

Threat of investment  
withdrawal



**CRA Limited**

Incorporated in Victoria

55 Collins Street, Melbourne 3001, Australia.

6 December 1988.

Memorandum to : Directors  
From : D.S. Carruthers

BOUGAINVILLE COPPER LIMITED - DISRUPTION OF OPERATIONS

The BCL operation is currently at a standstill following a series of attacks on installations by groups of people believed to be from surrounding villages, but possibly including militants from further afield in Bougainville. The sequence of events leading to this situation can be traced from March.

At that time, a group of people claiming to represent owners of land affected by the operation sought to replace the Landowner Executive with whom BCL was used to dealing. The new group had the overt support of the Premier of North Solomons, and made claims for compensation greatly exceeding those being paid by BCL under long standing agreements. Since the commencement of operations BCL has paid more than K20 million to the Landowners' Trust, and continues to pay more than K1 million per annum to the Trust.

Numerous discussions were held with this new group, aimed particularly at identifying issues which could be dealt with by the National Government, Provincial Government and BCL respectively. The group threatened on a number of occasions to stop the operations unless their demands were met, and did so once for a period of several hours by blocking the access road.

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Under considerable pressure from the Provincial Government, BCL agreed during October - early November to carry out additional road and bridge construction and village improvements, but there was a lack of similar response from the National and Provincial Governments.

Recent events date from the commissioning by the National Government in conjunction with the Provincial Government of an environmental and socio-economic study by independent consultants of specific complaints about the impact of the operation. The results of this study (which failed to uphold the complaints) were rejected by the militant landowner group, who threatened to close the mine on 21st November. The following events then unfolded:

- Monday 21st Nov. : Threat to close mine repeated.
- Tuesday 22nd : Hold-up of mine magazine and theft of explosives.
- Wednesday 23rd : Radio broadcast by Francis Ona (leader of the group) seeking support for the action about to be taken.
- Saturday 26th : Early a.m. arson attacks on four buildings at Panguna. Accounting office burnt out. Unsuccessful attempts on three other buildings and the Panguna emergency power supply.
- Sunday 27 : Three pieces of pit equipment burnt and employees stoned on pit perimeter.
- Wednesday 30th : Explosives stolen from Bougainville Limestone Mining (an independent operation).
- Thursday 1st Dec : Late p.m. power transmission tower toppled using explosives, cutting power to Panguna, followed by arson attempts on buildings at Panguna and Mananau.
- Saturday 3rd : Daylight arson attack on radio repeater station, which was completely burnt.
- Sunday 4th : Early a.m. - Panguna operations restored.
- Late p.m. - second power pylon toppled using explosives, again cutting power to Panguna.

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Monday 5th : p.m. - power restored to Panguna,  
but operations remain at standstill.

Firearms were carried by the militants on a number of occasions.

On Friday 25th November, Bob Cornelius went to Port Moresby to press the government to do something about the law and order situation, and especially about the theft of explosives. He met a hostile reaction from the Ministers for Minerals and Energy and Provincial Affairs and the North Solomons Premier who blamed BCL for all the trouble.

In response to this and to the arson on Saturday 26th, I went to Port Moresby on Monday 28th to express my concern to the Prime Minister. I saw him with the Minister for Provincial Affairs who continued his verbal attack on BCL. The PM's priority was to "appease" the landowners. I expressed the view that CRA would want to review its assessment of PNG as a place to invest. In all, it was an unsatisfactory meeting. ||XX

I subsequently saw the Minister for Minerals and Energy who offered the opinion that the problem goes back to the Landowners' Trust, which has been badly administered, with the result that the compensation money has not been finding its way to the landowners. This had been mentioned some months previously in Bougainville, with suggestions of misappropriation of funds.

Following cessation of mine operations and threats to the Premier, a Special Ministerial Committee, comprising five Ministers led by the Deputy Prime Minister, arrived in Bougainville on Sunday 4th to hold discussions with the Provincial Government, BCL and the landowners. The Premier, who at various stages during the lawlessness had expressed support for the landowners, did not attend the early discussions with the ministers.

The situation is extremely worrying because the National Government, which has largely neglected the deteriorating situation for most of this year, seems unwilling or unable to assert its authority, and indeed is divided among itself. The Melanesian Alliance (represented by the Ministers for Provincial Affairs and Minerals and Energy), which is strong in Bougainville, continues to show a degree of sympathy for the landowner militants. ||8

In addition, the North Solomons Premier, who has appeared at times to have been orchestrating the militancy, appears to have opted out.

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BCL (with my support) has advised the Ministers that its main concern is for the security of its people and assets, and that it cannot therefore restore operations under existing conditions.

It should be mentioned that throughout the trouble the BCL management and workforce have performed magnificently. Employees have maintained operations while power was available, and twice restored power when it was cut, despite torrential rain and threat from the militants.



D.S. Carruthers

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