

Ex-PM steps in as Garnaut bows out at Ok Tedi trust

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Ross Garnaut in Brisbane with former PNG prime minister Mekere Morauta, who will take charge of the Ok Tedi trust. Picture: Kidston Liam *Source: The Australian*

LEADING Australian economist Ross Garnaut has stepped down after a decade as inaugural chairman of the trust into which BHP Billiton placed the ownership of the controversial Ok Tedi mine when it quit control.

He will be replaced by Mekere Morauta, former prime minister, former finance department head and former governor of the Papua New Guinea central bank, the board of PNG Sustainable Development Program decided.

Professor Garnaut will remain as chairman of Ok Tedi Mining, which is by far the biggest source of revenues for the PNG government, last year providing \$543 million, or about 16 per cent of the total income.

Managers of the Ok Tedi gold and copper mine, which its original developer BHP left when it was confronted by considerable environmental challenges, are in the final stages of deciding whether to apply to extend its mine life.

It was due for closure next year, but after 109 village meetings in the mine area, and other consultations, it appears more likely that the mine will continue, although mostly underground and with lower output.

It is owned 63.4 per cent by the PNG Sustainable Development Program, 24.4 per cent by the PNG government, and 12.2 per cent by the Western provincial government.

The net assets of PNGSDP reached \$1.36 billion at the end of last year. It keeps two-thirds of the dividends from the mine in a fund for use after the mine's closure, while a third goes into a development fund, which in turn spends a third on projects in the Western province and two-thirds on projects elsewhere in PNG.

Professor Garnaut told *The Australian*: "I think Ok Tedi is the main single reason why PNG has in the last five years had some fiscal freedom."

Sir Mekere said that PNGSDP, which was established when he was prime minister, was not modelled on any other structure, but has "grown beyond my expectations, into a very important development partner with government in PNG".

It now has, he said, a series of massive national projects on its plate, including a hydro-electric scheme for the Purari River jointly under consideration with Australia's Origin Energy, an international port at Daru where the Fly River enters the Coral Sea, a model for sustainable forestry in which all products are processed in PNG, and the development of the mining township of Tabubil into a major technical university centre.

"These are potentially transformational for the country as a whole," said Sir Mekere, who achieved some key privatisations as prime minister, including that of the country's biggest bank, as well as the reform of the superannuation industry and the independence of the central bank. "The challenges facing PNG are massive, and the government alone can't do everything."

Professor Garnaut said it was crucial that PNGSDP, whose board includes Patricia Caswell, former head of the Australian Conservation Foundation, had been established with exceptionally strong governance requirements, and that these had been maintained.

He said senior management had been crucial in this. For the first half, former chief government secretary Robert Igara had been chief executive, and since then former tax commissioner David Sode. "Naturally, with such an accumulation of wealth in a poor country, it's very tempting for political figures to think of better ways of using it right now rather than putting it into long-term development," Professor Garnaut said.

He said that the chief alternatives facing BHP when it decided it did not wish to keep running the mine were to reach agreement with the PNG government on a new structure to run it, as happened, or to close it immediately.

"If the mine had suddenly closed, that would have been much worse for the environment" because otherwise the \$970m out of mine revenues spent on remediation over the past decade would not have been available.

"A premature closure would also have been very damaging for the communities around the mine, who were among the poorest people on earth," he said.

Professor Garnaut said that in 46 years of involvement in and with PNG, he was especially pleased to have had the chance to lead PNGSDP.