine a local business development program that had been in operation for a long period of time. Although I had no existing relationship with OTML, I was advised by one of my supervisors that another ANU PhD candidate had conducted fieldwork there a few years prior<sup>41</sup> and OTML would likely be open to receiving another PhD candidate. The company also had previous exposure to academic research, including some conducted by one of my supervisors. My application to conduct research with the company was approved by the then deputy chief executive officer (CEO) without delay.

OTML's head office is located in Tabubil township, which was the base for my field research. The township is located in the Star Mountains Rural LLG area, in the North Fly District of Western Province. Tabubil is accessible to other PNG urban centres (and internationally to Cairns, Australia) by air and by one road that connects it to the port town of Kiunga. Located 100 kilometres south of Tabubil, Kiunga is where the copper concentrate from the mine is transported via a pipeline. From Kiunga, the copper concentrate is then shipped by barge down the Fly River to Port Moresby for international export.

Tabubil township includes the main town centre and the industrial area of Laydown toward the southern end of the airport. The Ok Tedi mine site is located 30 kilometres northwest of the township, and access is via a sealed road. Prior to the dry weather event, the population figures from PNG's national census in 2011 indicated that the population of Tabubil town ward was 10,270 (National Statistical Office PNG 2014:8). It is unclear what the current population of the township is following the dry weather event. However, 2018 figures from the United Nations suggest it could be around 15,000 (The Humanitarian Data Exchange 2018).

The majority of OTML business units are housed in buildings near the town centre. OTML employees reside in Tabubil in various types of accommodation provided by the

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<sup>41</sup> Jenkins 2016.

mine (all within walking distance or a short drive of the town centre). The majority of OTML's local landowner companies are based in Tabubil, as are their directors and employees. Services in Tabubil include a hospital, banks, schools, a supermarket and a hardware store. The town also has a range of sport, recreational and entertainment facilities.

In December 2017, I visited Tabubil to conduct a 10-day scoping trip. The aim of the scoping trip was to assess logistical elements of fieldwork such as travel, accommodation and transport. Visiting prior to fieldwork also gave me the opportunity to introduce myself and the research to OTML staff in the business units and departments relevant to the processing of local contractors. In addition, this trip allowed me to meet some of the existing local landowner companies I had previously identified from Richard Jackson's comprehensive list (2015).

Prior to commencing fieldwork in April 2018, I received ethical clearance from the ANU. The university's human research ethics committee reviewed my research proposal and classified it as medium risk.<sup>42</sup> I also received approval to undertake the research from the National Research Institute in Port Moresby and secured the appropriate Research Visa. All potential research participants were informed of the nature of the research and of their rights to withdraw from the research at any time, none did. All research participants interviewed engaged within this research willingly and provided either written or verbal consent. Further, all research participant requests for discretion relating to identification have been respected and pseudonyms have been used to ensure participant anonymity. To obtain a broad perspective of views around my research topic, I sought to establish good relationships with OTML. From the outset, this allowed me opportunities to connect with different participant groups. The deputy CEO at the time connected me to the Economic Programs Department, an area with which I would eventually develop a strong collaborative relationship. I was also connected with the Community Relations Department. From the beginning, I was clear with OTML about the focus of and motivation for the research, as well as the nature of the data I would need to gather.

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<sup>42</sup> Expedited Ethical Review Level 2 Protocol (E2) approval letter received on the 13 March 2018.

An Australian Postgraduate Award and fieldwork funding supported my candidacy, and OTML supported my research with accommodation, transport and food. OTML provided accommodation in Annex Donga in Camp 3 in Tabubil for a total of four months in 2018, as well as provided some of my internal air travel on their business charter aeroplanes. I attended the company safety induction process and was subsequently given a contractor pass and access to the company's buildings, intranet and facilities. From the beginning of my fieldwork, I was provided with a work station within the office shared by the Economic Programs and Community Relations Departments. I later met with Tabubil-based research participants in OTML offices, locations in the town centre and in the nearby mine area villages. I had the opportunity to observe the daily processes of the organisation as well as its interactions with mine-affected communities. I then took detailed field notes of these observations. I was also provided the opportunity to visit Kiunga to conduct interviews with government officials based there.

Despite my dependence on OTML for logistical support, they allowed me the freedom to come to my own conclusions on the research matter. During conversations with OTML employees and other research participants, I received few questions outside of my research topic. This indicated that people were aware of my research focus and that I was not researching any of the historically controversial aspects of the mine (such as land claims or environmental damage).

## **4.5 Research methods**

This section is divided into four parts: data sources for this research; the participant selection and recruitment process for each of the four participant groups; the semi-structured interviews; and the focus groups.

### **4.5.1 Data sources**

This thesis drew its data from various sources:

- financial and governance data available on PNG companies through the IPA website register
- semi-structured interviews and focus group discussions with research participants, and

- documentary sources, including company and industry reports and reviews, OTML raw data and newspaper articles.

Generally, data on local landowner companies in PNG is incomplete. Jackson (2015), in his comprehensive report on the current state of local landowner businesses associated with resource projects in PNG, described the inconsistent nature of record keeping by some extractive resource companies. There were some gaps in available data across several areas at OTML. Whilst I was unable to fill those particular data gaps, I maximised the information I was able to access.

In order to understand the different participant groups' perceptions and interpretations, a qualitative research methodology was adopted. This study combined organisational theory and ethnography (Gaggiotti et al. 2017; Garsten and Nyqvist 2013; Yanow et al. 2012). Such a methodology was required to understand the meaning participants ascribed to their experiences. It also enabled a deeper understanding of the 'broader social settings and the historical and institutional dynamics in which these are embedded' (Yanow et al. 2012). The use of semi-structured interviews and focus groups provided an opportunity to gain deep knowledge of individual views. To complement these data collection methods, participant observation within the organisation's headquarters in Tabubil permitted insights into organisational life. These insights included work routines (explored further in Chapter 6) and organisational members' ways of thinking and acting (ibid.). Although members may have considered their thoughts and behaviours ordinary or mundane, observing them was revealing for the thesis.

I collected qualitative data from over 40 participants from the following stakeholder groups: OTML, local landowner businesses in the mine area, local landowner groups from mine area villages and government officials. The aim of this approach was to obtain views from a cross-section of the community.

I used chain referral (snowball) sampling and purposive sampling (Russell 2011) to generate a list of participants who would represent a wide range of views. The snowballing technique and purposive sampling are two major non-probability sampling methods and appropriate for labour-intensive, in-depth studies of a few cases as well

as for collecting cultural data (Russell 2011:158). The snowball method is one of 'two network sampling methods for studying hard-to-find or hard-to-study populations' (Russell 2011:162). Research participants assisted during the data collection process by recommending other key informants in the community whom I could interview or talk with informally. Purposive sampling is where 'you decide the purpose you want informants (or communities) to serve, and you go out to find some [informants]' (Russell 2011:160). My research took a case study approach, making the use of purposive sampling appropriate.

I began an iterative process of qualitative data analysis shortly after I returned from my fieldwork to Australia in August 2018. I recorded detailed notes during the semi-structured interviews and focus group discussions. Based on these notes, I started the data analysis process by transcribing key interviews across the three participant groups as well as the voices of key informants across the focus group discussions. I identified similar themes raised by informants in their definitions of business success and sustainability. In addition, I used the process of triangulation to verify my research data, and complemented this process with document analysis.

#### **4.5.2 Participant selection and recruitment process**

Purposive sampling was used to select the four main groups of research participants for this study: OTML employees and senior management, local landowner company management and employees, local landowners from the mine area villages and government officials. Table 4 presents the distribution of research participants for each of these four main groups. Each stakeholder group provided different perspectives and were chosen with this purpose in mind. All of the data obtained from OTML employees, local landowner companies and government officials was collected through semi-structured interviews. Some research participants were interviewed more than once if follow-up questions were required. Of the mine area village landowner participants, eight were selected to participate in semi-structured interviews. However, the majority of participants from this group were involved in one of the four focus group discussions conducted.

**Table 4. Research participant groups, numbers and data collection methods**

Stakeholders	Research participants	Interviews conducted	Focus group discussions
OTML participants	15	16	0
Local landowner company participants	8	8	0
Mine area village landowner participants	21	4	4
Government officials	2	2	0
Total	46	30	4

Participants from the OTML group provided information about their roles and the extent of their involvement with local landowner companies. Each of these participants explained their perceptions of the success and sustainability of the local landowner companies and detailed their understanding of OTML's local and regional supplier policies and administration procedures. The information OTML participants provided was dependent on their level of day-to-day involvement with the suppliers as well as their length of employment at OTML. Some participants in this group were involved in policy and strategic decision-making and could offer insights at that level.

Participants from active local landowner companies included board members, managers and employees. Depending on their role in the landowner company, participants gave their perceptions of the company's success and sustainability and explained how they were engaged by the landowner company. Some participants identified areas their local landowner company needed to change and future planned actions. Landowner participants were selected from the mine area villages and provided information about their observations of local landowner companies and their perceptions of success and sustainability. Government officials included those from the Star Mountains Rural LLG and the FRPG, and their reflections focused on the issue of the sustainability of local contractors.

#### *4.5.2.1 OTML participants*

There are seven business units at OTML: Commercial, Mining, Processing, Operation Support, Employee and External Relations, Projects and Engineering, and People and Capability. Within each of the business units are departments. OTML participants

involved in this research came from one business unit (Projects and Engineering) and five departments, as shown in Figure 2: Contracts Administration and Legal, Finance, Community Relations, Economic Programs and Infrastructure Support Services (ISS).

Due to the fly-in-fly-out nature of employment, OTML employee availability for interviews was highly variable. OTML employees were generally open to participating in the research. The exceptions were those staff who had concerns about potentially providing confidential company information — particularly any sensitive financial and contractual information of local landowner companies. I addressed this concern by requesting that OTML management develop a confidentiality agreement. The main outcome of the confidentiality agreement was that participants clearly identified any information they considered confidential prior to providing it. The confidentiality agreement is included in Appendix V.

I consulted with the Economic Programs team when preparing the list of potential OTML participants. I found that the employees I had previously met on my scoping trip were more open to participating. With those I was meeting for the first time, the process was often more time-consuming because I needed to explain my research in detail. This explanation allowed employees to make an informed decision about their participation.

I emailed each potential participant an introductory letter that explained both my background and the research. In this letter, I explained that I hoped to interview them and that their participation was voluntary. Once the participants confirmed their interest and availability, we arranged the time and location for the meeting. Most meetings were conducted in OTML offices in Tabubil.

#### *4.5.2.2 Local landowner company participants*

In order to ensure the selection process was robust and defensible, my aim was to select a representative cross-section of Tabubil-based landowner companies. This process was based on the available OTML records on the mine's annual financial spend on various contractors, as well as general information from the Economic Programs Department. Developing a complete list of local contractors took

considerable time in the field because I was drawing from a range of OTML raw data sets, internal documentation and data from the IPA online register.

There was very little current information on local landowner companies available from OTML. The local landowner company data was more inconsistent than I expected prior to commencing fieldwork. I had assumed that all data would be in a database I could access, but this was not the case. I had intended to obtain a list of all active and inactive local contractors from OTML, but they did not have one. The most significant piece of verifiable data I could use for these purposes was from Richard Jackson's March 2015 report. Jackson had 37 OTML local landowner companies in this document (see Appendix III). I combined Jackson's list of OTML landowner companies with data from the IPA online register (the IPA data was not always accurate) and interviews with local landowner companies. Some of the local landowner companies on Jackson's list were no longer operating (in part because of the dry weather event). With the help of OTML's manager of the Economics Program Department, I was able to update Jackson's list with the current status of all 39 landowner companies that had contracts with OTML. The list also included companies whose operations are based outside of my study site area, including Kiunga, Bige and along the Tabubil–Kiunga Highway.

Of significant interest to me was information about local landowner company operations before, during and after the dry weather event — in particular, contract values, employment levels and other economic impacts from the temporary mine closure. Other information I hoped to obtain from OTML included financial data (profit/loss statements, assets and liabilities), employee numbers and landowner company ethnic composition (i.e. whether they were PNG, local or expatriate). Unfortunately, OTML's records at the time did not contain enough data for these purposes. Fairly early in my fieldwork, I realised that access to local landowner company data would be limited and that I would need to adjust my work to the data that was available. I decided to focus on identifying the data I could realistically obtain within the fieldwork timeframe and use it to establish a full list of Tabubil-based landowner companies. I then divided the companies into categories (explained as follows) and used these categories as a basis to recruit landowner companies for this research.

The Economic Programs team provided me the following data from two broad categories:

1. Financial
  - estimated contract value for each active local landowner company
  - actual contract spend
  
2. Audit scores for all active landowner companies classed as a local and regional suppliers (L&RS) for that particular year
  - notes on each company and whether or not they would be retained by OTML as contractors

The financial data included the contract value of each of the local landowner companies in the calendar years 2014 and 2016, as well as the amount OTML actually spent (OTML spend data) on each particular local contractor. There was no data available on the 2017 calendar year. Of the figures provided by OTML, I found the contractor spend values useful to identify which local contractors to include in the study.

I decided to use the 2016 financial data, as it was the most recent available. Of OTML's 39 landowner companies, 29 were Tabubil-based local contractors the Economic Programs team had identified in mid-May 2018. Of these 29 local contractors listed in the Economic Programs team's spreadsheets, actual contract spend data was given for only 26. Due to time constraints, rather than request the missing data from the Finance Department, I proceeded to assess the information I had available on the 26 local contractors.

The 2016 actual contract spend data ranged between K9,851 and K15.6 million. I divided the 26 business into three categories based on this range:

- Category 1: OTML actual contract spend value of K5–17 million
- Category 2: OTML actual contract spend value of K1–4,999,999 million
- Category 3: OTML actual contract spend value of less than K1 million.

Once I had organised the 26 local contractors into these three categories, I checked the assessment process I had used and verified the actual contract spend values with

the Economic Programs manager. Table 5 details the total number of businesses in each category and the types of contractual arrangements they have with OTML.

**Table 5. Total number of landowner companies by category and type of contractual arrangement**

Category	Fixed three-year term contract	'As and when required' contract	Total number of landowner companies in category
1. K5–17 million	2	2	4
2. K1–4.9 million	1	9	10
3. < K1 million	0	12	12
Total	3	23	26

As mentioned previously, OTML has two types of contractual arrangements for local contractors: a fixed three-year term or 'as and when required'. Of the four landowner companies in category one, half were fixed contractors. The other two, despite being substantially sized (as per OTML contract spend values and number of employees), were 'as and when required' contractors. Apart from one local company in category two on a fixed-term contract, all of the remaining were 'as and when required' contractors. All of the companies in category three were 'as and when required' contractors.

Of the local landowner company senior management staff I approached, most were open to participating in the research. In addition to senior management, I also endeavoured to interview a board member as well as an employee for each company. For this study, I decided to limit the potential participant pool of local landowner companies to six and selected two companies from each of the three categories to approach. To start the research process, I contacted the general manager of each of the six selected companies to gauge their interest in participation and availability. Three of the six landowner companies agreed to participate in the research. I was able to interview one director, the general manager (or equivalent) and one employee from each of the local landowner companies that participated.

Sample size for this group was limited to the presence of participants in Tabubil at the time of fieldwork. Similar to OTML, the management of some local landowner

companies worked on a fly-in-fly-out roster. In addition, some landowner company directors resided in other parts of Western Province (or in other provinces in PNG). The literature highlighted the low female representation at landowner company management and director levels, with an over-representation of females as employees, particularly in the cleaning, clothing and hospitality industries (Jackson 2015:41–45). In the recruitment process for this participant group, both of these issues affected the composition of the sample: of the six participants in this group, the only female participant was an employee.

#### *4.5.2.3 Local landowner participants*

My plan to gain access to local landowner groups was to identify the community leaders from each of the six mine area villages (Migalsim, Wangbin, Bultem, Atemkit, Finalbin and Kavorabip) and conduct two focus groups for each village. One focus group would consist of men only and one of women only. I thought gendered groups would allow more uninhibited and candid participant contributions. I hoped to liaise with a community leader from each of the villages who would be able to participate in (and assist with) the research. I intended to conduct semi-structured interviews with these (and other) community leaders. Community Relations staff members facilitated my transport to each village. Four of the six villages were located 30 minutes from Tabubil township.

In the first instance, I sought advice from the manager of Community Relations to ascertain which community leaders I should approach first. The list they provided consisted mainly of males in political or community-based leadership roles. I wrote letters in hardcopy to each of the community leaders and also (where possible) sent the same letter by email. The Community Relations team assisted me with hand delivery of these letters. I then arranged an initial meeting with those community leaders who showed interest in the research. Of the six mine area villages, I conducted focus groups with two. I also conducted semi-structured interviews with four community leaders.

#### **4.5.3 Semi-structured interviews**

The semi-structured interviews with all participant groups focused on their perceptions of the success and sustainability of local landowner companies associated with OTML.

Subsequent questions posed to each group were created to gather the most relevant information from each participant and considered their likely level of knowledge on the subject matter (see Table 6). Interview schedules for each participant group are included in the Appendix I.<sup>43</sup>

**Table 6. Semi-structured interview themes by participant group**

Participant group	Themes covered in semi-structured interviews
OTML employees and senior management	<ul style="list-style-type: none"> <li>• level and nature of involvement with local landowner companies</li> <li>• perceptions of success and sustainability of local landowner companies</li> <li>• views on OTML's plans and strategies for local business development</li> </ul>
Local landowner companies	<ul style="list-style-type: none"> <li>• information about company: ownership structure and decision-making processes</li> <li>• perceptions of success and sustainability of local landowner companies</li> <li>• views on OTML's local business development plans and policies</li> </ul>
Local landowners (mine area villages)* *Mainly focus groups were conducted for this group	<ul style="list-style-type: none"> <li>• observations on local landowner companies associated with OTML</li> <li>• perceptions of success and sustainability of local landowner companies</li> <li>• views on which stakeholders should play a role in contributing to community development outcomes (i.e. local landowner companies, LLG, FRPG, OTML)</li> </ul>
Government officials	<ul style="list-style-type: none"> <li>• level of engagement with local landowner companies</li> <li>• perceptions of success and sustainability of local landowner companies</li> <li>• government's strategies for sustainable development</li> <li>• views on OTML's local business development plans and policies</li> </ul>

#### 4.5.4 Focus groups

The focus groups provided rich data, but the process also had its challenges. The Community Relations Department and Economic Programs Department shared one vehicle (at the time of fieldwork), which meant it was not always available for transport to mine area villages. Also, at times, the community leaders were difficult to contact and arrange meetings with, often despite several attempts at communication.

<sup>43</sup> See Appendix I.

Running a focus group on my own was also challenging, as this method normally requires two people. I decided that two focus groups each for two of the mine area villages was sufficient for data collection, meaning I conducted four focus groups in total. These focus groups provided an added layer to the triangulation process. The templates I developed to use in these focus groups are included in Appendix II.

Guided by the literature on focus groups (Ayrton 2019; Farnsworth and Boon 2010; Stewart et al. 2007), the first question posed to the group was very general, and the following two questions were progressively more specific. In practice, I found that I had to adapt the wording of the questions slightly (varying from the literature guidelines) depending on how the discussion progressed. For example, because there is no single word in Tok Pisin that describes the concept of a sustainable company, I had to develop a phrase to use during the focus group discussions that had the equivalent meaning. The phrase I used was *bai stap behain taim* (or *bai stap behain long mine*). The literal English translation for this phrase is ‘something that will be here (remain) in the future (or beyond the mine)’. I recorded notes on the focus group sessions immediately after they ended. I recorded details including the participants’ names and identifying features (e.g. long hair, red shirt, wore a cap etc.). To aid my recollection, I also took shorthand notes during the focus groups on participants’ non-verbal gestures, as well as interpersonal group dynamics. I noted the following details, including whether a participant tended to:

- speak a little or a lot
- dominate the session or sit quietly in the background
- speak a little, but when they did it was a valuable or a strong contribution to the discussion
- agree with others or articulate their own opinion
- listen to others (wait their turn to speak)
- talk over the top of other participants.

Some participants initially mistook me as an OTML employee — more specifically, a Community Relations Department employee. This was possibly because Community Relations staff provided transport to and from the villages or, alternatively, because

this department has the most contact with the villages. Each time, I explained my research as clearly as possible and that I was not an OTML employee.

At each focus group meeting, I introduced the research to those gathered, read through the participant information sheet in Tok Pisin and then asked the group if they had any questions. Focus group participants' questions often focused on what I would do with the data once I had collected it (i.e. where it would go and how it would be used). I explained that the data collected would be used to help me undertake my PhD and that I hoped the research would eventually be of some benefit to the mine area villages. I also explained that this thesis would be publicly available on the library catalogue of ANU and accessible to any interested groups (such as OTML, the PNG Government or NGOs).

## **4.6 Conclusion**

In order to make this study realistic, certain limitations needed to be imposed. Geographic limitations were required due OTML's large impact area, which extends down to the mouth of the Fly River. Clear definitions were required for key concepts such as local landowner companies (including their ownership structure and composition), OTML's contractual arrangements with these companies, and the mine's three impact areas. Research methods were adapted when I discovered my initial approach was not feasible; this was due primarily to the availability of data on local landowner companies. The use of semi-structured interviews allowed for a broad cross-section of views across the four participant groups involved in the research. The qualitative data collected revealed detailed insights into participants' perceptions of the success and sustainability of local landowner companies, as well as the nature of interactions between OTML and these companies.

Having framed the research methodology and process of this study, the next chapter explores local business development associated with the Ok Tedi mine from 1968 to the end of the author's data collection in December 2020.



# **Chapter 5 History of Local Business Development Around the Ok Tedi Mine**

## **5.1 Introduction**

This chapter explores local business development associated with the Ok Tedi mine from the mine's discovery in 1968 up until the end of the author's data collection in December 2020. This research was geographically limited to the local landowner businesses based in Tabubil, which lies within the Star Mountains Rural LLG area of Western Province.

This chapter is divided into three sections. The first examines the phase from the exploration of mineral deposits in 1968 to the mine's feasibility studies in 1980. The next section documents the period from construction of the mine in 1982 up until the end of BHP's operation of the mine in 2000. Finally, the chapter looks at local business development after BHP's announcement of its intention to depart in 2000 to the end of the author's data collection in December 2020. The final section also covers the three local business development restructures implemented by OTML, as well as the impact of the dry weather event that occurred in 2015.

## **5.2 From exploration to feasibility, 1968–80**

This section covers the period between 1968 and 1980 and is divided into two parts: the first covers the period from American-owned Kennecott Copper Corporation's discovery of copper deposits in 1968 to the company's withdrawal from the Ok Tedi project in 1975. Significant to this period was the establishment of Cloudlands Investment, the first local landowner company in PNG owned by resource project-affected landowners. The second part of this section covers developments from 1976 when Australian-owned BHP agreed to be the miner of Ok Tedi to the conclusion of the project's mining feasibility studies in 1980.

### **5.2.1 Business development in the exploration phase, 1968–75**

Prior to the construction of the Ok Tedi mine, the northern part of Western Province was one of the most remote areas in PNG. The province had historically experienced a neglect of basic government services and did not have any substantial economic

activity (Brooksbank 2002; Jackson and Ilave 1983; Jackson et al. 1995). Missionaries from a range of denominations provided basic health and education services in the province; the missions also assisted villages with income-generating activities such as vegetable production (Filer et al. 1984; Jackson and Ilave 1983; Jorgensen 2006).<sup>44</sup> From 1964, the Olsobip government patrol post administered the Wopkaimin and other southern Mountain Ok peoples (Hyndman 1987:27). In the same year, a patrol officer claimed that the Wopkaimin were 'so far removed from and devoid of resources that they simply have no potential for development' (ibid.).

During this period, there were very few opportunities for local people in Western Province to generate a sustainable income. Health and education standards were well below the national average at the time. The income-earning opportunities were few, apart from a limited range of government services and 'the collection of few hundred kilograms of damar gum from the wild and the production of a few tonnes of rubber each year' (Jackson et al. 1995:1). There were only three retail stores in the North Fly, and they were usually poorly stocked due to limited transport services. The stores charged prices 33 to 50 per cent higher than stores in more accessible parts of PNG. There were no banking services and muddy tracks for roads. Kiunga had a produce market, the only one in the region, that was open for one hour a week at 7am on Fridays (Jackson et al. 1995:2). People in the Western Province were becoming increasingly frustrated knowing that there were opportunities for economic development elsewhere in PNG (ibid.).

In 1968, geologists working for the American-owned Kennecott Copper Corporation began exploring the headwaters of the Ok Tedi River and discovered outcropped masses of copper-bearing ore on the southern flanks of Mount Fubilan. The ore was an igneous rock intrusion into the siltstone and limestone geology of the Hindenburg Range (Jackson 1982; Pintz 1984).

Between 1968 and 1975, Kennecott conducted exploratory drilling on the Fubilan copper–gold deposit to establish the quality and quantities of the ore body (Barry 2013). However, in March 1975, Kennecott withdrew from the operation due to the

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<sup>44</sup> Christianity was originally introduced by the Australian Baptist Mission in the Telefomin area of West Sepik Province in the 1950s; by the Montfort Catholic Mission in the village of Golgubip, Western Province; and by the Evangelical Church of PNG (Jackson and Ilave 1983:31; Jorgensen 1997:623).

following factors: an incomplete understanding of the extent and value of the deposits; low gold and copper prices at the time; the extent of investment necessary to deal with logistical and environmental concerns; the expropriation of Kennecott operations in Chile; PNG's imminent independence; and uncertainty regarding the political outcome of issues at the Panguna copper mine in Bougainville (Barry 2013). In May 1975, shortly after Kennecott's withdrawal from the project, the PNG Government took responsibility for Ok Tedi through the newly created Ok Tedi Development Company (Barry 2013; Pintz 1984:6). The employment of ex-Kennecott employees was transferred to this new state-owned company.

Though Kennecott withdrew from the Ok Tedi project in 1975, the company had made significant investment in local development during its time in Tabubil, including business development. Kennecott management had taken a long-term view towards Ok Tedi's development prospects (Pintz 1984:35). Richard Jackson observed that the results of their efforts included 'a team of well trained, dedicated Papua New Guineans and an incipient series of local village business development groups' (Jackson 1982:70). Since 1971, Kennecott had sponsored the education of hundreds of high school students (Jackson 1982:71). Kennecott used a portion of its exploration budget to set up facilities for the local people, including the primary school, the health centre, agricultural projects and the store (Jackson 1982:171; Pintz 1984:35). Kennecott employees also became involved in organising local groups such as the Star Mountains Action Group, which 'tried to organise the widely dispersed population of the Star Mountains region to lobby the government for social and infrastructure improvements in the area' (Pintz 1984:35). Kennecott also established an extensive training and scholarship program 'to prepare the residents to play a role in future mine development' (ibid.).

During the Kennecott withdrawal in 1975, some Kennecott employees (including some Wopkaimin) formed a company, Cloudlands Investment, to provide a 'vehicle for villagers involvement in a variety of other projects' (Jackson 1982:171). They funded the company by raising share issues (Jackson 1982:171, 2015:31). Cloudlands was the first example of project-affected landowners establishing their own company within PNG's newly developing resource industry and was the original 'umbrella company' in the country (Jackson 2015:31). The concept of an umbrella company describes a

communally owned company that undertakes its own business activities on behalf of shareholders and assists infant companies with their business activities (Jackson 2015:4). When Cloudlands was established, local villagers of the Star Mountains owned 15 per cent of its shares, with the remaining 85 per cent owned by Kennecott employees. In November 1975, Cloudlands Investment was formally incorporated as a company (Jackson 2015:124).

Following its establishment in 1975, Cloudlands' commercial performance and increasing level of local ownership proved promising. After 1977, Cloudlands Investment widened its share ownership to include villagers of the Kiunga District (prior to this, everyone outside this district was excluded from share ownership) (Jackson 2015:31). The ex-Kennecott employees supported villagers to set up community village business groups<sup>45</sup> and encouraged village investment rather than consumption (Jackson 1982:171). By the end of 1979, the ex-Kennecott employees had divested themselves of most of their Cloudlands shares to allow majority local ownership (ibid.). These efforts culminated in Cloudlands having increased its paid-up capital of K71,135, with 94 per cent ownership by landowners from the Star Mountains and the rest of Kiunga District. By 1980, the company was under local control, with major clan leaders becoming directors (Jackson 2015:31–32).

### **5.2.2 Business development in the feasibility phase, 1976–80**

Following Kennecott's withdrawal, the PNG Government attempted to find new investors for the Ok Tedi project. In September 1975, BHP agreed to be the miner of Ok Tedi. In mid-1976, a new consortium was formed between BHP as the major shareholder, American oil company Amoco Corporation and the German consortium Kupferexplorationsgesellschaft (Jackson 1982; OTML 2020e:142; Pintz 1984:14). The consortium then engaged an American engineering company, Bechtel Corporation, to conduct engineering evaluations as part of the feasibility studies (Pintz 1984:60). Bechtel Engineering would also provide procurement and construction services. Early on during Cloudlands' operations, some OTML/Bechtel consortium employees provided free management assistance to Cloudlands (Hunter 1981). The PNG

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<sup>45</sup> Ex-Kennecott employees restricted new entry to Cloudlands to village groups only (Jackson 1982:171).

Government, however, did not provide any funding to Cloudlands Investment (Jackson 2015:32).

In March 1976, the PNG Government also passed the Mining (Ok Tedi Agreement) Act (OTML 2020e), which contained local business development provisions that clearly articulated the preferred area policy (details of which are outlined in Chapter 3).<sup>46</sup> Government policy at the time stipulated that employment opportunities be given first to local residents in preference to other citizens, and clause 30.6 of the Ok Tedi Agreement 1976 also articulated this policy (GoPNG 1976:45). After the Panguna copper mine in Bougainville, the Ok Tedi mine was one of the first large-scale extractive operations in PNG. Given that PNG's history of resource projects was in its infancy when the Ok Tedi project began, the company had few examples of how to manage either community relations or any associated local business spin-offs (Jackson 2015:32,54).

Following the passing of the Ok Tedi Agreement in March 1976, BHP was required to conduct a set of feasibility studies for the PNG Government that were to include local development. In September 1976, as part of an international consortium, BHP commenced these mining feasibility studies. Then, in late 1979, the consortium presented a comprehensive report to the PNG Government (OTML 2020e). The Ok Tedi Agreement stipulated three general types of provisions: 1) financial provisions; 2) feasibility and mine development provisions; and 3) provisions for mine construction and the use of mine infrastructure (of particular interest here) (Pintz 1984:64). The agreement set forth a list of studies and investigations for this feasibility assessment (Pintz 1984:69). Whilst much attention was paid to the major infrastructure part of the study, less attention was paid to the second group of studies aimed at social policy related to the mine. The studies in this category covered environment, township development, training and localisation and business development (Pintz 1984:70).

Unfortunately, the resulting studies, and the treatment of social issues, were poorly formulated for several reasons. Firstly, the government's policy was inadequate to cope with a major new development. Secondly, the responsible government agencies largely transferred the task of study formulation and implementation to the consortium.

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<sup>46</sup> Clauses 32.1 and 32.3 are provided in full in Chapter 3.

Thirdly, the consortium project team was not equipped or staffed to deal with these social concerns (*ibid.*). Fourthly, at the time, the government often gave conflicting signals to the consortium about social policy issues and had few social policy responsibilities itself. These four reasons may have contributed to the government rejecting each of the consortium's feasibility studies (Pintz 1984:87–88). Whilst major confrontations occurred between the PNG Government and the consortium over these issues, they eventually reconciled their differences without the need for arbitration (Pintz 1984:70).

The period between September 1976, when the feasibility studies began, and December 1979, when the consortium submitted the report to the PNG Government, was an uncertain one. Under the agreement, there was no guarantee that mining would actually go ahead upon the completion of the feasibility studies (Jackson 1982:88). In negotiations, there was a constant search for ways to reduce costs, which ensured that 'there would be controversy over the nature of the project and its effects, especially on local communities' (Jackson 1982:89).

Despite the PNG Government's insistence that the feasibility studies should incorporate a local business development plan, history suggests this insistence achieved little. The consortium team had 'no experience nor could it identify an experienced consultant in this area' (Pintz 1984:172). To complete this part of the feasibility studies, the government eventually installed a business development officer who 'produced a report that could have been produced a year earlier by the same individual working within the government' (Pintz 1984:172–73).

Many questions raised by the negotiations were difficult to answer ahead of time, but this became an excuse for both the PNG Government and the consortium to make as few preparations as possible (Jackson 1982:87). Negotiations took place under the understanding that Ok Tedi's prospects were 'marginal' (Jackson 1982:89). Doubts about the future of the project contributed to the difficulty the government experienced in deciding whether or not to 'invest capital in the development of such things as schools, health facilities, agricultural extension work, business development, and the like in the Kiunga District' (Jackson 1982:88). The government was concerned with investing in the region at a rate higher than the rest of the country and the possibility

of building people's hopes up only to have the project not proceed (Jackson 1982:88). The PNG Government was also concerned about what information should be provided, and who should be responsible for communications about the project — the newly established provincial government or the national government (Jackson 1982:88–89). Jackson also commented on the associated risk if landowners abandoned other local projects, like rubber, based on the expectation of the mine opening (1982:88). The event that finally saw the negotiations reach a successful conclusion, as far as the principal parties (the company and the state) were concerned, was the surge in the gold price at the end of 1979 (Jackson 1982:89).

In late 1979, the consortium submitted the feasibility studies and development proposal supplement; the supplement was a list of items covering a wide range of issues that represented the concerns of each consortium member. In early 1980, post-feasibility negotiations between the PNG Government and the consortium began (Pintz 1984:6,84). As previously mentioned, the results of the consortium's feasibility studies concerning social issues were poor and, as the consortium had suspected, the PNG Government rejected them.

In late 1979, the PNG Government commissioned implementation-oriented studies, including the socio-economic impact study (Pintz 1984:142). These studies were commissioned based on the assumption that the Ok Tedi mine would move into the construction phase (*ibid.*). The socio-economic impact study, known as the Impact of the Ok Tedi Project (IOTP) report, was published in July 1980 (Jackson et al. 1980). The aim of the study was to provide an 'analysis of Ok Tedi's impact on both the national economy and on the microeconomy and social relationships of the project district' (Pintz 1984). The report covered topics such as provincial impacts, land issues, workforce issues, the social impact and local business development (Jackson et al. 1980). The report was written by individual impact consultants (engaged by the Department of Minerals and Energy) who did not always agree on conclusions, and sometimes their differences were difficult to reconcile (Pintz 1984:142). Despite this, the report proved a useful compendium of information on the broad range of impacts Ok Tedi would have on PNG (*ibid.*). Some of the information the consultants uncovered strongly challenged ideas held by government planners at the time. Pintz (*ibid.*) mentions that 'regrettably, the government was never able to put the recommendations

into action'. The report did have an impact at OTML (in which the government was a shareholder), where it was carefully considered, and the recommendations had some effect within the company (Jackson and Ilave 1983:25).

The IOTP report included a section on business development and recommendations that would influence OTML's work in this area. The local business development chapter within the IOTP report is substantial at 83 pages long (Jackson et al. 1980:307–90). The authors reviewed the prospects of local business development for the project by examining two major problems:

- The opportunities available for business activity locally and the priorities, by area, which might be accorded to such opportunities, and
- The nature of the organisation and management of business development considered necessary to allow widespread participation by people whose current education levels are low and by areas previously considered poorly provided with the essential infrastructure and potential for economic development (Jackson et al. 1980:312–13).

The authors emphasised that in order for local business development to succeed there must be cooperation between the people, the consortium and the government. Of most interest to this thesis is the chapter's discussion on future business structures, because it hints at recommendations in two areas made at that time: the types of business arrangements (in terms of ownership structures) and the nature of business development strategies (Jackson et al. 1980:370–72).

In terms of ownership structures for local businesses, the main author of the business development section, Craig Emerson, recommended that 'the model envisaged by Cloudlands ... should be the one to follow' (Jackson 2015:31). Emerson also recommended that Cloudlands be the umbrella company for the project. In addition, the report encouraged other independently operated landowner companies to compete for contracts (Jackson 2015:32). In 1979, Bougainville Copper Limited was operating the Panguna copper mine and making significant efforts with local business development there (Jackson 2015:31). In Emerson's view, Bougainville Copper Limited's efforts in this area were too focused on the labour management interests of the company rather than broader landowner business development (ibid.).

The intended purposes of the umbrella company were to assist in the administration and operation of new local businesses in the initial stages of the mining project and 'to overcome the more difficult challenges facing any small business' (ibid.). Jackson (2015:4) further explained that the umbrella company:

*was originally envisaged — and still is by many — as one which would be communally owned, would undertake its own business activities on behalf of its shareholders and (this is where the 'umbrella' comes in) help infant local businesses to grow by providing guidance on all aspects of business development.*

According to Jackson, the IOTP report 'championed' local business development because 'the Wopkaimin were to receive only one-twentieth of any royalties from the project (which was the main reason why the IOTP report championed local business)' (Jackson 2015:32). Local landowner company development was effectively recommended 'as a substitute for the lack (at that time) of several real forms of compensation to landowners', such as the Wopkaimin (Jackson 2015:115). Jackson (ibid.) reflected that the recommendation:

*confused the issue and that confusion has continued to this day. In practical terms by now it is virtually impossible to disentangle what is compensation and what is a benefit in terms of LBD [local business development]. It is a situation that will have to be lived with it seems.*

In its business development strategy, the IOTP report identified 'a number of potential projects and focused on ways the largely unsophisticated residents could be mobilised to pre-empt the more attractive business opportunities for themselves' (Pintz 1984:164). The report suggested that the already successful local company, Cloudlands Investment, could move into a number of projects using external management. Once established, this financial ownership role could be expanded gradually to direct management as the residents gained experience. However, the scheme was quickly opposed by local business interests, and 'through a range of administrative devices such as a refusal to allocate township industrial sites, the Cloudlands business strategy was effectively blocked' (ibid.).

The success of Cloudlands during the late 1970s raised suspicions in Port Moresby. Since its establishment in 1975, a variety of government officers had been investigating

Cloudlands' affairs (Jackson 1982:171–72). Jackson observed that 'it is as if no one can believe that a locally owned company not involving an influential politician, could possibly be successful unless it is really acting as a front for expatriate interests' (Jackson 1982:172). In addition, in 1979, staff members of the University of Papua New Guinea published the book *Development and Dependency: The Political Economy of Papua New Guinea* (Amarshi et al. 1979). The book's general aim was to expose the extent to which foreign interests owned the PNG economy and that only 'a handful of implicitly corrupt bureaucrats and politicians' were benefiting from the country's growing wealth (ibid.). One of the book's allegations was that 'a search of the company record showed that senior public servants involved in the Ok Tedi project held the majority of shares in Cloudlands' (ibid.). By the end of 1979, the same year the book was published, ex-Kennecott employees had divested most of their shares so that locals could buy into Cloudlands (Jackson 1982:171). It is regrettable then that the authors made this thesis about Cloudlands, given that, as a village-owned company, Cloudlands was the very sort of company they were championing (Jackson 1982:172). Other Cloudlands commentary included reports that, as a company, it was politically unpopular with the national government because its shareholders represented an insignificant portion of the national voters (Hunter 1981).

### **5.3 From construction to operation, 1981–2000**

This section covers local business development in the period from 1981 to 2000 and is divided into two parts: the first explores the construction phase of the mine from 1981 to 1984, presenting the local employment and business opportunities. The second part documents OTML's local business development program from 1984, when the mine began operations under BHP, to 2000, when BHP indicated its intention to withdraw from the Ok Tedi project.

#### **5.3.1 Business development in the construction phase, 1981–84**

In early 1981, the consortium created a new company, with OTML replacing the Ok Tedi Development Company (Pintz 1984:133–34) and BHP as the operating partner. In mid-1981, OTML selected Bechtel Engineering, whom they had previously engaged as a non-consortium partner in 1976 for the feasibility studies, to build the project (Pintz 1984:135–36). Following the construction period, OTML started mining operations in

May 1984, initially as a gold mine and later as a copper–gold mine in 1986 (Connell 1997; OTML 2020e:124).

The Ok Tedi project's impact area can be broadly divided into two general zones: the southern downstream groups and the Min people living in the mountains (Jorgensen 2006:238). The Min language groups most closely associated with the mine include Faiwolmin, Oksapmin and Telefomin. Preceding the opening of the mine in 1984, the local Min people had little to no experience operating a business. In terms of economic output, their expertise was primarily confined to agriculture, hunting and pig husbandry. There is a large volume of literature that deals with the pre-colonial subsistence economy of the Min people (Burton 1997; Hyndman 1982:21, 1987, 1994, 1997; Hyndman et al. 1990; Jorgensen 1996, 2006). Because the focus of this thesis is on the relationship between OTML and local landowner companies, it does not add to this body of literature.

Prior to the mine, the project impact areas had few development prospects, and the mine became the Min's main source of income (Jorgensen 2006:238). The Min participated in the project primarily as OTML employees at Tabubil and secondarily as beneficiaries of programs associated with the mine (*ibid.*). These programs included vegetable marketing schemes and the provision of health and educational facilities (*ibid.*). Groups downstream of the mine, such as the Yonggom and Awin, however, had different outcomes in terms of employment and mining-related development. The Yonggom in particular 'were the most disadvantaged' ethnic group in the region by the time Ok Tedi was in operation (Jorgensen 2006:239).

The unskilled labour requirements of the construction phase of Ok Tedi created many employment opportunities. Mine construction began in mid-1981 and, by September 1981, had progressed to the point where OTML required many local workers (Imbun 2000; Pintz 1984:137). Of the 3460-strong OTML workforce recorded in May 1983, national employees accounted for 67 per cent, with an expatriate workforce making up the remaining 33 per cent (Jackson and Ilave 1983:11). Of the 2330 national employees, approximately 52 per cent were from Western Province and 15 per cent from West Sepik (mainly Telefomin) (Jackson and Ilave 1983:13). Jackson and Ilave noted that the construction period provided an opportunity for people to save

construction earnings and invest them for potential future revenue-raising activities (such as establishing a local company) (Jackson and Ilave 1983:20).

Government policy at the time stipulated that employment opportunities be given first to local residents in preference to other citizens; this was to be known as the preferred area policy. The then Minister for Minerals and Energy, Wiwa Korowi, stated that mine labour recruitment would be restricted to three provinces: the Western Province (where the Kiunga subprovince and mine site were located), the West Sepik Province (home to the majority of the Min people) and the Southern Highlands Province (Pintz 1984:138).<sup>47</sup> Minister Korowi himself was a Southern Highlander and, although his statement was met with accusations of patronage to buy political votes, the recruitment strategy he outlined went ahead (*ibid.*). The 1984 Ok Tedi progress and impact report reflected that in March 1984 the majority of PNG manual workers originated from three provinces: Western Province (39.5 per cent), West Sepik Province (19.4 per cent) and Highlands Provinces — including Southern Highlands (16.3 per cent) (Filer et al. 1984:6). The remaining 25 per cent of workers originated from three other provinces/regions: other Papuan provinces, other North Coast provinces and Islands provinces (*ibid.*).<sup>48</sup>

The construction period was not without its challenges (Jackson and Ilave 1983:1). In early 1982, drought in the Fly River catchment delayed mine construction (Pintz 1984:185–86). In addition, in late 1982 and early 1983, there were tensions amongst local residents as a result of the influx of outsiders, land allocation and administrative issues. These tensions led to a series of riots and strikes, at one point causing the company to evacuate residents from the area (Pintz 1984:186).

OTML's attempts at encouraging local businesses in the Kiunga and Telefomin subprovinces<sup>49</sup> during the construction phase proved to be largely successful. These successes included the two subprovinces establishing the supply of basic food provisions to OTML, which can be credited to both OTML's Charlie Cole and the government efforts of Maurice Wilson in West Sepik Province and Mike Gammage in

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<sup>47</sup> Kennecott had recruited many early workers from the Southern Highlands Province, and some people from this province had made customary claims over the mining area (Pintz 1984:138).

<sup>48</sup> The other three provinces/regions and their corresponding percentages for March 1984 were: other Papuan provinces (8.2 per cent), other North Coast provinces (8.6 per cent) and Islands provinces (8.2 per cent).

<sup>49</sup> Telefomin subprovince (now referred to as district) is located in West Sepik.

Kiunga (Pintz 1984:187). Pintz argued that these efforts expanded local participation in the project and assisted in laying the groundwork for future social acceptance of the mining project (ibid.). During this time, an initial income-generating activity for local landowners included produce markets in Oksapmin; locals then supplied this produce to OTML to feed the construction workforce (Jackson and Ilave 1983:28). In its strategy, OTML was looking to reduce their dependence on imported vegetables such as carrots and eventually replace imports like these with local production (Filer et al. 1984:13).

Villages supplied OTML with produce, including sweet potato, corn, banana, pawpaw, choko and pumpkin, amongst other items (Allen et al. 2002:20; Filer et al. 1984:12; Jackson and Ilave 1983:31). The supply of locally grown produce to the mining project was described at the time as one of the Ok Tedi business development team's 'more impressive achievements' (Jackson and Ilave 1983:26). OTML made significant efforts to establish this produce production, organise marketing schedules and pay promptly for supplies (Jackson and Ilave 1983:28).

Oksapmin people (from the Telefomin subprovince of West Sepik) had great success selling their produce.<sup>50</sup> In 1983, OTML purchased K500,000 worth of vegetables from local suppliers, 'many of whom had no previous outlets for agricultural production' (Connell 1997:152; Jackson and Ilave 1983:5). Until mid-1983, the OTML business development team was responsible for all agricultural operations, from the airstrip collection points to the consumption points and all payments to the producers (Jackson and Ilave 1983:28). From July 1983, Cloudlands Aviation Development took over these responsibilities for this task (ibid.). The demand for transport increased with this growth in agricultural production (Connell 1997:152).

Despite the early 1980s being a successful period for local vegetable production for those from Oksapmin and Telefomin (West Sepik) (Filer et al. 1984:10), this period also presented some challenges, as it coincided with the high level of local employment during the mine's construction period. The stable production of garden vegetables was dependent on the labour of local men, many of whom, in some

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<sup>50</sup> In 1979, Oksapmin was exporting approximately one tonne of vegetables a week to Vanimo, Wewak, Frieda River and Kiunga (Jackson and Ilave 1983:28).

villages such as Golgobip, had left for employment at the mine site. As mentioned previously, OTML had assisted in establishing local cooperatives or business groups to manage the business operations and disbursement of cash to local producers. Cloudlands Aviation Development was also involved in paying suppliers and transporting produce from the villages to Tabubil (Filer et al. 1984:15). According to the 1984 progress and impact study of the Ok Tedi project, the five main areas involved in the vegetable business were in the Telefomin District: Gaua, Teranap, the Lower and Upper Tekin valleys and the Bak Valley (Filer et al. 1984:20).<sup>51</sup>

By 1984, social impact studies confirmed the firm establishment of production and successful organisation of marketing schedules (Filer et al. 1984:10). Outside of the Oksapmin and Telefomin areas, the villages of Ningerum, Koroba and Golgobip supplied smaller quantities of produce to OTML and were added to the list of suppliers (ibid.). The success of garden produce in these three villages was largely dependent on suitable climatic conditions. Any increase or decrease in rainfall meant that production could be affected. For example, in June 1984, heavy rainfall (amongst other factors) in the Oksapmin area resulted in a decrease in vegetable production and, consequently, a fall in supply to OTML in July of that year (ibid.).

Scholars vary in their assessments of OTML's level of investment in local business development during the construction period. Whilst some scholars point to the company's lack of investment in local business development (Pintz 1984:154), others attribute the positive results of local businesses to the efforts the company made (Jackson and Ilave 1983:58). Pintz (1984:154) commented that, in the lead up to the construction phase, it was difficult for local firms to participate in the project due to a lack of information about the project's construction requirements. Further to this, most of the local firms able to participate in the project were subsidiaries of foreign companies with 'relatively low levels of domestic value added' (ibid.). According to Pintz (ibid.), during the period from 1982 to early 1983, 'the early experience with implementation of the employment preference and local business provisions appears to have been a considerable success'.

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<sup>51</sup> All five areas were located in the Oksapmin subdistrict.

One example of positive results of local business development at Ok Tedi was the expansion of the local business sector in the Kiunga District (including the towns of Tabubil and Kiunga). With the assistance of OTML and government business development officers, local companies/business groups were established in the project area and a list was created to document them (Jackson and Ilave 1983:25). Some of these companies were established during the construction phase from 1981 to 1984, while others had been established prior to that.<sup>52</sup> The private business sector in Kiunga consisted of mostly regional suppliers from other parts of the country, such as Hornibrook Construction from Lae, Morobe Province (Jackson and Ilave 1983:58). Most of the other businesses in the private business sector were related to the mine and supplied vital services to it, such as Agrim Pty Limited, which provided timber to the mine (ibid.). These businesses included Cloudlands Investment, Dunlop, Burns Philip store and Ningerum Transport. Ningerum Transport, officially incorporated in 1968, is one of the oldest local companies (Jackson 2015:124). Some of these businesses, such as Cloudlands Investment, Kiunga Stevedoring and Progressive Traders, were the result of efforts by the OTML local business program (ibid.).

By 1984, the operations of Cloudlands Investment (OTML's umbrella landowner company) had grown: they operated the original trade store at Tabubil, livestock projects at Tabubil, a bulk store at Kiunga, a truck in Port Moresby and a motor distributorship in Kiunga (Jackson 1982:171). In addition, the company owned a five per cent holding in the Mount Hagen-based Provincial Air Services and a 40 per cent share in a joint venture, Cloudlands Aviation Development (ibid.). Cloudlands Aviation Development had a Cessna 206 aircraft and a Jet Ranger helicopter on permanent charter at Tabubil (ibid.).

By early July 1983, there were 140 small companies/business groups listed in the Kiunga and Telefomin districts. Of these 140 small companies/business groups, the most active 45 companies employed 31 expatriates and 386 nationals (excluding vegetable growers) (Jackson and Ilave 1983:25). Of the most active 45 companies, 17 of the larger companies had a total authorised share capital of K1.4 million (ibid.). Those involved in social monitoring studies at the time explained the importance of

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<sup>52</sup> For example, Ningerum Transport was established in 1969 and Cloudlands Investment in 1975 (Jackson 2015:124).

business activity growth in the project area (ibid.).<sup>53</sup> The authors of the 1983 *The Progress and Impact of the Ok Tedi Project* report noted that once the construction phase wound down and mine operations commenced, direct employment opportunities for locals would decrease and other income-generating activities would be required to capture the shortfall (ibid.). They also commented that the real test of OTML's business development program would be the period following construction, when the mine became operational (Jackson and Ilave 1983:20).

Scholars noted that following the construction period, the local Wopkaimin people referred to Ok Tedi as "the place without work" where the unskilled, uneducated local people had been placed at a considerable disadvantage' (Hyndman 1987:32; Polier 1996:5). This potential problem had previously been identified in the linkage studies detailed in the IOTP report, which stated that 'a lack of skilled labour was the biggest single constraint to expansion of local capacity in all sectors' (Jackson et al. 1980:7).

### **5.3.2 Business development during BHP's operation of the mine, 1984–2000**

The progression from mine construction to the operation phase in 1984 meant a potential reduction in local labour workforce requirement. Although local landowner businesses were being developed, the authors of a 1983 social impact study of the project emphasised the need for sufficient and continuous support from OTML and the national and local governments (Jackson and Ilave 1983:58). The study also commented on the capacity for local businesses to expand in order to provide goods, services and employment to local people (ibid.).

At this early stage of the mine's operation, OTML encouraged local businesses to form joint ventures with national companies. Across the mining sector, joint ventures are considered essential at the initial stages of any project (Jackson 2015:8) because local landowners tend to require assistance starting at least part (and sometimes the whole) of their business (Jackson 2016:32). This assistance includes providing initial funding for the business (Jackson 2016:48); having experienced practitioners in the business' particular fields (Jackson 2016:58); and providing assets necessary to operate the business. An example of a joint venture in the 1980s between a locally owned company

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<sup>53</sup> The project area landowners form two groups: the SML royalty-earning landowners and the various LMP leaseholders (Burton 1993b:6).

and an Australian company was Fubilan Catering (now FCS) with the Australian-owned catering company P&O (Jackson 2015:38).

There was a high level of local landowner business activity between the commencement of mining operations in 1984 and the international lawsuit brought by the Yonggom people against BHP in 1995. However, a 1995 progress report focused on sustainable development in the Ok Tedi impact area (covering the period from 1984 to 1994) indicated that little of the business activity was considered sustainable (Jackson et al. 1995:i). It is important to note that there is little data on local landowner companies associated with OTML prior to 1988 (Jackson 2015:33).

The 1995 progress report reviewed the social and economic impacts of the first decade of the Ok Tedi mine's operations on the overall community as well as local business development. The report also impressed upon readers the 'real urgency of the need for planning for the future of the region' (Jackson et al. 1995:1). The report had three aims: firstly, to assess the impact to date of OTML's attempts to generate business development in its area of operations (especially in the northern part of Western Province); secondly, to foresee what the consequences might be to the same region if OTML ceased operations; and finally, to address the question of how forms of sustainable development might be encouraged in the future for a Western Province area without OTML (ibid.).<sup>54</sup>

The assistance OTML provided to local businesses was part of a broader set of subsidies provided to project area communities. Jackson (1995:i) wrote at the time that:

*the heavy subsidies and support (aside from direct compensation payments) currently provided by OTML to many [business] activities in the area can be viewed in the same way as any sort of subsidy — they encourage inefficiency, impede initiative and are effectively a tax on the people of PNG outside of Western Province.*

Jackson et al. (ibid.) listed the many subsidies OTML provided, some to local businesses and others to the broader community, including:

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<sup>54</sup> In 1995, the official estimated mine closure date was 2010 (Jackson et al. 1995:i).

- free business advisory services
- the Development Trust activities
- scholarships for school children
- effectively free freight of Tabubil consumer goods to the town
- backloading of rubber
- medical services
- provision of housing and/or maintenance of government housing
- road construction and maintenance
- power generation
- equipment provision for schools
- security services.

Recipients of these subsidies included the people of Western Province and the FRPG. At the time, Jackson et al. (1995:ii) argued that OTML and the national government needed to place more emphasis on monitoring the financial or economic environment, in particular the wastage of financial and other benefits OTML provided to the people of Western Province.

Authors of the 1995 progress report considered local business activity, although plentiful, unsustainable due to the nature and extent of the assistance OTML was providing to local landowner companies. Between 1988 and 1993, the number of businesses owned by local people increased from 38 to 59, with annual turnover and employment numbers increasing in parallel (Jackson et al. 1995:9). Of the 59 locally owned businesses existent in 1995, the report included a summary of results for 46 of them, including details such as annual turnover, net profit and dividends. The authors noted that nine of the 46 companies included in the results had a turnover of more than K1 million (*ibid.*). The summary also listed employee numbers by place of origin: expatriates, preferred area and other PNG nationals. This information indicated a high level of local participation, with 58 per cent of employees of landowner companies originating from the preferred area (*ibid.*).

During this period, OTML provided many local businesses general business advice and assistance, but scholars argue there was a clear need for OTML to also offer them formal management training (Brooksbank 2002; Jackson et al. 1995). OTML's

Department of Community and Business Relations (DCBR) provided local businesses assistance with business incorporation, contract negotiation and a range of management and accounting services (Brooksbank 2002:41–42). The free provision of this level of support to local businesses did not ‘strengthen their capacity to operate independent and sustainable business systems’ (Brooksbank 2002:43). In order to become self-sufficient and reduce their reliance on the department, these businesses needed formal management training to assist them with skills such as record keeping, business planning, basic management and the role of directors (Jackson et al. 1995:15).

Whilst the department provided business assistance and advice to local businesses, there appeared to be no strategic plan until prior to the publishing of the 1995 progress report. Although the department’s planning process was incomplete at that time, some of the major elements of the strategic plan were in place. One of the department’s main objectives was the ‘development, monitoring and promotion of a viable business development program for the landowners and associated communities in the project area’ (Jackson et al. 1995:13). In their strategic plan, the department identified the following as ‘issues and challenges’:

- demands for business and developmental opportunities by people along the river system
- to provide sound business advice to local businesses and to ensure their success
- implementation of long-term sustainable village development, e.g. rubber industry, tourism and roads (ibid.).

Despite the department identifying these issues and challenges, the authors of the report described how the department had no formal strategies, action plans or performance indicators in place ‘to support the objective or to meet the above specific issues and challenges’ (Jackson et al. 1995:14). The department did, however, have a detailed set of operational procedures related to small business development; these procedures covered four situations of business opportunity identification:

- A business opportunity is identified by a local promoter.
- A business opportunity is identified by an OTML user Department.

- A business opportunity is identified by an outside party and a local joint venture party is sought.
- A business opportunity is identified by DCBR (ibid.).

The authors described the service the department provided as comparable to 'a public accounting firm in Port Moresby' (Jackson et al. 1995:14). The service was free and therefore represented a significant subsidy to the business community. Without this assistance, the authors surmised that it would have been difficult for many of the businesses to operate and meet their statutory requirements (ibid.).

By 1995, the DCBR had approximately 75 businesses on their books, with the majority (69 per cent) relying to some degree on DCBR staff for assistance (ibid.). During this period, there were concerns that local businesses receiving business services from the DCBR could develop a handout mentality, and there was a view that local businesses should seek this assistance from other organisations via user-pays services. One such organisation able to provide these services was North Fly Management Services (ibid.). North Fly Management Services was a small company owned by several local businesses that offered local business clients limited accounting services, mainly record keeping and a payroll service. It was staffed by qualified nationals and received most of its clients through referrals from the DCBR. At the time of the 1995 report, North Fly Management Services had a gross turnover of K100,000. The authors of the 1995 progress report commented that, at that level of operation, the company was hardly viable (Jackson et al. 1995:15).

By 1995, the Ok Tedi project was barely profitable and generating little benefit to its shareholders (Jackson et al. 1995:19). The national government received some benefits, including royalty payments, taxes deducted from employees' wages and the improvement in the balance of payments resulting from the export of output from the Ok Tedi project (ibid.). Up until 1995, the main beneficiaries of the project appeared to be communities in the preferred area, in particular, the landowners in the compensation area. The provincial government also benefited via two sources: firstly, through OTML's generous funding and secondly, through the Special Support Grants

it received from the national government as part of the basic mining package (ibid.).<sup>55</sup> The purpose of a Special Support Grant is to assist the province hosting a major mining project to finance infrastructure-related projects. It is not clear whether the FRPG used the grant funding to create any opportunities for local business development in the region. Whilst it could be argued that the national government made a significant contribution to the opportunities for business development in Western Province through the Special Support Grant, the national government did not adequately monitor the provincial government's use of these funds (ibid.).

Although the national government and provincial government made some efforts toward supporting local businesses in the region, OTML carried much of this responsibility. The two national government departments at the time concerned with economic and business development were the Department of Mining and Petroleum and the Department of Trade and Industry. The Department of Mining and Petroleum was responsible for the agreement negotiations and coordinating the project with OTML; the Department of Trade and Industry was responsible for considering business sector development beyond the minerals boom.

The Department of Trade and Industry's strategic plan, entitled *Beyond the Minerals Boom*, focused on developing the industrial, construction and national business sectors in PNG by the year 2000 (Jackson et al. 1995:19). Ten specific programs were identified and costed; the most relevant to this discussion is the Resource Spin-off Business Development Program. *Beyond the Minerals Boom* mentions the Small Business Development Corporation (SBDC) as one of the major implementing agencies of these programs. The national government established the SBDC in 1990 to promote the formation and growth of PNG-owned and operated small businesses. The SBDC had five major programs and initiatives: Entrepreneurial Development (Training) Programme; Information and Promotion Programme; Service Bureau Operations; Business Management and Consultancy Services; and Financial and Capital Assistance (Jackson et al. 1995:20–21). At the time, the SBDC did not have a regional office in the Western Province and had never been a part of activities in the Ok Tedi area or the Western Province. By 1995, SBDC had been involved in other

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<sup>55</sup> The Special Support Grant was equivalent to one per cent of the annual value of mineral production (Filer 2008:124). For more details on the basic mining package, refer to Chapter 3.

resource project areas, including Misima, Porgera and Chevron Camp at Moro. The authors of the 1995 progress report noted that the services of the SBDC had not been utilised by Ok Tedi, nor had the SBDC offered or promoted its services in the region (ibid.).

The FRPG was financially well-positioned to provide essential services to the province, including business development and infrastructure (Jackson et al. 1995:22). However, there is little evidence that the FRPG was using the funds it received from the national government productively. The relationship between OTML and the provincial government was delicate when it came to service delivery in the province. OTML's legal and moral obligations in the compensation area<sup>56</sup> and Development Trust area<sup>57</sup> required the company to contribute to most of the services the local or provincial government would normally provide. On a number of occasions, FRPG officers openly criticised OTML for providing services of a poor quality. Despite this criticism, OTML were careful to maintain good relationships with provincial politicians and public services. OTML needed the support of the provincial government to continue smooth operations at Ok Tedi. If OTML did not tread carefully, it was highly likely the company could receive accusations of being an 'uncaring multinational corporation exploiting the local people' (ibid.).

In their 1995 report, Jackson et al. also provided a detailed policy and program framework for sustainable business development at Ok Tedi, with a focus on small enterprises (Jackson et al. 1995:ii–iii). Jackson et al. (1995:v) recommended that OTML 'shift out of direct business subsidies into business training programs with the assistance ... of the Small Business Development Corporation (SBDC) and NGOs', and that 'training be sponsored in all aspects of small enterprise management with an industry-specific focus' (ibid.).

According to Jackson, during the period between 1988 and 1994, the number of landowner companies and their revenues grew 'steadily and in parallel' (Jackson 2015:32). Jackson also reported that, by 1994, 66 landowner companies had contracts

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<sup>56</sup> The compensation area refers to the original compensation agreement between the mining company and the customary owners of the mine lease areas in the early 1980s.

<sup>57</sup> The Development Trust was formed in 1989 under the terms of a previous agreement OTML made with the PNG Government (Filer and Jenkins 2017:232). The Development Trust area referred to area managed by the Lower Ok Tedi/Fly River Development (established in 1990) (Jackson et al. 1995:15–16).

with OTML, and the average annual revenue of each company was US\$1 million (ibid.). Table 7 details the number of locally owned businesses, their gross turnovers and number of employees over a 10-year period (1991–2000).

**Table 7. Ok Tedi local business development summary, 1991–2000**

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Number of locally owned businesses (wholly and partly)	49	58	59	66	73	74	79	81	81	72
Gross turnover (K million)	51	56.2	63.7	68.1	72.5	72.5	80	80.6	72.5	114
Dividends paid (K million)	1.14	2.27	4.96	4.72	4.7	4.7	1.1	1.1	0.6	2.46
No. of employees	1,200	1,260	1,077	1,141	1,200	1,400	1,000	1,050	1,020	2,300

Table adapted from Brooksbank (2002:41).

It is important to note, as Jackson did (2015:34), that the mine was barely profitable between 1984 and 2001, and the whole project was in jeopardy. While the number of local landowner businesses during this period was on the rise (Jackson 2015; Jackson et al. 1995), other significant events were taking place at Ok Tedi. Between 1992 and 1996, the Yonggom people initiated a lawsuit against BHP for devastating environmental damage to the Fly River (Filer 1997; Jorgensen 2006:238). The lawsuit was filed in Australia and settled out of court in May 1996 for an estimated US \$500 million. The settlement included commitments to compensation and tailings containment (Gordon 1997; Kirsch 2002:176).

The period between 1996 and 2000 witnessed continued growth in the number of landowner companies engaged in contracts with OTML, and in 1999, the number of companies reached its peak of 81 (Jackson 2015:32). However, average revenues for these individual companies fell from US\$1 million in 1994 to US\$0.5 million in 1999 (ibid.).

In 1997, an El Niño drought occurred, and the Fly River became too shallow for shipping. Subsequently, OTML made the decision to shut down the mill in August of that year. OTML sent home an estimated 65 per cent of staff (OTML 2020e). In March 1998, OTML resumed mining operations and commenced dredging trials following rains and higher levels of the Fly River (ibid.).

#### **5.4 Business development after BHP announces intention to withdraw, 2001–2020**

The key turning point for OTML was the year 2000, when BHP indicated its intention to withdraw from the Ok Tedi project. This section covers OTML's local business development program from 2001 to the present day. During this period, OTML implemented three restructures of their local business development program; all three are discussed in this section. The first restructure was implemented in 2001, an opportune time given the mine closure planning process was already underway. The second restructure took place in 2006, with the new program based on a report titled *Back to Basics*. The third restructure, the L&RS strategy, began its implementation in 2013 and is still being implemented at the time of writing.

The year 2000 was an eventful one in the history of OTML. The PNG Government directed the World Bank to review the findings of the mine waste management project (OTML 2020e). BHP indicated to its shareholders that it intended to exit OTML, and the PNG Government announced the community consultation process to decide the future of the mine based on its extensive environmental impacts (ibid.). This was a disruptive period for OTML, its employees and local landowner companies. The number of local landowner companies that had contracts with OTML went from 72 in 2001 to 20 in 2003 (Jackson 2015:33).<sup>58</sup>

In 2001, after extensive community consultations focused on a possible extension of the Ok Tedi mine life, mine-affected communities gave their consent for the mine to continue and for CMCA to be established (OTML 2020e). The PNG parliament passed the Mining (Ok Tedi Mine Continuation [Ninth Supplemental] Agreement) Act 2001

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<sup>58</sup> Jackson noted that, although the reduction of local landowner companies could be due to OTML's record keeping, it is possible that 'it is a reflection of the difficulties OTML faced at the time' (2015:33).

(*ibid.*). The Act set out the basis for mine continuation and BHP's eventual withdrawal in 2002 (Filer and Jenkins 2017:231).

The eventual departure of BHP can be explained as the result of the adverse publicity surrounding the court case brought by the Yonggom people against BHP for environmental damage to the Fly River. However, there is little published evidence that clearly indicates how the process of BHP's withdrawal may have affected OTML's business development strategies. The Ninth Supplemental Agreement made a difference to the compensation agreements, because the Ok Tedi Fly River Development Trust became redundant. However, the new arrangements did not include business development opportunities. The agreement may have had more impact on OTML's business development program because the Ok Tedi Development Foundation (OTDF) and the PNG Sustainable Development Program (PNGSDP) became more involved in the promotion of local business ventures. Because the OTDF and PNGSDP were not active in the Tabubil CMCA region, they have been excluded from this analysis.

By 2001, the business development function previously located within the DCBR had been moved into the External Relations and Community Services division. From 2001, the business development function was transferred to the OTDF, which would continue all previous business activities OTML had conducted (Brooksbank 2002:42). In 2001, there were four business development staff at Tabubil and another six at Kiunga. At this point, the long-term objective of the business development program was to 'develop sustainable businesses that will operate independently of OTML's operations after mine closure' (*ibid.*). Local participation in business was high: all of the smaller businesses were locally owned, as were most of the larger companies. Many of these local landowner companies had direct contracts with OTML; others supplied goods and services to OTML, other local businesses and the local Tabubil-Kiunga community (*ibid.*).

In 2002, BHP withdrew from OTML and transferred its 52 per cent equity to a corporate body registered in Singapore, the PNGSDP (Filer and Jenkins 2017:231; OTML 2020e). The role of the PNGSDP is to 'manages its share of OTML dividends with a mandate to use these to support "sustainable development" plans, with a special focus

on communities downstream from Ok Tedi' (Jorgensen 2006:240). In 2002, along with social and environmental monitoring programs, the PNG Government approved the full-time employment of a dredge in the lower Ok Tedi (OTML 2020e). The Ninth Supplemental Agreement stipulated that OTML must establish and fund a body called the OTDF (Filer and Jenkins 2017:232). The predecessor to the OTDF was the Lower Ok Tedi/Fly River Development Trust.

#### **5.4.1 First restructure: 2001 and Star Mountains Investment Holding Ltd**

Following the well-publicised legal action against BHP and other factors, by 2001 the whole Ok Tedi project was in serious trouble, and the local business development program was run under these difficult circumstances (Jackson 2015:34). OTML records show that the majority of the mine's financial benefits to stakeholders only started to accumulate once BHP left in 2002 (ibid.).

By 2002, OTML had helped establish over 70 local businesses, indirect employment opportunities for more than 1000 staff employed by subcontractors and employment for another 1000 staff in local business dependent on the mine (Siop 2008:3). Of the total 72 local businesses in 2001, 50 were 100 per cent locally owned, 40 provided contract services to the mine and the other 32 were involved in spin-off business activities (Siop 2008:7). The ownership structure of these 40 businesses varied: either individuals, families, clans or the community as a whole owned each of them (ibid.).

In 2001, Paulina Siop, previously engaged by OTML as a consultant,<sup>59</sup> became the team leader of business development within OTML's Community Affairs Department. Until the early 1990s, the overall revenue figures for local landowner businesses indicated that local business development was proceeding well (Jackson 2015:33). However, broader problems needed to be addressed if progress was to be made in this area, and the mine closure planning process offered a timely opportunity. Siop left OTML in 2003 and appears to have established her own consultancy.<sup>60</sup> As a consultant, she wrote the report *From Dependency to Sustainability: A Case Study on*

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<sup>59</sup> OTML had engaged Siop as a consultant prior to her employment in 1999 (25/1/2021. OTML Economic Programs Department staff, personal communication).

<sup>60</sup> Komuniti Hanmak Consulting Ltd, a local development service provider that specialises in rural economic interventions for livelihood development and economic empowerment to enhance inclusive rural development in PNG (LinkedIn 2021).

*the Economic Capacity Development of the Ok Tedi Mine-area Community* (Siop 2008). This report was published by the Asian Development Bank in association with the Australian Agency for International Development and examined the economic capacity development among communities around the Ok Tedi mine (ibid.). In 2007, the Asian Development Bank's Pacific Department commissioned a regional study across the Pacific to gain a better understanding of effective capacity development approaches (Siop 2008:v). The study included 20 case studies from 11 countries across the region (ibid.). In her case study, Siop examined the Mine-Area Community Investment Program, an economic capacity development strategy created by OTML's Business Development department and implemented at the Ok Tedi mine for the mine area communities (Siop 2008:7–8). Siop and OTML's Business Development team implemented the program over two years, from 2002 to 2003 (Siop 2008:14).

In her report, Siop noted that the following had occurred amongst the mine-area community by 2000:

- developed an unhealthy dependence on the mine
- squandered many economic opportunities through lack of control and poor management
- developed no form of culture of savings and investment
- 'the hierarchical leadership structure has not always performed in the best interests of the community'
- had developed no alternative economic base
- local business had performed 'dismally': 'even the joint ventures had shown no real partnership in their working arrangements with local partners' (Siop 2008:6–8).

The key components of the Mine-Area Community Investment Program included the development of an investment structure; support for business development; community development initiatives; leadership strengthening (both community and business); and OTML management support (Siop 2008:11). Siop briefly discussed the issue of poor leadership structures within the community and argued that the hierarchical leadership structure 'has not always performed in the best interests of the community' (Siop 2008:7).

Two important parts of the Mine-Area Community Investment Program were the focus on a new business development structure and the formation of a new umbrella company, Star Mountains Investment Holding Ltd (SMIHL). The new structure streamlined 'local businesses under SMIHL because there were too many small but unsustainable businesses demanding work from OTML' (Jackson 2015:33). Siop claimed that the failure of the previous umbrella company–focused model, Cloudlands Investment, was due to the lack of early preparation of communities for business and poor leadership (Jackson 2015:35). Siop believed this new structure had better planning than the original umbrella concept (ibid.).

More than two decades following the establishment of the original umbrella company (Cloudlands Investment) in 1975, it is interesting to note this same concept was again being proffered as a solution. Jackson noted that umbrella companies proved to be unsuccessful because, whilst larger local landowner companies are able to trade on their own account, they have not always been in a position to provide basic business services for smaller landowner companies (Jackson 2016:47). The weaknesses of the umbrella company concept has meant that smaller companies have had to find support services themselves, or OTML has provided them (ibid.).

Siop and her team made a considerable effort to engage with the local community, initially focusing on winning support from two principal landowner leaders (Siop 2008:17). Following the agreement of the two landowner leaders, the broader mine-area community pledged their support for the program, and SMIHL began commercial operations in 2004 (Siop 2008:19). Ok Tedi mine landowners from 32 clans of the 12 SML and LMP villages invested K7 million into SMIHL, together with a K5 million loan (Jackson 2015:37).

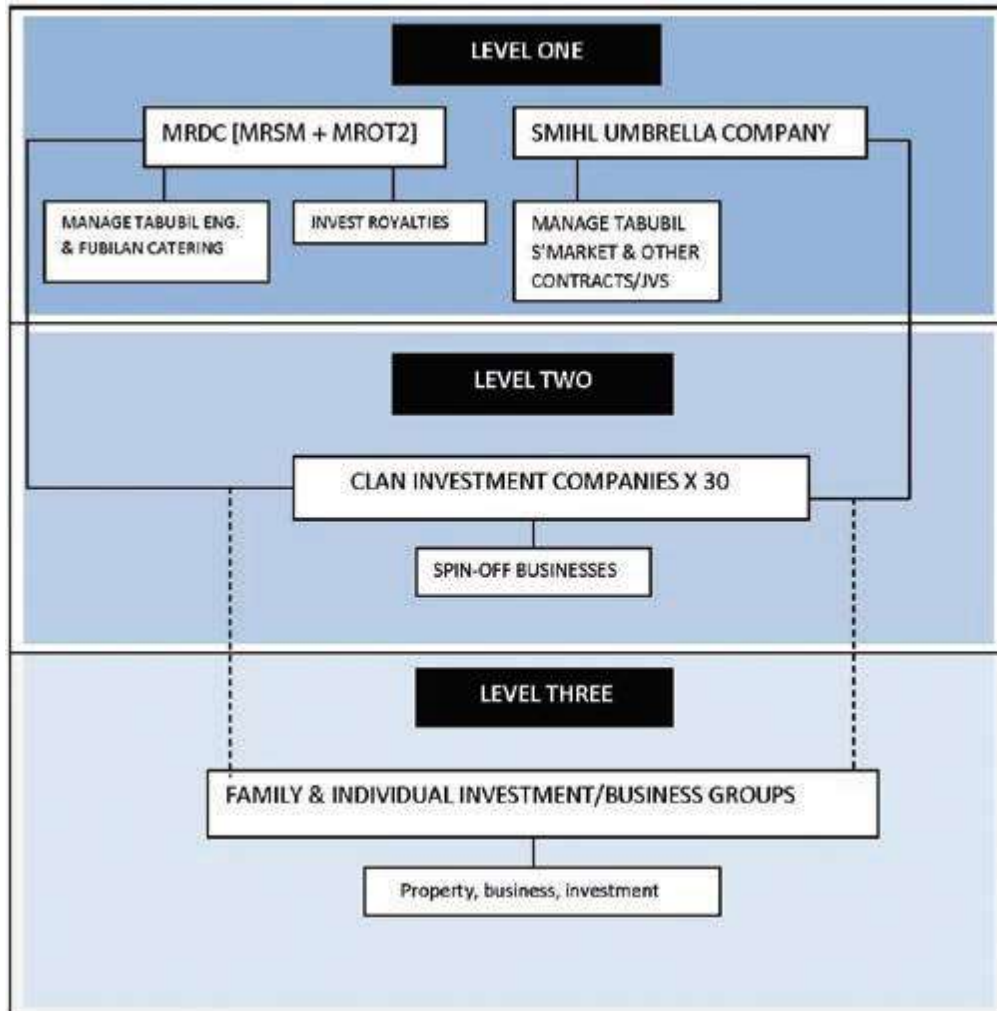
The revised structure represented in Figure 1 shows landowner companies divided into three levels. Level one companies comprised community umbrella companies, including SMIHL and MRSM (Siop 2008:13).<sup>61</sup> The second level comprised the 30 clan-based companies designed to link the investments with people to filter cash and other benefits directly to individual members of the community (Siop 2008:13–14).

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<sup>61</sup> As discussed in Chapter 4, MRSM was established as a subsidiary to hold and invest the landowner equity in OTML.

Level three companies accommodated family initiatives, including small and micro businesses, with programs that encouraged families to 'develop their own economic capacities to prepare for mine closure' (Siop 2008:14).

**Figure 1. Revised structure for business and investment, 2008**



Adapted from Siop (2008:13), cited in Jackson (2015:35).

Under the Mine-Area Community Investment Program, the aim of the three-tier investment structure (Figure 2) was to capture the inflow of cash benefits from individuals, clans and local businesses and redirect it to sustainable economic development activities (Siop 2008:12). When Siop's report was published in 2008, she was optimistic about the performance of SMIHL and noted that the umbrella company had progressed 'very well as a business with solid performance over the last three years' (Siop 2008:21). At that time, SMIHL was worth over K7 million and had three subsidiary companies as well as property development and transport business

divisions (ibid.). Siop's report also mentioned 'exciting future growth opportunities' and credited the success of SMHIL to 'good business leadership in the board and effective management' (Jackson 2015:35).

#### **5.4.2 Second restructure: 2006 and *Back to Basics***

Before Siop's report was published in 2008, the Mine-Area Community Investment Program it outlined (which was implemented between 2002 and 2003) was no longer operating (ibid.). In 2006, OTML's Economic Programs Department issued a new plan, *Back to Basics*, to address local business development based on a 2011 mine closure date (ibid.). OTML indicated that the plan was based on two principles: firstly, that OTML is a business, and secondly, that 'OTML economic programs are "fundamentally a community relations function ... that seeks to mitigate social risk to our business"' (ibid.). This section outlines the objectives and outcomes of the *Back to Basics* work plan and reflects on the changes in OTML's approach to its local business development program.

By 2006, OTML's 31 landowner companies had a combined turnover of US\$100 million (Jackson 2015:33). Jackson noted that 2006 is the last year for which records on local landowner companies associated with OTML can be regarded as totally reliable (ibid.). In 2006, the umbrella company concept was again seen as a better option to manage the many small individually owned local companies. In their 2007 annual review, OTML claimed that 'umbrella companies ... representative companies of the people of the various regions of the mine-affected communities ... are capable of standing on their own feet over time with OTML support' (OTML 2007:19).

The opening statement of the *Back to Basics* work plan stated that:

*through the process of redefining OTML's community obligations (from 2000 to 2004), the function of what was then the Business Development department for OTML had become confused with the shared task of ... regional economic development ... The purpose of this work plan is to focus the work effort of the Economic Programs department back to what was the original intention of Business Development as outlined in the Ok Tedi Act (cited in Jackson 2015:35).*

The original intention of business development in the Ok Tedi Act 1976 was to 'promote, support, encourage and assist the establishment and operation of local enterprises in the Mining Area' (GoPNG 1976:46). The new plan was based on the following five principles (Jackson 2015:35):

- It would operate under accepted commercial principles.
- Contractors would deliver goods and services both to OTML and the general public at competitive rates.
- Local businesses would develop the capacity of being viable after mine closure.
- Their board and staff would be fully accountable to shareholders.
- They would need to show that any wealth they generated flowed back to shareholders in a transparent and equitable manner.

The slogan of this new plan was 'skills transfer and no dependence', with the acronym 'STAND' (Jackson 2015:36). The *Back to Basics* report identified three levels of companies: local strategic businesses; local businesses other than strategic ones — termed key local businesses by OTML; and all other local businesses, including individual and small businesses.

The first level of companies (umbrella companies) included local strategic businesses that OTML considered to 'be at the forefront of creating a sustainable economic base' (ibid.) for the host communities. The report noted that OTML would devote 79 per cent of the Economic Programs Department's available resources to the following five umbrella companies:

1. SMIHL for mine area villages
2. Flood Plains Holding Limited, the Middle Fly representative company
3. Lower Ok Tedi Investment Company around the dredging operations at Bige
4. Hore Binkia Engineering and the Highway Development companies set up by villagers along the Kiunga–Tabubil Highway
5. A future South Fly representative company.

In the *Back to Basics* report, OTML termed the second level companies key local businesses and noted that the department would devote 20 per cent of their resources to them (Jackson 2015:36). Twenty companies were listed in total, with 14 specified

as key local businesses and seven as 'key' (ibid.). Table 8 provides further detail on specific second level company names. Some of the 14 businesses specified as key local businesses included Camp Administration, Faiwol Investments, FCS and Tabubil Engineering (Jackson 2015:35). The other seven key businesses included (amongst others) Tabubil Automotive, Tabubil Bakery, Tabubil Pharmacy and Tawap Kamen Investments (Jackson 2015:35). Level three businesses included all other local businesses. The report stated that these level three businesses could seek advice from the OTML Economic Programs Department on commercial matters. According to the report, for any other help, the Economic Programs Department would encourage level three businesses to use the services of the Provincial Business Development Office (ibid.).

According to the *Back to Basics* report, the Economic Programs Department would also provide support to the different levels of businesses. Each support program was to be offered for a limited number of years, given that in 2006 the mine closure date was 2011 (Jackson 2015:35). The report also noted that some of the support activities OTML's Economic Programs Department would provide included (amongst a range of activities) director training for levels one and two businesses that would cease after two to three years, then be outsourced. The department would also assist level two companies in meeting compliance requirements (Jackson 2015:36). This assistance for level two companies would cease after one year, encouraging them to then use accounting firms (ibid.). In addition, all levels of companies would be informed about new business opportunities (ibid.).

BHP's withdrawal from the Ok Tedi project in 2002 signalled the start of a better financial period for OTML, which had a considerable flow-on effect for local landowner businesses. Between 2002 and 2012, the value of goods and services purchased by OTML nearly quadrupled (ibid.). In 2007, OTML and the 145 CMCA villages reviewed the previous agreement and reached a revised agreement that extended the mine life to 2013 (OTML 2020e). OTML records between 2003 and 2014 indicated a slight increase in the number of local landowner businesses, with the revenue of these businesses having grown rapidly during this period (Jackson 2015:33). In the period between 2011 and 2013, OTML purchases within PNG averaged K300 million per year (Jackson 2015:36). In both 2012 and 2013, total expenditure on contracts (for service)

from all sources was K1.1 billion (ibid.). Of this K1.1 billion, OTML spent approximately K230 million (approximately US\$107 million) each year on contracts fulfilled by either wholly locally owned (as opposed to PNG-owned) or local companies in joint ventures with other Papua New Guinean companies (ibid.).

**Table 8. List of local landowner businesses associated with OTML included in OTML's 2006 Back to Basics report (2006–12)**

Level of business as identified by <i>Back to Basics</i> report	Category as per <i>Back to Basics</i> report	Approximate number of businesses	List of business names
Level 1	Local strategic businesses	5	SMIHL for mine area villages; Flood Plains Holding Limited, the Middle Fly representative company; Lower Ok Tedi Investment Company around the dredging operations at Bige; Hore Binkia Engineering and the Highway Development companies set up by villagers along the Kiunga–Tabubil Highway; a future South Fly representative company*
Level 2	Key local businesses	13+	Azobelle Electrical, Bultem Holdings, Camp Administration Ltd, Ela Motors Joint Venture, Faiwol Investments, FCS, Kiunga Catering Services, Kiunga Security Services, Ningerum Holdings, North Fly Rubber, Star Clothing Company, Star West, Tabubil Engineering, Tabubil Security Services and some minor contractors
	Key businesses	6	Tabubil Automotive, Tabubil Bakery, Tabubil Hotels, Tabubil Pharmacy, Tabubil Traders, Tawap Kamen Investments
Level 3	Other local businesses	16	Tabubil Hotels (Star Mountains Properties and Investment), Suku, Bugum, Umeng, Handup, Adiyap, KS Investments, W&W Construction, Tabubil Security Services, Kana Kumgit, Tawap Kamen Investments, Kiunga Catering Services (KCS), Mepu Investments

\* A future South Fly representative company still had not been developed by 2015 (Jackson 2015). Data sourced from Jackson (2015:36–43).

Between 2006 and 2015, the performance of these local landowner businesses varied. According to Jackson's report (2015:36–43), by 2015 nearly 40 local landowner companies were in operation. These companies varied in size, shareholder structure and reporting compliance levels. In 2012, these nearly 40 businesses received contracts worth K126 million from OTML and provided employment for up to 5515

people at any one time (Klohn Crippen Berger & Mining 2013:15). By 2015, there were four umbrella companies: Cloudlands Investment, SMIHL and the two MRDC managed companies, FCS and Tabubil Engineering. In addition, there were three representative companies: Lower Ok Tedi Investment Company, Highway Development Company Limited and Hore Binkia Engineering (Jackson 2015:37–38). By 2015, a South Fly representative company still had not been developed. However, those three representative companies are outside the scope of this thesis.

Results from OTML's 2006 *Back to Basics* report varied. As previously mentioned, the report indicated the intention to allocate a specific proportion of the Economic Programs Department's available resources to each of the three levels of business. Despite the large time allocation to level one businesses (the umbrella companies, like SMIHL), results demonstrated that the better-performing businesses actually tended to come from the level two category.

An example of a successful level two business was Camp Administration. In 2015, Camp Administration was the largest independently run landowner company in Tabubil, with a widespread shareholding among a mixture of local individuals, landowner business groups and small companies (Jackson 2015:40). The landowner business group shareholders of Camp Administration do not include any of the many shareholders in the umbrella company SMIHL (*ibid.*). Strengths of Camp Administration as a landowner company included the fact that it:

- paid its directors modest annual fees, and the directors did not owe the company any money
- produced clear, readable annual reports for its shareholders
- was making a modest average annual after-tax profit in the 2010–11 period
- made small but significant community donations, and
- had K20 million worth of investments in Port Moresby property.

Camp Administration faced challenges similar to every other local business, but its strengths seem to be good management and a 'working atmosphere based on good governance, sensitivity to local needs (both commercial and social), and relatively modest but steady growth' (Jackson 2015:40). Much of this work can be credited to Camp Administration's general manager at that time. In fact, Camp Administration had

performed so well that, at the end of 2013, OTML poached Camp Administration's general manager to run its Economic Programs Department (discussed further later in this section) (ibid.).

As detailed previously, after BHP's withdrawal from Ok Tedi in 2002, the share ownership of the project was 52 per cent by PNGSDP, 30 per cent by the PNG Government and 18 per cent by Inmet Mining Corporation (Jenkins 2016:48). By late 2013, however, OTML's ownership changed again. The PNG parliament passed the Ok Tedi Tenth Supplemental Agreement Act 2013, depriving the PNGSDP of its majority stake (63.4 per cent) in OTML (Filer and Jenkins 2017:232). This agreement resulted in OTML becoming a wholly state-owned enterprise (ibid.).

The change in ownership from PNGSDP to the PNG Government led to a significant restructure at OTML. All employees were made redundant and their entitlements paid out. OTML then established a new staffing structure and employees were rehired (OTML 2020e). In 2013, following the PNG Government's approval of a Mine Continuation Feasibility Study, mine closure was extended to mid-2025 (ibid.).

#### **5.4.3 Third restructure: 2013 and the local and regional supplier strategy**

In 2013, OTML reviewed the overall performance of its local landowner companies (as well as conducted an internal performance review) and subsequently began designing a new strategy called the L&RS strategy. Shortly after this review, in August 2015, a dry weather event developed that caused OTML to suspend its operations for the next eight months. Upon restarting operations in March 2016, OTML continued with the implementation of this new strategy. This section provides a brief outline of OTML's motivation for this new strategy, how it was designed and the intentions that guided it. Finally, comment is made on the current stage of the strategy's implementation.

The aim of the L&RS strategy was for local landowner companies to decrease their dependency on OTML by outsourcing the associated administrative responsibilities to five representative companies (umbrella companies). Each of these representative companies would have direct contracts with OTML and then subcontract work to the smaller companies underneath each of them.

Ok Tedi has made two attempts at establishing umbrella companies: Cloudlands in 1975 and SMIHL in 2001 (Jackson 2015; Siop 2008). OTML has experienced significant challenges with both of these attempts (Jackson 2015). The author of the 2006 *Back to Basics* report had left OTML and Jackson noted that, even though OTML were managing to issue contracts, they 'had more or less lost track of local business development' (Jackson 2015:43). In 2006, when the *Back to Basics* report was released, statistical records for local companies had begun to weaken and were 'more or less abandoned' by 2010 (ibid.). In late 2013, the new Economic Programs manager was tasked with re-establishing a working system (ibid.), which became the L&RS strategy.

In late 2013, the new Economic Programs manager provided an analysis on weaknesses in the OTML system and amongst landowner companies (ibid.). The identified weaknesses with OTML's system of managing local landowner companies included that:

- 'as and when required' contracts provided landowner companies with irregular incomes
- improved vetting of landowner companies was needed in the contract awards process, and
- joint venture arrangements, usually arranged by OTML, were generally disadvantageous to local businesses.

The identified weaknesses amongst landowner companies included that (ibid.):

- few benefits were flowing into the community
- many businesses appeared to be unsustainable
- many companies were failing in the area of compliance with statutory requirements
- boards and managers were frequently inexperienced and/or incompetent
- board interference in management was frequent, and
- many companies had cash flow problems.

In order to rectify weaknesses among local landowner companies, the Economic Programs manager recommended OTML undertake a compliance audit on all local landowner companies. This audit would include indicators of compliance with:

- the IPA
- the Internal Revenue Commission
- nasfund and insurance requirements
- OTML safety and environmental compliance
- payment of dividends to shareholders
- extent of community benefits
- regularity of board meetings and annual general meetings
- analysis of liquidity
- frequency and promptness of production of annual reports and audits
- regularity of payment of wages to workers.

In addition, the new Economic Programs manager recommended local landowner companies undertake the following (Jackson 2015:43–44):

- Assess all applicants for contracts with OTML in terms of past performance and future capability of delivery.
- Assess strategic implications of landowner companies and their external partners.
- Assess financial capacity and technical resources.
- Select contract awardees at least in part on the nature of their shareholders.

In the new structure, the Economic Programs manager recommended a two-tiered approach. The first tier was for the Economic Programs Department to liaise directly with 12 entities. Of the 12 entities, two would be the reformed umbrella companies: SMIHL to manage the mine area landowner companies, and a second umbrella company (referred to by Jackson as the ‘CMCA umbrella company’) to manage all downstream landowner companies.<sup>62</sup> The remaining 10 entities the department would engage with comprised nine large companies and MRSM (Jackson 2015:44).

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<sup>62</sup> ‘Downstream companies’ refers to the CMCA landowner companies (Jackson 2015:43).

The second tier of this new structure contained two parts. Firstly, one of the reformed companies, SMIHL, would act as the umbrella company for 15 smaller Tabubil-based landowner companies. Secondly, the CMCA umbrella company would deal with eight major downstream companies (Jackson 2015:43). Using this new structure, OTML planned to reduce the total number of contractors to 35 (ibid.). The aim of this approach was to allow representation from each of the five main regions (Jackson 2015:36):

1. Telefomin District in West Sepik Province
2. Mine area villages
3. Highway villages between Tabubil and Kiunga
4. Kiunga/Bige area (including some of the Yonggom villages)<sup>63</sup>
5. South Fly area for the CMCA villages.

A L&RS committee was established to manage the engagement of L&RS contractors (OTML 2017b). Up until June 2020, the L&RS committee was led by OTML's deputy CEO (who at the time was also the general manager for the External Affairs and Employee Relations business unit). The committee also includes the managers of the following departments: Economic Programs, Contracts Administration and Legal, ISS and the Mine and Mill. The L&RS charter was designed to guide OTML's relationship with local and regional suppliers; provide a forum for assessing and reviewing proposals; approve scope expansion and terminate non-compliant local and regional suppliers; monitor the integrity of local and regional suppliers to ensure they satisfy OTML policies and procedures; ensure local and regional suppliers' compliance with commercial, statutory and regulatory requirements; and manage the local and regional supplier register through the Economic Programs Department (OTML 2017b). The committee acknowledged some of the identified risks in these areas and outlined how they would be mitigated. Some of the identified risks included community backlash against the new structure; the lack of capacity of the five proposed companies; and the potential increase in cost to OTML with the use of subcontractors; and any legal implications (ibid.).

Before OTML's temporary shutdown in 2015, there were over 54 local contractors providing services to OTML (OTML 2017c). Of these 54 contractors, 47 were engaged

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<sup>63</sup> Yonggom villages in the Kiunga/Bige region align approximately with villages located in the Wai-Tri and Alice River CMCA Trust region.

on an 'as and when required' basis, and the remaining seven had fixed contracts (ibid.). The shareholder base of 30 of the 54 local contractors was from mine-affected areas in Western Province. The remaining seven (of those 54) local contractors had shareholders from both mine-affected areas and other provinces in PNG (for example, Hela Province). Of the 30 local contractors from mine-affected areas, only five were considered successful by OTML. Of the seven local contractors with mixed local and regional shareholders, only one had proven success (ibid.).

During 2015, much of rural PNG was impacted by a severe drought and repeated frosts at a number of very high altitude locations (Bourke et al. 15/1/2016). This drought created lower Fly River water levels, which in turn affected reliable shipping and the operation of the hydroelectric dam that OTML and Tabubil relied on for power (OTML 2016:12).

From September 2015 to February 2016, OTML ceased mineral production (OTML 2016:24), affecting both OTML employees and local landowner companies. In August, OTML stood down most of its workforce without pay, but offered some allowances (Manuai 2015) in order to 'retain their trained workforce' (OTML 2016:24). At this point, OTML arranged for most employees to be flown home and asked those employees with children at company-run schools in Tabubil to transfer their children to schools in their home provinces (Manuai 2015). During this time, Tabubil Hospital closed down, as did the schools (Jorgensen 2016:32,34; PNG Resources 2016). The company retained several hundred personnel on site for care and maintenance of the facilities and the provision of essential services, as well as to ensure 'assets were secure and available for use upon resumption of operations' (OTML 2016:24).

Before mine operations were due to recommence in March 2016, the company announced there would be major changes in staff numbers, rosters, terms and conditions of employment and the contracting of some of services (Business Advantage PNG 9/12/2015). OTML's workforce decreased from 2245 in 2014 (OTML 2014a:48) to 1633 in 2016 (OTML 2016:42).<sup>64</sup> Whilst these figures represent an overall decrease of 612 persons, in 2015 then CEO, Peter Graham, stated that only 'in the order of 150 people' would be made redundant (Graue 8/12/2015). Once a thriving

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<sup>64</sup> OTML did not publish an annual review for 2015.

town of Western PNG, Tabubil became a ghost town overnight (Jorgensen 2016:32, 2021:284).

When OTML declared the temporary suspension of operations, they also renegotiated arrangements with all contract service and equipment providers (OTML 2016:24). As a measure to reduce demand on food and fuel supplies, OTML terminated their contracts with most local landowner companies (Jorgensen 2016:32). OTML also instructed a number of business houses to 'scale back operations and dismiss or lay off staff' (ibid.). The majority of local landowner companies at the time had 'as and when required' contracts with OTML and were not critical to the operation of mine. These businesses were more vulnerable to any shocks, including the fallout from this dry weather event. Examples of the services these companies provided include garden maintenance and minor works.

During this time, only a handful of local landowner businesses required for maintaining critical services continued to operate in Tabubil. These businesses were the larger ones, in particular, those that had three-year rolling contracts with OTML. The catering company FCS remained in operation during this time (albeit with a skeleton staff) to provide mess services to remaining OTML personnel in Tabubil. However, even the larger businesses had to send local employees back to their villages — sometimes without any promise of retaining their jobs. Many of the local employees of both OTML and local landowner companies returned to their villages surrounding Tabubil and a subsistence lifestyle (Jorgensen 2016).

While the short-term implications of the dry weather event seemed manageable for some groups, the event had the potential to exacerbate existing inequalities at Ok Tedi in two ways: firstly, at the local level between people in the foothills and mountains of the hinterland and those downstream, and secondly, at the regional level, where the transition to fly-in-fly-out arrangements and the closing of Tabubil for that period had the potential to create 'permanent regional marginalisation' from the rest of the country (Jorgensen 2021:287).

By early 2016, OTML was underway with preparations to return their workforce to Tabubil, with a planned restart of 1 March 2016. Working conditions had changed for

the returning OTML employees with the introduction of fly-in-fly-out work rosters (PNG Resources 2016). In February 2016, OTML commenced discussions on the March 2016 restart with contractors, suppliers, local landowners, communities, Tabubil and Kiunga trading housing and government agencies (ibid.).

By the time OTML restarted its operations in March 2016, the number of local contractors had decreased from 54 to 36 (OTML 2017a). Of these 36 local businesses, 30 were based in Tabubil or the North Fly District (as opposed to Kiunga, Middle Fly District) (ibid.).

As a continuation of the L&RS strategy implementation, in November 2016, the Economic Programs team conducted compliance audits for the 36 remaining local contractors (ibid.). Based on these compliance audits, Economic Programs assigned each local contractor a score, listed concerns and comments and assigned each a future strategy. Based on the audit results, some local contractors would lose their contracts with OTML. The remainder would either become one of the eight major contractors (listed later in this section) or a smaller subcontractor to one of those eight. The audit outcome for local contractors was either retention as a contractor or, if there were compliance concerns, ongoing monitoring of the contractor by OTML over the three-month period following the audit (OTML 2018a). The audit process was in part to determine the place of each local contractor in the new structure: either as a local landowner company capable of having a direct contract with OTML, or as a smaller 'as and when required' contractor that would be assigned underneath one of the larger ones (ibid.).

Based on the 2016 audit outcomes, in 2017 the L&RS committee identified eight major contractors (listed as follows) and outlined their major scopes of work as: labour hire; mining services; civil works and construction; camp cleaning and catering; transport and equipment; and security and miscellaneous (OTML 2017a):

1. MRSM
2. Mineral Resources Community Mine Continuation Agreement Holdings Ltd
3. Camp Administration
4. Lower Ok Tedi Investment Company Bige Limited
5. Faiwol Investors

6. Star Asset Protection Limited
7. Star West Construction
8. An entity to represent the Telefomin people.

The committee assessed the capacities of these eight major contractors to assist the smaller contractors through their roles as umbrella companies. It judged MRSM and Mineral Resources Community Mine Continuation Agreement Holdings Ltd most capable of operating as umbrella companies and assigned the smaller local contractors to them accordingly (ibid.). Table 9 lists the proposed major contractors and their smaller subcontractors. The remaining six major contractors would have direct business contracts with OTML, but not have any smaller subcontractors underneath them to manage.

**Table 9. Two of the proposed eight major contractors and details for the local and regional supplier strategy (as at 2017)**

The major contractors	Smaller local landowner companies (subcontractors)	Scope of work	Estimated annual contract value for major contractor
Mineral Resources Star Mountains (MRSM)	Tabubil Engineering, FCS, Adiyap, Bugum, Handup, DHK, Umeng, Simtronix, Min Works, Kumtex, Star HR and Suku Ltd	Catering, civil works, maintenance and construction; labour hire; mining services; transport and equipment hire; light vehicle maintenance; miscellaneous	K140 million (AU\$50.4 million)*
Mineral Resources Community Mine Continuation Agreement Holdings Ltd	Tawap Kamen Investment, HTL, WMS, Ibren, Hore Beke and Kama Kumgit	Labour hire; mining services; transport and equipment hire, light vehicle maintenance; civil works; maintenance and construction; miscellaneous	K78 million (AU\$28.1 million)*

\* Conversion rate 3/3/2017 K1 = AU\$0.36  
Source of data for table: OTML (2017a).

The Economic Programs team listed the key issues with local business development in March 2017 as:

- vetting and contracts awarding process not being well coordinated
- there only being a few local contractors with fixed contracts, the majority were 'as and when required' contracts
- many contractors were not compliant
- incompetent contractor managers, indicating the occurrence/incidence of preferential treatment
- joint venture and management agreements have never worked
- management and directorship issues, including inexperience and interference
- constant cash flow problems, due to how cash flow is managed and the types of managers involved
- governance issues with both the board and management
- lack of benefits to the local communities, where benefits tend to go to the board and management
- shareholding structure — businesses tend to be owned by few individuals
- sustainability issues, with a prediction of only one or two surviving beyond mine closure (ibid.).

By late 2017, approximately 18 months following the restart of operations, the L&RS committee had developed a revised structure that included further reducing the number of larger contractors from the initial eight to five (OTML 2017b). The proposed final structure listed the five larger contractors as (ibid.):

1. MRSM
2. Mineral Resources Community Mine Continuation Agreement Holdings Ltd
3. Camp Administration
4. Lower Ok Tedi Investment Company Bige Limited
5. Star Asset Protection Limited.

The three larger contractors removed from the initial proposed structure were Faiwol Investors, Star West Construction and 'an entity to represent the Telefomin people' (ibid.).

At this time, there were 33 registered local and regional suppliers, with a collective estimated annual spend of K150 million (ibid.). In late 2017, the Economic Programs team made the following observations of the 33 local and regional suppliers:

- few dividends going back to the communities
- most of these suppliers not being viable
- relying on monthly payments from OTML to survive
- most local suppliers had no liquidity and were totally dependent on OTML after the dry weather event
- the recent safety and statutory compliance audit revealed many were non-compliant (ibid.).

The list of major contractors outlined in the L&RS strategy changed again in early 2020, increasing from five to six.<sup>65</sup> At the time of writing, OTML had signed umbrella agreements with three of the larger contractors:<sup>66</sup>

- Tabubil Development Corporation — to represent the 12 mine area villages
- Lower Ok Tedi Investment Company Bige Limited — to represent the Kiunga/Bige area
- Tawap Kamen Investment — to represent the Telefomin people.

All of the local and regional suppliers that attained the required compliance rating were invited to join one of these three umbrella companies.<sup>67</sup> Of the 33 registered local contractors, 14 did not qualify for this first round of invitation. The 14 local contractors that were not invited to join an umbrella company had until May 2020 to improve their compliance rating or have their contract terminated (ibid.).<sup>68</sup> By December 2020, 25 local landowner companies had been subcontracted to the three umbrella companies (detailed in Table 10), with the majority subcontracted to the Tabubil Development Corporation.<sup>69</sup>

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<sup>65</sup> 3/2020. OTML Economic Programs Department staff, personal communication.

<sup>66</sup> 3/2020, 29/11/20. OTML Economic Programs Department staff, personal communication.

<sup>67</sup> 3/2020. OTML Economic Programs Department staff, personal communication.

<sup>68</sup> ibid.

<sup>69</sup> 29/11/20. OTML Economic Programs Department staff, personal communication.

**Table 10. The three current umbrella companies and their respective subcontractors, November 2020**

Tabubil Development Corporation	Tawap Kamen Investment	Lower Ok Tedi Investment Company Bige Ltd
<ul style="list-style-type: none"> <li>• Adiyap Group Ltd</li> <li>• Bugum Investment Ltd</li> <li>• Camp Administration Ltd</li> <li>• Dee-H-Kay Ltd</li> <li>• Faiwol Holdings Ltd</li> <li>• Faiwol Investors Ltd</li> <li>• Fubilan Catering Services Ltd</li> <li>• Fubilan Security Services Ltd</li> <li>• Highway Transport Ltd</li> <li>• Hore Binkia Engineering Ltd</li> <li>• Kana Kumgit Joint Venture Ltd</li> <li>• KERACS</li> <li>• KS Investment Ltd</li> <li>• Kumtex Ltd</li> <li>• Markbro Investments Ltd</li> <li>• Simtronix Ltd</li> <li>• Star HR Ltd</li> <li>• Tabubil Engineering Ltd</li> <li>• Tabubil Security Services</li> <li>• W&amp;W Construction Ltd</li> <li>• Wokman Teleoks Ltd</li> <li>• Z-One Communication</li> <li>• Handup Ltd</li> </ul>	Umeng Investment Ltd	Mepu Investment Ltd

Source: OTML (2020a).

## 5.5 Conclusion

The history of the Ok Tedi mine has been a difficult one, from the discovery of mineral deposits at Star Mountains and Kennecott Copper Corporation's period of exploration to the negotiations and construction phase. Under a range of challenging circumstances faced by both local landowners and OTML, local business development in the region has continued to forge ahead with varying degrees of success. From mine construction in 1981 onwards, the people of Western Province have experienced several dry weather events, each resulting in extensive impacts on livelihoods, the physical environment and the mine's operation. In fact, two of these dry weather events forced the suspension of operations: in 1997 and the 2015–16 period. In addition, there have been multiple extensions of mine life, with a current expected mine closure of 2029. Each mine closure planning process has reviewed the state of local business development, as well as plans for future management of this function.

The company's aim in more recent years has been to create sustainable local businesses with the capacity to survive beyond mine closure. The L&RS strategy makes it clear that the umbrella company concept is seen as an integral part of this planning. At Ok Tedi, the concept of the umbrella landowner company was born with Cloudlands Investment in 1975. OTML has had a history of high expectations for umbrella companies, confident that the concept would eventually result in successful and sustainable landowner companies. It appears these hopes have persisted over time. The first two rescues (or restructures) of local landowner companies — in 2001 and 2006 — recycled the idea of the umbrella company. The third restructure, the L&RS strategy, is currently being implemented. Similar in approach to the previous *Back to Basics* restructure in 2006, the L&RS strategy aims to reduce the total number of local contractors OTML deals with directly. To facilitate this approach, OTML is reducing the number of direct contracts it has with local landowner companies to six major contractors. OTML's intention is that each of the six major contractors covers a region of the mine impact area and provides some of the functions expected of an umbrella company. The plan is that other external bodies provide the remaining support.

# Chapter 6 Negotiating Corporate Spaces

## 6.1 Introduction

The previous chapter explored local business development at Ok Tedi and provided a historical background from the mine's discovery in 1968 up until the end of the author's data collection in December 2020. Having established the historical context of local business development around Ok Tedi, this chapter follows with a discussion on the relationships between local landowner businesses and OTML and their interactions with relevant OTML departments. The primary source of data for this chapter was OTML documentation and field notes.

This chapter outlines how OTML manages its local contractors and, in turn, illustrates the various ways local landowner businesses access OTML departments. It demonstrates the challenges OTML faces in striking a balance between supporting commercially viable local business development and ensuring departments achieve their objectives as efficiently as possible. The chapter provides insights into the interactions between OTML and landowner businesses and highlights the nature of dependence and expectations in their relationships.

The first section defines corporate spaces and the ways in which mining companies manage the social performance function. It then discusses how this function is carried out through their community relations (or community affairs) departments. In addition, this section briefly considers the mining industry's inclination to prioritise the resourcing of technical business units (such as mining or exploration) over non-technical units, such as community relations.

The next section charts OTML's overall organisational structure, including an explanation of the roles and responsibilities of each business unit and department that supports the local business development function. It begins by outlining the work of the Community Relations and Economic Programs Departments, which implement the social performance function. Finally, it discusses the 2013/14 review of OTML's management of local landowner companies and the company's transition to the L&RS strategy.

The final section of this chapter explores the complexity of the relationships between OTML and its landowner companies by examining two aspects: the interactions between OTML staff and landowners (including the issue of office layout), and OTML's communication approach in delivering messages about the L&RS strategy to its landowner companies.

## **6.2 What are corporate spaces?**

The term corporate spaces refers to the organisational structures, departmental processes and relationships that comprise a corporation. Actors in a corporation include its shareholders (in Ok Tedi's case, this includes the PNG Government),<sup>70</sup> board of directors, management and employees as well as the corporation's clients, contractors and supply chains. The corporate space also refers to the relationships between the different actors mentioned and the ways these relationships impact OTML processes and vice versa.

### **6.2.1 How do corporations prioritise the resourcing of business units?**

The priorities of a large resource company determine the allocation of resources to particular business units (or departments), with technical units often prioritised over non-technical, community-based ones. Where a resource company's primary goal is seen as optimal and safe mineral production, it is natural to expect that resources will be devoted to the technical business units, such as mining and geology (Kemp and Owen 2018a:3). Resourcing of the non-technical units that focus on the social performance function, such as community relations (which invariably includes support for local business development), typically has been viewed as a low priority (ibid.). The emphasis resource companies place on technical business units can be even more marked when the corporation is stretched financially, for example when commodity market prices are low, or when there is a natural disaster (Kemp and Owen 2018a:5).

However, resource companies are increasing their focus on the social dimensions of mining, including attempts to build better internal management systems (Kemp and Owen 2018a, 2018c; Kemp and Owen 2020). Kemp and Owen (2020:835) argued that, because major social and environmental incidents around mining continue to occur,

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<sup>70</sup> Other shareholders are the FRPG, mine area villages and CMCA communities.

there is a need for resource companies to increase their focus on better systems to manage the social dimensions of mining. The authors argued that inquiries into these incidents are ‘almost unanimous in their conclusion: extractive companies often have the opportunity to prevent these incidents, but organisational factors inhibit the flow of information’ (ibid.).

### **6.2.2 What is the social performance function?**

Throughout the extractive resource sector, structural arrangements for the community relations department of a resource company vary. Sometimes, this department is included within the communications, public relations or external affairs function (Kemp 2010:2). In this approach, resource companies undertake corporate social responsibilities ‘as a form of insurance against disruption and reputational damage’, as opposed to genuine efforts at community development (ibid.). In other cases, community relations is part of environment or sustainable development departments (Kemp 2010:3). At larger mine sites, resource companies have dedicated community development units or departments, or they detach or semi-detach community development through a trust (ibid.). Wherever it is placed, the community relations (or community affairs) department is the avenue through which resource companies carry out their social performance function (Kemp et al. 2010:580). The social performance function within the resource industry context refers to the ‘company’s interactions, activities and outcomes with respect to local communities’ (Kemp and Owen 2018c:ii). Kemp and Owen (ibid.) discussed how:

*performance is supported by systems, data and capability that align with international standards and local negotiated commitment, with the objective of avoiding harm to people and ensuring a stable operating environment in which communities and companies can prosper.*

Resource companies often couple community relations with community development, given that resource projects occur in areas with the poorest and most marginalised populations in the world (Kemp 2010:2).

### **6.3 OTML: organisational structure, roles and responsibilities and the 2013/14 review**

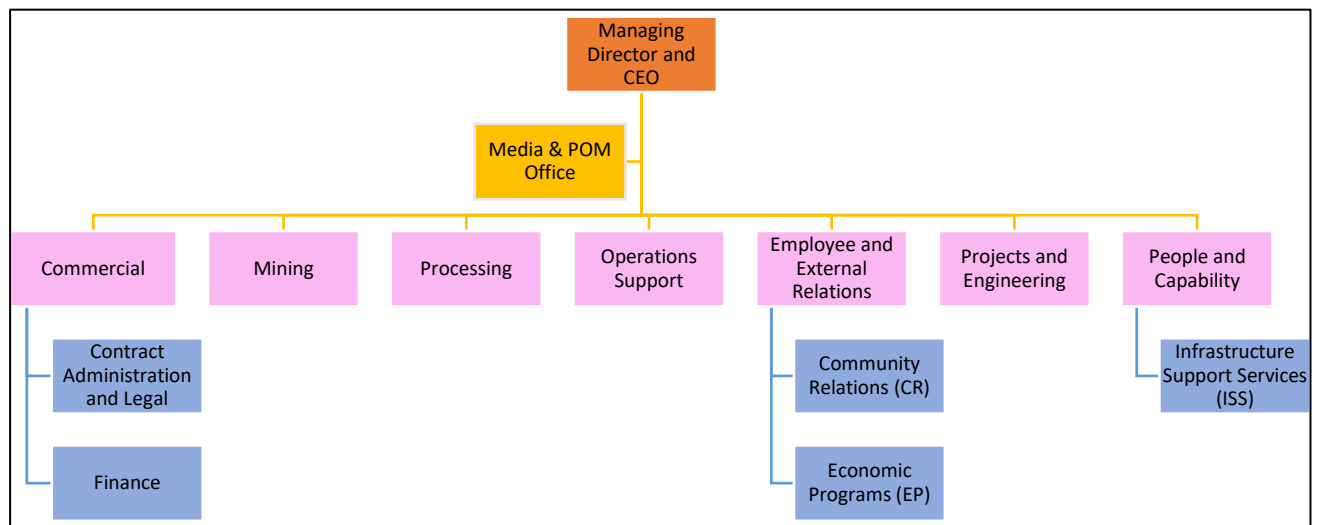
This section focuses on OTML and provides an outline of its overall organisational structure. It describes the roles and responsibilities of every element of the structure relevant to local business development, beginning with the two OTML departments that implement the social performance function: Community Relations and Economic Programs. It then outlines the roles and functions of the two other departments engaged in supporting local business development: Contracts Administration and Legal and ISS. Finally, the section examines the 2013/14 review of OTML's management of local landowner companies.

#### **6.3.1 OTML's overall organisational structure**

The nature of relationships between company business units, departments and local suppliers is central to this thesis. OTML is divided into seven business units: Commercial; Mining; Processing; Operations Support; Employee and External Relations; Projects and Engineering; and People and Capability.<sup>71</sup> The three departments most relevant to local business development are Commercial, Employee and External Relations, and People and Capability. Within these three business units, four relevant departments are engaged in the process of managing local contractors (as shown in Figure 2): Contracts Administration and Legal; Community Relations; Economic Programs; and ISS. Both the Economic Programs Department and the Community Relations Department sit within the Employee and External Relations business unit.

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<sup>71</sup> These seven business units were current as at the time of the author's fieldwork (April to August 2018). There have been minor changes to OTML's organisational structure since then.

**Figure 2. OTML organisational chart, 2018**

Source: OTML (2020a).

OTML's offices are located in Tabubil, where the majority of the landowner companies are also based. These two actors, OTML and the local landowner companies, create the corporate spaces examined in this chapter. All actors in these groups can have multiple identities and play multiple roles (Welker 2014b:6). Landowners at Ok Tedi are deeply invested in OTML. Landowners can be OTML employees, shareholders or project beneficiaries (through royalties, compensation or trusts). At the same time, landowners can also participate in local landowner companies as directors, shareholders or employees. Landowners often engage in several of these roles at the same time. A common occurrence is an individual landowner being a shareholder in OTML, an employee of OTML and a shareholder of a local landowner company.<sup>72</sup> The relationships between OTML and the local community are densely interwoven.

### 6.3.2 Departments relevant to landowner business development

This section examines the nature of relationships between local landowner businesses and their engagement with each of the four relevant OTML departments in four parts. The first part explains the functions of the Community Relations Department and two other relevant entities: the Lower Ok Tedi/Fly River Development Trust and the OTDF. The next part examines the work of the Economic Programs Department. The final two

<sup>72</sup> The only exception is that an OTML employee cannot be a local landowner company director, as this is seen as a conflict of interest. There are rare occasions where OTML employees are directors because of the nature of their involvement on the board of a local landowner company; this is allowed as long as the employee is not involved in the awarding of contracts to the contractor (29/11/2020. OTML Economic Programs Department staff, personal communication).

parts explain the roles of Contracts Administration and Legal and ISS, the other line departments involved in the management of contractors.

#### *6.3.2.1 Community Relations Department*

The Community Relations Department is responsible for the planning, implementation and communication of OTML community relations programs for the Western Province, including (OTML 2020d:ii):

- environmental impact mitigation
- compensation payments
- local employment and benefit-sharing opportunities
- infrastructure development and services.

The department also manages the dissemination of information to the communities and undertakes formal and informal consultation (OTML 2020d). The team conducts a series of formal community visits to each of the 158 villages in the nine CMCA regions (*ibid.*).<sup>73</sup>

OTML has devoted substantial resources to its community relations function and community development activities, understandable given the legacy of well-documented environmental damage to the Fly River. OTML's approach to social performance has also been important from a public relations perspective. OTML developed a Community Relations Manual 'as part of Community Relations' Integrated Social Management System (IMS) and includes the standards, procedures and guidelines being implemented by OTML to support mine continuation' (OTML 2020d:ii). The Community Relations team updates the manual every four to five years. The first manual was developed in 2014 (OTML 2014b), with the most recent guide published in 2019 (OTML 2019b). The manuals are an example of the emphasis OTML places on its relationship with the community. In the 2014 manual, OTML's then Deputy CEO, Musje Werror,<sup>74</sup> said 'the manual meets international best practice standards and signifies OTML's outstanding community engagement capabilities' (OTML 2014b:ii). The Community Relations Manual reflects the complexity of managing a multitude of language groups, a range of consultation processes and agreements

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<sup>73</sup> The CMCA regions cover an area of over 98,000 square kilometres. (OTML 2020d).

<sup>74</sup> As of 1 June 2020, Musje Werror was appointed CEO of OTML.

made with communities and regions as a whole (OTML 2019b). Highly detailed schedules for community visits are clearly outlined, along with broad-ranging social and economic programs. The Community Relations team works in conjunction with the OTDF to deliver programs covering the following sectors: livelihoods (economy and employment), community and social (women and children), infrastructure services (transport and communications) and health and education services (OTML 2019b:17–20).<sup>75</sup> The manual also details the administration (and reviews) of different types of payments to project-affected communities (OTML 2019b).

In addition to the existing Community Relations Department, OTML established a separate organisation in 1989, the Lower Ok Tedi/Fly River Development Trust. OTML established the trust under the Seventh Supplemental Agreement to improve development outcomes for people outside the mine lease area (Filer and Jenkins 2017:232). The responsibility for development outcomes in mine lease area communities remained with the Community Relations Department. Initiated in January 1990, the trust was the first development organisation within Ok Tedi and managed entirely by OTML (Jenkins 2016:41). The trust's projects covered a large area — 103 villages along the river systems — and a significant population (30,000 people at the time) (Filer 1997:70). Trust expenditure took three forms: approximately 60 per cent was devoted to 'village development projects'; 20 per cent was allocated to 'business development and special projects'; and the remaining 20 per cent was dedicated to 'village development funds' (Filer 1997:72). The intention of the business development component of the expenditure was to benefit a larger regional population.

Social monitoring project reports between 1991 and 1995 documented some of the SME operating at the time. For example, authors of the reports mentioned the sale of fish by some village group-based SMEs to OTML's mess caterer at the time, Poons, and other outlets, such as Cloudlands at Tabubil (King 1995:4). These sales were facilitated by the OTML Business Development section. Some villages within the trust area had small trade stores; other types of locally owned small businesses included a road construction company (Burton 1993a:22). It is unclear from existing sources the level and nature of support the Lower Ok Tedi/Fly River Development Trust provided

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<sup>75</sup> Funding sources for these programs include OTDF, CMCA trusts and TCS.

to village business groups. However, the literature does clearly indicate that this area faced the usual challenges of remoteness and lack of infrastructure (Burton 1993a, 1993b; King 1995). In addition, business groups often struggled to maintain sufficient capital because of undercharging (trade stores) or high running costs. Despite the investments the trust made into business development, some sources documenting the development activities of the trust suggest that OTML 'provided less than adequate follow up for projects' (Jenkins 2016:41).

Under the Mining [Ok Tedi Mine Continuation (Ninth Supplemental) Agreement] Act 2001, OTML replaced the Development Trust with the OTDF (Filer and Jenkins 2017:232). The OTDF is the not-for-profit legal entity that manages community development benefits from Ok Tedi mine operations on behalf of the 147,000 river residents living in 158 villages throughout Western Province (OTDF 2020).

The OTDF works collaboratively with OTML's Community Relations Department on social and economic development and with the Economic Programs Department on a range of areas discussed shortly. The OTDF was originally part of the OTML Community and Business Support – Regional Development Department, and its role was to 'oversee the use of CMCA Trust funds and encourage economic development in the trust regions' (Jenkins 2016:55). It is also responsible for the administration of CMCA Trust development projects nominated by village planning committees. Since becoming independent from OTML in 2010, the OTDF now assists the Community Relations Department in managing the compensation package for the 158 CMCA villages.<sup>76</sup> A proportion of these funds are allocated to SMEs and agricultural development projects, and the OTDF now also provides business advisory services.

In the area of local business development, the OTDF assists CMCA villages with local-level SMEs, with a particular focus on sustainable agricultural projects. A key strategy in the OTDF 2016–2020 Strategic Direction is to 'provide business advisory services to support SMEs, Regional Women's and Youth Associations transition to full operational independence' (OTDF 2016:51). Business advisory services OTDF provides include investment research and due diligence, statutory registration

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<sup>76</sup> In 2012, OTML had 75 per cent shareholding in OTDF, with the remaining 25 per cent held by the PNGSDP (OTML 2012:55). The OTDF also seeks additional funding and support from other international development agencies to supplement its income (Jenkins 2016:55).

coordination, business planning and presentation to the respective trusts to secure funding and assistance with business plan implementation (ibid.). As of 2018, OTDF had two business development officers (OTDF 2018:11) with similar roles to OTML's Economic Programs Department staff. In addition, the OTDF works with the OTML's Economic Programs Department in managing local business development, as well as delivering on TCS infrastructure projects in Western Province (OTML 2019b:33).

In its current form, OTML's Community Relations Department continues to play an important (though reduced) role in relation to local business development. The department's contribution consists largely of sharing information on local landowner needs and landowner grievances around local business development with the Economic Programs Department.

#### *6.3.2.2 Economic Programs Department*

The primary responsibility of the Economic Programs Department is to support and assist local landowner businesses. The department was previously located within the OTDF. Shortly after the OTDF became independent from OTML in 2010, OTML management decided to move the Economic Programs Department into the Finance Department.<sup>77</sup> The Finance Department is part of OTML's Commercial business unit, which also includes the following departments: Contracts Administration and Legal; Marketing; and Information, Communication and Technology; and Supply and Logistics.<sup>78</sup> In 2012, OTML moved the Economic Programs Department again, this time to within the Employee and External Relations business unit. Other departments in this business unit included Community Relations; Environment; Media; Tabubil Hospital and Bige Operations.<sup>79</sup>

Unlike the Community Relations Department, the Economic Programs Department does not currently have a manual or formal document to guide their work; instead, their work is mandated by the Ok Tedi Mining Agreement Act under clauses 31 and 32 to encourage participation in business ventures by landowners. Amongst other things, the department's role is to:

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<sup>77</sup> 29/11/2020. OTML Economic Programs Department staff, personal communication.

<sup>78</sup> ibid.

<sup>79</sup> ibid.

- promote, support and guide local and regional businesses to provide goods and services in the mine-related sector
- assist them to invest in the non-mining sector in other parts of the Province and PNG as a means to sustaining business and their lives post mine life
- provide support, commercial advice and assistance
- manage the interests and expectations of local communities with regard to their involvement in commercial activities (OTML 2017c).

In August 2018 (at the time of fieldwork), the Economic Programs Department, located in Tabubil, consisted of four staff members, including the department's manager. Although the Economic Program Department is based in Tabubil, its coverage area is across all project-impacted communities, inclusive of Western Province and the Telefomin District of West Sepik. The Community Relations Department is comparatively better resourced, with two offices: the primary one in Tabubil and a smaller branch in Kiunga. Across the two locations, the Community Relations Department had 18 staff in 2018, including the department manager.<sup>80</sup> Both departments were reduced to these numbers after the dry weather event in March 2016.

Although the Ok Tedi Agreement clause 32(b) governs the responsibilities OTML has to its local landowner companies, it does not offer any clear guidelines for the Economic Programs Department's handling of day-to-day operations. Day-to-day operations include activities such as the provision of general business advice (including facilitating training); meetings with business leaders; and maintaining consistent records of landowner company details and expenditure on contracts awarded. Jackson mentioned that OTML's 'statistical records for local companies began to weaken around 2006, and were more or less abandoned by 2010' (Jackson 2015:43). It was noted by the department in 2017 that one of its goals was to establish a database for contractors (OTML 2017c) that would greatly assist with access to local contractor information, as well as knowledge transfers in case of employee changes or handovers.

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<sup>80</sup> At the time of fieldwork (April to August 2018), the Community Relations department also had several contract staff employed to assist with the updated Community Relations Manual. Coincidentally, these contract staff were from one of the local landowner companies associated with OTML, Wokman Teleoks Ltd.

The Economic Programs Department has three sections: Economic Programs, Trust Administration and TCS (OTML 2017c). In conjunction with the OTDF, the Economic Programs Department manages the following non-CMCA trusts:

- Western Province General Compensation Trust (Heduru)
- Alice River Trust
- Kobom Development Trust
- Ok Tedi Landowners Royalty Investment Trust
- Lamin Trust.

The small team at the Economic Programs Department also administers the TCS projects in Western Province and Telefomin District in Sandaun Province. The TCS was implemented in 1992 to 'allow developers of large-scale mining and petroleum projects to spend up to 0.75 per cent of their gross revenues on the construction of social and economic infrastructure' (Filer 2008:127).<sup>81</sup> What resource companies spend then counts as corporate income tax already paid to the government (Filer 2008:127).

The vast array of TCS projects OTML have implemented includes the building of schools, health clinics and staff housing for such facilities, as well as roads, bridges and airports (OTML 2019a:65). In 2019, OTML's TCS expenditure was K26.7 million, an increase from its 2018 expenditure of K22.4 million (OTML 2019a:64). The responsibilities of the TCS section in the Economic Programs Department include work at the following different stages of the TCS projects:

- coordinating project submission to the PNG Department of National Planning
- project implementation with the OTDF
- managing TCS budgets, assets and reporting
- engaging with locals
- engaging competent contractors
- working with the FRPG and the Sandaun Provincial Government (OTML 2017c).

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<sup>81</sup> The TCS was established through an amendment to the Income Tax Act 1959 (Filer 2008:127) and is explained in more detail in Chapter 3.

### 6.3.2.3 *Contracts Administration and Legal Department*

The Contracts Administration and Legal Department plays an important function in the processing of local contractors. Within OTML's organisational structure, the Contracts Administration and Legal Department is located in the Commercial business unit. This department's role is to manage the contract and legal aspects of all contracts with companies supplying goods and services to OTML. It is a small team, similar in size to the Economic Programs Department. For the purpose of OTML's company annual reviews, suppliers are categorised as local (Western Province), regional (PNG national companies) or overseas (OTML 2006, 2007, 2011, 2012, 2013, 2014a, 2016, 2017d, 2018b, 2019a).

The Contracts Administration and Legal Department's engagement with local landowner companies focuses on their OTML contracts. Similar to the Economic Programs Department and the Community Relations Department, this department also has a high level of face-to-face contact with local landowner companies. Local businesses often request an expansion of the scope of work they are currently engaged in, as well as query the rates of pay for employees. The Contracts Administration and Legal Department is responsible for ensuring local contractors abide by the conditions within their contracts, for example, those relating to health and safety regulations, appropriate rates of pay for different positions and superannuation. Both the Contracts Administration and Legal Department and the Economic Programs Department are required to approve contract variations.

OTML's process of awarding contracts varies according to the contract value. Unless the need for one particular contractor is justified and approved, engaging a contractor in a contract with an annual value above US\$10,000 (K35,000)<sup>82</sup> has always required multiple quotes. Contracts with a higher annual contract value require a higher level of vetting and authorisation by the department. In accordance with OTML's Deed of Agreement, managers of departments can approve a contract value up to US\$100,000 (K350,000).<sup>83</sup> OTML general managers of business units must approve contracts valued over US\$100,000 but under US\$500,000 (K1.7million). Any contracts valued above US\$500,000 require the approval of OTML's managing director. The Contracts

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<sup>82</sup> Exchange rate: K1 = US\$0.285; US\$1 = K3.50.

<sup>83</sup> 29/11/2020. OTML Economic Programs Department staff, personal communication.

Administration and Legal Department must approve contractors before they can provide goods and services to OTML. Upon approval, the department uses an internal OTML template to develop a contract between the client (OTML user department) and the contractor. Contractors are also required to complete any safety training relevant to their scope of work and must comply with both OTML and national standards.

According to the OTML annual reviews, safety is a significant priority, as demonstrated by their investment in programs ‘to strengthen safety systems and improve safety awareness and behaviours’ (OTML 2019a:8). OTML states that they are committed to the safety vision that ‘nobody gets hurt’ (OTML 2019a:9). The company benchmarks its safety performance against a number of Papua New Guinean and international standards, initiatives and guidelines: the OHSAS 18001:2007,<sup>84</sup> the International Safety Management Standard, the PNG Mining (Safety) Act and Regulations and the PNG Mining Act (OTML 2019a:14). As an example, OTML has a legal responsibility for their employees and contractors, including injury, death or driving without the appropriate licence. The resource company is responsible to the state through the MRA. The MRA has the statutory power to temporarily or permanently shut down mine operations (or particular areas of the mine) at any time. It is in the best interests of OTML to ensure that contractors comply (and suspend them if they do not) because OTML is legally responsible for them. Landowner businesses are aware that they must comply and that any safety breach can result in OTML temporarily suspending their contract (there have been occurrences of this in the past) (field notes, 2018). Despite this, the risk of temporary suspension does not appear to have resulted in any overall negative effects on the relationships between OTML and local landowner companies (field notes, 2018).

#### *6.3.2.4 Infrastructure Support Services Department*

The ISS Department office is located approximately five kilometres from Tabubil’s town centre and OTML’s head office, the ‘White House’. As well as working with the Contracts Administration and Legal Department, the ISS Department is responsible for maintaining town services for Tabubil, including water, sewage, minor works and utilities. It also assesses local landowner company contract applications. The

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<sup>84</sup> OHSAS 18001:2007 stands for Occupational Health and Safety Assessment Series.

department generally engages the smaller 'as and when required' contractors, as opposed to the larger ones and three-year contracts.

Every year, the ISS Department assesses all proposed scope of works covering the Tabubil township and decides which will proceed. Following this assessment, the department compiles a list of scope of works from each category and allocates these to contractors for the coming year. An example of these projects is the town's road safety work, including the maintenance of main roads, pedestrian crossings and road safety signs. Other examples include drain and gutter clearing and tree and bush maintenance.

The ISS Department begins its assessment process with an estimation of the value of each category of work, including categories like timelines, parts and labour costs. The department collates this information and then requests contractors provide detailed quotes of the value for the services they will provide. If the value provided by a local contractor falls within the ISS's estimated range (including a 10 per cent margin buffer), the local contractor will be considered for the job. In order to maintain a competitive and fair business environment, the Contracts Administration and Legal Department usually requires three quotes prior to making a decision (field notes, 25/7/2018). There are a number of reasons OTML can reject a local contractor's application for a new contract or request for a scope extension (or variation) within an existing contract. For example, there are instances when local businesses apply for a new contract, and the ISS Department discovers through the Contracts Administration and Legal Department that the local business already has an existing contract. In other instances, a department may learn that the local contractor is engaging with several departments simultaneously to request a variation to their current contract. At the time of the author's fieldwork in 2018, the ISS Department was not approving local contractors' requests for additional work or extensions of existing scope. Reducing the overall number of direct contracts OTML has with its local suppliers is a part of OTML's current L&RS strategy (discussed later in this chapter).

At OTML, there is strong competition to secure business contracts, a common theme across resource projects in PNG (Bainton and Jackson 2020; Jackson 2015). OTML's ISS Department has the discretion to select the contractor it prefers to engage based

on past performance history. Some local contractors claim that OTML has given preferential treatment to some local landowner companies when awarding contracts over the years (discussed later in this chapter) (field notes, 2018). The department's approach can exclude some contractors, and some contractors may feel this is unfair. Disappointment in this area is common and difficult to avoid.

#### **6.4 The 2013/14 review of OTML's management of local landowner companies**

Following two previous restructures of the local business development program in 2001 and 2006, OTML began another program review in 2013.

In late 2013, OTML requested that the incoming Economic Programs manager review OTML's management of local landowner companies, including companies based in Tabubil, Kiunga, the Highway region, Bige and Kiunga. The Economic Programs manager provided this analysis and recommendations to OTML. The L&RS committee began implementing some of these recommendations in 2014. A key recommendation was for OTML to undertake compliance audits to assess local suppliers' compliance with the IPA, the Internal Revenue Commission, superannuation and insurance requirements and OTML safety and environmental compliance requirements, amongst others (Jackson 2015:43).<sup>85</sup> The Economic Programs manager also recommended the following actions to the L&RS committee:

- assess all applicants for contracts in terms of past performance and future capability of delivery
- assess strategic implications of landowner companies and their external partners
- assess financial capacity and technical resources
- select contract awardees at least in part on the nature of their shareholdings (Jackson 2015:43–44).

The OTML L&RS committee and charter was established prior to 2012.<sup>86</sup> The aim of the L&RS committee was to improve efficiencies in the management of local landowner

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<sup>85</sup> For the full list of local supplier compliance indicators, see Chapter 5, section 5.4.3.

<sup>86</sup> 29/11/2020. OTML Economic Programs Department staff, personal communication.

companies. The L&RS committee was also created in part to avoid preferential treatment of certain landowner companies by OTML staff in the awarding of business contracts (field notes, 2018). The committee comprises the seven relevant departments and two general managers (of business units) involved in the processing of local landowner companies. The composition of the L&RS committee is as follows (OTML communication, 2020):

- Chairman: Manager, Contracts Administration and Legal Department
- Manager, Economic Programs Department
- Manager, ISS Department
- Manager, Finance Department
- Manager, Asset Protection Department
- Manager, Community Relations Department
- Manager, Processing Maintenance Department
- General Manager, Employee and External Relations business unit<sup>87</sup>
- General Manager, Commercial business unit.

The committee originally intended to meet monthly to review any new applications for scope of work for local contractors and discuss any pressing issues regarding the progress of existing local contractors. A delegate from the relevant business unit or department is required to sign off on any contractor decisions. Since the restart of operations in March 2016, the L&RS committee has reduced the meeting frequency from monthly to quarterly. This change was attributed to difficulties in scheduling the newly increased fly-in-fly-out staff at times all could attend.

As part of the L&RS strategy, the committee identified possible risks and how they planned to address them. A snapshot of the risk mitigation strategy is outlined in Table 11 (OTML 2017b).

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<sup>87</sup> At the time of fieldwork in 2018, the then general manager of the Employee and External Relations business unit also happened to be OTML's current deputy CEO. This business unit is now called Community and Operations Support.

**Table 11. Themes of risks and mitigation measures for OTML's local and regional supplier strategy**

Significant risks	Mitigating measures
Community backlash regarding the changes	Create awareness on new structure (Commenced two years prior)
Lack of capacity of the five proposed companies	New boards, management teams and appropriate resources being worked on
Potential increase in cost to OTML with use of subcontractors	Working with the Contracts Administration and Legal Department on this
Legal implications	Working with the Contracts Administration and Legal Department on this

Source: OTML (2017b).

## 6.5 The complexity of relationships between OTML and its landowner companies

This section outlines various issues in the relationships between OTML and its landowners, including those with local landowner companies. Firstly, it examines the office arrangements and their implications for interactions between OTML and landowners. Secondly, it looks at local contractor enquiries into further business opportunities and contractor payment issues. Finally, it examines communication between OTML and its landowners, including communications relating to the L&RS strategy.

### 6.5.1 Interactions between OTML staff and landowners, including the issue of office layout

This thesis argues that the Economic Programs Department is critical to the relationships between OTML and its landowner companies. The department has a high level of face-to-face customer service requirements, and its main clients are landowner company management and directors. If landowner company representatives have any queries, there is an expectation that, in the first instance, Economic Programs staff will address them. These queries are often raised in person at the office shared by the Economic Programs Department and the Community Relations Department. The recently changed shared office layout continues to provide a welcoming space to landowner company representatives and has positively impacted staff workflow. The relationships between OTML and local suppliers have been developed over the decades since the commencement of the project, and the anecdote provided in this

section demonstrates the robust nature of these relationships. However, for some landowner companies, two sources of frustration remain in their relationship with OTML: OTML decisions regarding further business contract opportunities and the length of the invoice payment process for local contractors.

When the author arrived to conduct fieldwork in April 2018, the offices of the Community Relations Department and the Economic Programs Department were housed in a dilapidated demountable building. The condition of the old building necessitated a move into a new office (discussed shortly). There is a high volume of visitors to the office shared by the two departments, many of them local landowners or representatives of landowner companies. It is common for these visitors to turn up without an appointment and visit staff from either department (or both). From the main entrance of the old building, the layout was almost completely open plan, meaning that once visitors were inside they could engage most of the OTML employees (often wandering from one workstation to another).

As mentioned earlier in this chapter, the Economic Programs Department has always had a considerably smaller team than the Community Relations Department. The Economic Programs team was reduced after the dry weather event, which placed an increased workload on the remaining staff. The reduction of staff numbers was further compounded after the dry weather event when the workforce became predominantly fly-in-fly-out. These rotations meant that of the four remaining staff, often only three were onsite at any one time. These factors, combined with the existing high workload (including frequent regional travel for TCS and trust activities), all increased the importance of the time staff spent in the office. At the time of fieldwork, the Economic Programs manager spent large parts of the day meeting with representatives from local landowner companies. Some of these meetings were prearranged and others were ad hoc walk-ins. The Economic Programs manager delegated these meetings to subordinates where possible in order to attend other pressing executive-level meetings and responsibilities. Despite these attempts at delegation, local contractor management often demanded to speak to the manager anyway. Discussions between the Economic Programs manager and local contractor management could take anywhere from half an hour to two hours.

Sharing an office space enables a two-way client referral process and shared access to local landowner information between the departments. For example, if local landowners visiting the Community Relations Department have an interest in establishing a business or a query about an existing business, Community Relations staff can immediately refer them to the Economic Programs staff. Similarly, if local landowners approach Economic Programs staff with community-related concerns, they can be immediately directed to the Community Relations Department for assistance. Another benefit is the flow of internal information. When required, the Economic Programs staff can easily access landowner information from the Community Relations team. Information sharing of this nature between the two departments further assists Economic Programs staff in monitoring the performance of local contractors. The sharing of information also enables Economic Programs staff to identify landowner company employee concerns that possibly reflect the landowner company's performance, for example, landowner employees' unpaid wages, dividends or work safety issues.

In August 2018, towards the end of the author's fieldwork, the departments were relocated into a new building. In planning for the new office layout, OTML needed to continue to prioritise being open and welcoming to the local community, balancing the landowner–landowner company customer service requirements with OTML staff workflow considerations. The new office is located next door to the old one. The entrance area contains a reception desk and has a small meeting room attached. The offices and workstations are located behind a dividing wall at the back of the reception area. The dividing wall provides a buffer between visitors and all of the staff. This means that the reception staff (mainly Community Relations staff) can prevent visitors from entering the main office area. Meetings can also be held in the small meeting room in the reception area, further limiting the disruptions to the main back office area.

This changed office layout significantly reduces interruptions for Economic Programs staff and has allowed them to better address their workload. The layout also enables OTML to continue to be accessible to the local community . Additionally, the move has improved records management and information-sharing processes between the two departments by adding a secure onsite storage room containing client and historical records. This storage room now makes it more convenient for officers from both

departments to access information about clients for historical background and future projects. The move had positive impacts for both departments.

#### *6.5.1.1 Local contractor engagement with OTML personnel*

The employees and management of local landowner companies are able to meet with staff from either the Economic Programs Department or the Community Relations Department during office hours (stated at the front of the office). Local supplier management and directors tend to represent their companies at OTML in person (more so than junior employees). There are also occasions when directors of local suppliers directly approach OTML's senior management (i.e. deputy CEO or the CEO). For example, on one occasion during the author's field research, directors from several local suppliers arranged a meeting with the CEO to voice their dissatisfactions about local business development issues in Tabubil. Also in attendance at the meeting were the managers of the Employee and External Relations business unit and the Economic Programs Department. The local directors communicated their frustrations to the CEO in Tok Pisin. As the CEO was not fluent in Tok Pisin, the OTML managers (both Papua New Guineans) assisted in translating the locals' message. During the meeting, the local directors became increasingly frustrated and started to raise their voices at the CEO. Whilst the OTML CEO was open to hearing local suppliers' views, OTML managers requested the directors be respectful and speak at a normal volume. The local directors understood this and the meeting was then able to proceed in a more relaxed manner (field notes, June 2018).

#### *6.5.1.2 Local contractor enquiries*

The constant enquiries into available contract opportunities are an ongoing issue in the evolution of OTML's local business development, as with other resource companies in PNG (Jackson 2015:17). Local landowner companies associated with OTML, particularly the smaller ones with 'as and when required' contracts, regularly offer an increase in the scope of services they can provide (Bainton and Macintyre 2013). Some of these companies can become frustrated if they feel the Economic Programs Department is not giving them access to adequate opportunities. Although OTML looks favourably on the best-performing local landowner companies, not even these companies are guaranteed ongoing availability of work. Business contracts

continue to be in high demand, but, ultimately, the supply of these contracts to local contractors is defined by OTML's business needs and budget.

### *6.5.1.3 Payment and payment delays*

The process of OTML local contractor payments begins with the contractor submitting their invoice to the accounts payable section of the Finance Department.<sup>88</sup> Economic Programs staff also review and verify the amount as per the contract to check that the contractor is not overspending on any one area. The accounts payable section processes the invoice and pays the contractor within 30 days (*ibid.*). Local contractors often find the length of this process frustrating, particularly the smaller contractors engaged on an 'as and when required' basis, because they frequently experience cash flow issues (Jackson 2015:43).

## **6.5.2 OTML's communication strategy with local landowner companies**

OTML uses a variety of methods to communicate messages to local landowner companies. The next section outlines OTML's communication plan as it delivered two important, but potentially unsettling, messages to local contractors via letter about the L&RS strategy. The first message was a notification of the change in strategy, and the second was regarding the landowner company audit process. In particular, these letters pointed to an effort to mitigate the risk of possible 'community backlash regarding the changes' whilst attempting to 'create awareness on [the] new structure' (OTML 2017b) (as outlined in Table 11).

In the 2011–12 period, OTML distributed a letter to local landowner companies notifying them of the new L&RS strategy. The letter informed the local landowner companies that the new strategy involved reducing the number of local landowner companies OTML would directly engage over the coming years.<sup>89</sup> OTML also informed local landowner companies that they needed to meet the required compliance standards and contractors that did not would be excluded from the L&RS listing.<sup>90</sup> The letter did not provide specific information about which contractors would be terminated, or which would be provided new contracts through the five larger landowner companies

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<sup>88</sup> 29/11/2020. OTML Economic Programs Department staff, personal communication.

<sup>89</sup> *ibid.*

<sup>90</sup> *ibid.*

(umbrella companies) proposed by the L&RS committee. The L&RS committee was concerned that providing excessive detail to local landowner companies (details they, in fact, were still working through) could result in local contractor dissatisfaction and complaints too early in the process.

The L&RS committee then distributed another letter in order to action the compliance audits (as described in section 6.3.3), providing local landowner companies two- to three-months notice prior to the audit (ibid.).<sup>91</sup> This letter advised landowner companies of the upcoming audits and that the audits would require face-to-face meetings with the managers at the landowner company's premises. The letter also contained details of the audits, specifying the areas the audits would cover and the dates audits would be conducted (ibid.). During these audits, the Economic Programs staff also verbally communicated the new strategy to local contractors.

Economic Programs staff conducted the face-to-face audits with each of the contractors. As part of the information-gathering process, Economic Programs staff guided the contractors through a questionnaire and confirmed the documents the local contractors had on file (ibid.). The Economic Programs staff also noted the compliance areas the contractors needed to improve in and advised the contractors to create an action plan to address these areas (ibid.). OTML then followed up each contractor's action plan over a period of six months. Following the audit, the Economic Programs team gave each local supplier an overall score out of 100. In addition to the score, the team added comments and then made an assessment that placed each landowner company into one of three categories:

- contract to be retained by OTML
- three months for either improvement or removal
- removal as soon as feasible.

Economic Programs staff presented all local contractors audit information in a report to the Economic Programs manager. The Economic Programs manager then presented the audit findings to the L&RS committee. The committee discussed the

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<sup>91</sup> ibid.

findings and made the final decisions for each of the contractors, placing them in one of the three aforementioned categories.

OTML faces some challenges implementing the L&RS strategy, including ensuring the larger umbrella companies have the capacity to undertake both their own business activities as well as assist smaller contractors (Jackson 2015:4, 2016:17). OTML has articulated the need for independent and experienced directors to ensure these umbrella companies are well run and can administer and support the smaller local contractors. There is some concern amongst local contractors about the changes associated with the L&RS strategy. In particular, some smaller contractors expressed their preference for maintaining their direct contract with OTML, as opposed to being placed under a larger umbrella company (field notes, 2018).

### **6.5.3 The absence of the state**

In the mining industry in PNG, resource companies' departments or units responsible for managing local suppliers have, over time, assisted with all aspects of business development (Jackson 2015:4). This level of assistance can be attributed to two interrelated factors: firstly, resource projects often occur in remote geographic locations, and secondly, these locations often lack national or provincial government agencies able to assist SME. The Department of Commerce and Industry has established statutory agencies, including the SBDC, to provide support for local business development (Mawuli and Yala 1995:58). The SBDC was created under the Small Business Corporation Act 1990 to 'concentrate its resources on developing and promoting micro SMEs in PNG' (Wrakuale 24/11/2011). The SBDC has its head office in Port Moresby, three regional offices outside the capital and six branch offices across the country (ibid.). The SBDC had training programs available for SMEs to use that were also available for local landowner companies associated with resource projects (Jackson 2015:64). The SBDC's capacity to deliver assistance at the provincial level in resource project-affected areas is unclear (Mawuli and Yala 1995).

Existing literature mentioning the SBDC's role in the resource industry in more recent years is limited to the Tolukuma gold project in Central Province. The project's original MoA in 1997 included a business development plan. One of the requirements of this business development plan was that the resource company (originally Clayfield Pty

Ltd) would pay the SBDC to conduct small business training (Jackson 2015:64). The MoA for the project was revised in 2007, and it is unclear whether this particular requirement was ultimately fulfilled. Currently, there is no SBDC branch office in Western Province; given this absence, OTML has assumed the role of assisting the local landowner companies (Jackson 2015).

## **6.6 Conclusion**

This chapter has demonstrated that, when defining the corporate space, it is important to consider a range of actors within the corporation as well as the interactions that take place between them. The interactions between OTML business units and departments and local landowner companies are important to this thesis. Landowner companies have access to OTML management to discuss their local business development concerns, which has been beneficial for both groups. This access is made possible because of their close proximity to each other and the openness of OTML staff at all levels and across all related departments to engage with landowner companies.

The Economic Programs Department is a small team that is often stretched for resources. The recent office relocation and subsequent reduction in impromptu landowner company visits may assist somewhat day to day. However, it is difficult to see the possibility of major improvement to the current systems at the Economic Programs Department without OTML increasing its investment in the department.

# **Chapter 7 Narratives of Success and Sustainability**

## **7.1 Introduction**

The previous chapter examined the interactions between OTML departments and its local suppliers, focusing on the fluid nature of the relationships between the two groups. This chapter explores stakeholder perceptions of success and sustainability across the four participant groups involved in this research: OTML employees, Tabubil-based local landowner company personnel, local landowners from the mine area villages and government officials from Western Province (the Star Mountains Rural LLG Area and the FRPG).

This chapter draws on fieldwork data from semi-structured interviews, focus groups and field notes and is divided into five sections. The first four sections explore the views of each group on the success and sustainability of local landowner companies. The fifth section discusses the common themes derived from the participant groups and how these address the overall research questions.

In examining the influences on participants' responses to the factors they believed contribute to the success and sustainability of local landowner companies, the author found there was consensus in the views across the four participant groups. The only participants whose views differed were female landowners involved in the local landowner focus group discussions. The female landowners noted that their lower level of education (compared to male landowners) impacted their experience as a landowner, and they responded accordingly in the discussions. The author refers to the responses of female landowners in the local landowner participants section.

## **7.2 OTML participants**

As outlined in Chapter 4, OTML participants were selected from the departments most responsible for the management and administration of local contractors, including: Economic Programs; Community Relations; Projects and Engineering; Contracts Administration and Legal; and ISS and Finance. Fifteen OTML staff participated in this research, including five females. Gender did not feature as a point of difference within

this participant group; the views between female and male participants were fairly consistent.

The OTML participants' definitions of the success and sustainability of local contractors gravitated towards the following three areas: profitability and commercial viability of the local contractor; governance; and community and sustainability. Some brief observations about this participant group are provided in the following paragraphs before the discussion turns to the three main areas of definition.

The author found that OTML employee participants who had the most contact with local landowner companies were the most inclined to provide detailed responses when defining their understanding of a successful and sustainable company. The same participants were consistently confident in providing specific examples of success and sustainability.

Rather than describing local landowner companies as 'successful' or 'sustainable', OTML participants often used the adjective 'good' in reference to these attributes. They also applied 'good' or 'unhelpful' to the quality of management, governance and systems or policies (OTML, various informants).

### **7.2.1 Profitability and commercial viability**

OTML employee participants (predominantly national employees) focused on a landowner company's financial management as a strong indicator of success. They often gauged this financial management by considering the local business' ability to maintain a healthy cash flow. Another consideration was the landowner business' financial investment decisions. These decisions, including investment into contractor staff training and the upgrading of company assets, were viewed as successful (examples of this are provided later in this chapter).

When discussing a landowner company in terms of success and sustainability, the OTML participants focused on the contractor's adherence to 'good' business practices, including the contractor's bookkeeping and adherence to OTML's various compliance measures. Some of these compliance measures were related to work place health and safety and contractors having adequate qualifications to operate.

Some OTML staff were confident that certain landowner companies such as FCS and Camp Administration are 'good' and have the capacity to be sustainable beyond mine closure.<sup>92</sup> These OTML employees were confident in their opinion because they considered FCS and Camp Administration financially stable. As part of the OTML participants' discussions, they highlighted that Camp Administration had profitable investment properties in Port Moresby (field notes, June 2018).

Throughout the course of many informal discussions with OTML participants from various departments, cash flow was consistently pointed to as a significant factor when assessing the performance of a local landowner company.

Whilst OTML participants were aware of the vulnerabilities of local businesses, particularly those without fixed contracts, they were very clear in their opinion that businesses should be able to better manage the funds they received from OTML. One national employee, Edward, described the advice OTML provides to local contractors to:

*manage what you have well, do your records well, do your cash flows, your financials, your end of year reports, make sure these things are in place ... if you want to look for money there are institutions willing to help ... if they see there is some level of credibility in your books.*<sup>93</sup>

It was the opinion of several OTML employees that bookkeeping skills were the basis for maintaining 'good' cash flow as well as practicing transparency and accountability.<sup>94</sup> An OTML participant described many smaller local contractors as lacking a 'paper culture'.

OTML employees commented that local contractors often struggled with budgeting and record keeping practices. Smaller local businesses in particular often failed to keep accurate records (if any), such as budgets, invoices, bank statements and audited financial statements. OTML participants mentioned that many local businesses (both 'as and when required' and fixed contractors) did not adhere to the 'paper culture' and

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<sup>92</sup> 22/06/2018. Anonymous research participant, personal communication.

<sup>93</sup> 23/05/2018. Anonymous research participant, personal communication.

<sup>94</sup> 21/05/2018, 23/05/2018. Anonymous research participant, personal communication.

maintain these records. Participants noted that local businesses maintaining 'good' bookkeeping practices were better able to ensure their own financial viability.

OTML participants explained that the company pays local contractors monthly after they have submitted their invoices. The length of time between invoice submission and payment can result in complaints to OTML staff. When questioned about these complaints, OTML employees explained that many local contractors reported they were surviving from month to month. An OTML employee used phrases such as 'living from month to month' and 'breaking even' to describe the financial situations of many of the smaller local contractors.<sup>95</sup>

OTML participants suggested that there are a range of reasons local contractors might struggle with cash flow, commonly citing a lack of business budget planning. Another cause mentioned was local contractors borrowing money to buy assets they did not need. OTML employees believed local contractors purchased these surplus assets to ensure business and personal 'visibility' in the community, as well as to maintain status as a business owner. In one example provided, the asset was a truck — a purchase that then resulted in the business being unable to afford crucial outgoings such as payment of employee wages.<sup>96</sup> OTML employees also attributed the payment of inflated salaries as a further cause of local landowner company cash flow problems, with senior management roles and payments to directors specifically identified as problem areas.<sup>97</sup> Sometimes, inflated wages were allocated to existing roles, and, occasionally, new roles were created unnecessarily for relatives or friends.

A frequent consequence of excessive and unwarranted spending in any of these areas was a local contractor operating on negative cash flow, an untenable position often requiring advanced payments from OTML. Participants added that, in many past instances, OTML has 'rescued' local contractors from these situations.<sup>98</sup> These scenarios could negatively impact the reputation of the business with OTML employees.

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<sup>95</sup> 17/05/2018. Anonymous research participant, personal communication.

<sup>96</sup> 23/5/2018. Anonymous research participant, personal communication.

<sup>97</sup> *ibid.*

<sup>98</sup> *ibid.*

In order to examine the themes of success and sustainability, it is important to understand the local landowner company participants' business intentions. The management of some local landowner companies articulated their clear intention to continue business operations beyond mine closure,<sup>99</sup> while others aim to operate only for the mine's duration.<sup>100</sup>

There was a strong sentiment amongst OTML participants that a contributing factor for a local business' ability to continue beyond mine life is its capacity to grow. In describing this growth, participants used the words 'expand' and 'diversify' interchangeably, as well as to describe different things. As this can be confusing to the reader, the terms are explained in the following paragraph.

OTML participants viewed the 'expansion' of a local landowner company's operations as the company's extension into operations in other urban centres such as Port Moresby or Lae (for example, an administrative centre/office outside of Western Province). Expansion, in most cases, implies that the local contractor has sufficient money to invest and increase their capacity in this way. OTML participants explained that expansion is something local landowner companies achieve in addition to delivering on their OTML contract. This type of expansion was considered a sign of success, and several participants provided examples of local contractors with property investments in Port Moresby.<sup>101</sup> OTML participants explained that the concept of 'diversifying' is a local contractor increasing the types of services they provide to OTML. An example would be a local contractor that provides construction and building services to the mine adding labour hire or catering to their service offerings.

It was the opinion of most OTML participants that local contractors' efforts at expanding or diversifying their businesses could be implemented in a 'better' way. Whilst several OTML participants thought the decisions made by some local contractors on expansions or diversification were appropriate, others believed that at times the decision-making processes around such decisions were not necessarily aligned with a particular business' long-term planning.

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<sup>99</sup> 3/7/2018, 25/7/2018. Anonymous research participant, personal communication.

<sup>100</sup> 24/7/2018. Anonymous research participant, personal communication.

<sup>101</sup> 20/6/2018, 21/6/2018. Anonymous research participant, personal communication.

Further discussions with OTML participants on this topic did not reveal a clear consensus on whether it is advisable for businesses to either expand or diversify. Because expansion and diversification potentially mean a business venturing away from their main commercial activities or into another location, these growth options can add risk and complication to management and operational decision-making. The following expansion example points to the difficulty OTML staff have in recommending either option for local landowner companies. The landowner company discussed in the example is 100 per cent locally owned.

*A company that's actually thinking (about) sustainability ... they have actually done very well ... they have a set up in Madang and Port Moresby. So, in terms of sustainability they have also done well ... The last couple of years they have been investing the profits into their sustainable programs in Madang and Port Moresby ... they've been struggling a fair bit, cash flow wise ... I think they were too ambitious in their expansion plans ... Normally you only launch out if you have extra money, extra cash to assist you. But if you're relying on monthly revenue it's going to affect your cash flow as well. And, I think that's what they did ... I always try to tell the managers, 'If you're going to launch out, work with the extra cash you have. Don't touch the operational funds, because you're going to have big problems. Work with extra funds that you've saved, and limit it to that'. Some have not listened, they are too ambitious. It's not only them, a few other companies [have done this] as well.<sup>102</sup>*

Despite the cash flow issues this particular local landowner company faced, the OTML participant was confident they would overcome their difficulties.

## **7.2.2 Senior management and the board**

OTML participants viewed the recruitment and retention of directors and senior management for local landowner companies as critical to their success and sustainability.<sup>103</sup> The relationships between the boards of directors and senior management were also considered important.

According to OTML participants, qualified senior management is a vital ingredient to a 'good' and sustainable local landowner company. It was one participant's opinion that

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<sup>102</sup> 20/6/2018. Anonymous research participant, personal communication.

<sup>103</sup> 17/5/2018, 21/7/2018. Anonymous research participant, personal communication.

it was worth the investment for a local landowner company to secure a competent senior manager. Another participant, Sarah, described investment of this nature as:

*being able to get someone from outside the province ... who has years of experience, [and] be able to have the money to pay for ... the manager.*<sup>104</sup>

OTML employees spoke about the need for a transparent selection process when recruiting and hiring local landowner company management. OTML participants pointed to several cases where directors of local businesses hired their own relatives for self-gain, as opposed to the good of the business as a whole. Katherine, a long-term national OTML employee, explained that, although in the past OTML had assisted with local landowner company recruitment processes — predominantly when local contractors were hiring general managers, the process has changed more recently.<sup>105</sup>

*For a person that's been here for a long time, I see them [local landowner companies] coming up and I see them falling apart. I feel that should be our part as well maybe [to help landowner companies] ... As is, I think Economic Programs and ourselves [OTML] is supposed to appoint managers to run the [local landowner] business ... That was previously practiced and that's how I knew the team was operating then — they get to appoint managers to be managing those contractors. I don't see it now. It's the directors [of local landowner companies] now, they're appointing [the local landowner company management].*

In addition, OTML has helped source independent directors (PNG nationals from other regions) to sit on local landowner company boards of directors alongside local directors.<sup>106</sup> OTML participants spoke positively about independent directors bringing with them business and strategy planning skills, as well as governance capabilities.<sup>107</sup>

It was noted by OTML participants that some landowner companies had issues with top-heavy managerial structures. The participants attributed these structures to the influence of the original corporate position titles from when local business development commenced at Ok Tedi. These position titles had a significant influence on local contractors at the time and have continued to ever since. For example, OTML has always had a managing director or CEO as leader of the organisation. This influence

<sup>104</sup> 17/5/2018. Anonymous research participant, personal communication.

<sup>105</sup> 29/5/2018. Anonymous research participant, personal communication.

<sup>106</sup> 20/6/2018. Anonymous research participant, personal communication.

<sup>107</sup> *ibid.*

has led some local contractors, despite being a fraction of the size of OTML, to imitate these position titles and roles. OTML participants observed that local contractors often assigned the senior job title of general manager to what is actually a lower-level supervisory position. As a result, local contractors' organisational structures have tended to be top-heavy (at least in appearance). These position titles have also caused claims to higher salaries than necessary (as noted later in this chapter). One participant described the effects of such a top-heavy structure on a small business:

*For a very small business, they would have a structure ... so many supervisors reporting to a manager for this and a manager for that, and their overheads would be so high.*<sup>108</sup>

Another factor raised by OTML participants was the financial pressures local communities place on local contractor management. Landowner company management is expected to contribute financially to their broader community and kinship obligations. The relatives of local contractor management often perceive their family members to be wealthy (even if that is not the case) and make demands accordingly.<sup>109</sup> OTML participants described how these financial demands on local contractor management can vary, from paying for relatives' lunch to contributing to funerals or *haus kra*s (customary mourning ceremonies).<sup>110</sup> Despite these pressures, many OTML participants emphasised that managers of local businesses need to make 'good' financial decisions and avoid overspending on family and cultural obligations. The misuse of money in these areas can have serious implications: overspending on personal and cultural obligations may result in a business being unable to pay their employees.<sup>111</sup> OTML participants attributed some of these spending behaviours to the Melanesian 'big-man' culture and the Melanesian 'way of life'. OTML participants also explain that these behaviours create a certain 'mindset' not conducive to operating a successful and sustainable business.<sup>112</sup>

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<sup>108</sup> 17/5/2018. Anonymous research participant, personal communication.

<sup>109</sup> 23/5/2018. Anonymous research participant, personal communication.

<sup>110</sup> *ibid.*

<sup>111</sup> *ibid.*

<sup>112</sup> 17/5/2018, 23/5/2018. Anonymous research participant, personal communication.

One OTML participant, David, emphasised the need for local landowner companies to practice 'good' financial management and have the courage to say no to numerous requests for money:

*Landowner companies have to be able to stand up and say, 'No, sorry, we cannot give coffins to every single death, it's going to kill the business'. Managers need to be able to say no to directors when they come to say, 'Look, I need K1000, it's my business ... you need to give it to me'.<sup>113</sup>*

Among OTML participants, there was a consensus on the value of landowner companies having strong boards of directors, and that management–board relationships are crucial to the success and sustainability of the landowner companies. This part of the thesis explores OTML participants' perceptions of the roles of a board and the relationship between board and management. Examples are provided of both functional and dysfunctional boards and management–board relationships.

OTML respondents were clear about the distinct roles and responsibilities of a management team and its board, and much of what the participants perceived as 'good' governance was based on the quality of these actors. There was a common belief that a successful and sustainable business is made up of a group of individuals who understand the distinct roles and responsibilities of their management team and board and have the ability to consistently behave in ways that reflect that understanding.<sup>114</sup>

The first point OTML participants raised was that board members need to be aware of their roles and responsibilities, particularly their statutory and legal obligations as directors.<sup>115</sup> OTML participants strongly believed that decisions made by the board must be transparent, and all directors must be accountable. It was their opinion that 'good' directors need to have the ability to (OTML, various interviews):

- understand the aims of the business, including the financial and operational health of the company
- develop a strong business plan
- ensure the implementation of sound systems and policies

<sup>113</sup> 25/6/2018. Anonymous research participant, personal communication.

<sup>114</sup> 25/5/2018. Anonymous research participant, personal communication.

<sup>115</sup> 23/5/2018. Anonymous research participant, personal communication.

- make wise investment decisions
- question management about the business during board meetings
- consider options for expansion and diversification of the business.

OTML participants were able to provide examples where the board was functioning 'well' and doing things 'right'.<sup>116</sup> One OTML senior management representative, Noel, describes the qualities of a 'good' board:

*It's a well-run company. It has good governance in terms of it regularly conducts board meetings, and the board is constructive from what I can gather. It's a functioning board. It has, from what I can gather, good governance in terms of completing monthly management accounts, financial statutory accounts — they're audited. It also has good internal governance. In fact, the general manager and his quality assurance managers gave a presentation at one of our [OTML] contractor's safety forum that we had last year, and they were far and away the best contractor in terms of outstanding ... processes. They have an excellent record.<sup>117</sup>*

The following part outlines what OTML participants believed are the origins of some dysfunctional board member attitudes, as well as the tendency for too many directors on boards. Several participants pointed to a pattern of local contractors copying OTML's structures at the board level. OTML participants once again connected this practice to the inception stages of the mine. At that time, locals interested in participating in business were aware that the mining company had a chairman and a board of directors, and that these were paid positions. The same landowners were aware that chairman and director were positions of prestige and status. OTML participants have observed that the desire for this same prestige and status has resulted in scenarios where some small to medium local landowner companies have too many directors on their boards.<sup>118</sup>

Informal conversations with OTML participants revealed possible reasons for poor director behaviour. Participants said that certain directors feel they 'own' the local landowner company, and this sense of ownership entitles them to make personal

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<sup>116</sup> 17/5/2018. Anonymous research participant, personal communication.

<sup>117</sup> 18/5/2018. Anonymous research participant, personal communication.

<sup>118</sup> 5/2018. Anonymous research participants, field notes and personal communication.

demands of the landowner company. Participants described these poor behaviours as not reflective of the 'good mindset' required for effective.

In addition to the behaviour and practices of individual directors, the relationships among directors were seen as a contributing factor to a board's level of performance and effectiveness. In some cases, the dynamics between individual directors were seen as dysfunctional, and this influenced OTML participants' views on whether the board was 'good' or not (OTML participants, various dates).

Throughout the discussions, OTML participants explained some poor behaviour by individual directors of local landowner companies (or by boards as a whole), including:

- making demands for money (or advance payment) from management
- creating false positions on a payroll in order to pay themselves more money
- requesting that management purchase a vehicle for the local contractor so the director could use it for personal reasons, and
- demanding that management recruit a relative, or that directors appoint an unqualified relative to a management position (OTML participants, various dates).

One example of this poor behaviour is directors interfering in the day-to-day running of a local landowner business. An OTML employee, Edward, describes this issue:

*One problem we have here is continuous interference by the directors in the management. [It is] ongoing ... if they want money, if they want fuel money to go down to Kiunga.<sup>119</sup>*

OTML participants noted that it is common for some landowner company directors to visit the landowner company office every day. An OTML employee, Sarah, mentioned certain directors frequenting a local landowner company's office and making cash demands of management, saying, 'Do this, I want this much, I want to fly to Moresby next week'.<sup>120</sup>

In the following example, an OTML participant, Peter, described a long-standing joint venture arrangement between PNG nationals and a local village business group. This

<sup>119</sup> 23/5/2018. Anonymous research participant, personal communication.

<sup>120</sup> 17/5/2018. Anonymous research participant, personal communication.

joint venture company has a small board of directors, of which a non-local director is also the general manager. Peter's story explains how, despite having a viable business with diversification intentions, poor board and management decisions have led to poor outcomes for the local shareholders:

*They started very well here. They made a lot of money. And then they ventured out into Port Moresby, into construction. They had heavy machinery in Port Moresby, and to Cairns. But then the guy who was driving the company basically took the investments in Moresby as his own. The manager was from the Highlands. And the poor landowners from this side of the border, they're still walking in the street with ... nothing. So, it was a good plan to bring the company out to Port Moresby and other parts of Papua New Guinea, but the ownership became an issue, and these guys were left out completely ... That's a sustainable program gone wrong.<sup>121</sup>*

### **7.2.3 Training, community and sustainability**

OTML participants spoke about the importance of training for local landowner companies and the range of training facilitated by the Economic Programs Department.<sup>122</sup> The Economic Programs team regularly arranges relevant organisations to deliver general business management training for local landowner companies, as well as training designed to assist them in meeting statutory compliance measures. The areas of training the department facilitates are:

- general business administration
- reporting requirements for the Internal Revenue Commission
- reporting requirements for the IPA
- nasfund (superannuation) contributions
- directors' training from the PNG Institute of Directors.

The Economic Programs Department organises the training and sends out invitations to all local landowner companies. However, it is not involved in selecting training participants — this decision is up to the local contractor themselves.<sup>123</sup> An OTML participant, Peter,<sup>124</sup> described some of the training the Economic Programs Department facilitates and its impact:

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<sup>121</sup> 20/6/2018. Anonymous research participant, personal communication.

<sup>122</sup> 17/5/2018. Anonymous research participant, personal communication.

<sup>123</sup> 20/6/2018. Anonymous research participant, personal communication.

<sup>124</sup> 20/6/2018. Anonymous research participant, personal communication.

*We are doing our best to train them. We brought in people from the PNG Directors Institute [sic]. We brought in people from IRC [Internal Revenue Commission], from the bank, from nasfund, to try to educate them on what they should do and should not do in terms of tax contributions and nasfund as directors.*

*[The training has] ... very minimal positive impact ... because we are dealing with people who are 40 or 50 years old, who are not willing to change their mindsets. It's a mindset thing. I'm saying this because they are still doing the same thing over and over again.*

OTML participants strongly linked local landowner company contributions to the community as an indication of the company's success. The clearest means for a company to make this type of contribution to the community is to share its profits through the distribution of dividend payments to its shareholders. However, one employee observed that there are few local landowner companies financially capable of:

*actually being in a position to be able to declare dividends in the first place. You can't just be running break even, year in year out. Dividends going down to shareholders, not just a few people on the board and the management and the employees benefiting from the company's daily operations, but actually the shareholders themselves. Right now, being a shareholder is ... just a record in [the] IPA.<sup>125</sup>*

OTML participants mentioned that other landowner company community contributions included local sponsorship and fundraising events.<sup>126</sup>

In the context of local business development, OTML participants discussed the dry weather event that began in August 2015 (and the subsequent temporary suspension of mine operations from September 2015 to February 2016) and the high number of smaller local contractors that ceased operations during the event. Several OTML participants explained that some contractors did not have sufficient capital to restart when mining operations recommenced, and these participants believed that mismanagement of funds prior to the dry weather event was the main cause. In the following example, a long-serving local OTML employee, Simon,<sup>127</sup> provided an

<sup>125</sup> 17/5/2018. Anonymous research participant, personal communication.

<sup>126</sup> 20/6/2018. Anonymous research participant, personal communication.

<sup>127</sup> 22/6/2018. Anonymous research participant, personal communication.

observation on the expectation mentality of some mine impact area landowners (specifically from mine area villages) who receive benefits directly or indirectly from the mine. He reflected on how the dry weather event impacted access to these benefits and the potential lessons landowners could take from this experience in the long term:

*They [local landowners] have not learnt from the dry spell ... when the mine stopped, there was no money, from royalties ... basically everything stopped. And we use these events as examples of how, if people can experience this short-term Sabbath [rest], how the impacts will affect us when the mine shuts down permanently. So, now is the time to get ready. Investments outside, educate our kids, so that they will go out, work, continue to look after the business, or get their employment as well. And then support the community as well. So that's a key challenge.*

### **7.3 Local landowner companies**

The focus of this section is to explore the views held by a cross-section of eight local contractor representatives. Three (out of 32) local landowner companies participated in this research, including three board members, three senior management and two employees. This section reveals the participants' perceptions of the success and sustainability of these local contractors. Chapter 4 outlined the sample size and processes used to select local landowner companies and detailed the classification of these companies as either fixed term contractors or 'as and when required' contractors. From the findings that follow, three consistent themes emerged: the importance of education and business experience; the influence of management and boards of directors; and the implications of being a local.

It is important to begin by clarifying two points. Firstly, whilst some landowner companies intend to continue beyond mine closure, others plan to operate only for the duration of the mine. When either of these intentions are clear to the author, it is noted in this section where relevant. Secondly, the participants' interpretations of 'local' were determined by whether they were Papua New Guineans or expatriates. Papua New Guinean participants used the term local in reference to those from the mine impact area and the term PNG nationals to refer to Papua New Guineans from other provinces. Expatriate managers often referred to all Papua New Guineans as locals, and the author clarifies these references where required.

### 7.3.1 Management

Employees of local contractors, particularly directors and managers, had a wide range of educational backgrounds. These varied from a grade six education to university degrees, predominantly in business-related disciplines, including business administration, accounting, commerce and finance. Despite most participant group members valuing education highly, it was observed during this research that education did not always guarantee the success of the company and that good business practice was considered more important than formal education. The author observed that participants with tertiary educations were more likely to articulate how things 'should be' and how people and companies 'should behave'. However, whether their opinions were reflected in practice is a separate issue requiring further scrutiny not provided in this chapter.

While local landowner company directors and management who were locals or PNG nationals tended to highlight their level of education, expatriate managers placed more emphasis on their previous management experience. Locals and nationals explained their level of education as contributing to their current position in the landowner company. In this research, participants' levels of education did not appear to be a factor that defined the opinions within this group.

The origin of a local landowner company's senior management was raised frequently in both interviews and informal discussions with this participant group. Most participants in this group viewed having non-local senior management, either expatriates or PNG nationals, as critical to the success of the company. These participants were of the view that expatriate managers were better able to manage (or refuse) demands made by directors and, therefore, ensure better financial outcomes for the business. Despite most participants holding this view, one participant, James, stated that locals or PNG nationals were preferable in senior roles in the business because they reflected local ownership and could respond to local needs.<sup>128</sup>

A local landowner company interviewee, Conrad, described the importance of a manager's 'vision' or 'mindset' as a component of success,<sup>129</sup> including planning for

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<sup>128</sup> 23/7/2018. Anonymous research participant, personal communication.

<sup>129</sup> 3/7/2018. Anonymous research participant, personal communication.

expansion, making sound financial decisions and investing in business opportunities outside of OTML.<sup>130</sup> Another interviewee, Brian, explained the need for management (referred to here as ‘owners’) to look for such opportunities:

*It’s up to the owners of the business to be careful on how they are managing their company, especially in terms of their investment decisions and all this ... They don’t need to be stuck here. They need to start thinking out of the box, and start to look for other avenues to generate more income into their own company rather than looking to Ok Tedi only.<sup>131</sup>*

### 7.3.2 Directors

The directors who participated in interviews also accorded success and sustainability to investments made by their own company or in reference to other local landowner companies with investments. Some of the investments mentioned included property (real estate or hotels)<sup>132</sup> and investments made by MRSM-managed companies.<sup>133</sup>

A chairman of one local landowner company, James, provided insight into his interpretations of his role. All shareholders of this local landowner company are from the Olsobip Rural LLG area, but the company’s operations are based in Tabubil.<sup>134</sup> As director, James made the recruitment decisions for the general manager position and stated his preference for a local manager over a more costly manager from another province. He understood that his primary roles as chairman were to ensure the company was making money and secure its future beyond the life of the mine. He explained that if the manager in place was not making money for the company, he could — as the chairman — terminate their contract, and had done in the past. Part of this director’s account is provided as follows:

*The first day when I came in [as chairman] my idea was that I have [to be] localise[d]. I got rid of the manager [from the other province] who was looking after our company’s contract. I have to promote local education, rather than bringing people from outside, it’s too expensive. That way in the past, they’ve come and haven’t grown the company. I will localise. During that time the*

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<sup>130</sup> *ibid.*

<sup>131</sup> *ibid.*

<sup>132</sup> *ibid.*

<sup>133</sup> MRSM, the body that holds Ok Tedi mine landowners’ equity, is a subsidiary of the larger MRDC and is explained in some detail in Chapter 4.

<sup>134</sup> This company fulfils the criteria of a landowner company as defined by this thesis in Chapter 4: it is a limited company, is recognised by OTML as a local contractor/supplier, is largely under the control of local people and provides services to, and fulfils contracts awarded to them by, the resource company.

*manager was from [another PNG province]. I came in [as chairman] and I terminated his contract. The current general manager is my cousin.*<sup>135</sup>

It is also interesting to note that, in addition to being a cousin to the chairman, the new general manager had been an existing employee of the company in a more junior position, and this was an internal promotion. This chairman was resolute in his convictions about his role, which he saw as a ‘visionary’ planning the company’s future — including ideas for its expansion.

When discussing their knowledge of their businesses more broadly, local contractor directors’ responses indicated knowledge in the following five areas:

- the local landowner company’s history
- the company’s operations
- the company’s organisational chart
- discussions about the investments the company was making
- the goals of the company.

### **7.3.3 The implications of being a local**

Some local landowner company participants spoke about how important it was for them to contribute to the local community and the impact of these contributions to the success and sustainability of their company. This section explores the implications of being a local by looking at two distinct but interrelated themes: the distribution of dividends; and local employment and the localisation process of the workforce.

Some participants measured both the success and sustainability of a local landowner company by its ability to distribute dividends to its shareholders. All four participant groups in this research shared the sentiment that locals<sup>136</sup> deserve to benefit from local business development: the form of this benefit should be dividends, and landowner companies can choose to pay dividends to their shareholders either quarterly, annually or every two years. The data from this participant group did not reveal what frequency of dividend payment was considered sufficient.

<sup>135</sup> 23/7/2018. Anonymous research participant, personal communication.

<sup>136</sup> Local refers to all mine impact areas, as discussed in Chapter 4: mine area villages, preferred areas and CMCA communities.

A local landowner company making a profit did not necessarily mean it would pay dividends to its shareholders. Landowner company participants mentioned a variety of ways (other than dividend payments) profits can be allocated. They confirmed that, ultimately, the decision to pay dividends sits with the directors. If there are profits, the board may decide to keep some (or all) of them or reinvest them in other company assets or the training and development of staff. An example of such reinvestment could include purchasing a new truck or maintaining an existing one. Boards can also choose to invest some company profits in interest bearing deposits for the future. In their responses, local landowner companies varied in how they linked success and sustainability with dividend payments.

One local landowner company employee, Brian,<sup>137</sup> provided an example of another locally owned company from one of the mine's impact areas. He linked the success of this company to its 'good' management as well as the payment of dividends. The company referred to is Wokman Teleoks Ltd, a 100 per cent locally landowner company specialising in recruitment.<sup>138</sup> Wokman Teleoks does not intend to continue operations beyond mine closure. According to Brian:

*Wokman Teleoks is an example of success. Why I say this is because one of my brothers is a shareholder for Wokman Teleoks. They are paying their dividend almost every six months or something. So that shows there is a good management. They are making enough money for their shareholders. The shareholders are really benefiting. Management is a key factor of their success.*

Most participants from local landowner companies viewed the provision of local employment in local landowner companies as contributing to their success and sustainability. Both landowner company participants with expatriate senior management<sup>139</sup> and local senior management<sup>140</sup> agreed on the need to attract and retain a local workforce.

Most participants from this group spoke about how local employment, specifically for mine impact area landowners, not only provides an income for the employee's family,

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<sup>137</sup> 3/7/2018. Anonymous research participant, personal communication.

<sup>138</sup> The three directors of Wokman Teleoks Ltd are from the Telefomin and Oksapmin subdistricts, Telefomin Rural LLG area and West Sepik Province.

<sup>139</sup> 3/7/2018. Anonymous research participant, personal communication.

<sup>140</sup> 23/7/2018. Anonymous research participant, personal communication.

but also increases their employability beyond mine closure. This view formed part of their definition of the success and sustainability of local landowner companies.<sup>141</sup>

The two expatriate landowner company managers interviewed, Joe<sup>142</sup> and Liam,<sup>143</sup> expressed a strong belief in the training and development of local and PNG national staff. The expatriate managers referred to the training they were implementing as the 'localisation process' and were of the opinion that it contributed to the success and sustainability of their company.<sup>144</sup> They explained that the goal of the training was to enable staff to gradually progress to higher levels within the organisation. They expressed the hope that these local and PNG national staff could then maintain senior positions within the landowner company or have future opportunities in similar positions in other companies.<sup>145</sup>

In the following account, one of the participants, Joe, the expatriate general manager of a local landowner company, described an aspect of the localisation process. This general manager is involved in the training and mentoring of local employees who are line managers of departments within the company. He discussed how he assists these local employees to write reports on behalf of their departments to present at quarterly board meetings. This particular example refers to a report created and presented by a local line manager of the company's own training department:<sup>146</sup>

*Part of the localisation process has been getting the Papua New Guinean managers in their respective departments learning how to write their own reports, so that's taken a few years and now they are doing it. So, the training report is owned by the training manager and, depending if he is onsite, and availability, we encourage the managers to actually present their respective reports to the board. So, they'll enter the board meeting and present for 20 minutes, the board may have a couple of questions, and then they're excused.*

Local employees of local landowner companies viewed local employment as a factor that contributes to the success and sustainability of local landowner companies. Those in supervisory positions in particular mentioned the importance of employment for their

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<sup>141</sup> 3/7/2018, 23/7/2018. Anonymous research participant, personal communication.

<sup>142</sup> 3/7/2018. Anonymous research participant, personal communication.

<sup>143</sup> 24/7/2018. Anonymous research participant, personal communication.

<sup>144</sup> 3/7/2018, 24/7/2018. Anonymous research participant, personal communication.

<sup>145</sup> 3/7/2018, 24/7/2018. Anonymous research participant, personal communication.

<sup>146</sup> 3/7/2018. Anonymous research participant, personal communication.

economic livelihood and future employability. In the following example, the local landowner company is owned by village shareholders from a preferred area. The company's board comprises village leaders from that area and its business contract with OTML involves operations in Tabubil, Kiunga and Bige. It has a high number of local female employees, many of whom originate from the shareholding base. At least two long-serving female employees have risen to supervisory positions during their period of employment. One of these, Jenna,<sup>147</sup> described her job satisfaction and the pride she experienced being selected as the first female leading hand (she referred to this as a second-in-command position) and, more recently, being promoted again to a supervisory position:

*2014 ol givim mi leading hand position ... mi hamamas lon kisim dispela position ... cos insait lon yumi [company name] nogat wanpela meri bin kisim dispela position. First taim ol i givim mi dispela position na mi hamamas ... lo safety toolbox meeting ol i toksave lo ol wokmanmeri olsem 'nogat nau yumi gat wanpela meri i kamap leading hand blo yumi' ... mi no expectim dispela, olsem na mi kisim dispela position.*

*mi no stap longpela taim, em mas 6 weeks nau, boss i singautim mi godaun ... i tok em i reccomendim mi kamap supervisor lo ol day shift lon hia ... lo town dei ... mi tok tenkyu lon em ... mi hamamas lon harem dispel mi kamap supervisor blo dei shift ... lo role blo mi.*

*In 2014, they gave me the leading hand position. I was really happy to be given this position, because in the company there was not one woman who had held this position. It was the first time they had given me a position like this and I was so pleased. At the safety toolbox meeting, they [management] made the announcement in front of other employees: 'We have someone who has become one of our leading hands'. I wasn't expecting this [to happen] and I got it.*

*I haven't been in the [supervisory] position for long, it must be six weeks now. [To inform me of the promotion] my boss called me over and told me that [one of the managers] had recommended me for the supervisor position for the day shift here. I said thank you to him. I was really happy to hear that I had been promoted to supervisor of the day shift. That's my role.*

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<sup>147</sup> 5/7/2018. Anonymous research participant, personal communication.

## 7.4 Local landowner participants

This section examines the perceptions of local landowners from three of the six mine area villages that participated in this research: Bultem, Wangbin and Atemkit. An examination of the discussions with this group revealed their common interest in three main themes: a lack of clarity over landowner company decisions, dividend payments and contributions to the local community. There were 46 informants in this group, with the majority participating in the four village-based focus groups; eight semi-structured interviews were conducted with the other informants.

### 7.4.1 Lack of clarity over landowner company decisions, including dividend payments

A theme throughout the discussions with local landowners was the extent of communication from local landowner companies to shareholders, with a focus on dividend payments.

Throughout the group interviews, the local landowner participants showed the most awareness about the larger local landowner companies, such as MRSM and its subsidiaries FCS and Tabubil Engineering.<sup>148</sup> Their knowledge of these companies was primarily due to exposure by relatives or local community leaders who were current or past employees of these companies. The local landowners with more detailed knowledge of local contractors tended to have had formal employment and a higher level of education.

Both the male and female participant groups mentioned that local landowner companies had advised them that they would be provided information about dividend payments at village community meetings. Local landowner participants believed these meetings provided landowner company directors the opportunity to communicate the total dividend payment amounts to their shareholders, as well as how these amounts were calculated.<sup>149</sup> Participants felt that openness in this process allowed the community members to be included and ask questions. Despite landowner companies promising these meetings, however, participants said they often did not occur.<sup>150</sup> Local

<sup>148</sup> 13/6/2018. Anonymous research participant, personal communication.

<sup>149</sup> 8/6/2018. Anonymous research participant, personal communication.

<sup>150</sup> Some local landowners recalled attending local landowner company presentations at the village, but not specific details about those meetings (Local landowner focus group, 13 June 2018).

landowner participants felt the lack of information local landowner companies provided indicated a lack of interest and commitment to them as shareholders. Some local landowners mentioned that a local landowner company had promised them annual dividend payments as a minimum, but that they had not received these and felt this was unfair.<sup>151</sup> All participant groups were concerned about the lack of clarity and communication from local businesses in terms of whether profits were made and if they would be paid as dividends or reinvested into the company, or a combination of both.

While these views were common across both male and female participant groups, the educational backgrounds and experiences of most women in the two female-only landowner participant groups contrasted with those of the male participants. In both female-only group conversations, the women noted that their low levels of education impacted their experiences as landowner participants. These women explained that they had only received a primary school education.<sup>152</sup> It was also made clear within the course of the conversations that most of these women had not worked for local landowner companies and had a limited understanding of commercial operations. Many female landowners emphasised that they did not feel confident or able to articulate themselves clearly in the community meetings local landowner companies held to discuss dividends.<sup>153</sup> One female landowner, Jane, described the process of money distribution and how it is communicated by the landowner company:<sup>154</sup>

*Sampela taim tok i sa kam but i no sa kamap (lo bank account). Sampela sa wokim payment thru lo bank account. Sampela save raisim cheques i go lo wan wan ples lo distribution, ol yet bai wokim breakups na distribution i go lo accounts bilong ol man meri, ol lida man na lida meri lo ples sa go pas lon wokim ol dispela.*

*Sometimes we are given information but the [dividend payment] doesn't arrive [in our bank accounts]. Some of them [local landowner companies] pay the dividend to a bank account. Some of them raise cheques for each of the villages, they [unclear who is being referred to] themselves will distribute the payments to the men and women. The male and female leaders in the village organise /receive this [payment] first.*

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<sup>151</sup> 8/6/2018. Anonymous research participant, personal communication.

<sup>152</sup> These female participant also noted that the men tended to be more highly educated.

<sup>153</sup> 8/6/2018, 13/6/2018. Anonymous research participant, personal communication.

<sup>154</sup> 13/6/2018. Anonymous research participant, personal communication.

The strongest theme to emerge from this participant group was concerns about dividend payments to local landowner company shareholders, including whether or not they had been paid recently and the reasons the landowner company provided for non-payment.

The majority of local landowner participants were of the opinion that a successful local landowner company was one that could distribute dividends to its shareholders. However, it became apparent in these focus group discussions that, for many local landowners, there was little distinction between the benefits they receive from OTML and those they receive through local landowner companies (if any). Alongside royalties, compensation, training and employment (with OTML), as well as TCS infrastructure projects, dividends from local landowner companies were often perceived as simply another type of benefit. Some participants referred to all payments as tangible benefits from OTML compensating them for the use of their land for many years.

Some local landowner participants mentioned that they are also members of business groups. These business groups are shareholders of a local landowner company and have a local chairman as their representative (business group functions were discussed in more detail in Chapter 4). During a village focus group discussion, a local woman, Mariah,<sup>155</sup> commented that the individuals holding chairman positions should be allocating dividends to the local landowners who are entitled to these payments (as shareholder members of the business group). Instead, these chairman are keeping any dividends to themselves. Implicit in these conversations, like the following, was that these 'leaders' were spending the dividend money on themselves and their immediate families, not the broader community or village:<sup>156</sup>

*Ol local companies em stap. But, i ting ol i no playim dispela role bilong ol. Luk olsem when the mine closes too, ol tu, dispela kampani too, bai go down the drain. Because right now ol i no wok lo i gat dispela concern, olsem yes, mipela i gat ol ples i stap olsem. At least yumi mas lukluk na helpim long wanem samting i no reachim ol ah. Dispela nau olsem so mipela gat tingting olsem maybe em nem tasol, olsem local companies na when the mine closes em dispela kampani too em bai go pinis wantaim. Or, maybe ol big man ol i*

<sup>155</sup> 13/6/2018. Anonymous research participant, personal communication.

<sup>156</sup> 8/6/2018. Anonymous research participant, personal communication.

*ken holim private blo ol yet, because that's what now ol wok lo wokim stap... Meaning, like in terms of dividend payouts, olsem liklik tasol ol givim l lo people ples, na bigpela ol putim lo ol yet. Because nogat dispela honesty i stap. Ol leader man ol sa tingim ol yet.*

*The landowner companies are here. But I think they don't play this role of theirs [of paying dividends]. It looks like when the mine closes the [landowner] companies will also go down the drain. Because right now they don't have this concern, that, 'Yes, we have villages that are in this [poor] condition. At least we must look and help with things they [the villages] are not receiving'. The situation is like this now, so we think that maybe they [landowner companies] exist only in name. They are local companies and when the mine closes those companies will finish as well. Or, maybe the leaders can keep the private [money] to themselves, because that's what they are doing now. Meaning, like in terms of dividend payouts, like just a little is for the villagers, and the large part they put away for themselves. Because that kind of honesty doesn't exist. The leaders just think of themselves.*

#### **7.4.2 Contributions to the local community**

Local landowners described a range of contributions local landowner companies had made to the local community in the past, including sponsorships or grants related to health, education and sport. This participant group did not mention where the idea for these donations and grants originated from.

As a point of comparison, locals pointed to the use of the Village Planning Committee (VPC) fund within each village as a different source of revenue for the community.<sup>157</sup> They described the effectiveness of VPC funds in supporting the community. VPC funds have been used to pay for things such as transporting the deceased (located in other provinces) home and specialised medical assistance in Port Moresby. Local landowner participants suggested that local contractors could make similar contributions to the community. A female community leader, Vera, suggested that local landowner companies should sponsor tuition fees for students to attend high school or a vocational college.<sup>158</sup>

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<sup>157</sup> Refer to Chapter 6 for a brief explanation of VPCs.

<sup>158</sup> 13/6/2018. Anonymous research participant, personal communication.

## 7.5 Government

The two participants in this group were from the Star Mountains Rural LLG area and the FRPG. The Star Mountains Rural LLG area includes local landowners from the mine area villages (Atemkit, Migalsimbip, Wangbin, Finalbin, Kavorabip and Bullem) and the FRPG represents all of Western Province. The interview themes discussed included the perceptions of participants on local landowner company success and sustainability, opinions on good management and the survival of local infrastructure post-mine closure.

Opinions about the success and sustainability of local landowner companies were mixed amongst the two participants in this group. To provide context, the provincial government official had less direct working involvement with local landowner companies than both the LLG official and the other three participant groups involved in this research.

Participants in this group were aware of the range of local landowner companies and the umbrella company attempts, such as SMIHL and Floodplains Investment Limited.<sup>159</sup> These participants commented that they did not consider SMIHL and Floodplains Investment Limited examples of success.

The provincial-level government participant was generally candid in his responses, and there was a strong sentiment that there has only been 'limited success' among local landowner companies associated with OTML. In fact, the participant, Edgar, emphasised the point that there is 'no clear success story'.<sup>160</sup> He posited that other participants had identified poor management as a significant weakness in local landowner companies, with specific reference to the local landowners holding positions of power (such as general managers or directors). He gave several reasons for this poor management, including leadership conflict between local landowners and 'wrong investment decisions'.<sup>161</sup> The provincial government official suggested that, in order to achieve success and sustainability, local landowner companies should 'go out' and

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<sup>159</sup> Floodplains Investment Limited was a representative company for the Middle Fly District; in 2012, a liquidator was appointed to the company (Jackson 2015:36,38).

<sup>160</sup> 18/7/2018. Anonymous research participant, personal communication.

<sup>161</sup> *ibid.*

diversify their operations.<sup>162</sup> Additionally, he believed that the local companies should engage management with professional experience, and that local landowners should not ‘do it themselves’.<sup>163</sup>

In contrast to the responses of the provincial government representative, those of the LLG official provided more detailed observations of local landowner company operations, as well as more feedback. The participant, Connor, reflected on the role the Star Mountains Rural LLG office played in the negotiations leading up to when MRSM was incorporated as a company for the purpose of holding the mine area landowners’ nine per cent equity interest in OTML.<sup>164</sup> The LLG participant explained that this experience had exposed Star Mountains Rural LLG to many local landowner company issues.<sup>165</sup>

The LLG official referred to ‘good management’ contributing to local landowner company success.<sup>166</sup> He mentioned a particular local landowner company, one of MRSM’s subsidiary companies, as being successful. The two primary reasons he offered for this company’s success were ‘good’ management and the longevity of the business. He also mentioned cooperation between a company’s board and management as an indicator of success.<sup>167</sup> The participant also mentioned joint venture arrangements as a way for local landowner companies to become more sustainable (but did not provide specific examples of joint venture companies).

For this participant group, sustainability was perceived as the local contractor having the capacity to extend their operations to other urban centres, like Port Moresby. One participant in this group considered Camp Administration a good example of a sustainable local contractor. This participant noted that Camp Administration originated as a small goods retail store and has been able to secure an increasing

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<sup>162</sup> 18/7/2018. Anonymous research participant, personal communication.

<sup>163</sup> 18/7/2018. Anonymous research participant, personal communication.

<sup>164</sup> MRSM is a subsidiary of MRDC established to manage investments for landowners of resource projects. See Chapter 4 for further discussion on MRDC and MRSM.

<sup>165</sup> 11/7/2018. Anonymous research participant, personal communication.

<sup>166</sup> 11/7/2018. Anonymous research participant, personal communication.

<sup>167</sup> 11/7/2018. Anonymous research participant, personal communication.

number of contracts with OTML over time, including town cleaning, laundry services, singles accommodation and labour provision for the mine and mill.<sup>168</sup>

Informants from this group were concerned about what would happen with local development and infrastructure beyond mine closure and discussed local landowner companies in this context. One participant, Edgar, emphasised the importance of the Kiunga–Tabubil Highway to local contractors and the level of isolation Tabubil was likely to experience when the mine eventually closed.<sup>169</sup>

*This place has got nowhere to go. We are only connected by air. We have only flights coming in. Fly River sometimes gets dry, so we don't always have our regular items coming from Moresby. This road is not sustainable in the future when Ok Tedi leaves. There will definitely be road blocks, landslides and ... if Townsville can be developed into a mine, this road [Kiunga–Tabubil Highway] will be continued. Otherwise, I don't think the government will fund this road.*<sup>170</sup>

Concerns around post–mine closure infrastructure issues, such as the continued maintenance of the road from Kiunga to Tabubil, were regularly raised across all participant groups.

## 7.6 Discussion

This section discusses several themes and concerns that were commonly raised in conversations and interviews across all four participant groups: dependence, the influence of culture and local values, effective management and the dry weather event. The participants saw these themes as being connected more broadly to the success and sustainability of local landowner companies.

### 7.6.1 Dependence

A theme that all participant groups raised was the level of dependence local landowner companies can have on OTML. Some participant groups stated the nature of this dependence more clearly: that the smaller local landowner companies would not survive beyond mine closure. Participants thought the larger local landowner

<sup>168</sup> 11/7/2018. Anonymous research participant, personal communication.

<sup>169</sup> OTML has been granted leases to explore more mineral resource deposits outside of the SML. Townsville refers to one of the copper–gold prospects that is currently the most advanced exploration project (OTML 2020a).

<sup>170</sup> 11/7/2018. Anonymous research participant, personal communication.

companies (for example FCS, Tabubil Engineering, Tawap Kamen Investment and Camp Administration) were less dependent on OTML. Participants believed that, because these larger companies appeared to have surplus funds and had investments in other parts of the country (and some in Australia), they were 'stronger'. Participants were of the opinion that these companies had a better chance of continuing operations beyond the life of the mine in comparison to the smaller contractors that make up the majority.

Some participants viewed dependency as something negative in the business environment. However, recent literature challenges this view of dependency, in particular, discussions of relationality and the 'new politics of distribution' (Ferguson 2015) and the positive aspects of socially connected and culturally embedded Indigenous businesses (Scheyvens et al. 2017). Scholarship in this area provides a compelling critique of the neo-liberal motivation for sustainable businesses in unsustainable business environments, such as those in the extractive resource industry.

An OTML participant described how Tabubil-based businesses have not experienced the challenges of operating outside of Tabubil and that business planning should take into account mine closure:

*Here ... we are in our own little world ... and they know that work's going to come from OTML. But outside it's different. That's where they really need to step up. As it is now, they run the show how they want it. They haven't really felt the pinch of doing business in the country or how to survive [beyond mine closure].<sup>171</sup>*

Mine area landowners were more concerned with the potential loss of infrastructure and community-related development than landowner company dependence on OTML. Some local landowner participants reflected that, as a community, they were equally as dependent on OTML as the local contractors.

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<sup>171</sup> 17/5/2018. Anonymous research participant, personal communication.

### **7.6.2 Influence of culture and local values**

The literature has suggested that culture and cultural values heavily influence Indigenous entrepreneurship amongst First Nations people in Australia (Foley 2006, 2008; Holcombe 2009, 2010) and Canada (Foley 2012; Hindle and Lansdowne 2005). As such, it was somewhat surprising that participants involved in this research did not emphasise culture as a contributing factor to the success or sustainability of local landowner companies associated with OTML. Participants did not specifically point to culture or being local as an element that either hindered or helped a local contractor's performance. The author did not observe participants specifically refer to the local ways of the Min people or traditional values or customs in any direct connection with local business discussions. The fieldwork data collected across all interview groups showed that participants attributed the success and sustainability of local landowner companies to factors that included 'good' management or 'mindset' rather than local cultural factors.

### **7.6.3 Effective management**

Both OTML and local landowner company participant groups (including senior management and directors of both) raised the concept of 'mindset' to describe the qualities (or absence) of effective management and thought it was central to the success and sustainability of local landowner companies. Interviewees from these two participant groups spoke about the behaviours of those in local landowner companies as feeling 'entitled' and perhaps having 'too much' of a sense of ownership.

There was a contradiction across the participant groups regarding whether landowner company senior management positions should be filled by locals or non-locals (either PNG nationals or expatriates). The participant groups that shared similar opinions were:

- OTML, local landowner company and government official participant groups: the majority of participants from these three groups believed that landowner company management positions should be filled by PNG nationals or expatriates.
- Local landowner company participants: these participants varied in their opinions, with the majority supporting expatriate senior managers.

- Local landowner company and local landowner participants: some participants from each of these two groups argued that there are now enough ‘well-educated locals’ to fill senior management positions in local landowner companies.<sup>172</sup>
- Local landowner participants: the majority of these participants maintained that local landowner businesses should invest in local employees (including management), as they saw this as an investment in their future.

#### **7.6.4 Dry weather event**

Some local landowner company participants provided accounts of how they managed their businesses during the dry weather event. One of the larger companies explained that they reduced their workforce by 85 per cent during this time — a limited number of employees were kept on to provide OTML assistance. This particular company paid all their staff reduced wages, including those kept on and those sent home.<sup>173</sup> One of the local landowner company participants mentioned that staff from other local landowner companies who were sent back to their villages often had no guarantee of a secure job when mining operations recommenced in March 2016.<sup>174</sup>

### **7.7 Conclusion**

This chapter identified the variety of ways the four participant groups selected for this research defined the success and sustainability of local contractors associated with OTML. It put a human face to the relationships between OTML, local landowner companies, mine area local landowners and government officials. Perceptions of the participants varied within and between the groups, though the chapter clearly showed the many common themes in their observations.

This chapter revealed that participants across all groups believed that ‘good’ thinking or ‘good’ mindset form the basis of the decision-making accepted as delivering the best outcomes for each group. Participants used ‘thinking’ to refer to an individual’s capacity to carefully consider, understand and use their good judgement on any one particular matter. They used ‘mindset’ to describe an individual’s mental attitude or inclination

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<sup>172</sup> 23/7/2018. Anonymous research participant, personal communication.

<sup>173</sup> 3/7/2018. Anonymous research participant, personal communication.

<sup>174</sup> *ibid.*

and often perceive this 'mindset' as a fixed state of mind. These concepts were threaded through all participant group conversations covering many aspects of operating a successful and sustainable local landowner company. The foundational elements of 'good' thinking and a 'good mindset' were mentioned in relation to financial management and investment; effective management; board–management relationships; diversification or expansion options; staff training and development; board communications on dividend payments; and decisions around contributions to the local community.



## Chapter 8 Conclusion

This research examined the evolution and implementation of OTML's local business development program. Beginning with a discussion on Indigenous entrepreneurship in the large-scale mining context, it then explored the history of OTML's local business development program. Following that was an examination of the relationships between local landowner companies and the relevant OTML departments. The responses of the four research participant groups were then discussed, as well as the factors they believed contribute to the success and sustainability of local landowner companies.

Five research questions were posed at the beginning of this thesis:

- To what extent has OTML's local business development program assisted local landowners to create long-term benefits for mine-impacted communities?
- What do the relationships between OTML and its local landowner companies tell us about the nature of the corporation?
- What factors do research participant groups believe contribute to the success and sustainability of local landowner companies?
- Why is it that, despite OTML's considerable and consistent commitment to its local business development program, few local landowner companies have emerged that can be considered successful and sustainable?
- How might resource companies improve the implementation of their local business development programs?

The main finding of this thesis was that OTML's investment in local business development program efforts, although generally consistent, has resulted in few companies that can be considered successful and sustainable. The local landowner companies that are considered successful do not necessarily have the capacity to generate long-term benefits for mine-impacted communities beyond mine closure and, therefore, are not necessarily sustainable.

This thesis argues that the relationships between OTML and its local landowner companies are dynamic, multiple and robust. This argument has been explained by drawing from anthropological work on relational corporate personhood to show that

actors involved in local business development have multiple identities — one of the main themes threaded through this thesis.

The thesis argument was built in the following way. Chapter 2 explored Indigenous entrepreneurship in the large-scale mining context using comparative scholarship from Australia and Canada. This literature showed that Indigenous peoples, including Papua New Guineans, share common motivations and challenges in entrepreneurship. Interrogating the Indigenous entrepreneurship literature formed a natural basis for the discussion of local landowner companies associated with major resource projects in PNG. Chapter 3 outlined the challenges resource companies in PNG face in implementing effective local business development programs.

Chapter 4 justified the thesis' use of the organisational ethnographic approach to conducting fieldwork at OTML's headquarters in Tabubil, Western Province. After providing a definition of a local landowner company in the context of extractive resource projects in PNG, some of the challenges created by the limited data available on landowner companies were highlighted. Chapter 5 documented the history of OTML's local business development program and provided insights into the company's approach. Despite the many challenges local landowners and OTML faced over the mine's 36-year operation, local business development has continued with varying degrees of success.

Chapter 6 documented interactions between OTML business units and departments and local landowner companies and described the access landowner companies have to OTML staff and management. This chapter also detailed the department that manages OTML's local business development program function, OTML's Economic Programs Department. Chapter 7 discussed the responses of the four participant groups and the factors they believed contribute to the success and sustainability of local contractors associated with OTML. This chapter also emphasised how all participant groups believed that 'good' thinking or a 'good mindset' form the basis of good decision-making and deliver the best outcomes for each participant group.

This concluding chapter addresses the research questions in four sections. The first three sections are thematic. The first focuses on the corporation and explains that how

the corporation is seen shapes the way the relationships between a resource company and its landowners are viewed. The next section identifies an opportunity for Indigenous entrepreneurs and provides a snapshot of some of the factors landowner company and OTML participants identified as contributing to the success and sustainability of local landowner companies. The third section discusses the importance of the relationships between OTML and its local landowner companies and highlights the areas where OTML's local business development program has assisted landowners. The final section considers why few of the landowner companies that have emerged from major resource projects (like Ok Tedi) can be considered successful and sustainable. It also recommends areas for improvement in the implementation of local business development programs.

## **8.1 The corporation**

How we see the corporation shapes how we see the way it manages its local business development program. The idea of the corporation has been an important theme in this thesis, and it is explored here through two different but interrelated points. The first part of this section confirms the dynamic and robust nature of the relationships between OTML and its local landowner companies, as well as the usefulness of viewing the corporation through the lens of the relational personhood model and multiple identities. The second part of this section proves the central role of OTML's Economic Programs Department and the need for further investment in this department.

### **8.1.1 The corporation and relational personhood**

In Chapter 2, this thesis discussed the commonly held view that the corporation is solely based on profit maximisation and is exploitative and deliberate in its engagement with mine-impacted communities. By providing a deeper understanding of the corporation, this thesis outlined some tools to better explain the nature of the relationships between a corporation and its local landowner companies. Explanations of the corporation have tended to frame such relationships as static and absolute rather than dynamic and changeable. This research demonstrated that these assumptions about corporate–community relationships are not necessarily accurate in the case of Ok Tedi. The relationships between OTML and its local landowner companies have

principally been robust and positive. Covering the last five decades, Chapter 5 documented the three main corporations engaged in the Ok Tedi mine project from discovery to operation: Kennecott Copper Corporation, BHP and now the state-owned entity, OTML. This thesis demonstrated that all three corporations invested considerable resources into maintaining the local business development program.

The second point in this part looks at the concept of the corporation from an anthropological perspective, using the relational personhood model. This thesis confirmed that an oversimplified view of the corporation is not useful. Instead, this thesis chose to use the relational personhood model, because it found a model that frames the corporation as multiple and intersecting far more useful.<sup>175</sup> Chapter 3 outlined the model as explained by an American anthropologist, Marina Welker, in the large-scale mining context. The author's empirical findings also confirmed that this model succeeds as a tool to view the concept of the corporation as it relates to OTML and its local landowner companies.

The main problem in using the 'economic man' model, as presented in Chapter 2,<sup>176</sup> was that it does not effectively explain where the corporation begins and ends. In reality, the corporation comprises many actors: its employees, creditors, subcontractors, shareholders and suppliers (Welker 2014a:5). Chapter 6 argued that landowners can fit across several of these groups: they participate in local landowner companies and as employees and shareholders of the corporation. All of these actors and relationships create the corporation and, therefore, the inclusion of these actors in the framing of the corporation was one of the key arguments of this thesis.

### **8.1.2 OTML's Economic Programs Department**

Chapters 5 and 6 examined OTML's Economic Programs Department, which plays a pivotal role in assisting local landowner companies and implementing OTML's local business development program. In the following part I confirm the importance of understanding the perceptions of OTML staff, including Economic Programs

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<sup>175</sup> The relational model was first presented by anthropologists in the 1960s across Melanesia and South Asia.

<sup>176</sup> See Section 2.2.3, pp. 13-18 for more detailed explanation of the 'economic man' model.

Department staff. It also comments on the level of resources OTML allocates to this department.

This thesis has discussed the research responses of OTML staff, particularly Economic Programs Department staff, and the factors they believed contribute to a successful and sustainable local landowner company. The perceptions of Economic Programs Department staff, as well as staff from other relevant departments, are important to understand because they help explain how resource companies approach their local business development programs — an issue central to this thesis. The two main areas OTML research participants identified as contributing to the success and sustainability of local landowner companies were profitability and commercial viability, and good governance. These areas are elaborated on later in this chapter.

This thesis confirmed the critical role of the Economic Programs Department and the need for OTML to further invest in the department. An effective local business development program during a mine's operation has the capacity to generate long-term benefits for mine-impacted communities. Research findings about the Economic Programs Department and the role it plays have implications beyond OTML. Whilst Chapters 5 and 6 clearly outlined OTML's investment into their local business development program, more resources are allocated to the Community Relations Department. Following the dry weather event, staff numbers were reduced whilst the function of the Economic Programs Department remained the same. Research findings indicated that OTML's Economic Programs Department is under-resourced and under-staffed. More broadly, Jackson (2015, 2016) discussed that the local business development function across the resource industry in PNG is under-resourced.

## **8.2 Indigenous entrepreneurship and local landowner companies**

This section outlines the contribution this thesis makes to the current literature on Indigenous entrepreneurship and local landowner businesses associated with resource projects in three parts. The first looks at Indigenous entrepreneurship, then identifies an opportunity to address a common challenge Indigenous entrepreneurs face. The second outlines the responses of the local landowner company and OTML research participants and the factors they believed contribute to the success and

sustainability of local landowner companies. The last part discusses a contribution this thesis makes to the literature in understanding how Papua New Guineans view culture as a contributing factor to the success and sustainability of local landowner companies.

### **8.2.1 What is Indigenous entrepreneurship?**

Chapter 2 provided a definition of Indigenous entrepreneurship<sup>177</sup> and explained it as distinct from non-Indigenous entrepreneurship. The motivation to engage in entrepreneurship was significantly different for the two groups. Points raised in this thesis about Indigenous entrepreneurship in Australia and Canada are drawn upon to demonstrate how this literature supported the research findings about Indigenous entrepreneurship in PNG. Then, Indigenous entrepreneurship in PNG is discussed, including how it unfolds in the large-scale mining context. This research matters because it is one of the few studies that highlights some of the commonalities between Indigenous entrepreneurship in PNG, Australia and Canada.

This thesis uncovered a similarity between Indigenous entrepreneurs across the three countries: Indigenous entrepreneurs tend not to prioritise business networking, and this is to their detriment. Business networking creates a space for knowledge transfer and relationship building, as well as provides opportunities for business growth. Whilst the literature on Indigenous Australian entrepreneurship identified the lack of business networking as an issue, to date there is no study that explicitly articulates this issue as a common one for Indigenous groups across several countries. This finding is valuable to the resource industry, practitioners and scholars in this area because business networking offers opportunities for local landowner companies to strengthen and grow their business. Resource companies and relevant government agencies in PNG could create opportunities of this nature; this suggestion is made later in the chapter.

### **8.2.2 Local landowner companies and OTML participants: perceptions of success and sustainability**

This part firstly emphasises the factors local landowner company research participants identified as contributing to the success and sustainability of local landowner

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<sup>177</sup> See Chapter 2, section 2.2.1.

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companies. It then talks about the similarities and differences between the perceptions of OTML and local landowner company participants.

Local landowner company participant responses reflected a consensus on the factors that contribute to a successful and sustainable local business, including obtaining a business contract from OTML and having a good board, good management and good financial management. Participants believed several factors determined the performance of local landowner companies, specifically, behaviours and business practices as well as financial management. Participant responses strongly indicated the need for good local landowner company management and directors. The findings of this thesis demonstrated that management and director positions are primary contributing factors to the success and sustainability of a local landowner company.

This thesis found that participants from both OTML and local landowner companies shared similar views on several contributing factors to the success and sustainability of local landowner companies. The first factor both research participant groups agreed on was that 'good' management and 'good' directors are necessary. The second factor was the need for a functional relationship between boards of directors and management. The two groups also agreed that local landowner company management and directors having a good 'mindset' was necessary to the success and sustainability of a local landowner company. In addition, participants from both groups unanimously agreed that good financial management contributes to the success of a local contractor.

The two participant groups differed in their opinions on two factors that contribute to the success and sustainability of a local landowner company. Firstly, whilst OTML participants viewed local landowner companies making regular dividend payments as contributing to their success, not all local landowner company participants considered this a contributing factor. Secondly, some participants from both OTML and local landowner companies had differing views on whether local landowner company management should be from the mine impact area, PNG nationals or expatriates. Whilst OTML participants agreed that management should be either PNG nationals from outside Western Province or expatriates, some local landowner company representatives believed management should be from the mine impact area.

### **8.2.3 Thinking and ‘mindset’ vs ‘local’ culture**

One of the contributions this thesis makes to the literature is identifying whether Papua New Guineans articulate the concept of culture as a contributing factor to the success and sustainability of local landowner companies. This section first outlines how the Indigenous entrepreneurship literature informed the author’s understanding of Indigenous peoples’ definition of success in business. The second part discusses research participants’ perceptions that were revealed through semi-structured interviews and a participant consensus on the role of ‘good’ thinking and ‘mindset’ as necessary to the success and sustainability of local landowner companies. The third part of this section reflects on a discrepancy between the literature and the research findings of this thesis and presents three questions this research has raised on the issue of ‘good’ thinking in the context of Indigenous business practices.

The Indigenous entrepreneurship literature was a useful tool to understand the differences in entrepreneurial motivations between Indigenous and non-Indigenous people. The literature showed that communal and social goals ranked higher for Indigenous people than for those in modern, industrialised societies (Peredo and Mclean 2010:608). As discussed in Chapter 2, urban Indigenous Australian entrepreneurs engaged in a study on entrepreneurship defined success as establishing themselves in business and not failing, as well as if the business did well and had accumulated some wealth (Foley 2003:138). However, this particular study did not provide a deeper explanation of whether Indigenous people see culture as an aspect that helped or hindered a business’ performance.

Prior to fieldwork, the author of this thesis expected culture to play a more important role in participant perceptions of business performance — a hypothesis partly informed by the Indigenous entrepreneurship literature. It was expected that research participants, both PNG nationals and expatriates, would place specific emphasis on ‘big-man’ culture and Melanesian culture in reference to business practices and behaviours. In this case, these assumptions were incorrect, and the consensus amongst participants on the factor of ‘good’ thinking and good ‘mindset’ was a surprise. In this area, it was not a simple case of the data confirming the literature. These findings extend understanding of how different groups view the factors that contribute to the success and sustainability of local landowner companies.

Participant responses in this research indicated that, even for businesses the participants perceived as performing poorly, 'good' thinking was considered more important than elements such as dividend payments or the origin of a local landowner company's management. Participants viewed 'good' thinking and 'mindset' as necessary to the success and sustainability of local landowner companies. These findings are of interest because they demonstrate how such views shape both the outcomes of local landowner companies and OTML's local business development program, more broadly. Both OTML research participants and local landowner company research participants spoke about the concept of 'mindset' to describe the qualities (or absence) of effective management. The concepts of good 'mindset' or 'good' thinking were also mentioned in relation to other aspects of local landowner companies, including financial management and investment; board–management relationships; diversification or expansion options; staff training and development; board communications on dividend payments; and decisions around contributions to local communities.

The consensus across all participant groups was unexpected: their belief that 'good' thinking or good 'mindset' is foundational in decision-making that produced the best outcomes for each group. The discrepancy between the literature and the research findings of this thesis raises three questions relating to local culture,<sup>178</sup> business practice and the factors different groups attribute to the success and sustainability of a local landowner business.

The first question this discrepancy raises is how much does culture matter in business practice? The findings of this research suggest that culture does not matter to the extent that the literature has described. The PNG literature described how local landowner company management and directors gain and maintain cultural status and prestige within the local community through obtaining business contracts (Bainton and Macintyre 2013). Furthermore, these landowner company representatives defined the success of a local business as achieved by simply obtaining a business contract. They were often unconcerned about the type of business they engaged in or its potential for failure (Bainton and Macintyre 2013:153,156).

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<sup>178</sup> 'Local culture' here refers to Melanesian culture and local Min culture.

In contrast, this research found that the factors the majority of OTML local landowner company management and directors believed contribute to the success of a local business were not related to cultural status and prestige. For them, simply obtaining a business contract from OTML was not enough. They identified the contributing factors to success as effective management, good financial management and expansion or diversification. These elements were mentioned as part of a broader discussion on good thinking, good decision-making and good 'mindset'.

This finding raises two further questions: if good thinking and good mindset are perceived as requirements for a successful and sustainable local landowner company, then can this type of mindset be further encouraged and developed in local landowners who participate in business? And, if this type of mindset can be developed, what is the most effective way of doing so? This final set of questions requires further research and would be useful for scholars interested in understanding business practices and behaviour in Indigenous entrepreneurship.

### **8.3 Relationships between OTML and local landowner companies**

This thesis demonstrated how important the relationships are between OTML and its local landowner companies. This section discusses the importance of these relationships by dividing this theme into three subthemes. The first subtheme highlights the reasons OTML needs local landowner companies. The second subtheme focuses on the reasons local landowner companies need OTML. The third and final subtheme addresses some of the factors OTML and its landowner companies explain as contributing to a successful and sustainable local landowner company.

#### **8.3.1 Why does OTML need local landowner companies?**

OTML needs local landowner companies for several reasons. These reasons are approached here by posing two additional questions:

- How does OTML go about local business development?
- What are the outcomes of the relationships between OTML and its local landowner companies?

There are two reasons OTML needs local landowner companies. The first reason OTML needs local landowner companies is to maintain its social licence to operate<sup>179</sup> at Ok Tedi. In order for OTML to maintain its social licence to operate, it is vital that it protects and nurtures its relationships with local landowner companies. At the same time, the relationship between the two groups needs to be productive: OTML needs the goods and services local landowner companies deliver, and it is in OTML's best interests that those goods and services are delivered as efficiently and cost-effectively as possible. This thesis highlighted the fine line between these two needs and explored some of the challenges this relationship presents. The anecdote provided in Chapter 6<sup>180</sup> about a meeting that took place between OTML senior management and local directors presented an example of how OTML senior management value their relationships with local landowner companies. OTML senior management, including the CEO at the time, made themselves available to meet with the local directors of several local suppliers and actively listened to some of their frustrations. This meeting revealed both the access local landowner company directors have to OTML's senior management and the dynamic and robust nature of relating between the two groups. The anecdote also pointed to the mutual need for both groups to have productive relationships that lead to successful outcomes in local business development.

The second reason OTML needs local landowner companies is because engaging them can be cost-effective and convenient. Chapter 2 briefly pointed to scholarly discussion that large corporations choose to engage local contractors because it can be cost-effective to do so. Some scholars suggest that engaging local contractors reduces companies' supply chain costs over the long term (Geipel 2017:436). Such reductions in supply chain costs include those relating to logistics and labour, such as employing a local workforce (rather than transporting them from elsewhere) and 'having suppliers physically closer to extraction also lowers shipping costs and delivery lead times' (ibid.). The convenience of local contractors was evident during the dry weather event when OTML terminated their contracts with most local suppliers.<sup>181</sup>

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<sup>179</sup> Social licence to operate refers to 'the broad and ongoing acceptance or approval of mining operations by local communities and other stakeholders, who can affect the profitability of those operations' (Zhang et al. 2015:1063).

<sup>180</sup> For the anecdote referred to, see Chapter 6, section 6.4.3.

<sup>181</sup> For discussion of the dry weather event and its effects on OTML employees and local contractors, see Chapter 5, section 5.4.3.

Many employees of local landowner companies were able to return to their villages surrounding Tabubil. Shortly after the recommencement of operations in March 2016, OTML was able to re-engage local suppliers.

Regarding the second question posed in this section — how does OTML go about doing their local business development program? — this thesis explained that OTML has no formal internal guide for its local business development obligations. However, the company's efforts in this area have been consistent and their support fundamental to landowner companies. The support Economic Programs staff provides began in the early years of the mine's operation and has remained consistent despite changes in OTML ownership and natural disasters (such as the 2015 dry weather event).

Regarding the third question posed in this section — what are the outcomes of the relationships between OTML and its local landowner companies? — this thesis documented the efforts OTML has made in giving local landowner companies the opportunity to succeed. Some individual local landowner companies have faced bankruptcy and possible closure — a situation that has led to many local landowner company 'rescues' by OTML over the years (Jackson 2015:115).

In addition to rescuing individual local landowner companies, OTML has also facilitated three reviews of its (these review are outlined primarily in Chapter 5). OTML's reviews of its local business development program have assessed and provided recommendations on both local landowner companies' overall performances and compliance levels, as well as OTML's approach in support of these companies. OTML facilitated the first review in 2001, with the second review conducted in 2006.<sup>182</sup> The third review in 2013 led to the new (and current) strategy: the L&RS strategy. As part of the L&RS strategy, a review was conducted of local landowner company performance, as well as an internal performance review of OTML's processes.<sup>183</sup> Chapter 6 illustrated an example of OTML communicating two important messages to local landowner companies about the L&RS strategy. This example reflects the consideration OTML gives their communication strategy, as well as points to OTML's

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<sup>182</sup> For further details on OTML's internal reviews, see Chapter 5.

<sup>183</sup> The L&RS strategy aims to reduce local landowner company dependence on OTML by outsourcing the associated administrative responsibilities to six larger local landowner companies (including some umbrella companies).

need for acceptance from these local companies and the value OTML places on its relationships with them.

Whilst there have been many challenges for OTML and its landowner companies, this thesis found that, overall, the relationships between OTML and its local landowner companies have been positive and robust. OTML can also boast that the average age of one of their local landowner companies is at least 15 years, more than the average lifespan of most companies (Jackson 2016:71). Another indicator of the strength of the relationships between OTML and its local landowner companies is the absence of major disruptions to mining operations in the mine's history — a history that could be volatile if landowners were dissatisfied, as occurred in the riots in Tabubil in the early 1980s.<sup>184</sup>

### **8.3.2 Why do local landowner companies need OTML?**

This section takes a similar approach to the previous subtheme by posing two additional questions to understand the reasons local landowner companies need OTML:

- How do local landowner companies interact with OTML?
- From the perspective of local landowner company research participants, what are the outcomes of the relationships between local landowner companies and OTML?

To answer the first question, there are four reasons local landowner companies need OTML. Firstly, prior to the mine's construction, there were few income-generating opportunities available to the landowners of the area, the Min people. For the Min, the mine represented employment opportunities, starting with its construction and a requirement for local unskilled labour.<sup>185</sup> However, following the construction stage, direct employment opportunities for the Min decreased. To address this shortfall, authors of a 1980 social impact report (Jackson et al. 1980) emphasised the need for

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<sup>184</sup> For mention of the riot, see Chapter 4, section 4.2. See also Pintz 1984:186.

<sup>185</sup> For more detail of this period, see Chapter 4, section 4.2.

OTML and the national and local governments to continue to provide support to the growing number of local landowner businesses in the area.<sup>186</sup>

Secondly, local landowner companies need OTML because OTML provides consistent opportunities and structures for local landowner companies to create businesses and participate in the modern economy. The consistent business opportunities OTML provides local landowner companies offer them a far safer commercial environment than in the open market. OTML has offered a consistent platform for landowner companies to conduct their business over many decades, with the only exceptions being during dry weather events and the subsequent suspensions of operations. In order to engage in business with OTML, landowners organise themselves in a variety of ways so that OTML can provide them with business contracts. In obtaining business contracts with OTML, local landowner companies have gained considerable experience operating businesses. The mining environment has offered local landowner companies a wide range of industries to participate in, from general maintenance and cleaning to human resources, hospitality and transport. OTML has provided local landowner companies many chances to get business right, as well as clear guidelines for their performance and continual opportunities for improvement. Chapter 6 discussed one such guideline: the business contract local landowner companies must sign with OTML in order to provide goods and services. This contract has clear rules, and compliance levels form the basis of measuring local landowner company performance. An incentive for compliance with these guidelines has been OTML's tendency to offer more work to local landowner companies that perform well and have high compliance levels.

OTML provides additional opportunities to local landowner companies, including the facilitation of business training via the Economic Programs Department. Whilst empirical data points to the minimal impact of the training provided to directors, in particular of the older generation, the literature suggested that the younger business leaders in the community embrace the opportunities to increase their business knowledge (Siop 2008:18). In addition to facilitating training, OTML also provides local

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<sup>186</sup> The 1980 impact report was commissioned by the government, not OTML.

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landowner companies a basis from which they can extend their operations to other mines or urban centres in PNG, if they choose.

In addition to the aforementioned reasons, local landowner companies also need OTML because the business contracts they receive represent a significant source of income — an income that contributes to the economic livelihood of their communities. OTML's use of local landowner companies to deliver goods and services provides employment for local landowners. Participation in a local landowner companies as managers, employees or directors offers local landowners wage-earning opportunities. As mentioned previously, the mine's construction phase offered few opportunities for local landowners to establish businesses. At that time, the main source of income for local landowners was direct mine employment.<sup>187</sup> The mine's commencement created more local businesses and, in turn, created additional wage-earning options for local landowners. Chapter 2 outlined the motivations for Indigenous entrepreneurs and explained that many Indigenous people engage in business to provide for their families (Foley 2006:16). This thesis confirmed that local landowners at Ok Tedi also wanted to have access to wage-earning opportunities, which the mine has provided (Jorgensen 2006:238). Similar to the Ok Tedi literature, the findings of this research indicated that landowners saw creating their own businesses as a way of improving their livelihoods and those of their families.

This research confirmed local landowners' need to maintain social status and prestige in the local community. Their participation in a local landowner company is one way of doing this. These paragraphs examine the fourth reason local landowner companies need OTML by looking at social status specifically through the lens of local landowner research participants. The factors local landowner research participants believed contribute to the success and sustainability of local landowner companies contrasted those of the other three research participant groups. Whilst OTML and local landowner company research participants believed commercial profitability and compliance levels were vital factors, local landowner research participants focused on the local impact of these businesses on their communities. Local landowner research participants emphasised the need for local contractors to make regular dividend payments to

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<sup>187</sup> This issue was covered in Chapter 5, section 5.2.

shareholders and contributions to the local community. The findings of this thesis suggest that making contributions to the local community is one way for local business owners to achieve social status.

Social status gained through owning a business and securing a business contract with OTML is another way for landowners to assert cultural leadership (Bainton and Macintyre 2013). Local landowners can obtain social status simply by securing a business contract; the size of the business did not necessarily matter. Securing a business contract was also perceived as a success. Another sign of social status was local business owners displaying wealth through the possession of material objects, such as a company vehicle, or contributing to feasts.<sup>188</sup> Although Chapter 2 examined issues faced by Indigenous entrepreneurs in the large-scale mining context, the literature did not reveal whether Indigenous Australians discussed securing a business contract from a mining company as a success, or if having a business contract affected their social status in the community.

The next part addresses the second question: how do local landowner companies interact with OTML? Firstly, the level of access local landowner companies have to OTML senior management and staff is examined. Then, the approaches local landowners take in their relationships with OTML are discussed.

Local landowner companies have a high level of access to OTML staff and senior management; this access indicates their ongoing dependence on OTML. Chapter 6 described how landowner company representatives regularly visited the office shared by the Economic Programs Department and the Community Relations Department, often presenting without an appointment to visit staff. Further, the management of some local landowner companies could demand to speak to the Economic Programs manager, and these impromptu meetings could take a considerable amount of time. Despite the small size of the Economic Programs Department and its high workloads, staff were available to address any queries from local landowner company representatives.<sup>189</sup> This thesis found that many local landowner companies continue

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<sup>188</sup> For discussion on local landowner businesses and cultural leadership, see Bainton and Macintyre (2013:151–52).

<sup>189</sup> These queries often related to seeking additional business contracts from OTML.

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to depend on OTML for ongoing business advice and assistance and as a potential source for additional business contracts.

This thesis showed that local landowner companies approach their relationships with OTML in two different ways: those that comply with the requirements set by OTML and those that resist advice provided by OTML. Some local landowner companies accepted OTML rules and processes as part of their business contracts and were guided by them; others did not. Chapter 7 outlined an example of a manager of a large local landowner company who spoke about providing regular reports to OTML and their belief that this action contributes to the success of a local landowner company. The research proved that a local landowner company's commitment to providing reports to OTML, and the local landowner company's perception of this practice as success, demonstrated how that company values their relationship with OTML. Other ways local landowner companies show they value their relationship with OTML are by participating in training OTML facilitates and seeking business advice from OTML.

In contrast, research findings demonstrated that some local landowner companies resisted advice provided by OTML, as outlined by one director's recruitment process in Chapter 7. In that example, a local director recruited a mine area local landowner to a general manager position, despite OTML's advice that the position would be better filled by either a PNG national (from outside of Western Province) or an expatriate. The local director's decision showed that OTML can provide advice, but local landowner companies are not obliged to follow it. A question raised by this outcome is: who manages the fallout of local landowner company decisions such as these? The history of local business development at OTML strongly indicates that OTML will attempt to rescue any company that is struggling (sometimes multiple times).

Finally, regarding the third question — what are the outcomes of the relationships between local landowner companies and OTML? — this research identified two broad outcomes: accessibility and dependency. OTML continues to be accessible to local landowner companies by having a specific department that provides assistance to these companies and by being available and committed to ongoing engagement. This research also suggested that local landowner companies, particularly smaller local contractors, continue to depend on OTML.

## **8.4 Implications, recommendations, limitations**

The final section of this chapter considers some implications of the findings and recommends areas for further research. Firstly, it identifies three ways resource companies can improve their local business development programs. It then suggests two areas of further research on local business development programs associated with resource companies in PNG.

In looking at ways resource companies like OTML can better manage their local business development programs, the paradox of sustainable development in the mining sector needs to be acknowledged. The more investment a resource company makes toward a viable post-mine economy, the greater the dependency this investment can create in mine-affected communities (Filer 2011; Filer et al. 2016; Kirsch 2010). There is little literature to suggest resource companies' efforts towards sustainable development create positive outcomes. Despite this paradox, the following suggested improvements to internal company processes have been achieved by other resource companies in PNG.

### **8.4.1 How can resource companies improve their local business development programs?**

There are two important points to consider when examining how resource companies can better manage their local business development programs. These issues are important because resource companies, including OTML, have produced few local landowner companies that can be considered successful and sustainable. Firstly, the way OTML facilitates training for local landowner companies is considered, and other ways they and other resource companies can support local landowner companies through business networking within PNG and Australia are proposed. Secondly, how resource companies in PNG can improve both record keeping on their local contractors and planning for local business development programs in the early stages of the mine are discussed.

Business training has provided landowners exposure to standard business practices and business knowledge. Landowners have been able to apply this knowledge in fulfilling their contracts with OTML and making important decisions about the growth of their businesses outside Western Province. This section identifies potential training

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and networking opportunities for OTML landowner businesses in both PNG and abroad.

Chapter 7 discussed the various types of training OTML facilitates for its directors. It is noted that OTML participants did not mention the Institute of Banking and Business Management Enterprise Centre<sup>190</sup> as a resource for their local landowner companies to access either training or networking opportunities.<sup>191</sup> In 2010, as part of its national content plan, the PNG LNG project established the Institute of Banking and Business Management Enterprise Centre. This centre was established to ‘create economic opportunities for Papua New Guinean businesses and develop capabilities of local landowner companies and contractors, as well as PNG suppliers and vendors’ (PNG LNG Exxon Mobil 2020). The centre was created for use by PNG LNG representative landowner companies; however, other ‘relevant PNG businesses’ are also allowed to utilise the centre’s services (Jackson 2015:73). It is unclear whether either OTML or local landowner companies associated with OTML are aware of the centre and whether other resource companies in PNG encourage their landowner businesses to access the services available.

Chapter 2 drew on Indigenous entrepreneurship literature to highlight the importance of business networking for Indigenous-owned businesses. Although the literature dealt with business networking amongst Indigenous Australian entrepreneurs, this thesis suggests that similar lessons can be applied to business networking for local businesses in PNG. Networking provides an opportunity for businesses to share business knowledge, as well as opportunities for business growth through expansion into other mine sites or regions, or joint venture opportunities between local landowner companies from different resource sites.

In its discussion of Indigenous entrepreneurship, Chapter 2 identified some positive outcomes of policy and institutions developed in Australia specifically to support Indigenous Australian businesses. Similar positive outcomes are also possible in PNG, and there are two opportunities for the resource sector and the PNG Government to support such initiatives. Firstly, an Indigenous Australian scholar, Dennis Foley,

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<sup>190</sup> The Institute of Banking and Business Management Enterprise Centre is located in Port Moresby.

<sup>191</sup> There is no available published evidence that discusses landowner company use of the centre and its effectiveness as a resource.

identified that Indigenous entrepreneurs often have no social or human capital within their networks, and not building these types of capital places them at a disadvantage (Maritz and Foley 2018:4). The Indigenous Australian entrepreneurship literature emphasised the need for Indigenous entrepreneurs to access wider (non-Indigenous) networks to increase business opportunities. Secondly, the Australian Government recognised a need to provide a specific path for Indigenous-owned businesses to receive contracts from Commonwealth Government departments and, subsequently, created a specific procurement policy to address this: the IPP.<sup>192</sup> Over the last decade, institutions have emerged that offer networking or business support facilities to Indigenous Australians, such as the Indigenous Chambers of Commerce and a Commonwealth Government entity, Indigenous Business Australia.

The PNG Government and the country's resource sector have the opportunity to explore and draw on some of Australia's policy and institutions that currently support Indigenous-owned businesses. The following two opportunities are available to the PNG Government and resource companies to assist local landowner companies with business expertise and business networking. Firstly, resource companies in PNG can encourage local landowner companies to use Institute of Banking and Business Management Enterprise Centre, which offers local landowner companies access to various business training and opportunities for knowledge sharing and relationship building with other resource project local landowner companies. This relationship building also offers the opportunity for joint venture partnerships. Secondly, an additional possibility within PNG is for resource companies and the PNG state to support local landowner companies to engage in business networking with Indigenous entrepreneurs in the Australian extractive resource sector. The Australian Government and the Australian resource sector could also assist by creating networking events that bring together Indigenous-owned local suppliers associated with the resource sectors from both PNG and Australia. These events could also create possibilities for business relationships and business expansion internationally.

Chapter 3 briefly discussed the local business development programs of the Porgera gold mine and the Lihir gold mine, and Chapter 5 provided a detailed description of the

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<sup>192</sup> Refer to Chapter 2 for more information on the IPP, the Indigenous Chambers of Commerce and Indigenous Business Australia.

local business development program of Ok Tedi. These discussions are now drawn upon to identify two areas OTML and other resource companies could further invest in to improve their local business development programs.

Firstly, the literature confirmed that, whilst resource companies keep records on landowner company data, including contract spend value, there are inconsistencies in the reporting of local business development within their resource impact area (Jackson 2015:19, 2016). This thesis found that there is value in OTML making an increased effort to maintain consistent records on their local suppliers. Chapter 5 referred to a particular period for which OTML's statistical data on local suppliers is not considered reliable.<sup>193</sup> Accurate and consistent records of local landowner companies allow a clearer picture of economic impacts and linkages in the local community, particularly local employment numbers (Bainton and Jackson 2020:372). The literature did not reveal possible reasons resource companies struggle to maintain these records. However, Chapter 6 illustrated how resource companies tend to prioritise investment in technical business units, such as mining and geology, over non-technical business units, such as community relations and units relevant to the management of local business development programs (Kemp et al. 2010; Kemp and Owen 2018b).

#### **8.4.2 Possibilities for further research on local business development programs**

This thesis provided a case study documenting the implementation of OTML's local business development program and examined the relationships between OTML and its local landowner companies over the last 50 years. Jackson's two reports reviewed the performance of landowner businesses associated with resource projects in PNG and offered resource companies guidance on the establishment and support of these businesses (Jackson 2015, 2016). Jackson's reports included information from resource industry experts, relevant government bodies, resource companies and (where possible) landowner businesses themselves.

This research has extended the scope of Jackson's work by providing an in-depth empirical case study on a single resource project site: Ok Tedi. By employing an

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<sup>193</sup> For discussion on OTML's history of maintaining statistical data on its local landowner companies, see Chapter 5.

organisational ethnographic approach, this research uncovered perceptions held by a range of OTML staff and landowner businesses and the dynamics of these relationships. These perceptions provide resource companies in PNG insights into how resource company staff manage the local business development function and how landowners manage local companies. This information is valuable for resource companies interested in improving the outcomes of their local business development programs and their relationships with local landowner companies.

Two areas of further research are recommended that would further benefit resource companies. The first recommended area of research is conducting case studies of local landowner companies of different sizes across several resource project sites. The second recommended area is conducting a comparative study focusing on departments that manage local business development within a number of resource companies operating in different contexts in PNG.

Chapter 3 explained that different sized local landowner companies exist across resource sites in PNG: small, medium and large. The limited literature on local landowner companies associated with resource projects in PNG indicated that the bulk of local landowner companies fit under the small and medium categories, with only a handful of large companies (Jackson 2015). These categories are based on employee numbers. Jackson's 2015 report estimated local landowner company employment in mineral resource projects at around 15,000, with another 6000 in oil and gas projects (Bainton and Jackson 2020:371; Jackson 2015:7). Despite the variance in landowner company size, these high employment figures indicate the potential flow-on effects these companies can generate in local communities. Case studies of different sized landowner companies across resource sites would provide resource companies with more information on the types and levels of contributions these landowner companies make to local employment.

The second recommended area of research is a comparative study across several resource companies in PNG focusing on the department that manages local business development at each site. This thesis examined OTML Economic Programs Department's views and demonstrated the vital role departments like this play in supporting a resource company's local business development program. This

comparative study would extend the current research and enable further analysis on a cross-section of departments and local business development programs with resource sites varying in size, length of operation and level of success. Six areas of specific interest to compare would be:

- business training for landowner company management and directors
- the support the resource company provides landowner companies for new business planning, existing business diversification and expansion planning
- landowner company satisfaction of local business development program outcomes
- the evaluation process for local business contracts
- landowner company data management, and
- the communication strategy of the department(s) that manages local business development.

From this recommended research, there could be improvement across the sector, as well as insight into Indigenous entrepreneurship, Papua New Guinean landowner business practices and the role of the extractive resource industry in modernising the economy across PNG.



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## Legislation

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Mining (Ok Tedi Agreement) Act 1976 (PNG)  
Mining Act 1992 (PNG)  
Mining (Ok Tedi Mine Continuation [Ninth Supplemental] Agreement Act 2001(PNG)



# Appendixes

## Appendix I: Semi-structured interviews schedules

### Participant group 1: Ok Tedi Mining Limited personnel

Lines of inquiry:

- Understanding/perceptions of what constitutes success and sustainability of local landowner companies, through
  - specific examples of 'success' and 'sustainability'
  - what explains examples of 'success' and 'sustainability'?
- The extent to which OTMLs' understanding of these concepts differs to those of the landowner companies
- The level and nature of involvement OTML has with the local landowner companies
  - OTML policies and procedures regarding local business development, and the extent to which these (policies, procedures, strategies, plans) have produced sustainable outcomes
  - what effect, negative or positive, have they had

Possible participants:

- Current and past board members:
  - OTML
  - OTDF
- Current senior management, middle management and employees from the following OTML divisions:
  - Economic Programs
  - Community Relations
  - ISS
  - Supply and Logistics
  - Contracts Administration
  - OTDF

### **Interview schedule for board member<sup>194</sup>**

**\*\*Use participant short survey form to determine participant's current position (and division) within OTML**

#### Level and nature of involvement with lancos

1. In your current role, do you have direct engagement with local contractors/landowner companies?
  - a. If yes, how frequent is your engagement and what does it involve?
  - b. If no, do you have any indirect involvement/engagement with local landowners?
    - i. If yes, what does it (the engagement) involve?

#### Perceptions of success and sustainability

2. What do you think constitutes 'success' of a local landowner company?
  - a. Can you give specific examples of 'success' of local landowner companies?
  - b. When you think of this example of success, what do you believe were the key factors that helped get this good outcome?
3. What do you think constitutes 'sustainability' of a local landowner company?
  - a. Can you give specific examples of 'sustainability' of local landowner companies?
  - b. When you think of this example of sustainability, what do you believe are/were the key factors that helped achieve this?

*If applicable, allow participant to elaborate on further examples and explanations.*

#### OTML's local business development policies/procedures/strategies

4. What do you see as the key components of OTML's plans and strategies for local business development?
5. What do you see as the strengths and weaknesses of these strategies?
6. Are there areas where you feel OTML could do more to encourage sustainable local business development?

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<sup>194</sup> The same interview schedule for this participant group was used for board members, senior management (CEO, Deputy CEO), middle/division management and employees.

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## **Participant group 2: representatives from local contractors/landowner companies**

### General lines of inquiry:

- Understanding/perceptions of what constitutes success and sustainability of local landowner companies, through:
  - specific examples of 'success' and 'sustainability'
  - what explains examples of 'success' and 'sustainability'?
- OTML policies and procedures regarding local business development, and
  - the extent to which these (policies, procedures, strategies, plans) have produced sustainable outcomes
  - what effect, negative or positive, have they had
- The perception of the level and nature of involvement OTML has with the local landowner companies

### Possible participants (including landowners and non-landowners):

- Both past and current:<sup>195</sup>
  - board members
  - senior management
  - middle management
  - employees

### Additional lines of inquiry as per subgroup

- a) Board members
  - level and nature of involvement in making decisions about the company
  - level and nature of involvement with senior management
- b) Senior Management
  - level and nature of involvement in making decisions about the company
  - level and nature of involvement with the board (of directors)
- c) Middle/division management
- d) Employees

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<sup>195</sup> The same interview schedule for this participant group was used for both past and current possible participants (both landowners and non-landowners) listed here.

## **Interview guide for participants with past or current involvement in local landowner companies**

\*\* Participant short survey form to provide information on which (if applicable) landowner group participant belongs to, exact title of current position/s in local landowner company/ies and length of time in position/s.

Tell me something about how you came to be involved in this landowner company.

i) *Board members*

### Level and nature of involvement with landowners

1. In your current role, do you have direct engagement with local contractors/landowner companies?
  - c. If yes, how frequent is your engagement and what does it involve?
  - d. If no, do you have any indirect involvement/engagement with local landowners?
    - i. If yes, what does it (the engagement) involve?

### Perceptions of success and sustainability

2. What do you think constitutes 'success' of a local landowner company?
  - a. Can you give specific examples of 'success' of local landowner companies?
  - b. When you think of this example of success, what do you believe were the key factors that helped get this good outcome?
3. What do you think constitutes 'sustainability' of a local landowner company?
  - a. Can you give specific examples of 'sustainability' of local landowner companies?
  - b. When you think of this example of sustainability, what do you believe are/were the key factors that helped achieve this?

*If applicable, allow participant to elaborate on further examples and explanations.*

### OTML's local business development policies/procedures/strategies

4. What do you see as the key components of OTML's plans and strategies for local business development?
5. What do you see as the strengths and weaknesses of these strategies?
6. Are there areas where you feel OTML could do more to encourage sustainable local business development?

Tell me something about how you came to be involved in this landowner company.

Do you attend board meetings regularly?

Do you tend to provide input at board meeting? If yes, please provide details. If no, why not?

Can you provide specific examples of success of this landowner company?

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Can you provide specific examples of sustainability of this landowner company?

## **Interview guide for participants with past or current involvement in local landowner companies**

\*\* Participant short survey form to provide information on which (if applicable) landowner group participant belongs to, exact title of current position/s in local landowner company/ies and length of time in position/s.

ii) *Senior management (acting/managing director, acting/general manager)*

Tell me something about how you came to be involved in this landowner company.

Did the company have a constitution? Why/not?

Who made decisions about the board structure and membership?

Were there landowners on the board? If yes, how many and from what area? If no, why?

How often were board meetings held?

Were board members provided payment for attending the meeting? If yes, what are the arrangements?

Can you tell me a little about the relationship between the board and senior management?

Can you tell me something about who made the decisions about the strategic direction of the company?

Can you tell me something about who made decision about the operational strategy of the company?

Can you tell me something about who the shareholders of the company were?

Can you provide specific examples of success of this landowner company?

Can you provide specific examples of sustainability of this landowner company?

Can you tell me about how the company identified areas that needed to change, and what steps they took to change them?

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## **Interview guide for participants with past or current involvement in local landowner companies<sup>196</sup>**

\*\* Participant short survey form to provide information on which (if applicable) landowner group participant belongs to, exact title of current position/s in local landowner company/ies and length of time in position/s.

### *iii) Middle/division management*

Tell me something about how you came to be involved in this landowner company.

Can you provide specific examples of success of this landowner company?

Can you provide specific examples of sustainability of this landowner company?

Can you tell me about how the company identified areas that needed to change, and what steps they took to change them?

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<sup>196</sup> The same interview schedule was used in this participant group for participants in middle/division management and employees.

### **Participant group 3: representatives from landowner groups<sup>197</sup>**

#### Lines of inquiry:

- Understanding/perceptions of what constitutes success and sustainability of local landowner companies, through
  - specific examples of ‘success’ and ‘sustainability’
  - what explains examples of ‘success’ and ‘sustainability’?
- The extent to which OTMLs understanding of these concepts differs to those of the landowner companies
- The level and nature of involvement OTML has with the local landowner companies
- OTML policies and procedures regarding local business development, and
  - the extent to which these (policies, procedures, strategies, plans) have produced sustainable outcomes
  - what effect, negative or positive, have they had.

#### Possible participants:

- member of a landowning group
- village/community leader
- landowner association board member
- ward member/councillor
- VPC chairman
- member of civil society organisation — general
- member of civil society organisation — female specific (i.e. Star Mountain Women’s Association)
- OTDF: board member/trustee, senior management, division/middle management
- OTML Royalty Trust

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<sup>197</sup> For relevant interview guides used for this participant group refer to those provided under participant group 2.

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#### **Participant group 4: State actors — local-level government and provincial government**

Lines of inquiry:

- Perceptions of what defines ‘success’ in the context of local landowner companies and local business development
- Perception of what defines ‘sustainability’ of a local landowner company and local business development
- Extent and examples of ‘success’ and ‘sustainability’

Possible participants:

- Star Mountain LLG
  - president
  - ward members/councillors
  - other key LLG staff
- FRPG

## **Interview guide for state actor participants<sup>198</sup>**

Do you know anything about local landowner companies? If yes, what do you know about it?

Have you made a decision not be involved in a local landowner company?

If you have, what are the reasons you choose not to be involved in local landowner companies? I.e. conflict of interest, condition of employment, age, intellectual/physical disability etc.

Do you know anyone who is currently involved in a professional capacity with a local landowner company? If yes, please proceed to section 3 a).

- a) What relationship do you have to this person?
- b) What was their position in the landowner company?
  - a. board member
  - b. senior management
  - c. middle/division management
  - d. employee
  - e. apprentice/trainee
  - f. subcontractor

Can you provide specific examples of success of this landowner company?

Can you provide specific examples of sustainability of this landowner company?

Can you tell me about how the company identified areas that needed to change, and what steps they took to change them?

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<sup>198</sup> The same interview guides were used in this participant group for both local level government and provincial government participants.

# Appendix II: Focus group discussion question guide and participation reporting form

## Participant group 3: Local landowners

\*\*Participant short survey form to provide participant information, village they are from and other relevant information.

### Focus Group (question) guide

<b>Day &amp; date of focus group</b>	
<b>Location of focus group</b>	
<b>Participant group category</b>	
<b>Number of participants</b>	
<b>Focus group number</b>	
<b>Start time</b>	
<b>Finish time</b>	

1. What are your observations on local landowner companies associated with OTML?
  
2. What do you think makes a local landowner company successful?
  - a. Can you give me an example of ‘success’ of a local landowner company?
  - b. (When you think of this example) what do you believe were the key factors that helped get this good outcome?
  
3. What do you think makes a local landowner company sustainable?
  - a. Can you give me an example of ‘sustainability’ of a local landowner company?
  - b. (When you think of this example) what do you believe were the key factors that helped get this good outcome?
  
4. Do you think the following should play a role in (contributing to) community development/good things for future generations?
  - a. Local landowner company
  - b. LLG (&FRPG)
  - c. OTML

1. What are your observations on local landowner companies associated with OTML?

Brief summary/key points	Notable quotes

2. What do you think makes a local landowner company successful?
  - a. Can you give me an example of 'success' of a local landowner company?
  - b. (When you think of this example) what do you believe were the key factors that helped get this good outcome?

Brief summary/key points	Notable quotes

- 
3. What do you think makes a local landowner company sustainable?
    - a. Can you give me an example of 'sustainability' of a local landowner company?
    - b. (When you think of this example) what do you believe were the key factors that helped get this good outcome?

Brief summary/key points	Notable quotes

4. Do you think the following should play a role in (contributing to) community development/good things for future generations?
  - a. Local landowner company
  - b. LLG (&FRPG)
  - c. OTML

Brief summary/key points	Notable quotes

## Focus group participation reporting form

### FOCUS GROUP PARTICIPATION REPORTING FORM

Day and Date		Page # OF
Location of Focus Group		
Participant group category		No. of participants
Focus Group Number		
Start time		Gender composition
Finish time		

<b>PARTICIPANT NAME</b>	<b>DETAILS OF PARTICIPATION</b>	<b>TIME</b>
<b>Any identifying characteristics</b>	<b>Verbal (amount of speech: nil, a little, a lot), body language, dynamics</b>	<b>Audio Recorder</b>

### Appendix III: List of OTML landowner companies

	Company	Location of Registered Office	Directors		Share	Shareholders	Employees	Assets (PGK million)
			M	F				
1	Tabubil Engineering	Tabubil	8	0	6,000	MRSM 3000 Bolandon BG Inc 1200 Imiba Investments 1800	347	37.2
2	Fubilan Catering Services	Hohola	5	0	2	MRSM	450	23.6
3	Cloudlands Investments Ltd	Port Moresby	4	0	22,046	7 As at August 2013 one individual held 77% shares	1	2.4
4	Camp Administration Ltd	Tabubil	5	0	10,000,097	3 companies 4 business groups 5 individuals	370	25.2
5	Faiwol Holdings Ltd	Tabubil	4	0	1,708,310	5 business groups 46 individuals	30	NA
6	Faiwol Investors Ltd	Tabubil	8	0	161,996	11 business groups hold 52% 42 individuals hold 48% (this includes 1254F who hold 1.2%)	144	7.9
7	W & W Construction Ltd	Tabubil	5	0	200	5 individuals	125	2.9
8	Hore Binkia Engineering Ltd	Tabubil	9	0	100	1 individual owns 20% 1 company owns 80% (owned by 8 individuals)	86	0.5
9	Tabubil Security Services	Tabubil	5	0	1,000	8 individuals own 100% (1 individual holds 83.5%)	158	3.0

	Company	Location of Registered Office	Directors		Share	Shareholders	Employees	Assets (PGK million)
			M	F				
10	Star Mountain Clothing Ltd	Tabubil	4	1	426,900	3 companies own 41% 8 individuals own 59%	145	6.3
11	Kana Kumkit JV Ltd	Tabubil	2	0	10,002	51% held lalibu 49% by Kumgit BG	98	4.9
12	Tawap Kamen Ltd	Mt Hagen	6	0	10,000	3 companies own 75% 3 individuals own 25%	30 (incl 6 expats)	9.8
13	Highway Transport Ltd	Tabubil	5	0	2,800,000	50% Tabubil Engineering 25% Hore Binkia 25% H.W.D.C.	10	4.4
14	H.W.D.C. Ltd	Tabubil	7	0	2	Both held by Tmindemasuk business group	4	1.4
15	Suku Ltd	Tabubil	2	0	2	2 individuals	15	–
16	Umeng Investment Ltd	Oksapmin	3	0	2	2 individuals	50	NA
17	Adiyap Construction & Labour Hire Ltd	Tabubil	3	0	3	3 individuals	75	–
18	Madang Star International Hotel Ltd	Port Moresby	8	0	30,000,000	1 company Star Mountains Property and Investments	60	31.1
19	Tabubil Hotels	Tabubil	5	0	473,205	71% Cloudlands, 1 company, 1 business group (3 individuals)	NA	NA
20	KS Investments Ltd	Tabubil	5	0	5	5 individuals	26	0.6
21	Bugum Investments Ltd	Tabubil	3	1	33	1 individual	80	2.0
22	Handup Ltd	Tabubil	3	1	8	7 individuals	3	0.3

	Company	Location of Registered Office	Directors		Share	Shareholders	Employees	Assets (PGK million)
			M	F				
23	Star Mountain Properties and Investments Ltd	Port Moresby	8	0	100,000	Ok Tedi Landowners Roaylty Investment Trust	0	0.2
24	Mineral Resources Star Mountains (MRSM) Ltd	Port Moresby	5	1	2	Mineral Resources Development Corporation (MRDC)	0	169.0
25	KCS Ltd	Kiunga	3	2	280,000	4 BGI, 3 companies, 1 individual	28	11.8
26	Mepu Investment Ltd	Kiunga	2	2	24,278	4 males, 3 females	18	0.5
27	Lower Ok Tedi Investment Company Ltd	Kiunga	7	0	1,432,209	Alice River Trust 75% 20 individuals 25%	265	5.1
28	Azobelle Ltd	Kiunga	5	0	1,255,882	SMIHL 55% 2 local ILs 45%	58	0.8
29	Kiunga Security Services	Kiunga	6	0	90,000	2 business groups and one company hold one-third each	79	0.4
30	Ningerum Transport	Port Moresby	5	0	2	61% W Dutton 39% Ningerum Holdings	57	25.0
31	North Fly Rubber	Kiunga	9	0	604,170	16% OTDF 16% Progress 66% SR	89	3.2
32	Progress Ltd	Port Moresby	2	1	8002	95% Ningerum Transport	15	3.3
33	Tabubil Automotive JV	Port Moresby	5	0	2	Boroko Motors 1 AM IL 1	47	4.7
34	Tabubil Bakery	Port Moresby	3	1	200	4 individuals	28	0.7

	Company	Location of Registered Office	Directors		Share	Shareholders	Employees	Assets (PGK million)
			M	F				
35	Tabubil Traders	Tabubil	5	0	523,848	41% 7 IIs 33% 5 Trustees 11% KCS 5% Faiwol Investors Ltd	50	3.9
36	Star Mountain Investment Holdings Ltd	Tabubil	5	0	6,700,100	32 villages/clan groups	20	3.7
37	Kiunga Co-operative Company Ltd	Kiunga	5	1	12,116	10 individuals + CSR (91%)	5	3.8

Source: Adapted from Jackson 2015:123

# Appendix IV: Participant Short Survey Form

## PARTICIPANT SHORT SURVEY FORM

DAY and DATE: _____	TIME: _____
LOCATION: _____	

### Basic Information about respondent

Sex

Age

Province of birth

Current home (city/town/village)

If VILLAGE, in what PNG district or electorate

Landowning group (if applicable)

### Respondent's current job

What is the title of your current job (BE PRECISE)

In what year did you start working in this job?

What sort of organization do you work for? (TICK ONE)

- |  |                          |
|--|--------------------------|
| Ok Tedi Mining Limited (OTML)                                | <input type="checkbox"/> |
| Ok Tedi Development Foundation (OTDF)                        | <input type="checkbox"/> |
| Landowner Company contracted to OTML                         | <input type="checkbox"/> |
| Government department/ agency/company in extractive industry | <input type="checkbox"/> |
| Other government department/agency/company                   | <input type="checkbox"/> |
| Other type of organisation                                   | <input type="checkbox"/> |

## **Appendix V: Confidentiality Agreement**

### **Confidentiality & Non-Disclosure Agreement**

**Between**

**Ok Tedi Mining Limited**  
(Disclosing Party)

**And**

**Anita Togolo - PhD Candidate ANU**  
(Receiving Party)

**Being For Information Gathering For PhD Research Purposes:**

**“Success and sustainability of local landowner companies associated with Ok Tedi Mining Limited (OTML)”**

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**DEFINITIONS:**

**“Confidential Information”** shall mean all information provided by Disclosing Party and identified by the Disclosing Party as Confidential regardless of whether it is written, oral, audio tapes, video tapes, computer discs, machines, prototypes, designs, specification, articles of manufacture, drawings, human or machine readable documents. Confidential Information shall not include any of the following:

- (a) such information in the public domain at the time of the disclosure, or subsequently comes within the public domain without fault of the Receiving Party;
- (b) such information which was in the possession of Receiving Party at the time of disclosure that may be demonstrated by business records of the Receiving Party and was not acquired, directly or indirectly, from Disclosing Party; or
- (c) such information which Receiving Party acquired after the time of disclosure from a third party who did not require Receiving Party to hold the same in confidence and who did not acquire such technical information from Disclosing Party.

**“Disclosing Party”** shall mean the party disclosing information to the other relating to the Confidential Information.

**“Receiving Party”** shall mean the party receiving information from the other relating to the Confidential Information.

## **DECLARATION:**

I, **Ms Anita Togolo**, a PhD Candidate and student (the “**Receiving Party**”) from the Australian National University in Canberra Australia, in consideration of Ok Tedi Mining Limited (“**Disclosing Party**”) agreeing to assist me with Confidential information for my research (the “**Engagement**”) and for other good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged), agree as follows:

1. I understand that during the course of my research with Ok Tedi Mining Ltd, I will gain knowledge of, or have access to Confidential information relating to its business and affairs, its clients and third parties who may from time-to-time have dealings with it and its clients (such information herein collectively, “**Information**”). The Confidential Information, regardless of the form in which it is recorded, transmitted, observed or expressed, or to which it may be converted or transcribed, shall include without limitation, written and electronically stored or accessible information and data, and includes the name and identity of all such clients and third parties.
2. I acknowledge that Information identified by the Disclosing Party as confidential is strictly confidential and I agree that I shall not reveal to any person or entity, or use any Confidential Information at any time, except as expressly directed by Ok Tedi Mining Ltd, or as may be required by law.
3. I acknowledge and agree that my obligation of confidentiality under paragraph 2 is of indefinite duration and that I will never disclose any Confidential Information to any person or entity, except as expressly directed by Ok Tedi Mining Ltd, or as may be required by law.
4. I undertake and agree that no Confidential Information will be distributed, altered, copied, interfered with or destroyed, except in accordance with the instructions of Ok Tedi Mining Ltd.
5. I agree to use extreme caution with, and take all steps to safeguard, the confidentiality of any part of the Information that is identified by the Disclosing Party as confidential that may come into my possession at any time or in any place, and in particular, when using any type of electronic device or when performing my duties outside the office of Ok Tedi Mining Ltd.
6. For greater certainty and without in any way limiting the generality of the foregoing, I understand, acknowledge and agree that the following conduct would amount to a breach of my obligations under this agreement:
  - i. discussing the identity of a client that has been identified as Confidential Information by the Disclosing Party with any person or entity other than a member of Ok Tedi Mining Ltd or a third party where I have not been expressly authorized by Ok Tedi Mining Ltd to do so;
  - ii. discussing client information identified as Confidential Information by the Disclosing Party or any details thereof, with any person or entity other than a member of Ok Tedi Mining Ltd or a third party where I have not been expressly authorized by Ok Tedi Mining Ltd to do so;

- 
- iii. discussing a client file, or any details thereof identified as Confidential Information by the Disclosing Party, in a location or in a manner that may be overheard by unauthorized third parties;
  - iv. failing to keep client documents identified as Confidential information by the Disclosing Party safe and secure at all times;
  - v. allowing the client name or file matter name that has been identified as Confidential Information by the Disclosing Party to be displayed on any document or a file folder in any non-confidential setting; or
  - vi. disclosing, divulging, revealing or using client information that has been identified as Confidential Information by the Disclosing Party for my personal benefit other than for study purposes or for the benefit of any other person or entity.
7. I understand that compliance with this agreement is a condition of any Research Engagement with Ok Tedi Mining Ltd and that failure to comply strictly with each term of this agreement may result in the termination without notice of my Research Engagement with Ok Tedi Mining Ltd.
  8. I agree that if I am compelled by law to disclose Confidential Information as contemplated in paragraphs 2 and 3 above, I shall co-operate with Ok Tedi Mining Ltd in order to prevent or minimize such disclosure, and I acknowledge that Ok Tedi Mining Ltd waives compliance with this agreement to the extent that such disclosure cannot be prevented or minimized. I further agree that I will only disclose that portion of the Confidential Information that I am compelled to disclose and that I will exercise all reasonable efforts to seek reliable assurances that such portion of the Confidential Information will be accorded confidential treatment.
  9. This Agreement shall be governed by and construed in accordance with the laws of Papua New Guinea.
  10. The covenants in this agreement are separate and severable, and unenforceability of any specific covenant shall not affect the provisions of any other covenant. Moreover, if any court determines that the restrictions as set forth herein are unreasonable, then it is the intention of the parties that such restrictions be enforced to the fullest extent which the court deems reasonable, and the agreement shall thereby be reformed.
  11. I agree that this Agreement shall be non-assignable unless prior written consent of the Disclosing Party is received. If this Agreement is assigned or otherwise transferred, it shall be binding on all successors and assigns.
  12. I have been advised that I have the right to seek independent legal advice prior to signing this agreement if need be.

SIGNED at Tabubil, WP, Papua New Guinea this 27th day of June, 2018.

\_\_\_\_\_  
Ms Anita Togolo

\_\_\_\_\_  
Ok Tedi Mining Ltd

\_\_\_\_\_  
Witness

Name: \_\_\_\_\_