

Management Options for the Kokoda Track

Management options to effectively carry out the functions of the Kokoda Track Authority

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1. EXECUTIVE SUMMARY

The Kokoda Track is the site of a desperate battle during World War II, when Australians and Papuans fought against overwhelming Japanese forces that were intent on taking Port Moresby. This struggle has become legendary in Australia, and since 2001 the Kokoda Track has become increasingly popular as a trekking destination, with 3723 visitors trekking the route in 2006.

The Kokoda Track Local-Level Government Special Purposes Authority (Kokoda Track Authority or KTA) commenced operation on 5 May, 2004, primarily to:

- focus on the significance of the Kokoda Track/Trail due to its part in WW2 and promote this legacy for present and future generations;
- Promote trekking and tourism related activities in the Kokoda Track Area;
- Administer, facilitate, ensure and / or oversee the implementation of developments and other projects in the Kokoda track Area;
- Collect, manage and use development revenue from fee paying Trekkers and other sources for approved projects;
- Consult with landowners on their needs and priorities;
- Provide a point of contact for agencies, organizations or persons wanting to initiate activities along the Kokoda Track; etc.

Current priorities of the Authority include trek fee administration; coordinated trekker booking systems; construction of toilets and ablution blocks along the track; developing and maintaining an effective radio communications network and emergency rescue system; developing codes of conduct for trek operators and track rangers; management of community projects; and enhancing community awareness and participation.

It is estimated that in 2006, 3,723 trekkers spent K12 million in PNG, including K4.4 million that went directly to landowners and entrepreneurs from Kokoda track communities. The Government received a GST benefit of approximately K692,000. Since its establishment in 2004, KTA has received only K30,000 from Government, despite an annual budget requiring K400-500,000 recurrent funds to maintain essential and elementary coordination services.

Although KTA is a key link in ensuring sustainability of the trekking industry and continuation of these substantial long term benefits, some governance and management issues continue to inhibit KTA effectiveness. These were analysed in a KTA Management Committee workshop in October 2006 supported by the World Bank (Private Enterprise Partnership- Pacific). The following key constraints to effective operations are drawn from the discussions in that workshop;

- Lack of strategic direction,
- Lack of accountability,
- Lack of funding,
- Loose management of community benefit projects,
- Inadequate community awareness programmes
- Inappropriate management committee conduct, and
- Poor coordination with key stakeholders.

As a consequence of these constraints, KTA is currently in a tenuous financial position, and subject of some dissatisfaction from industry and landowners.

KTA has approached PNG Sustainable Development Program to assist with funding to develop its management capacity. Before committing to any involvement, PNG SDP commissioned this study to investigate alternative management options which can provide stable and efficient management.

Three possible management options are proposed. Option one is for KTA to retain all of its current practical responsibilities, but through Ministerial direction, to subcontract financial management functions, and stream trek fees directly to a managing body. Under this option, KTA would be guided by a strategic plan, with ongoing delivery of quarterly funding tranches dependent upon KTA meeting performance and reporting targets.

Option two is for KTA to continue in its representative role, but through Ministerial direction, to subcontract all of its operational and financial management tasks to an independently owned Corporation, Association or Trust. This management body would be owned by industry and landowners. It would effectively carry out the agreed functions, because the owners have a personal economic interest in the management body providing an enabling environment for their individual trek based enterprises to make money.

Option three is similar to option two, except that the managing body is privately owned, and the owner would expect to profit from the activities. Although a privately owned managing body would probably be the most efficient operator, this option raises a number of issues in relation to conflict of interest with the prescribed functions and monopoly of a public good.

Whichever management structure is preferred, professional legal advice must be sought on whether KTA can enter into the proposed relationships with a private body, and by what processes and instruments this can be done. There is also a need to liaise with stakeholders to agree on a preferred management body, a process to initiate it, and the ongoing working relationships between that body and other stakeholders.

Regardless of which management structure is preferred, a number of strategies must be undertaken to improve efficiency, including;

- Develop strategic direction through stakeholder consultation,
- Develop and document internal management systems,
- Improve management of Community Development Projects,
- Clarify responsibility for infrastructure development,
- Effective and regular community awareness patrols.

Technical support will be required to achieve these efficiencies. A cost effective and efficient way to provide this support may be through Business Volunteers.

2. RECOMMENDATIONS

Recommendation 1

That consideration be given to the three management options presented, to determine the option that best aligns interests of stakeholders, and achieves the functions of KTA.

That consideration be particularly given to the suggestion that Option 2: 'Kokoda Track Corporation, owned and operated by industry stakeholders', despite its initial complexity, offers the greatest alignment of stakeholder interest and therefore the greatest chance of long term success if it can attract sufficient short term development support. That consideration also be particularly given to the suggestion that if industry and landowners cannot agree on processes to nominate their representatives to the Board, then industry representation through the Kokoda Trekking Operators Association, and landowner representation through the Ward Development Committees offers the greatest alignment of interests.

Recommendation 2

That professional advice is obtained on the correct legal process and instruments to instruct KTA to delegate functions to a Corporation or other body, including in particular;

- Can Kokoda Special Purposes Authority be a shareholder of a Company?
- Can Kokoda Special Purposes Authority delegate some of its functions to a Company, though a Memorandum of Agreement or other legal instrument?
- If so, do these functions include the function of collecting and spending revenues?
- What, if any, will be the impact of the District Authorities Act 2006 on the operations of KTA, and on the potential to manage community development programs through the LLG's and Ward Development Committees, consistent with the new Organic Law 1995?
- What will be the financial cost and time frame required to implement this process?

Recommendation 3

That professional advice is obtained on whether a Corporation, a Trust an Association, or other, offers the greatest limit to Directors' liability, and what is the extent of that liability?

That professional advice is obtained on which type of corporate structure offers the best tax arrangements for a 'not for profit organisation', and how those tax implications affect the way budgets are managed.

Recommendation 4

That a clear description of the preferred management structure is presented to stakeholders and their formal comment and agreement is sought. Key stakeholders include Kokoda Trekking Operators Association, Port Moresby Chamber of Commerce, KTA, Kokoda LLG, Koiari LLG. Particular issues requiring clarification (particularly if Option 2 is preferred), include;

- What is the current status of the Ward Development Committees and can they be reconstituted and select two representatives on a Kokoda Track Corporation.
- How will industry determine who will represent them on a Kokoda Track Corporation Board.

Recommendation 5

That a process to implement the preferred model is developed with stakeholders. This will include allocation of responsibility and timelines, and accessing resources to implement the process.

Recommendation 6

That technical support is coordinated and funded to develop for the new management body;

- Strategic Plan, including roles and responsibilities of Board members, and codes of conduct for staff, and a logical framework of day to day activities to meet organisational goals, including quarterly performance targets, and milestones.
- Financial and asset controls, including budgeting and budget review processes, transaction recording processes, reporting and auditing. A financial and asset control manual should be produced, training provided to all staff, and a pre-service training module (including trainers notes) developed.
- Operational processes including personnel management guidelines, reception guidelines, trekker and campground coordination guidelines, emergency procedures, document filing and registry, community benefit project recording and evaluation processes. These should all be recorded in an operations manual.
- Improved management of Community Development Projects.
- Clear understanding with all stakeholders, on who has responsibility for infrastructure development.
- Effective and regular community awareness patrols.

That it be determined whether technical support is to be offered through Business Volunteers or through short and mid term term consultants.

3. INTRODUCTION

Over the Kokoda track during World War II, in terrible conditions, Australians and Papuans fought against Japanese forces who were attempting to take Port Moresby and thereby control PNG, Australia and the Western Pacific. Despite suffering great hardships the Australians and Papuans finally pushed the Japanese back into the sea.

Since 2001 the Kokoda Track has become increasingly popular as a trekking destination, and by 2006, over 3,723 visitors trekked the route.

The Kokoda Track Local-Level Government Special Purposes Authority (Kokoda Track Authority or KTA) is a statutory government body of the Kokoda and Koiari Rural Local level Governments (LLGs) approved by the National Executive Council under the *Local-level Governments Administration Act 1997* and proclaimed by the Governor General on 11 June, 2003. The Authority commenced operation on 5 May, 2004, primarily to:

- focus on the significance of the Kokoda Track/Trail due to its part in WW2 and promote this legacy for present and future generations;
- Promote trekking and tourism related activities in the Kokoda Track Area;
- Administer, facilitate, ensure and / or oversee the implementation of developments and other projects in the Kokoda track Area;
- Collect, manage and use development revenue from fee paying Trekkers and other sources for approved projects;
- Consult with landowners on their needs and priorities;
- Provide a point of contact for agencies, organizations or persons wanting to initiate activities along the Kokoda Track.

Current priorities of the Authority include trek fee administration; coordinated trekker booking systems; construction of toilets and ablution blocks along the track; developing and maintaining an effective radio communications network and emergency rescue system; developing codes of conduct for trek operators and track rangers; management of community projects; and enhancing community awareness and participation.

The Authority has an office on the First Floor of the Brian Bell Plaza at Turumu Street, Boroko and a branch office in the Kokoda Post Office building.

In 2006 KTA coordinated activities of 3,723 trekkers on the track. It is estimated (see Appendix 1) that these trekkers spent K12 million in PNG, including a GST component of approximately K690,000. Since its establishment in 2004, KTA has received only K30,000 from Government, despite an annual budget requiring K400-500,000 recurrent funds to maintain essential and elementary coordination services. Use of trek fees to fund essential KTA recurrent expenses has potential to create tension between KTA and landowners (who own the trek fees). It also precludes against value adding by spending funds on further development programs.

Although KTA is likely to deliver substantial long term benefits, it must overcome a number of governance and management issues to achieve greater effectiveness. To address these issues, KTA and the World Bank (Private Enterprise Partnership- Pacific) conducted a Management Committee workshop in October 2006 to improve KTA Governance processes. The workshop identified a number of key constraints to effective operations, and strategies were developed to address these constraints. Two days of governance training was also provided to workshop participants.

KTA has approached PNG Sustainable Development Program to assist with funding to develop its management capacity. Before committing to any involvement, PNG SDP

seeks to investigate alternative management options which can provide stable and efficient management.

4. THE PURPOSE AND METHOD OF THIS STUDY

4.1 Terms of Reference

PNG Sustainable Development Program sought the services of the consultant to advise on management options which could enhance opportunities for managing a sustainable Kokoda Track tourism industry. The SDP Board sought advice on the most effective management framework for the Track that would;

- a) Include an effective manager/ operator which would ensure the development, operation and promotion of the Track as a major national tourist attraction;
- b) Provide for effective community involvement in decisions affecting the Track and the communities associated with it;
- c) Involve Track communities in providing services and otherwise playing a role in the operations of the Track;
- d) Define the role of the KTA in relation to the operator of the Track and the local communities;
- e) Determine the patterns of remuneration available to the communities associated with the track;
- f) Include a revision, where necessary of the required plan, to take into account the requirements of the new management framework.

4.2 Study Method

In weighing up a range of options for improved management systems, advice was sought from appropriate business and Government leaders who have experience in managing similar issues. Steps in process included;

Coordination of interviews

- A list of government and business community leaders who may provide valuable information was drawn up by the consultant, and the SDP Community Development Program manager.
- An introductory letter, including background information, was sent to each potential interviewee, requesting their availability to be interviewed.
- A timetable of interviews over an seven day period was developed (it must be noted that it became very difficult to meet with Government representatives during this time period, due to their involvement with other business)

Interviews

Over a seven day period, semi structured interviews were conducted (See Appendix 4 for list of interviewees). While the content of these varied depending upon the flow of ideas and the particular experience of the interviewee, the following questions provided a guide for the interviewer.

- What functions of KTA could be carried out by a private company?
- Is there a need for KTA to be a representational body for landowners? If so, should this remain as a Statutory Authority, affiliated with Local Level Government, or could it be better achieved through a landowner representative group or other means?
- If many of the functions of KTA could be carried out by a private company, could these functions be conducted at a profit to that company? Would this company need to report these activities to KTA or to landowners?

- Of the functions that could be carried out at a profit by private enterprise, would their effective fulfilment create a positive feedback loop to ensure greater future profits? Alternatively, would cost cutting to achieve greater margins erode provision of services and result in declining trekker and landowner satisfaction?
- KTA is currently obliged to conform to a range of accounting and auditing processes under the Public Finance Management Act. When organisations do not comply with these processes, there appears to be considerable time lag before remedial processes are enacted, if ever. In this apparent absence of checks and balances, how does one ensure that acceptable auditing practices are being maintained?
- The organisation that you are involved in (including some Statutory Authorities), appears to maintain acceptable accounting practice. What are the keys to this organisation maintaining acceptable practice, that may not be present in KTA. Can these skills, practices be transferred to KTA through Governance training and careful selection of Board and CEO, or are there further requirements?
- Is there a high cost in developing multiple layers of accounting checks and balances that KTA will not be able to sustain with its low income base?
- Is there scope for a larger organisation (or subsidiary thereof) with accounting systems and processes already in place, to manage funds for KTA, basing release of quarterly tranches to KTA on acceptable maintenance of accounts, and achievement of performance targets according to annual/ five year plan? If so, by what process would payments of trek fees be transferred to the larger organisation?
- Are there alternative organisational structures, not yet considered that can deliver the range of necessary services, and maintain information flow and financial transparency to Kokoda landowners and communities?

Report

Following completion of the interviews, a draft report was submitted to the Manager of PNGSDP Community Develop Programs for comment. Following consideration of comments, this final report was submitted to PNGSDP.

5. THE FUNCTIONS OF KTA

5.1 Functions under the KTA Constitution

The role of KTA is outlined in its Constitution (section 16) as follows;

- a) assist the Koiari LLG and the Kokoda Rural LLG of the Kokoda track area in carrying out their functions within the area;
- b) focus of the significance of the Kokoda Track due to its part in WW2 and present this legacy for present and future generations;
- c) promote trekking and tourism related activities in the Kokoda Track area;
- d) administer, facilitate, ensure and or oversee the implementation of the developments and other projects in the Kokoda Track area;
- e) collect, manage and use development revenue from fee paying trekkers and other sources;
- f) consult with landowners on their needs and priorities;
- g) upon the request of the Kokoda Track landowners or Koiari LLG or Kokoda Rural LLG, represent and assist them at meetings, negotiations, seminars and any other action or activity which affects their interest;
- h) provide advice, information papers, report returns and the like to the National Government, Central & Northern Provincial Governments and the Koiari LLG and the Kokoda Rural LLG and District Administration;
- i) advise landowners of the views and concerns of other stakeholders of the Kokoda Track area, including tour operator, foreign missions, donor agencies, airlines, hotels, guest houses, sporting bodies, clubs, associations, institutions, individuals, etc;
- j) lobby donor agencies and the PNG Government for funding;
- k) provide a point of contact for outside agencies wanting to initiate activities along the Kokoda Track;
- l) compile and maintain a database of existing infrastructure in the Kokoda track area, including details of projects or asset, location, year of construction, cost, how financed, builder, condition, and current maintenance requirements;
- m) identify and document future development projects and activities in consultation with landowners and implementing agencies;
- n) provide training and extension services to landowners in relation to Kokoda Track developments;
- o) administer carry out or implement any transferred or delegated activities or projects from the National Government, Central or Northern Provincial Governments or the Koiari LLG or the Kokoda Rural LLG;
- p) receipt of grants and funding paid to it by the National Government, the Central Provincial Government or the Northern Provincial Government the Koiari Rural Local-level Government or the Kokoda Rural Local-level Government, donor agencies or other sources;
- q) administration and budgeted spending of any funds or grants made available to the authority by donor organizations;
- r) liaise with Koiari LLG Special Purposes Authority in relation to any matters which are of mutual benefit to either Authority;
- s) encourage developments and activities which are protective of the environment and discourage any developments and activities which may be detrimental to the environment;

- t) such other functions as may be assigned to it by legislation or otherwise from time to time by the National, Provincial or Local level Governments, insofar as the authority can safely and adequately carry out;
- u) all functions as are necessary and incidental to carrying out the foregoing (a) – (t) functions.

5.2 Critical short term functions

The functions of KTA as outlined under the constitution present a formidable challenge, particularly as negligible Government funding is available. Many of these functions can also be considered to be the responsibility of provincial Government, of the Koiari LLG or Kokoda LLG, or the Koiari Special Purposes Authority. Until now, KTA has focussed on functions necessary to maintain orderly, safe and hygienic passage of Trekkers along the track, including;

- 1) Development and operation of a coordinated booking system,
- 2) Collection of Trek fees,
- 3) Development and maintenance of a VHF radio network,
- 4) Improved guesthouse/ campsite sanitation,
- 5) Developing a streamlined guide/ porter payment system
- 6) Developing a code of conduct for Trek operators.

The first three of these functions are working well. Some work has been done on sanitation, but more is to be done. The streamlined guide/ porter payment system, and the Trek operator code of conduct are yet to be undertaken.

KTA also expends considerable energy on supporting Community Development Projects, although efficient systems have not yet been developed to allocate funds, or to transfer responsibilities to other parties as appropriate.

5.3 Other issues

A number of other important issues have been identified that need be addressed if resources become available. These include;

- Poor coordination with key stakeholders at all levels from National government through to landowners, and including tourism industry and mining and forestry sectors,
- Protecting and patenting the Kokoda brand name,
- Coordination of aircraft schedules for trekker groups,
- Proper awareness of HIV/AIDS, which becomes critical with increased traffic, both local and foreign, along the track,
- Developing a documented and practiced safety/ rescue process if trekkers or others are injured on the track.
- Improved road and airstrip infrastructure to cope with increased traffic,
- Social issues, including school age children absconding from school to seek work as porters.

6. ECONOMIC BENEFIT AND COST ARISING FROM KTA FUNCTIONS

6.1 Economic Benefit

In 2006 KTA coordinated activities of 3,723 trekkers. It is estimated (see Appendix 1) that on average each trekker will spend K1,183 along the track, and K2,046 in Port Moresby while preparing and recovering from the trek (Appendix 1). Based on this estimate, in 2006, K4.4 million was earned by Kokoda communities, and a further K7.6 million was earned by businesses in Port Moresby, totalling K12 million of revenue into the PNG economy. This includes K692,000 in GST revenue for the Government.

It is not known what rate of trekker throughput is sustainable in the long term. Last year 3,700 trekkers walked the track, and already anecdotal evidence suggests that the quality of the experience is suffering. In years past, when less trekkers walked, trekkers enjoyed closer relations with local people, and had greater exposure to village life. They could perceive their experience to be a 'unique' opportunity. Today, trekkers often meet other trekking groups, there is competition for the best campgrounds, and perhaps local villagers are becoming a little jaded about visitors constantly invading their lands. Predictions of a sustainable carrying capacity vary from 5,000 to 10,000 annual trekkers. A number of people involved in Kokoda trekking question whether generated income can be maximised by installing infrastructure (steps, footbridges, toilets, ablution blocks) to make it a 'soft' and environmentally sustainable trek, and thereby increasing traffic, or by maintaining its authenticity and increasing charges to make it an 'exclusive' experience?

For the present, it is reasonable to assume that, with good management and barring mishap, 4,000 trekkers per year will continue to walk the track, and impacts can be managed in the long term.

6.2 Cost of implementing KTA functions

Recurrent Costs

A budget developed in 2005 with Warren Bartlett, CEO of Kokoda Track Authority (Appendix 2), suggested that the critical functions of KTA could be fulfilled on a recurrent budget of approximately K400,000 with trekker numbers at about 4,000. This K400,000 represents half of trek fees, which are currently KTA's only reliable source of income.

In 2006, KTA spent K497,000 on operations, with trekker numbers at 3,723. A number of functions, such as awareness patrols and financial reporting obligations were not carried out due to a lack of funds. It must be noted however that K135,000 was spent on Management Committee activities, some of which may be of doubtful benefit. During 2006 KTA did not manage to put in place a number of administration systems which can streamline KTA activities and enable it to operate more cost effectively. The budget described above was therefore not effectively tested in 2006.

It is still reasonable to assume that with improved management systems KTA can fulfil critical functions on a recurrent budget of K400,000 or less, with 4,000 trekkers per year. One of the critical factors in this equation is the cost of hiring an effective CEO. This position requires a person with high level skills in practical management of logistics, supply and marketing, who can develop and maintain financial and asset control systems, and can develop staff management processes. The CEO must also find ways to explain the systems and activities coherently to landowner communities with different value systems and a range of educational backgrounds. In order that this person is not compromised by further pressure from 'wantok' responsibilities, it may be necessary to recruit from other provinces, or internationally. An internationally recruited CEO requires a work permit issued by the Department of Labour and Employment, normally issued for

three years on the basis that substantial progress will be made towards preparing a local person to take over that role.

If it is deemed necessary to recruit a CEO internationally, it is estimated that the recurrent cost can be as high as K150,000 per annum, including housing etc (personal communication, Brent St .Hill). This level of expenditure is probably not sustainable unless the CEO is donor funded, or instigates other income generating strategies to maintain balanced accounts, such as accessing donor funds, charging fees for associated services, or increasing trek fees.

Capital Costs

The budget (Appendix 2) developed in late 2005 with Warren Bartlett, CEO of KTA listed K150,000 of capital requirements in the first five years of operation. This included K100,000 for two motor vehicles. These vehicles have since been purchased, and one has been resold, because the problems it created were greater than the value that it added. Warren says that KTA now has all of the capital items that it requires. If current KTA assets could be transferred or loaned to a new organisation carrying out KTA functions, then capital requirements may be minimal, perhaps as little as K100,000 in the first five years. The depreciation reserve of about K30,000 per annum, listed in the 2005 budget is an allocation to enable purchase of future capital items.

If the proposed Kokoda Track Corporation (KTC) (see section 9) were a profit making venture, then it would be reasonable to assume shareholders would invest any required capital. But as it is essentially a public good, with benefits going to a great variety of stakeholders, and no profits to be made, then allocation of capital by private investors is not a recommended option.

The foregoing discussion is applicable to whichever organisation eventually carries out KTA functions, be it an Authority, Trust, Association or Corporation.

7. CURRENT CONSTRAINTS TO KTA FULFILLING ITS FUNCTIONS

In October 2006, KTA and the World Bank Private Enterprise Partnership- Pacific conducted a Management Committee workshop to improve KTA Governance processes. The following key constraints to effective operations are drawn from the discussions in that workshop;

- Lack of strategic direction,
- Lack of accountability,
- Lack of funding,
- Loose management of community benefit projects,
- Inadequate community awareness programmes
- Management committee conduct, and
- Poor coordination with key stakeholders.

7.1 Lack of strategic direction

The functions of KTA as outlined in its Constitution are far too broad to offer direction in conducting day to day activities. The lack of funds renders them impossible to carry out. The KTA has therefore focussed on fulfilling the functions as outlined in section 5.2, but this focus is ad hoc, without being formalised through the Board, and without stakeholder consultation. This results in ambiguities in the administration of community development projects, and the lack of clarity between Government, Kokoda Trail Development Programme and KTA over infrastructure development. There is also antipathy within some sectors of the industry and landholders due to the lack of strategic direction, lack of consultation, and particularly the failure to maintain financial and Management Committee reporting standards.

7.2 Lack of accountability

A number of critical factors underpin the poor financial management of KTA.

7.2.1 Non realistic budget estimates.

KTA revenue estimates are highly optimistic, including income streams which have not been formally agreed to. For example, of the projected 2006 income of K1.4 million, K980,000 was to come from sources other than trek fees (KTA, 2006). Of this K980,000, only K110,130 became reality.

7.2.2 Management Committee involvement in executive matters.

Contrary to the spirit of section 9 (b) of the Constitution, management committee members continue to involve themselves in operational matters. This involvement cost KTA , K135,000 in 2006 (refer to Fig 2), despite a budget allocation of K48,200 for Management Committee, (K18,000 of this allocation being for entertainment expenses).

7.2.3 Budgets to be ratified by both LLG's.

KTA is operating under the presumption that it is required under the Public Finance Management Act to have its budget ratified by the two LLG's. This presents problems, as 2/3 of the councillors are from Wards outside the immediate track area. They exert pressure to have benefits shared amongst all wards in the LLG. As a result, the 2006 budget included provision for K5000 community benefit for each of 46 wards.

This presumption that the two LLG's must ratify the KTA budget appears to be contrary to section 29 of the KTA Constitution, which states;

1. The Authority shall before the 31 December produce estimates of its revenue and expenditure for the next financial year. The budget shall be consistent to reflect the District and Local Level Governments Five Year Development Plan.
2. Such estimates shall be approved at the meeting set for this purpose with an absolute majority.
3. Supplementary estimates or revision to the Authority's estimates can be done only at the end of each quarter.
4. Estimates or supplementary or revised estimates shall be prepared in the prescribed form.
5. Within seven days of the budget being approved and passed by the Authority, a copy be delivered to the Minister responsible for local-level government matters for endorsement.

The instructions in the KTA Constitution are consistent with the advice offered me by the former CEO of the Porgera Special Purposes Authority, who stated that the Authority developed its own budgets, which were then ratified by the Minister.

7.2.4 Allocation of funds before they can be quantified

Allocation of trek fee income to community benefit projects has been conducted prior to the trekking season, at which time income projections are simply speculation. Therefore, if expected revenues do not eventuate, fulfilling community benefit obligations can endanger solvency of KTA. KTA is currently in financial difficulty, largely due to this problem (Fig 4).

7.2.5 Ineffective financial control mechanisms

The KTA is aware of their requirements under the Constitution (section 31) to ensure that an annual audited Financial Statement is presented to LLG and the Minister. However, the KTA has not yet presented an audited statement. There appears to be no effective system of checks and balances to ensure timely presentation of audited reports. The KTA Constitution allows for suspension of the Authority if it fails to meet its obligations, but this does not provide an effective and timely financial control mechanism. It merely provides an alternative form of crisis management.

There is little faith amongst those to whom I spoke that the Government process can ensure that KTA audited financials are presented as required. The KTA as a very small Authority is unlikely to attract the attention of the Auditor General's office until it is too late, as the Auditor General has many greater and more urgent issues to deal with.

As the Government has not provided funds to KTA, it is unlikely to expend funds to investigate KTA.

Figs 1 to 5: KTA Financial Statement (unaudited) 2006

Fig 1: Detailed Income
Kokoda Track Authority
1 January 2006 to 31 December 2006

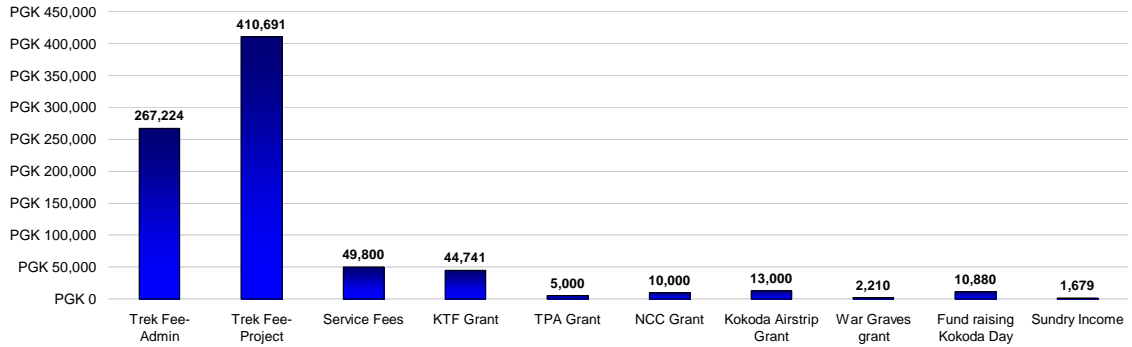


Fig 2: Detailed Expenses
Kokoda Track Authority
1 January 2006 to 31 December 2006

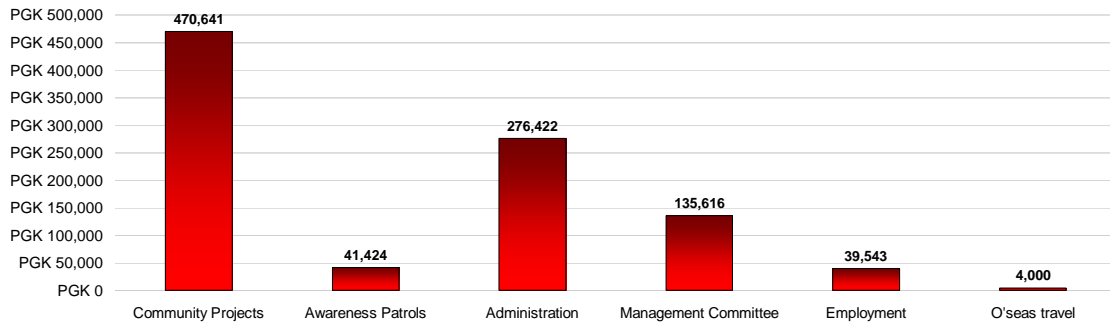


Fig 3: Income & Expenses
Kokoda Track Authority
1 January 2006 to 31 December 2006

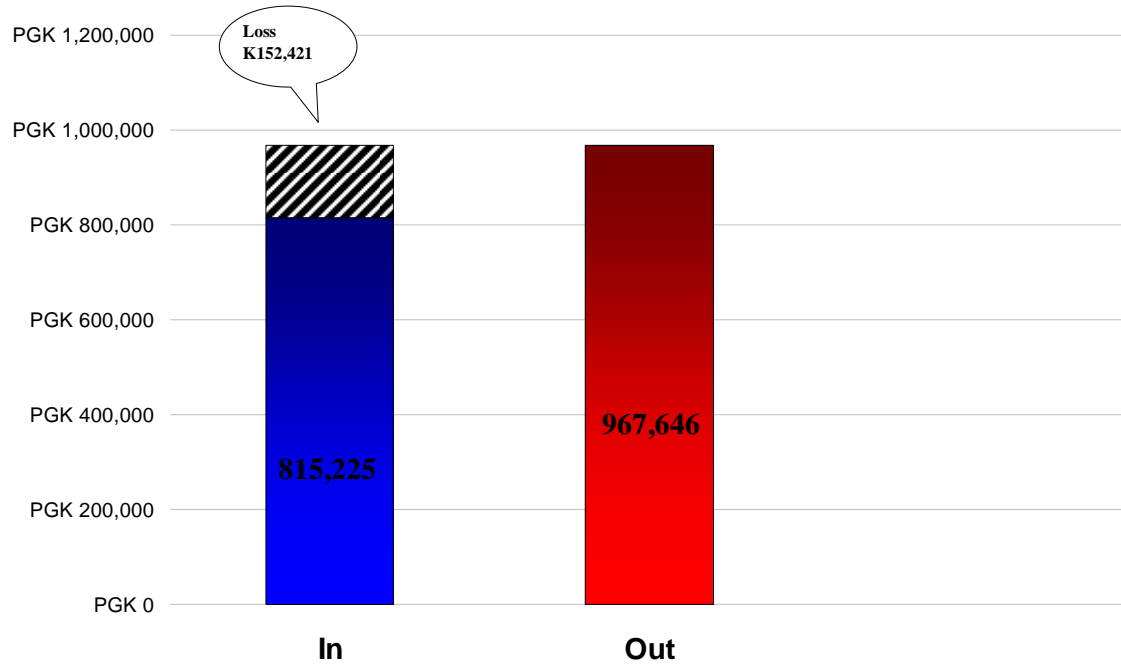
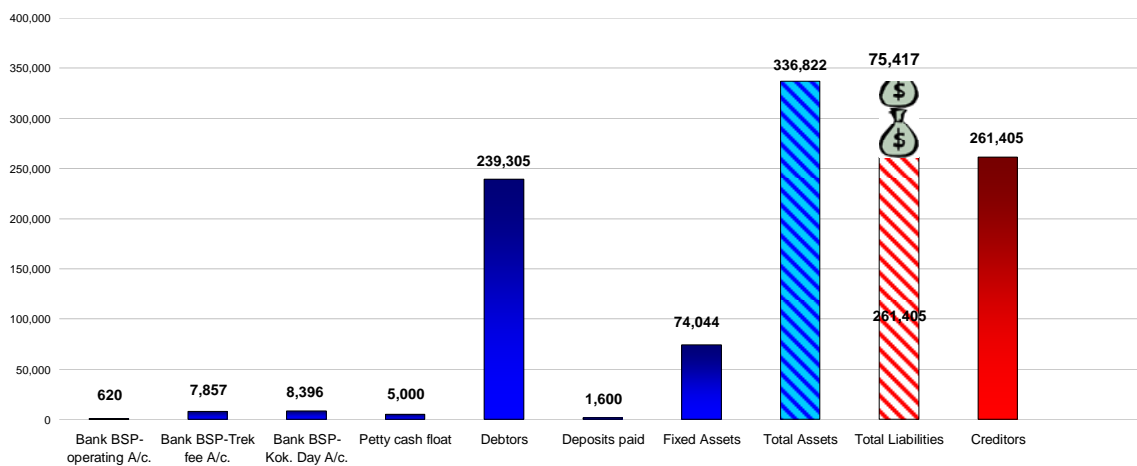
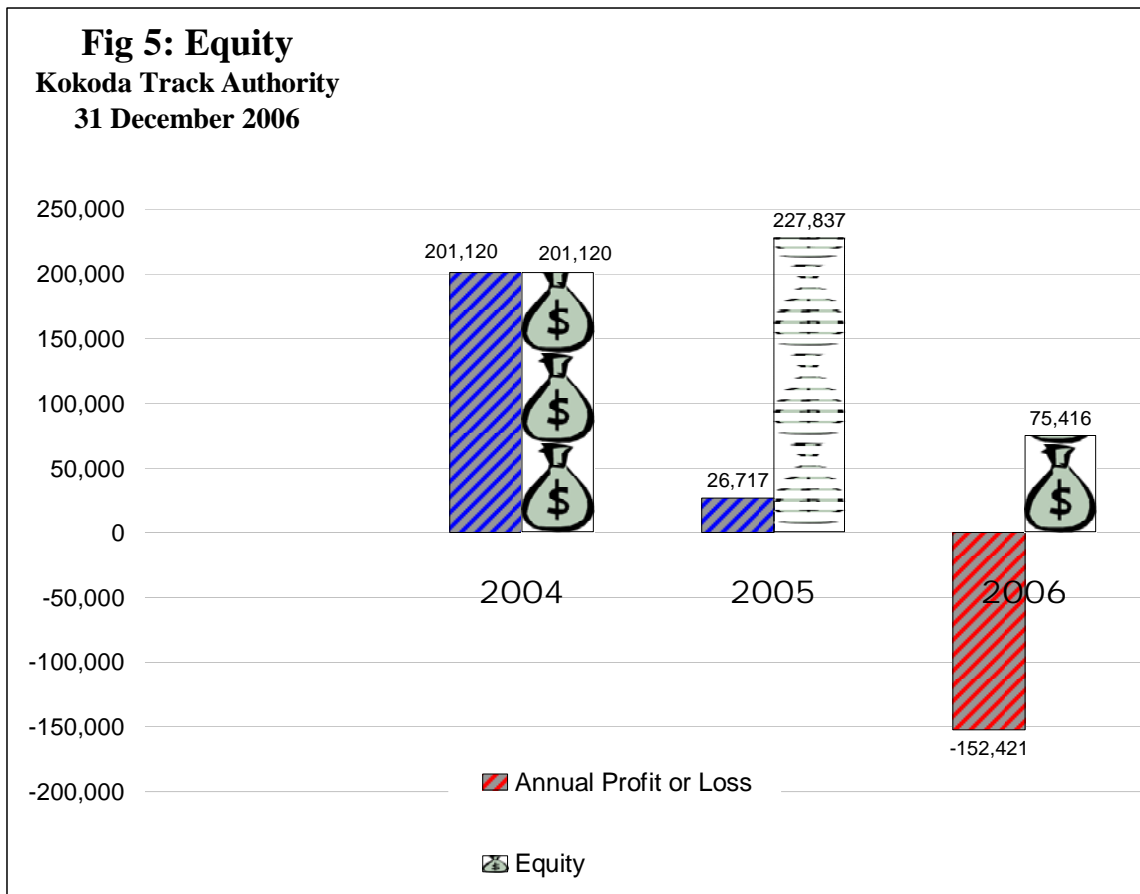


Fig 4: Balance Sheet
Kokoda Track Authority
31 December 2006





7.3 Lack of funding

In the NEC decision 20/03 to establish the Authority, funding arrangements were not clarified. In his covering letter announcing the establishment of the Authority, The Secretary for Provincial and Local Government affairs envisaged that the Authority would raise its finance from annual trekking fees. In 2006 KTA received K15,000 from Government, being one off grants from the Tourism Promotion Authority and the National Cultural Commission. No further commitments have been made by Government despite a number of attempts by KTA to secure government funds.

7.4 Loose management of community benefit projects

Although Community Benefit Projects should be allocated based on information from the Ward Development Profiles, these profiles do not exist, and so KTA takes on the burden of deciding which community projects will be funded. The system is ad hoc, with the following weaknesses;

- There is no criteria in place to assess potential projects,
- There is no delegation of responsibility to LLG's to determine projects,
- Project funds are made available from current year's income, despite the uncertainty over total annual revenues,
- There is no ceiling on total project fund allocation, putting KTA under constant pressure to increase funding to projects,
- The burden of logistic planning for projects remains with KTA as there is insufficient delegation to project partners, including beneficiaries,
- There is minimal project reporting back to KTA,
- There is no database of completed projects.

7.5 Inadequate community awareness programs

The ad hoc management of community benefit projects is compounded by inadequate community awareness programs, leading to landowner discontent. This discontent can create practical difficulties for KTA, for example when landowners tamper with the radio communications system, or threaten to close a section of the track. A coordinated, regular patrol must give landowners clear information about;

- the role of KTA,
- the operational and financial management of KTA,
- The economic benefits to track landowners and communities arising from the activities of KTA.

7.6 Management Committee conduct

The KTA Management Committee recognises the need for improved Management Committee conduct. There is uncertainty about the role and responsibilities of the Committee. Committee members have expressed a desire to develop a Committee Code of Conduct, a charter of roles and responsibilities of the Committee, to undertake further governance training, and to collaboratively develop a strategic plan.

The poor understanding of roles has resulted in Management Committee members taking on executive responsibilities. The rationale for this is that KTA has insufficient funds to employ staff, but it may be argued that the K135,000 spent by the Management Committee in 2006 could be better used by employing staff.

8. MANAGEMENT STRATEGIES TO ACHIEVE FUNCTIONS

A number of strategies must be undertaken to manage the constraints outlined in section 7. While these management strategies are discussed in the context of KTA, they are equally applicable to a Company, Trust or Association that may be created to perform KTA functions.

8.1 Develop strategic direction through stakeholder consultation

Through a facilitated process of stakeholder consultation, directions should be set which are consistent with the KTA Constitution, but are achievable within the financial constraints, and meet the immediate and mid term (1- 5 year) needs of stakeholders. The process in itself will enable landowners and industry players to take a degree of ownership, will lead to greater unity of purpose, and avoid needless future dissent. Ambiguities which currently exist, such as management of community development projects and responsibility for infrastructure development, may be resolved. Ongoing stakeholder involvement in monitoring and evaluating activities will be enhanced if the functions of KTA are fulfilled by an industry owned corporation.

8.2 Technical support to develop management systems

Continuing pressure to meet short term goals has meant that KTA management has not established adequate systems and systems manuals to direct day to day activities. The simplest way to effect these systems is to have them documented by consultants under short term contract. It is possible to engage business development volunteers such as Australian Business Volunteers, through the Port Moresby Chamber of Commerce as the managing agent. These volunteers are generally retired or semi retired successful business people who wish to contribute something back to the community, and can be accessed for short term contracts, for substantially less money than commercial rates.

Systems that must be developed and documented include;

- a) Roles and Responsibilities of Board members,
- b) Code of conduct for Board and staff,
- c) Strategic Plan, showing how day to day activities contribute towards achieving organisational goals
- d) Operational and Financial Procedures Manuals (section 11(5)a of Constitution), documenting financial and asset control systems, staff employment and development processes, reporting systems, and record keeping systems.

8.3 Improved management of Community Development Projects

Since National Parliament passed the New Organic Law on Provincial and Local Level Government in 1995, significant responsibility for local level planning and resource management has been held by Local Level Governments. Through a system of Village or Ward Development Committees, local needs have been identified and incorporated into a rolling 5 year plan developed by LLG. Development needs were categorised as being the responsibility of National, Provincial, or Local level Governments, and budget allocations were made accordingly.

One of the weaknesses of this system appears to have been the lack of adequate training, and thus capacity at the LLG to develop plans and manage projects. As a consequence, recent initiatives (such as the District Services Improvement Program and the District Authority Act 2006) have centralised development planning and implementation responsibility at the District and higher levels. Despite these changes, it appears that Local Level Governments are still key drivers in identifying local development needs, and this can still be done through the Ward Development Committees. However, it is not yet

clear how the District Authority Act 2006 will operate in practice as it has not been implemented.

It is recommended that to implement community development projects, the management body should integrate with the Provincial Government development planning process, with KTA funding being allocated to those areas of expenditure that would normally be funded through LLG allocation.

A common understanding of the process must first be achieved at the landowner, LLG and District levels, and documented before development projects can be initiated. Features of this process may include;

KTA Internal Controls

- Operational expenditure receives priority over community development expenditure
- Operational budgets strictly controlled with variations to be ratified by the Board.
- Community development funds only to be made available from previous year's operational (pre tax) surplus, in the same way that a Company provides dividends from profits. Depending on taxation implications, these may need to be allocated in the fourth quarter. The trekking season would be over and annual revenue estimates would be very accurate. LLG's could then make allocations based on a finite total. KTA would not need to become involved in allocation of these funds. The softener for LLG's must be a ceiling placed on KTA operational expenses, and good information provision to LLG's about total economic benefits deriving from KTA activities.

Integration with Provincial development planning process

Identification and prioritising of projects should be done via the Provincial development planning process, through coordinated approach by KTA, KTDP and LLG's. Important aspects include;

- Develop database. Assist LLG's to re-establish Ward Development Committees, and update Ward Profile & village (census) book.
- With LLG's develop a system of fair & equitable distribution of funds (see Table 1)
 - -by population
 - -by village.
- Finalise agreement that community development funds sourced from trekker fees are to be allocated in the fourth quarter, following the trekker season, when total income can be confidently predicted.
- Ensure there is general understanding that community benefit funds are finite, and therefore wider distribution will not increase total amount of funds available.
- With LLG's, develop a set of project criteria to share with communities along track.
- Develop agreed project implementation process, specifying that only materials (no cash) can be delivered. Implementation through shared responsibility agreements. Failure of Ward Development Committee (WDC) to take responsibility results in KTC charging implementation costs to WDC project account.
- Carry out awareness patrol every 4 months on all aspects of the new development project process.

Project Implementation

Implementation can best be carried out through shared responsibility agreements, with KTA controlling purchase and delivery of goods to WDC representatives, communications through the KTA and LLG's to WDC representatives, and WDC responsibility for certain tasks such as obtaining quotes, transporting materials to site from an agreed transfer point, and installing infrastructure where possible. Larger projects should be contracted to the KTDP. Steps include;

1. LLG receives development proposals through Ward Development Committees
2. KTA notifies LLG of funds available for each Ward, including funds carried forward, and newly available funds (refer to Table 1)
3. Projects assessed and prioritised by LLG and KTA.
4. Quotes obtained for projects within funding limits, and projects fully costed.
5. Sign off on shared responsibility agreements between KTA, LLG and WDC representatives.
6. Implement, as per shared responsibility agreement. Presentation ceremonies to be funded from Ward allocation.
7. Implement projects through LLG, but ensuring delivery of goods direct to WDC leaders.
8. Evaluation
 - i. - reporting to/from village back to KTA, LLGs.
 - ii. -follow up/ inspect project
 - iii. -establish data base of approved projects.

Table 1: Example (provided by Deloitte) method to record payments to community benefit projects (from Mitchell, Oct, 2006).

| Ward | Money In | | | | Money Out | | | | Balance |
|--------|-----------------------|------------|----------|-------------|-----------|-----------|-------------|-----|-----------------------|
| | 01/07 Carried forward | Allocation | Interest | Total funds | Chickens | Drum oven | School fees | etc | Funds remaining 30/06 |
| Ward 1 | 150 | 350 | 10 | 510 | 70 | | 140 | | 300 |
| Ward 2 | | | | | | | | | |
| Ward 3 | | | | | | | | | |
| Ward 4 | | | | | | | | | |
| Ward 5 | | | | | | | | | |
| Ward 6 | | | | | | | | | |
| Ward 7 | | | | | | | | | |
| Ward 8 | | | | | | | | | |
| Ward 9 | | | | | | | | | |

Note: Ward by Ward allocation is determined by population. The same percentage of grant funds is deposited into each Ward account every year. Once a Ward has spent their allocated money, they have no rights to funds from other Wards. Projects are determined by Ward Development Committees based on Ward profiles. This system can take pressure off KTA, as KTA does not have responsibility to make allocations, and can direct disgruntled villagers to the Ward Development Committees.

8.4 Clarify responsibility for infrastructure development

Under its constitution the KTA is required to compile and maintain a register of assets along the track (clause 16 l), and to identify and document future development projects and activities in consultation with landowners and implementing agencies (clause 16 m). However it is not required to develop infrastructure.

The Kokoda Trail Development Programme (KTDP) was established in 1994 by the National Executive Council to manage the development of infrastructure along the track (see Appendix 4 for background on the KTDP). Despite KTDP completing a number of projects along the track, there are still serious concerns about waste disposal and hygiene during the height of the trekking season. As a consequence, KTA has been drawn into delivery of toilet facilities, as well as VHF radio facilities, airstrip and road maintenance and campground development (KTA financial statement 2006). It would seem that if the KTDP has the mandate and is funded to develop infrastructure along the track, the KTA should not step in, with no mandate and no funds, to fill the breach when KTDP does not provide the necessary facilities.

It may be that the development priorities of the KTDP are not consistent with those of landowners, but in the absence of working Ward Development Committees, this is not surprising. There does appear to be a role for KTA and the preferred management body to ensure that landowner development priorities are given full consideration by KTDP when developing its work programs. It may also be necessary for KTA to present a stronger voice in determining relevance of technologies. For example, while KTDP is considering supplying dry composting toilets (which are all prohibitively expensive), KTA is trying to supply plastic latrine seats to meet critical short term environmental health concerns. Overall KTA and its management body should seek to delegate all infrastructure development to the KTDP.

8.5 Effective and regular community awareness patrols

A regular awareness patrol must be conducted every six months, in every village on the track, to clarify the following points

Community Benefit Projects

- Community consultations in integrating community benefit projects with the WDC system,
- Project selection process and criteria,
- How the equitable funding system operates, and status of relevant funds,
- The project screening process,
- Project management agreements,
- Project evaluation agreements.

Spending of Trek fees on Administration

- What are trek fees to be spent on, and what are the expected benefits,
- Graphic presentation, with explanation, of expenditure of administration component of trek fees,
- Report on performance against project milestones,
- Breakdown of the benefits of the two streams of trekker fee expenditure, one stream towards projects, as a reward for use of the track, and the other towards trekker management, to create the enabling environment whereby landowners can establish their own business and generate about ten times the benefit arising from community projects.

9. POTENTIAL MANAGEMENT STRUCTURES TO ACHIEVE KTA FUNCTIONS

The strategies proposed in section 8 are necessary, regardless of the structure under which KTA functions are ultimately fulfilled. However, many stakeholders and observers are of the view that such strategies will not bear fruit unless there is significant structural change.

Under section 17 of its Constitution, the Authority is empowered (d) "to provide, or cooperate with a department of the National Government, a division of the Central Provincial Administration or the Northern Provincial Administration, or any other body in providing any public or social service." Although this legislation does not make clear what type of 'other body' may be appropriate, it may well be possible for KTA to contract some of its functions to a Corporation, Trust or Association. The opportunities and avenues to do this must be investigated by a qualified legal adviser. But firstly it is necessary to identify the preferred model of operation. Three options present themselves.

9.1 Option 1: Kokoda Track Authority, with financial management control subcontracted to a management agency

In recognition that KTA has managed to carry out many of the day to day functions of coordinating trekker activities and providing initial communications and sanitary infrastructure along the track, this option retains those functions within KTA.

However KTA has failed to effectively budget and manage funds and present audited accounts, and so, under this option the financial and asset control functions are subcontracted to an independent management contractor.

Under this option, a management agreement is negotiated between KTA and a proven and reliable funds management body; whose role is to maintain control of the trek fees account, and a separate grant account, and make quarterly payments to KTA operational account as per the annual budget. Payment of quarterly tranches to be conditional on KTA delivering;

- minutes of properly constituted quarterly Management Committee meetings (section 11 of Constitution),
- quarterly report outlining progress against performance milestones,
- work plan for the next quarter.

This system ensures that KTA develop a strategic plan with regular actions to be conducted by staff, and quarterly performance milestones. All staff have a personal interest in achieving and timely reporting on quarterly performance targets, as their ongoing employment depends upon it.

The management agreement must require that all KTA income, including trek fees, be managed by the funds manager. All monies must be paid directly into an account managed by the funds manager, without passing through the hands of the KTA.

The agreement can be made for a three year period. The agreement would require termination clauses specifying the grounds upon which either party could terminate the agreement. To ensure stability, authority to terminate the agreement would need to be given by the Minister of Provincial & Local Government Affairs. Termination clauses should include the provision that upon termination, all donor funds are to be returned to funding providers, leaving trek fees to remain the property of landholders, under the care of the KTA.

Under this system the specific roles of the management company, the KTA, and subcontractors must be separated and documented. All capital works should be outsourced to Kokoda Trail Development Project or private enterprise through standard procurement processes. If KTA is to manage capital projects, it should charge an administration fee on a cost plus basis.

It is likely that funds to pay the management company must be granted in years 1 and 2. After this, the management company would be expected to demonstrate how they were adding at least as much value as they cost, by one of two means;

- a) by quantifying a demonstrable gain in efficiency,
- b) by sourcing extra donor funds to the equivalent value of their cost. In the long term, KTA must generate the wealth to pay this cost.

A number of other changes would improve the effectiveness of the Board. These include;

- Amend the constitution to enable one or two non affiliated experienced business persons to sit on the Board.
- Amend the constitution to enable two trek operators to sit on the Board. This will diffuse the tension currently preventing trek operators from selecting a representative.
- Seek legal advice on whether the KTA Annual budgets need be endorsed by the LLG, or simply presented to LLG.

9.1.1 Strengths and weaknesses of management option

Strengths

- It enables KTA to continue performing the operational tasks with which it is experienced.
- Financial management, the key weakness of KTA, will be performed by an agency with this particular strength. A number of potential funds management partners with long term experience and credibility have expressed interest in providing a service.
- The system can be set up relatively quickly.

Weaknesses

- Management and staff have no personal stake, except salary.
- Board members do not, per se, have personal stake, and therefore their personal benefits do not necessarily align with those of KTA.
- The management company has no personal stake, except fees. The costs associated with a management company may be high. The large chartered accountancy firms have a reputation of being prohibitively expensive in PNG. A number of mid size accounting firms, or the Port Moresby Chamber of Commerce may provide a cost effective service, and have the necessary critical mass, experience and reputation to provide stability.
- There appears to be no precedent in Port Moresby for this type of management arrangement, and therefore a guiding hand may be necessary to overcome the initial confusion, and to assist KTA to meet reporting targets. Such support would initially be time consuming.

9.2 Option 2: Kokoda Track Corporation (KTC), owned and operated by industry stakeholders

Option 2 is to retain the representative functions within the KTA, but to establish a Kokoda Track Corporation to manage operational functions of the Authority (Fig 6). A suggested split of KTA functions is found in Appendix 3, but in the short to mid term, the Corporation would take on the following tasks which are critical to uninterrupted throughput of trekkers in the immediate future;

- Coordinate trekker bookings throughout campgrounds along track,
- Collect and manage trek fees,
- Develop and maintain communication infrastructure,
- Maintain emergency procedures including training and liaison,
- Ensure hygienic toilet and ablution facilities are operating effectively along the track, in collaboration with campground and guest house operators, and the Kokoda Trail Development Program,
- Coordinate, where necessary, transport for trekkers in and out of the track, and mid track supply drops,
- Inform landowners of KTC finances, processes and achievements, and the financial benefit accruing to Kokoda Track landowners and communities from tourism activities,
- Seek landowner views on relevant issues,
- Develop codes of conduct for tour operators, guides & porters,
- Support guides and porters to develop a system of direct payments into Bank accounts,
- Coordinate 'business incubator' support for 'on track' businesses requiring training in business planning, hospitality, bookkeeping or other,
- Develop and manage effective community development project processes.

These tasks would be reflected in the Constitution of the Corporation, and would be performed on behalf of the KTA through a Management Contract.

The management contract must require that all KTA income, including trek fees, be managed by the Corporation. All monies must be paid directly into an account managed by the Corporation, without passing through the hands of the KTA. Termination clauses would be similar to those proposed in option 1.

Shareholders to the corporation would be representatives of the airlines, hoteliers, tour operators, and landowners and the Kokoda Track Authority. The suggested Board composition is;

| | |
|----------------|-------------|
| KTA | 1 position |
| Landowners | 2 positions |
| Tour operators | 3 positions |
| Airlines | 1 position |
| Hoteliers | 1 position |
| Non affiliated | 1 position |

(The non affiliated positions should come from an organisation with business management expertise, such as the Port Moresby Chamber of Commerce, or a Bank).

Corporation, Association or Trust?

Although the implementing body is described as a corporation in this section, it will be a 'not for profit' organisation, and there may be advantages in incorporating as an Association or a Trust. The two pertinent issues are liability of directors, and tax implications of annual profits.

Although representatives of the trekking industry have a great stake in ensuring the success of Kokoda Track, the Track constitutes a very low proportion of income to the hotel and airlines industries. It may therefore be difficult to attract Board representatives from these industries, particularly if they have little time to devote to KTC, and if they become liable for debts of KTC.

It is suggested in other sections of this report that funds not be allocated to community benefit projects until the close of the trekking season in October, by which time annual income is known to a reasonable degree of accuracy. This money will then be spent in the period of October, March, leading up to the next trekking season. As KTA financial reporting year is from January to December, there may be tax implications in maintaining a financial surplus and carrying funds over.

For these reasons, professional advice need be sought as to whether the incorporated body should be a Company, Association, Trust, or other. In the interim, this report refers to Kokoda Track Corporation to cover all of these possible structures.

9.2.1 Strengths and weaknesses of management option

Strengths

- With the KTC enabling an industry worth 20 to 30 times its annual recurrent budget, and shareholders being the direct beneficiaries of that economic return, there is adequate incentive for shareholders to ensure KTC operates efficiently and effectively.
- Tourism operators as shareholders have a stake in successful fulfilment of the functions, regardless of whether KTC itself makes money. KTC needs only to break even in order provide economic benefit to these shareholders.
- Landowners have a stake in KTC creating an enabling environment for tourism particularly if they are enterprise operators (tour operators, guides, porters, guest houses, camp grounds, sale of food & artefacts, museums etc).
- Landowners who are not enterprise operators will have an interest in minimising recurrent costs, thereby increasing the proportion of funds available for community benefits.
- The shareholders of KTC have the critical mass necessary to ensure strong Board representation. They have knowledge and experience of financial and asset control methods, and can offer technical support in most if not all aspects of KTC operations. They can offer entrepreneurial advice on how to maintain KTC financial stability through balancing trek fees, fees for service and trek pricing structures, through niche marketing initiatives, and by targeting appropriate market sectors to balance sustainable throughput with maximised industry profit.

Weaknesses

- Difficulty in industry stakeholders agreeing who would represent them on the Board (The Industry representative on KTA has still not been appointed, as tour operators cannot agree who it should be).
- Potential conflict with industry operators if perceived or actual channelling of tourists towards favoured operators through the trekker registration system.
- Tourism industry operators may be loathe to take a place on the Board, if their time is already fully committed. They may not be confident that KTC operational management can effectively manage resources, resulting in debt for which Directors may be liable.

- Selecting landowner representatives may be difficult and time consuming, as Incorporated Landowner groups do not currently exist for the length of the track, and alternative representative systems are fraught with tensions.

9.2.2 Membership of the Board

The rationale of the KTC being industry and landowner driven is that their representatives will have an economic interest in the Corporation successfully achieving its goals, not to make a profit in its own right, but to ensure economic benefits are generated through their other activities. However, there are a number of potential problems in selecting industry and landowner representatives.

Landowner Representatives

There are a number of potential mechanisms by which to select landowner representatives;

a) Retain landowner representatives selected by LLG's.

Current KTA landowner representatives are selected by their respective LLG's. However, there appears to be some doubt whether current representatives were selected through due process, as there are no Kokoda LLG minutes recording such appointments (Minutes, KTDP and KTA forum, 2007). This system does not necessarily align the interests of the representative with those of landowners.

b) Landowner representatives selected by Incorporated Landowner Groups (ILG's).

In many joint venture companies in PNG, landowners are represented through landowner groups incorporated under the Land Groups Incorporation Act. The two main aims of the Act are to;

- enable customary landowning groups to be recognised as legal corporate entities, and
- provide for the manner in which they deal with their customary land and resources, so that the dealings will be recognised by law (Holzknecht, 1995).

If all Kokoda track landowners had already established ILG's and these ILG's could agree on two representatives on the KTC board, then this would form the strongest link to landowners, as only ILG's have formally recognised direct rights and powers over customary land.

At present however, there are believed to be no Incorporated Land Groups along the track (pers comm., Brian Favave, Garry Imri, Feb. 07). The Kokoda Land and Resource Owners' Association Incorporated was recently (2006) formed due to dissatisfaction with the performance of KTA. The intention of the Association is to represent ILG's once these are formed, but this would require that ILG's choose to be represented by the Association, a hazardous assumption at present.

It is not clear how many ILG's would need to be formed to satisfactorily represent all Kokoda track landowners. The Act is flexible in establishing how many, or which people are to be in an ILG. An ILG may include only part of a customary landowning group, or more than one customary landowning group. What is important is that the group, under the custom of the area, owns the land, and can make decisions about the land without having to get approval from another group (Holzknecht, 1995).

If two ILG's could be formed to represent landowner interests, each having a KTC board representative, then this would be appropriate to a workable KTC board. In considering Board makeup, it is important that landowner representatives do not form a majority on the KTC board, as this would render KTC susceptible to being a forum to air landowner

disputes, and thus jam up the operations of KTC. It would be essential that Kokoda Track landowners resolve landowner disputes outside the KTC decision making process.

It is not strictly necessary for KTC landowner representatives to be nominated by ILG's as the KTC would not be directly involved in use of resources or land. KTC simply facilitates the process for others (i.e. trek operators) to enter and traverse the land. The process of registration of ILG's requires considerable community consultation and research, and an alternative option may be for Ward Development Committee nominees to be landowner representatives on the KTC board.

c) Ward Development Committee Nominees as KTC landowner representatives.

The suggestion that KTA community benefit project administration be integrated with the LLG development planning process, as outlined in the new Organic Law on Provincial Government and Local Level Governments (1995), would be further strengthened if KTC landowner representatives were nominated by Ward Development Committee Chairpersons.

- These nominees would have a direct interest in ensuring that KTC operated efficiently, and thereby maximise the amount of funding available to community development projects.
- Ward Development Committees would have direct access to information about KTC financial and operational management, and an understanding of the constraints to unfettered expenditure on community projects.
- KTC would have direct access to information about the redevelopment and ongoing operations of the LLG development planning process, and be in a position to offer constructive advice on improving the efficiency of the system.
- The requirement that Ward Development Committees be reconstituted before landowner KTC representatives could be appointed or funds be spent on community projects, would hasten the process of strengthening appropriate government planning processes.
- Short term administrative support (through donor technical and financial support) for the redevelopment of the LLG development planning process, including Ward Development Committees, could be managed through the KTC, with community and LLG liaison through the WDC nominated KTC Board members.

The suggestion that Ward Development Committee nominees become landowner representatives in the KTA (or its reconstituted form) received widespread community support at a recent KTDP and KTA forum in Kokoda (KTDP and KTA, 2007).

If Ward Development Committees require substantial reorganisation before their representatives can operate as KTC Board members, then the Board positions may initially be left vacant. This vacancy will free KTC from pressures to provide community benefits, allowing time for KTC to inform communities of the new community benefit administration regime. The longer the WDC's are disorganised, the more will community benefit funds accumulate, providing ever increasing incentive for WDC's to manage their affairs.

Industry representatives

Tourism industry operators, particularly Kokoda trek operators, have a strong stake in ensuring the orderly and safe continuation of a valuable Kokoda trekking experience. They have appropriate skills in ensuring KTA functions are carried out effectively and efficiently, and can ensure economic sustainability through judicious pricing and niche marketing strategies.

Key industry stakeholders are airlines, hoteliers and trek operators. These stakeholders do not have an equal interest in ongoing viability of Kokoda treks. In 2006, almost 78,000 people visited PNG (Tourism Promotion Authority, 2007). 37% of these were tourists. In 2006 over 3,700 visitors came to walk the Kokoda Track. As 73,000 visitors arrived by air (Tourism Promotion Authority, 2007), Kokoda trekkers provided about 5% of business for international carriers. A number of internal carriers also provide transport for trekkers and supplies between Port Moresby and Kokoda, including Airlines PNG, Hevilift, Tropic Air and National Aviation Service. It is not known what percentage of their businesses is generated through Kokoda trekking.

Kokoda trekkers provide a lower proportion of business for the hotel trade. A senior management representative of a major PNG hotel chain noted that trekkers tend to stay in hotels for only two nights, as opposed to business visitors who stay for longer. He estimated that Kokoda trekkers accounted for only 2% of his company's business, and was doubtful if the Kokoda trek could grow much past its present rate. There is no association for PNG hoteliers.

Although some Kokoda trek operators have a range of tour destinations and activities, Kokoda trekking provides the core of their business. It is these operators who have the greatest interest in ensuring stability and growth in the Kokoda trekking industry.

Can industry players cooperate to select representatives on the KTC? An obvious way to facilitate this cooperation is through industry associations.

PNG Tourism Industry Association

PNG Tourism Industry Association was incorporated in 2001 to develop the PNG tourism industry, to establish and regulate industry standards, to provide a body which represents the collective interests of its members, and to disseminate information on the industry. It currently has no role in managing coordination of tourists, particularly for a sector of the industry. As the estimated revenue of K10 million generated by Kokoda trekkers in 2006, is about 4.5% of total tourist expenditure (K220 million in 2005, TPA, 2006), it is unlikely that the PNG Tourism Industry Association will take a special interest in management of a Kokoda Track Corporation.

Tour Operators Association of Papua New Guinea (TOAPNG)

The Tour Operators Association of Papua New Guinea focuses on tour operations throughout PNG. It provides to members promotion and exposure, access to discount price products and services, advocacy and lobbying through its membership of both PNG TPA and PNG TIA, and growth and development through networking, assistance in accessing TPA and donor grant funds, and in providing training and cooperation with other stakeholders.

TOA provides a voice for smaller operators who otherwise would have no opportunity to share their views in national decision making forums. The Executive officer of TOA supported establishment of a Kokoda Trekking Operators' Association, and believed that, if formed, this would be the appropriate body to become involved in ensuring KTA critical functions are fulfilled.

Kokoda Trekking Operators Association (KTOPA)

The tour operators representative of the KTA Board has never been filled, because tour operators could never agree on who should be their representative. This lack of cooperation does not bode well for an industry driven Kokoda Track Corporation. However, there is a belief that if two or more operator representatives could sit on KTA Board, then this would allow the required transparency, through triangulated information flow and alliances.

Despite a number of attempts, a Kokoda Trekking Operators' Association is still in a formative stage. The main issue of contention appears to be disagreement over the

suggestion that PNG based operators should be full members, while international based company's should be Associate members, with lesser voting rights. It now appears likely that PNG based operators will forge ahead with the Association, and accept international companies on PNG terms (Aaron Hayes, pers comm, Feb. 07).

Aaron Hayes of Ecotourism Melanesia is a key driver in establishing the Association, and he believes that the KTOPA should be a key player in ensuring KTA functions are carried out, under direction from KTA, and with staff dedicated to fulfilling the functions. His overall concept is very similar to that proposed in this paper, although there are some detail differences. There is a good likelihood that, once the KTOPA is formed, a management structure (similar to the proposed KTC) acceptable to Kokoda trek operators and potential technical and financial support agencies can be developed.

Although development of industry and landowner representative processes may best be developed by these stakeholders themselves, in the absence of agreement, industry representation on KTC through the Kokoda Trekking Operators' Association, and landowner representation through the Ward Development Committees appears to offer the greatest alignment of interest and opportunity for success.

9.3 Option 3: Independently owned and operated Kokoda Track Corporation

The Kokoda Track Corporation proposed in Option 2 could also be constituted as a privately owned company, without any attempts being made to ensure equity of industry or landowner stakeholders. This proposal would enable invitation to successful national or international companies with proven experience and profitability to provide the required services.

9.3.1 Strengths and weaknesses of management option

Strengths

- An independent company would have the skills to maximise profits through judicious manipulation of trekker fee prices, and could charge fees to provide complementary services.
- Board composition would be the responsibility of the owners, and would therefore avoid the range of problems associated with selecting a Board from industry and landowner representatives.
- Selection of staff and management strategies would be free of political interference.

Weaknesses

- Maximised profit strategy of independently owned KTC is not aligned with maximised profit strategy of industry. Private operator may increase the cost of trek fees, to their own benefit, but to the detriment of industry. Complementary services offered by KTC to maximise profit may be in direct competition with trek operators.
- Coordinating function of KTC is a natural monopoly (ie there is only a place for one coordinating agency) which is for the benefit of the public. It must therefore be operated as a public good. In practice this means strict control of pricing by government, or all commercial stakeholders having a share. The level of transparency of a private company would not be appropriate to the management of a public good.
- Collusion. A private operator may seek to maximize profits by colluding with independent tour operators. They may have the opportunity to provide favoured campground sites or other benefits at peak times when there is heavy traffic. The perception amongst trek operators of such favoured relationships would be damaging, even if no such favouritism occurs (such perception is already an issue for KTA).
- Government does not have the efficiencies and coordination necessary to impose on a private company operating a public good, controls which are necessary to ensure equity of service provision (For example, in Australia the government establishes service standards with which Telstra must comply, even though these service standards do not maximise profits for Telstra).

10. DISCUSSION OF THE OPTIONS

The PNG SDP Board sought advice on the most effective management framework for the Track that would;

- a) Include an effective manager/ operator which would ensure the development, operation and promotion of the Track as a major national tourist attraction;
- b) Provide for effective community involvement in decisions affecting the Track and the communities associated with it;
- c) Involve Track communities in providing services and otherwise playing a role in the operations of the Track;
- d) Define the role of the KTA in relation to the operator of the Track and the local communities;
- e) Determine the patterns of remuneration available to the communities associated with the track;
- f) Include a revision, where necessary of the required plan, to take into account the requirements of the new management framework.

10.1 Effective manager/ operator

A management framework that would include an effective manager/ operator which would ensure the development, operation and promotion of the Track as a major national tourist attraction;

Three options have been presented, and strengths and weaknesses of each are listed. Of the range of options presented, Option 2, despite the obvious complexities involved in establishment, provides the best alignment between the interests of industry and landowners, as primary stakeholders, and effective management of functions by the managing body. This is its greatest strength in the long term, providing the best chance of long term effective management.

10.2 Effective community involvement

A management framework that would provide for effective community involvement in decisions affecting the Track and the communities associated with it;

In discussions with many stakeholders about the potential management framework, the opinion was almost universally held that the Kokoda Track Authority had a role in representing landowners in discussions and decisions affecting the track and communities associated with it. For this reason, all of the options presented in this report retain the KTA to fulfil this role, and the suggested separation of duties outlined in Appendix 3 retains for the KTA all functions relative to community liaison and decision making. There appears little point in offering an alternative mechanism for effective community involvement in decisions affecting the track, as the KTA has strong LLG and landowner representation, through an organically developed process (new Organic Law 1995). Inefficiencies and confusion that arise through LLG and KTA decision making are essentially part and parcel of community based planning, and must be resolved through transparent information provision and open forums.

The KTA holds a position on the Board of the proposed KTC and landowners hold two positions. Trek operators are all too familiar with the power of landowners in closing portions of the track, and they would be foolish indeed to ignore the reasonable demands of landowner representatives on the KTC Board. Landowners do not however hold a majority on the Board, as it is important that KTC does not become a forum to discuss landowner or LLG rivalries, or community issues.

The greatest tool that KTA/ KTC has to engage communities in decisions affecting the track are effective and relevant information provision to landowners, through regular awareness patrols in every village on the track.

There may be some scepticism that community benefits can best be managed by delegation of some responsibilities to Ward Development Committees. The current Ward Development Committee system is not functional along the Kokoda Track. Although the particular history of development planning on the Kokoda track is not known, in many LLG's the dysfunction of Ward Development Committees is because benefits were not delivered through the Provincial development planning process, despite development priorities being initially determined by Ward Development Committees when the new Organic Law was first initiated. The bottleneck was at a higher level. It should be possible to administer the low level of community benefits provided by Trek fees by direct liaison between KTC and Ward Development Committee or village representatives, without going through the bottleneck that initially brought about the collapse of the WDC system. The Ward Development Committees have been selected by communities through an organic process and there appears to be no valid reason to establish a duplicate system, without demonstrating the benefits to be gained. The suggestion that landowner representatives on KTC be selected by Ward Development Committees creates direct alignment of interests and again avoids unnecessary duplication of structures. It may be appropriate for WDC's to select an LLG member to represent them.

10.3 Involving track communities

A management framework that would involve Track communities in providing services and otherwise playing a role in the operations of the Track;

The role of KTA in providing an enabling environment for communities to provide services through small business has been well recognised and pursued. This has resulted in small locally owned business generating K4.4 million in 2006 (largely profit which can be retained in the community, as there are few overheads or recurrent expenses), with the potential to increase this in years to come. There is still greater opportunity for selling fresh and prepared foods, providing homestays and improved guesthouse and hot shower facilities, all at a profit.

All of the options presented in this report maintain the focus on creation of an enabling environment. The functions of KTA outlined in this report focus largely on amelioration of constraints. This is a critical short term need and must take priority. However, if a KTC/ KTA partnership can effectively manage these constraints, it may be possible to provide business support, information and extension services to landowners and communities to assist them in taking advantage of business opportunities. Funding for extension programmes could be sought through a number of donor agencies. KTC may well be an appropriate vehicle to undertake these services, particularly if it is stakeholder owned. However any such activities must be well planned with clear budgets demonstrating financial viability of the activity. Subsidisation of non core functions through over ambitious goals and hazy financial management can easily bring down the managing body.

10.4 Roles of stakeholders

A management framework that would define the role of the KTA in relation to the operator of the Track and the local communities;

This report outlines the current functions of the KTA, and recommendations for devolution of some functions under a number of proposed options. Such devolution of functions would be achieved through a management agreement. It is still uncertain whether a Special Purposes Authority can delegate functions to a non Government corporation, or be represented on the Board of such a corporation. If they can, then by what instrument can this be achieved? These questions must be answered by a qualified legal professional, following diligent inquiry.

10.5 Patterns of remuneration

A management framework that would determine the patterns of remuneration available to the communities associated with the track;

Patterns of remuneration will not substantially alter with the suggested management frameworks, in that local entrepreneurs, particularly landowners, will continue to have the opportunity to develop businesses through their own efforts; and landowners will receive benefits from trek fees, to be distributed through community benefit projects.

With a new management framework delivery of community benefits will be more efficient and equitable, will be based on prior year trek fee actuals instead of assumptions about the coming year, and communities will themselves decide the projects they wish to fund, based on clear selection criteria. Responsibility for project administration will be delegated to beneficiary communities, to the extent that they have capacity. It is unlikely that communities will receive more than 50% of trek fees as community benefit, as recurrent expenses of KTA will continue to consume 50%.

The proportion of benefit received as trek fees is currently only 10% of the benefit received through development of small business. This is because each trekker spends K200 on trek fees (of which 50% goes to community), whereas each trekker spends over K1000 in communities while on the track. While this relative proportion may vary in years to come, landowners who do not take advantage of business opportunities will reap negligible benefit. This relative inequity may also be the cause of future dissent, and require adjustment of trek fees accordingly, or some other mechanism to increase landowner benefit.

The managing body must take account of these relative benefits in developing its work programs and managing its time, by minimising the time spent on community benefit project administration, and allocating its major effort in creating an enabling environment. Support from Kokoda communities will also be enhanced if the managing body clearly demonstrates to communities the amount of money they are earning from the trekking industry.

10.6 Management plan

A management framework that would include a revision, where necessary of the required plan, to take into account the requirements of the new management framework.

A new management structure will have new owners. It is they who must develop a plan to direct their own activities. This report provides an overview of functions, and a summary of technical support that will be required to ensure the new management structure gets off to an efficient start, including development of a strategic plan. The planning process should not be difficult as there is a wealth of knowledge within the industry, a number of reports outlining required functions and strategies, and the coordination of trekkers currently practiced by KTA provides a template for the more practical functions.

11. TECHNICAL SUPPORT REQUIRED BY NEW MANAGEMENT BODY

Section 6.2 of this report concludes that a management body can probably achieve the functions described on a recurrent budget of approximately K400,000, which is available through trek fees, assuming 4,000 trekkers per year. Funding required to establish the new structure therefore is limited to two stages of development funding. The first stage is the process of establishment itself, and the second is to provide technical support to the new organisation over the short term, to develop management systems and ensure financial viability.

This section provides a checklist of the activities to be conducted for each stage. The cost of each activity depends on how it is to be conducted. For example will establishment processes be carried out by agency staff or through engagement of consultants? Will technical support be enlisted through commercial tendering processes, or through recruitment of business volunteers?

11.1 Support to establish the new management structure

The following steps will establish the new management structure;

- Obtain professional advice on the correct legal process and instruments to enable KTA to delegate functions and channel trek fees to a Corporation or other body,
- Obtain professional advice on whether a Corporation, a Trust an Association, or other, offers the greatest limit to Directors liability, and what is the extent of that liability?
- Obtain professional advice on which type of corporate structure offers the best tax arrangements for a 'not for profit organisation', and how those tax implications affect the way budgets are managed,
- Draft clear description of preferred management structure and distribute to stakeholders,
- Develop budget to establish and provide initial technical support to preferred management body, and secure funding guarantees,
- Facilitate meetings with stakeholders to seek agreement on a preferred model, including Board representation,
- Through discussion with LLG's, Provincial Planners and WDC representatives, develop the recommended process for management of community benefit projects,
- If necessary, seek confirmation with LLG's, and WDC representatives, of a mechanism whereby WDC representatives can represent landowners on a KTC Board,
- Facilitate passage of instruments to delegate some KTA functions and channel trek fees to management body,
- Draft and execute Management Agreement,
- Employ CEO of management body.
- Transfer staff and assets (if appropriate) to management body, which takes over agreed day to day functions of KTA.
- Fund purchase of capital items required by the new management body.

11.2 Technical support to the new organisation

The new management body will require technical support to develop;

- Strategic Plan, including roles and responsibilities of Board members, and codes of conduct for staff, and a logical framework of day to day activities to meet organisational goals, including quarterly performance targets, and milestones.
- Financial and asset controls, including budgeting and budget review processes, transaction recording processes, reporting and auditing. A financial and asset control manual should be produced, training provided to all staff, and a pre-service training module (including trainers' notes) developed.
- Operational processes including personnel management guidelines, reception guidelines, trekker and campground coordination guidelines, emergency procedures, document filing and registry, community benefit project recording and evaluation processes. These should all be recorded in an operations manual.
- Improved management of Community Development Projects.
- Clear understanding with all stakeholders, who has responsibility for infrastructure development.
- Effective and regular community awareness patrols.

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APPENDIX 1: ECONOMIC BENEFITS OF KOKODA TREKKING

Economic benefits to PNG economy and Kokoda communities from each Kokoda trekker (from Mitchell, January 2006)

Benefit per Trekker (assuming 9 overnight camps)

| Benefit to Community | Kina |
|--|-------------|
| Trek permit | 200 |
| Village guest house or campsite (K20 x 9 nights) | 180 |
| Porter accommodation (K5 x 1.5 x 9 nights) | 67 |
| Village attractions, museums, relics, culture (estimate) | 30 |
| Guide (based on 1 guide per 10 trekkers @K60/day) | 54 |
| Porter (based on 1.5 porters per trekker @K40/day) | 540 |
| Trekkers food bought in villages (K5 x 9 days) | 45 |
| Porters food bought in villages (K5 x 1.5 x 9 days) | 67 |
| Subtotal | 1183 |
| Benefit to Port Moresby economy | |
| Airfare POM- Kokoda (or reverse) For both trekkers and porters. K200 x 2.5 | 500 |
| Transport- Owers Corner to POM (K450 bus carries 10 trekkers & 15 porters) | 45 |
| Transport Goods and equipment- Owers Corner to POM (K300 truck carries goods of 10 trekkers & 15 porters) | 30 |
| Mid trek food drop (K900 /10) | 90 |
| Accom. & meals POM (minimum 2 nights @ K300) | 600 |
| Trekkers food bought in POM (K25 x 9 days) | 225 |
| Porters food bought in POM (K10 x 1.5 x 9 days) | 135 |
| Local Tour Operator Profit @ 15% | 421 |
| Subtotal | 2046 |
| Total | 3229 |

To test the validity of these average figures, we compared them with actual fees charged by tour operators, who coordinate most of the payments outlined above. There are many variations in individual tours, including number of nights camping, number of trekkers in group, number of porters per trekker, quality of food, etc., and these will influence the actual charge per trekker. Economy tours are priced at around K2500 per trekker (excluding hotel accommodation) (pers. comm. Narai Billy), and tours providing greater comforts cost K4000 per trekker (excluding hotel accommodation) (pers. comm. Warren Bartlett). The projected figures fall approximately midway in this range.

APPENDIX 2: ESTIMATED COST TO CONDUCT KTA CORE BUSINESS.

(from Mitchell, January 2006)

| Component | Estimated Cost (K) | | | | |
|-------------------------------------|--------------------|-------|-------|-------|-------|
| | 2006 | 2007 | 2008 | 2009 | 2010 |
| Recurrent | | | | | |
| Salary, Gr. 15- Executive Officer | 26.0 | 26.0 | 26.0 | 26.0 | 26.0 |
| Salary, Gr. 12- Assistant Manager | 17.3 | 17.3 | 17.3 | 17.3 | 17.3 |
| Salary, Gr. 6- Projects Coordinator | 17.3 | 17.3 | 17.3 | 10.0 | 10.0 |
| Salary, Gr. 3- Accounts Clerk (x2) | 12.2 | 12.2 | 12.2 | 12.2 | 12.2 |
| Salary, Gr. 1- Ranger x 3 | 15.6 | 15.6 | 15.6 | 15.6 | 15.6 |
| Salary, Gr. 1- Driver | 5.2 | 5.2 | 5.2 | 5.2 | 5.2 |
| Salary, Gr. 2- KBO | 5.5 | 5.5 | 5.5 | 5.5 | 5.5 |
| Salary sub-total | 99.1 | 99.1 | 99.1 | 91.8 | 91.8 |
| Wages | 15.5 | 15.5 | 15.5 | 15.5 | 15.5 |
| Travel | 72.3 | 72.3 | 48.3 | 48.3 | 48.3 |
| Telecommunications | 18.0 | 20.0 | 22.0 | 24.0 | 26.0 |
| Office materials & supplies | 10.0 | 12.0 | 14.0 | 16.0 | 18.0 |
| Transport & Fuels | 31.2 | 35.0 | 40.0 | 45.0 | 50.0 |
| Consultancy Fees | 135.0 | 135.0 | 135.0 | | |
| 3 YTP permit | 5.0 | | | | |
| Office rental & utilities | 24.0 | 24.0 | 24.0 | 24.0 | 24.0 |
| Other operational | 49.4 | 39.4 | 39.4 | 39.4 | 39.4 |
| Depreciation Reserve | 29.7 | 29.7 | 31.7 | 32.7 | 32.7 |
| Total Recurrent | 489.2 | 482.0 | 469.0 | 336.7 | 345.7 |

APPENDIX 3: POTENTIAL DIVISION OF KTA FUNCTIONS

Of the KTA functions outlined in its constitution, the following functions may be performed more efficiently if performed by an independent Kokoda Track Corporation, of which the KTA may be a shareholder and Board representative. Further amendment of these functions may be necessary.

- (b) focus on the significance of the Kokoda Track due to its part in WW2 and present this legacy for present and future generations;
- (c) promote trekking and tourism related activities in the Kokoda Track area;
- (d) administer, facilitate, ensure and or oversee the implementation of the developments and other projects in the Kokoda Track area (in conjunction with KTA and KTDP);
- (e) collect, manage and use development revenue from fee paying trekkers and other sources;
- (f) consult with landowners on their needs and priorities (in conjunction with KTA);
- (l) compile and maintain a database of existing infrastructure in the Kokoda track area, including details of projects or asset, location, year of construction, cost, how financed, builder, condition, and current maintenance requirements (in conjunction with KTDP);
- (m) identify and document future development projects and activities in consultation with landowners and implementing agencies;
- (n) provide training and extension services to landowners in relation to Kokoda Track developments (in conjunction with other agencies);
- (p) receipt of grants and funding paid to it by the Nat'l Government, Central or Northern Prov Governments or the Koiari LLG or the Kokoda Rural LLG, donor agencies or other sources;
- (q) administration and budgeted spending of any funds or grants made available to the authority by donor organizations;
- (s) encourage developments and activities which are protective of the environment and discourage any developments and activities which may be detrimental to the environment.

The following functions should continue to be conducted by the KTA, with the support where necessary, of KTC if KTC resources are available;

- (a) assist the Koiari LLG and the Kokoda Rural LLG of the Kokoda track area in carrying out their functions within the area;
- (g) upon the request of the Kokoda Track landowners or Koiari LLG or Kokoda Rural LLG, represent and assist them at meetings, negotiations, seminars and any other action or activity which affects their interest;
- (h) provide advice, information papers, report returns and the like to the National Government, Central & Northern Provincial Governments and the Koiari LLG and the Kokoda Rural LLG and District Administration;
- (i) advise landowners of the views and concerns of other stakeholders of the Kokoda Track area, including tour operator, foreign missions, donor agencies, airlines, hotels, guest houses, sporting bodies, clubs, associations, institutions, individuals etc (could be assisted by KTC through joint twice yearly awareness patrols);
- (j) lobby donor agencies and the PNG Government for funding;
- (k) provide a point of contact for outside agencies wanting to initiate activities along the Kokoda Track;

- (o) administer carry out or implement any transferred or delegated activities or projects from the National Government, Central or Northern Provincial Governments or the Koiari LLG or the Kokoda Rural LLG;
- (p) receipt of grants and funding paid to it by the Nat'l Government, Central or Northern Provincial Governments or the Koiari LLG or the Kokoda Rural LLG, donor agencies or other sources;
- (r) liaise with Koiari LLG Special Purposes Authority in relation to any matters which are of mutual benefit to either authority;
- (t) such other functions as may be assigned to it by legislation or otherwise from time to time by the Nat'l, Provincial or LLG, insofar as the authority can safely and adequately carry out;
- (u) all functions as are necessary and incidental to carrying out the foregoing (a) – (t) functions.

APPENDIX 4: INFRASTRUCTURE DEVELOPMENT ALONG THE TRACK

The Kokoda Trail Development Project (KTDP)

In 1993 the Prime Ministers of Papua New Guinea and Australia, the Rt. Hon. Pais Wingti and the Rt Hon. Paul Keating signed a memorandum of understanding committing each government to equally funding the development of infrastructure along the track, in memory of the sacrifice of Papua New Guineans and Australians in the area during World War II, and providing long lasting benefits to the local people.

In 1994 the Australian government honoured its commitment by providing a total of AUD\$2.5 million for construction of Kokoda memorial hospital, and in Kokoda, a community school, a school library, trekkers' accommodation, a war museum, an airport shelter, an access road, and a village water supply. Further projects included aidposts in Kagi, Manari and Sogeri. Rotary Australia World Community Service Ltd were contracted to complete the works.

In 1994 PNG National Executive Council (Decision Number 46/94) selected the National Cultural Commission (NCC) as the managing agent for PNG contribution to the Kokoda MOU. The NCC was to establish and chair the Kokoda Trail Development Project (KTDP), an inter-departmental and stakeholder coordinating committee, made up of representatives of the National Cultural Commission, Tourist Promotion Authority (TPA), KTA, the Provincial administration of Oro and Central provinces, and an independent technical adviser.

The KTDP conducted a needs survey and developed a schedule of community and tourist facilities to be built.

Due to financial difficulties the government of PNG has had difficulty in matching the contribution of the Australian government, However, In 1996 a contribution of K470,000 was made, and in 2000 a further K100,000 was made available to KTDP.

In November 2005 the Government announced a commitment of K3.4 million under the 2006 Development Budget Appropriation. The commitment is spread over four years, as follows;

| | |
|------|------------|
| 2006 | K1,000,000 |
| 2007 | K 900,000 |
| 2008 | K 800,000 |
| 2009 | k 700,000 |

Priority projects include water supplies, airstrip maintenance and improvement (Kokoda strip needs lengthening to take Dash 8 aircraft), and footbridge construction.

Following the 6 year funding vacuum, the implementation strategy requires the following stages

- a) stakeholder consultation,
- b) document revisions and costing update,
- c) community contribution and land use agreements,
- d) procurement and implementation arrangements.

Project implementation will be carried out through an extension of the existing Central Supply and Tenders Board (CSTB) approved consultancy agreement for the KTDP. It is planned that projects will be carried out by Nuigini Works Ltd, and Rotary Australia World Community Services Ltd. through Management Agreements with KTDP (National Cultural Commission, undated).

APPENDIX 5: PEOPLE CONSULTED DURING THIS STUDY

| | |
|----------------------|--|
| Samuel Adams | Manager Ok Tedi Development Foundation Programs |
| Keith Akane | Senior Manager, Finance & Administration PNG Microfinance Ltd. |
| Paul Barker | Director Institute of National Affairs |
| Warren Bartlett | Chief Executive Officer Kokoda Track Authority |
| David Conn, MBE | President Port Moresby Chamber of Commerce |
| Peter Cusack | Country Coordinator, PNG Private Enterprise Partnership- Pacific International Finance Corporation |
| Ashley Emberson-Bain | Business & Investment Adviser PNG Sustainable Development Program |
| Michael Epoko | Senior Policy Planner National Cultural Commission |
| Brian Favave | Vice President Kokoda Land and Resource Owners Association |
| Christine Haro | Executive Officer Tour Operators Association of PNG |
| Aaron Hayes | Managing Director Ecotourism Melanesia |
| Ross Hopkins | TRIP consultants International Finance Corporation |
| Garry Imri | Management Committee member Kokoda Track Authority |
| Max Kaso | Manager/ Guide Legend Guided Tours |
| Dr. Erik Kwa | Professor of Law University of PNG |
| Michael Manning | Chief Executive Officer Transparency International PNG |
| Guy Mascord | Principal Sustainable Development Solutions |

| | |
|---------------------------|--|
| Garth McIlwain | Managing Director Bank South Pacific |
| Rt Hon Sir Mekere Morauta | Member of Parliament Moresby North West |
| Norris Selu | Management Committee member Kokoda Track Authority |
| Brent St. Hill | Regional Manager NCD Coral Sea Hotels |
| Peter Vincent | Chief Executive Officer Tourism Promotion Authority |
| Musje Werror | Executive Manager Ok Tedi Development Foundation |
| Wallis Yakam | Senior Project Officer Consultative Implementation and Monitoring Council |