

MAKING IT IN PNG

Papua New Guinea's manufacturing sector continues to grow due to a stronger domestic market and more export demand.

- PNG has a growing manufacturing sector
- Most manufacturing is based in Lae
- Opportunities for import replacement and export

PNG's manufacturing sector has grown at about 6% *per annum* over the past decade. According to Chey Scovell, CEO of the Manufacturers Council of PNG, this is largely due to 'major reform initiatives such as SME [small and medium enterprise]-friendly policies, tariff adjustments, as well as regional trade agreements.'

While the Manufacturers Council of PNG spends a lot of time lobbying on behalf of its members, one of its more visible initiatives, the 'PNG Made' logo, promotes confidence in PNG-produced goods, both at home and overseas.

BROAD-BASED SECTOR

Locally produced fast-moving consumer goods include noodles, beer, soft drinks, ice-cream, paint, toothpaste and soap, while PNG's output also stretches to furniture, prefabricated buildings and cement. The country's manufacturing centre is not the capital Port Moresby, but Lae, which is also home to the country's largest port. Manufacturers based there include large international firms such as Nestlé (see box) and Orica; as well as major local companies such as Trukai Industries, Laga Industries (part of the Steamships group) and Lae Builders and Contractors (furniture, including for export).

INCENTIVES

There are certainly plenty of incentives for foreign manufacturers to produce in-country in PNG, stemming from the Government's desire to promote import substitution (the production of goods locally rather than relying on overseas supply). Whilst the duty on imports can be high, tax relief on inputs is often available to those who elect to manufacture onshore (see page 11 for more on PNG's tax incentives for business).



THE MANUFACTURERS COUNCIL OF PNG'S INCREASINGLY POPULAR 'PNG MADE' LOGO INDICATES TO CONSUMERS THAT 50% OF A PRODUCT'S COST OF PRODUCTION WAS INCURRED IN PNG.

STRONG DOMESTIC MARKET

PNG's domestic market is large in South Pacific terms, which gives it a scale advantage and provides opportunities to export goods to smaller neighbouring markets. Japanese-owned PNG Taiheiyo Cement and Australia's Orica (which manufactures paint under the 'Dulux' brand in PNG) both export elsewhere in the Pacific.

Local brewer S P Brewery (SPB) announced early in 2008 it would invest K90 million (US\$31 million) in a staggered three-year project to expand production at its breweries in Port Moresby and Lae by about 50%. The company is owned by local investors, including Nambawan Super Ltd, and international stakeholders, including well-known brewer Asia Pacific Breweries (Tiger Beer/Heineken). ■

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NESTLÉ GETS CLOSE TO ITS CUSTOMERS



The world's largest food company, Nestlé SA, is also feeling bullish about PNG. It introduced noodles into the country in the late 1970s and established a manufacturing presence there a decade later. According to Sylvain Pons, Managing Director for Nestlé Pacific Islands, the company has been enjoying double-digit growth in PNG in recent times, despite strong competition from Asian imports, and he expects this to continue as the local economy matures.

Nestlé's strategy in PNG is to take advantage of its physical presence in the country to gain customer loyalty. As reported last year, it has introduced two innovative programs to get closer to its customers, wherever their location: creating a network of mobile noodle vendors (pictured left) in urban centres and using a pyramid-style distribution chain to reach villages.

According to Pons, making the extra effort to actually visit the more remote parts of the country pays handsome dividends. In 2009 this strategy will develop further in the form of an ambitious 'consumer insights' project that will involve actually interviewing consumers around PNG about their tastes and preferences.