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Rising Oil Prices Hit Papua New Guinea

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Protests and strikes against rising fuel prices are already afflicting Italy and Britain (though the Italian situation may be due to some hardball political manouevring by Silvio Berlusconi), and now Papua New Guinea is experiencing a backlash against price rises by the local fuel distribution monopoly. One more example of the effect of peak oil on developing nations.

The National has an editorial denouncing "Oil baron sabre rattling" and blaming the government for being "powerless" (which to be fair it is - it might be stupid granting a distribution monopoly, but the PNG government has no influence over international oil prices whatsoever).

> ORDINARY people are asking one question today – how is it possible for our Government to be dictated to by a foreign-owned oil company? And there are a few other questions that might be asked. Among them is the issue of the Papua New Guinea economy. The press releases surrounding this stand-off have been riddled with the phrase “we have no other option”. As soon as readers see that time-honoured karamap, they know that a price rise will follow.
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> In fact, large oil monopolies such as InterOil have many other options; they are less attractive perhaps than publicly demonstrating that it can dictate to the PNG Government the terms and conditions under which the latter can access oil supplies for its people. Our governments in recent times have been fond of flexing their muscles over arguably small issues to show that PNG has international clout and is a developing country to be reckoned with. Now faced with a real challenge to its authority, the PNG Government is apparently powerless to act. They “have no option” but to give in to the oil company demands. So now we move one step further down the ladder.
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> What commercial sectors of our economy are likely to be worst affected? The trucking and transport industry and the retailers.
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> "The increasing fuel prices will cripple our operations," a trucking firm executive said. They have already responded to the rise by sending their clients notice of a 15% rise in freight charges. That would be regarded as a hefty increase overseas and particularly in developing countries. And then comes the inevitable: "We are not able to bear the increase ... and will have to pass it on to our clients." A major food producer echoed the same sentiments, saying that his firm had been left "with little choice" but to increase the cost of their goods. He predicted a rise in the cost of bread and biscuits and noted that the price of wheat "had already increased".

The National also reports that local transport operators are planning action against fuel price rises.

> TRANSPORT operators in the country were yesterday talking about pulling their trucks off the road following the hefty increase in fuel prices approved by the Government this week. The industry also fears an upsurge in fuel theft along the Highlands Highway as the high prices would drive people to steal from trucks hauling fuel up the highway.

The Post Courier has dubbed interOil a "bad corporate citizen".

> The recent action by InterOil is the behaviour of a typical monopolist. InterOil has held PNG to ransom at a time when there is a major natural disaster, which requires fuel for the urgent delivery of food and medical supplies.
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> The profit maximising 'needs' of a monopolist organisation should not be used to penalise the community when it comes to a fairly priced, consistent supply of fuel. This scenario highlights the need for competition by several suppliers, to prevent consumers from being held to ransom by one corporate entity.

The National has an article on the typical knee jerk response to oil price rises - government subsidies. If countries like Iran and India are finding they can't afford to subsidise fuel for locals any more, you can be sure PNG won't be able to.

> Enga Governor Peter Ipatas has joined the call for the National Government to subsidise rising fuel prices. "So much surplus has been made from the oil and gas resources and if we rightly negotiate it, our fuel prices would be low." Mr Ipatas said the fuel price rise was causing a lot of injustice to the people because ordinary people would be hard hit. He blamed the current situation on the 30-year monopoly given to Interoil, adding "right now we are stuck". "Why should we produce oil and yet buy fuel at very high prices?" Mr Ipatas questioned.

Meanwhile public transport operators are being squeezed out of business, and are calling for fare rises.

> PUBLIC Motor Vehicle (PMV) operators operating along the Lae-Ramu route have called for an increase in passenger fares to cater for the nationwide increase in fuel products by InterOil.The Route Three PMV Association, which has more than 60 registered operators, is calling a meeting tomorrow to discuss the implications that the increasing fuel prices will have on their operations.
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> Vice-chairman and Route Three operator Waka Wayang said: “There has not been an increase in passenger fares in the past 10 years despite rising fuel price.” Mr Wayang said because of the imbalance in fuel rises and passenger fares, more than 50% of their operational costs were spent on fuel. He said the remaining 50% accounted for maintenance and repair costs and allowances for the drivers with marginal profit. He said this had seen some 50% of PMVs going out of business.

Price rises are also hitting the fishing and forestry industries.

> THE surge in fuel prices is having an adverse impact on two of Papua New Guinea's biggest industries – fishing and forestry. Some tuna fishing boats have abandoned fishing and are currently tied up alongside the Port Moresby harbour in Downtown.
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> Blaise Paru of Sanko Bussan (PNG) Ltd said high fuel prices had hit them hard, and questioned why PNG was producing crude oil that should be processed at Napanapa. "If fuel is processed locally, then why should it be expensive?" he questioned.
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> Bob Tate of PNG Forest Industry Association had earlier said logging companies burned a lot of fuel and they were already having a difficult time. He said this before the latest price hike.