

# CAPACITY BUILDING IN PNG

Although inadequate infrastructure is still one of the loudest issues for those doing business in PNG, significant progress is being made in this area and the outlook is much improved.



IT SERVICES PROVIDER DALTRON IS ABOUT TO OPEN A RETAIL OUTLET IN PORT MORESBY'S CDB.

- Major capital works programmes underway across the board
- Telikom PNG's mobile arm spun off via PPP arrangement
- Privatisation process set to continue

In 2002 several state-owned enterprises responsible for the provision of infrastructure and transport services in PNG were placed under the supervision of the Independent Public Business Corporation (IPBC), with the aim of improving their performance and preparing them for some form of privatisation.

After a period of 'rehabilitation' in which the combined net assets of these organisations trebled, a public-private partnership policy has recently been devised as a model through which to invite private sector participation. The first cab off the rank was the mobile arm of Telikom PNG (see box on page 34), with others expected to follow soon.

## TELECOMMUNICATIONS

The speed of change in this sector is quite spectacular. As recently as the beginning of 2006, the situation was quite dire: there was neither broadband internet nor mobile roaming, telephone calls were prohibitively priced, and networks unreliable.

Internet services were already improving—in PNG's capital Port Moresby at least—by the time Irish-owned mobile phone company Digicel started operating in 2007. Digicel is a past master at penetrating developing markets, having refined its art in the Caribbean, and rapidly claimed a substantial share of the market with its wide coverage and customer-focused approach.

Two years on Digicel continues to expand its network, has just made the Blackberry hand-held device available to its customers and later this year will give Papua New Guineans the chance to be the first people on earth to utilise a solar chargeable mobile phone.

Its entry has seen call costs fall (even for fixed line calls) and coverage improve markedly. Reliability is still an issue, although a 3G network is expected to be operational by the end of the year. Digicel has also acted as the catalyst for incumbent Telikom PNG to partially privatise its mobile phone arm, B-Mobile (see box).

So where does all this leave Telikom PNG today? When *Business Advantage* caught up with Acting Chief Executive Officer Peter Loko in February 2009 he was upbeat about the company's future.

With competition also likely to occur soon in the fixed line

## THE CHANGING FACE OF PNG PORTS



**New CEO Brian Riches is already improving the attitude and image of PNG Ports.**

'We have a robust board, we have a new chairman, a new focus on change,' Riches enthuses to *Business Advantage*, explaining how PNG Ports is becoming more customer-focused. 'We are asking "how can we help you, what can we do, and how can we do it better?"'

PNG PORTS' NEW CEO, BRIAN RICHES.

'We have been fairly busy in the last 10 months,' Riches explains, describing his focus on corporate change—how the organisation thinks—as well as human resource development. Money is also being spent on infrastructure and rehabilitation as well as some development. But Riches is the first to acknowledge that while the Ports may have funds, there's also 20 to 35 years work to catch up on.

'I'd love to have K700 million for the next three years, and then another K700 million. I'm obviously not going to get that, but I'm going to try hard!' he says.

One of the challenges facing PNG Ports is that only the ports of Port Moresby and Lae are profitable: 10 other ports break even, and there are four that Riches describes as a community service obligations. In line with his ambitious attempt to introduce a more business-like model, Riches argues that if money is spent on some of the smaller ports they might be able to be self-sustaining. The way he sees it, the non-profitable ports have been let go and all the focus has been on the profitable ones.

The major extension project at Lae, PNG's busiest port, is experiencing delays which will see it now completed in 2014, but Riches details a host of improvements that are taking place, including the introduction of more harbour cranes and a new four-hectare area that's been leased for storage. 'The problem,' he clarifies, 'was 90% management, and that has been solved now.'

PNG Ports will also be pushing for a major part of PNG LNG gas project business should the project go ahead—'we want as much of that business as we can.'

As far as Riches is concerned, his job—and success—is all about getting the best out of the people around him: 'I've been able to build a great team here.'

# INFRASTRUCTURE & TRANSPORT

space, his vision for the company is to act primarily as a network provider, thereby playing to its strengths.

Accordingly, Telikom is presently involved in a major capital works program to upgrade and expand its infrastructure. A second international data cable will be commissioned in August 2009 connecting Madang to Guam (a telecommunications hub for both the USA and Asia). With additional pipes between key urban centres such as Lae and Port Moresby, and satellite links for further redundancy, reliability should improve and the additional capacity will finally enable broadband internet to be offered in population centres outside of the capital.

Like its rival Digicel, Telikom is also harnessing new technologies to confront the particular ICT challenges that PNG poses. Fixed wireless will offer a cheaper way of providing telephony to rural areas, whilst the new 3G network will also be accompanied by PNG's first wireless internet offering, via a USB modem.

'This is going to be a really exciting year,' sums up Peter Loko.

## IT SERVICES

All this is good news for IT services providers. Market leader Daltron has enjoyed rapid growth in recent times but sees plenty of new opportunities being created by this new infrastructure. Part of the diversified W R Carpenter Group, it recently opened an office in Lae and will also add a second Port Moresby retail outlet later in 2009.

Daltron is also the leading provider of IT services to the corporate market in PNG and General Manager Bruce Mead is keen to point out that international companies setting up in PNG do not need to source their ICT requirements offshore.

'We have alliances with international vendors and can leverage their technological expertise to provide leading-edge solutions within PNG,' he says. Daltron offers a wide range of support services to help reduce the costs and risk involved in running a business in PNG. It can provide a 'one-stop-shop' for staging deployment and lifecycle maintenance of customers' ICT solutions.

## ENERGY

There is a sense of making up for lost time in PNG's infrastructure sector, and this is particularly apparent in the energy sector.

Outages are still commonplace even in the main urban centres, but state-owned enterprise PNG Power has embarked on a concerted effort to increase generating capacity, whilst at the same time adding redundancy to its network. Much of this is being funded by a local financial consortium that extended a line of credit to PNG Power in 2007.

PNG Power has almost completed an upgrade and refurbishment of its hydro and thermal generating units and now has adequate power generation capacity for Port Moresby, with attention being paid to the upgrading of sub-stations and transmission networks. Similar advances are anticipated in the next two to three years for other major urban centres.

Work is underway on the 16MW Yonki toe-of-the-dam project. A construction contract is expected to be awarded later this year for the Ramu 2 hydro project, which will result in the first of two 120MW units being built. This will provide adequate power for the Ramu Nickel project and Hidden Valley gold mine and provide significant capacity for other uses in the region.



WORK HAS BEGUN TO UPGRADE PNG'S LONGEST BRIDGE, THE MARKHAM BRIDGE IN LAE.



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## SHIPPING

International shipping links to PNG are generally good, due to relatively high volumes and PNG's strategic location between Australia and Asia.

Swire Shipping offers the most frequent services, including direct service connections with North Asia, South East Asia, Australia, Europe and North America as well as South Pacific inter-Island links.

In late 2008, Swire Shipping launched its North Asia service, providing a direct link from the east coast ports of Australia to PNG and from North Asian ports back to PNG. With a 20-day frequency, this service carries heavy lift and project cargo as well as containerised products such as refrigerated foodstuffs.

Port Moresby and Lae are the main ports, but regular direct services are maintained to other regional ports such as Madang, Kimbe and Rabaul. Coastal shipping to other PNG ports, via the hub of Lae, is provided by Consort and Steamships Shipping. (See box on page 32 for more on PNG's ports.)

## ROADS

Improvements have been made to major national highways in recent years, though at a local level poor roads are still hindering business. This contrast is most noticeable in the industrial capital of Lae, nicknamed 'pothole city'. While the potholes in the centre of the city are if anything getting worse, the section of the Highlands Highway between Lae and its airport is well-maintained.

## WATER

Whilst the PNG Waterboard has responsibility for water supply nationally, the Eda Ranu state-owned enterprise looks after the capital itself. The latter is in advanced discussions regarding Japanese concessional finance for the K250 million upgrading of the Port Moresby Sewerage Project.

## PORTS

See box on page 32.

## AVIATION

See feature on page 18. ■

## NEW-LOOK B-MOBILE RESPONDS TO COMPETITION

**A new public-private ownership structure for B-Mobile—the mobile phone arm of state-owned Telikom PNG—is a landmark event not just for PNG's telecommunications sector, but potentially for all the country's state-owned enterprises.**

In September 2008, the Independent Public Business Corporation—manager of PNG's state-owned enterprises—sold off 50% of B-Mobile to Capital Way, a consortium consisting of Hong Kong-based private equity fund General Enterprise Management Services, telecommunications company Trilogy International Partners, and PNG investors NASFUND, Nambawan Super and PNG Sustainable Development Program Ltd.

The resultant new company, Black Dolphin Ltd, a 50/50 partnership between Capital Way and Telikom PNG, now owns and operates the B-Mobile business.

The partial privatisation was driven in part by a need to respond to an aggressive competitor, Caribbean-based Digicel, which entered the PNG market in July 2007 and has quickly become the market leader. Under-resourced, B-Mobile struggled to compete.

'The fact that B-Mobile was very quickly overtaken by Digicel made it very clear that, unless something happened, B-Mobile was going to continue to go backwards,' explains Roger Blott, Chief Executive Officer of the new Black Dolphin B-Mobile.

Armed with an immediate US\$45 million cash injection from Capital Way, B-Mobile is now better placed to compete, and has commenced an ambitious program of new investment. It plans to provide continuous coverage across PNG's main cities and highways, as well as localised coverage in select remote areas, with the roll-out of about 250 new transmitter sites.

'We want a state-of-the-art intelligent network completed this year [2009],' explains Blott, who is able to draw

on the know-how of investor Trilogy International Partners, which itself runs telecommunications networks in countries as diverse as Bolivia, Haiti and the Dominican Republic.

Once the network has been extended, B-Mobile plans to offer services beyond basic mobile telephony—3G, wireless data and electronic transaction processing. 'We want to create a platform capable of delivering international-standard service,' Blott told a Port Moresby business breakfast in February 2009.

Already the signs are positive for the new-look B-Mobile, which currently has 200,000 active customers. Sales for January 2009 were at an eight-month high and network capacity has grown by about 10%.

Blott is adamant that prices for consumers will fall as B-Mobile becomes more competitive, and is genuinely excited by B-Mobile's future prospects: 'It's a tough environment, but also a really good market.'

He is equally buoyed by the way the new public-private partnership has been greeted by PNG Government agencies.

'The relationship with the IPBC and Telikom PNG has been excellent,' Blott told *Business Advantage*. 'There's been a genuine enthusiasm to make it work.'

For those looking to participate in future privatisations of PNG state enterprises, that's encouraging news.



FROM LEFT: PORT MORESBY CHAMBER OF COMMERCE CHIEF EXECUTIVE DAVID CONN, DIGICEL PNG CEO JOHN MANGOS AND B-MOBILE'S CEO ROGER BLOTT (IMAGE: PNG POST-COURIER).