



Interview with **Frank Kramer**

CEO, KRAMER AUSENCO

“Papua New Guinea is still an extremely attractive destination for investment capital and we are enjoying relatively high levels of exploration activity.”

Contact us



www.gbreports.com

Could you start us off with an introduction to the history of Kramer Ausenco?

FK: I came back to Papua New Guinea around the time of independence after graduating as an engineer in Canada. After working for two years as a consultant and two years on construction projects in the bush, I then started my own engineering service business. Our initial focus was on the design of basic infrastructure such as roads, bridges, buildings and power stations, however, in the 1990s the resources sector began to take off and we began to move in on this market. Since this time we have been involved in some capacity with every major resource project in the country and today we employ approximately 120 staff around the Pacific Region, with the majority concentrated in PNG.

When did the relationship with Ausenco come about and what level of autonomy does the company retain today?

FK: Our relationship with Ausenco was formed in late 2009. After 30 years of providing engineering services primarily within the area of infrastructure, we felt that the resources sector in PNG had matured to a point where there was sufficient demand to justify developing full EPCM capabilities in the country. We approached several major international engineering contractors but felt that Ausenco constituted the best fit, both because of their size and the relative proximity of their global headquarters in Brisbane. As such, we invited them to acquire 50% of the company. However, we remain an associate company rather than a subsidiary. This means that we still have an independent board, albeit with equal representation from Ausenco, and chaired by Sir Rabbie Namaliu [former PNG Prime Minister]. This arrangement is highly beneficial as we are able to draw on Ausenco’s extensive capabilities in diverse areas such as pipelines, bulk handling, ports development and process engineering, and mobilize them in PNG whenever they are needed.

How do you believe the completion of the PNG LNG project will affect the country’s resource industry?

FK: With the first shipment of gas products expected to leave the country in late 2014, PNG will shortly become a member of the LNG exporting nations club. The principal effect of the huge investments in

LNG development in the country will be to generate confidence within the investment community, which should hopefully translate into renewed activity within the minerals space. Forecasts suggest that PNG will see huge economic growth in the coming years, with GDP expected to double by 2016. Our aim as a company is to be at the forefront of this new wave of investment and as PNG's premier homegrown engineering group we are well-positioned to take advantage of this growth.

Since greenfield mining projects have been rather thin on the ground in recent years, have you seen a trend towards brownfield expansions and optimization works at existing mines?

FK: We are very conscious of the importance of so-called sustaining capital works, and our stated aim is to secure 30% of our ongoing annual revenue from brownfield sites. Prior to the downturn in mineral activity, we were actually involved in managing \$1 billion worth of works at Lihir, but as a result of the continued drop in commodity prices much of this activity has been postponed. Nevertheless, we are confident that it will resurface once prices begin to rise again. Whereas in some countries miners are focusing on optimizing their existing process infrastructure, in PNG the trend is very much to do that, plus boost efficiency by increasing throughput. We predict that the two main zones of activity in this regard will be Lihir, which is looking to increase production to 1 million oz/y, and Ok Tedi, which is making the transition from open pit to predominantly subsurface operations.

Why has tailings disposal become such a thorny issue in PNG and what waste disposal options are open to new mines in the country?

FK: Papua New Guinea is unique in that, geologically speaking, it is a very young country but also a very seismically active country. These two traits conspire to create a whole range of engineering problems for building tailings structures. It is well known that the original land-based tailings dam at Ok Tedi failed catastrophically, causing huge damage to the local area, and the mine was forced to follow a riverine disposal model. However, as time goes on, both the global community and the regional community will demand improved technology and more innovative measures to deal with waste disposal. Riverine and deep-sea tailings disposal are an ongoing global concern, and it is only a matter of time before environmental regulations become more stringent and these methods are phased out.

The government has been criticized from some quarters for introducing new mining legislation at a time when foreign investment is already hard to come by. What is your take on the timing of the update to the Mining Act?

FK: At certain points it is necessary for all governments to review their legislation, and the exact timing of such shakeups is always dependent upon a multitude of factors. With regard to the resources sector, the government was concerned about several issues relating to national content in projects, as well as more enhanced participation by Papua New Guineans in all levels of project delivery mechanisms. No legislation should stand still for too long and it is the duty of politicians to legislate according to the wishes of their constituents. On the other hand, there is a constant need to measure our fiscal regime against other countries that are competing for global investment in resources, and it is important to balance these dual concerns of attracting foreign investment and responding to demands from constituents.

It is important to point out that legislation in developed countries is also in a constant state of evolution, but the changes are administered in such a way that there is a less severe impact. In PNG, it is more common to leave regulations unchanged for five to 10 years and then modify them dramatically, which can provoke some negative reactions from investors. Nevertheless, Papua New Guinea is still an extremely attractive destination for investment capital and we are enjoying relatively high levels of exploration activity in both minerals and hydrocarbons.

Mining in Papua New Guinea is much more advanced than in other Western Pacific nations. Do you see much potential for resources development in other locations within the region?

FK: Since the construction of the Panguna Mine on Bougainville in the 1970s, Papua New Guinea has

seen the construction of at least 10 world-class resource projects. As of yet, this level of activity remains unmatched anywhere else in the South West Pacific, but we predict that countries such as the Solomon Islands and Fiji will soon be able to play host to \$1 billion projects too. If Nautilus Minerals' undersea mining operation proves successful then there is enormous potential for this model to be copied in other Pacific nations, many of which possess much larger maritime than terrestrial jurisdictions

How would you assess the level of the local engineering skills base in Papua New Guinea?

FK: The bulk of our 120 personnel are nationals of the South Pacific region and the largest contingent is made up of Papua New Guineans. Whilst our national pool of expertise is still fairly shallow compared to other countries, it is growing rapidly and, relative to the size of the domestic market, it is actually quite substantial. A high number of Papua New Guinean engineers are now working abroad and have developed very advanced skills in their chosen disciplines. Over the next few years, we predict that many of these will begin to return home and we will see PNG nationals participating at much higher levels of project development than is currently the case. As for the future, we already have an emerging group of very talented young individuals spread across our operations, and now we plan to take advantage of the country's strong economic performance and increase the company's size to over 500 personnel by 2018.

Kramer Ausenco  [Visit www.kramerausenco.com](http://www.kramerausenco.com)

The following interview was conducted as part of the research being conducted by GBR on Papua New Guinea's mining industry for Engineering & Mining Journal, which will be published next October 2014. If you wish to contribute with your comments, please contact Pavlina Pavlova at ppavlova@gbreports.com

To view related interviews in the GBR Connect series, please see:

[Mineral Resources Authority](#) / [Gadens Lawyers](#) / [Ok Tedi Mining Ltd.](#) / [Ela Motors](#) / [Nautilus Minerals Inc.](#)

 GLOBAL BUSINESS REPORTS	To receive the Papua New Guinea report when it's published, download our iPad application	
----------------------------------------------------------------------------------------------------------------	---------------------------------------------------------------------------------------------------------	---------------------------------------------------------------------------------------

A Global Business Reports publication

