

A PAVED ROAD BY THE VILLAGE OF METI IN THE WESTERN HIGHLANDS PROVIDES VITAL ACCESS TO MARKETS AND HEALTH SERVICES.

INFRASTRUCTURE, TRANSPORT & ICT

SUPPORTING NATIONAL GROWTH

Papua New Guinea's infrastructure and transport sector continues to face challenges, but significant investments by the Asian Development Bank and good results from opening up the telecommunications sector are creating some momentum—and opportunities.

Broad economic growth across Papua New Guinea is putting pressure on infrastructure, says Ross Hammond, Managing Director of Westpac Bank PNG Limited:

'I think we are going to be in the situation where the demand for goods and services ... will place higher demand on infrastructure and infrastructure development is actually lagging behind the need. I'm reasonably confident we'll get there eventually, however.'

NGOS PROVIDING SUPPORT

While Government-owned utilities are doing their best with limited capital, more investment is needed—one reason why the Asian Development Bank (ADB) has such a strong presence in the country. According to Charles T. Andrews, the ADB's Country Director in PNG, the bank's main strategic focus is in transport infrastructure.

'We're positioned quite heavily to help the Government to develop infrastructure in road transport, maritime and now civil aviation.'

'There's a big body of work that's becoming available, all of which should be of interest to international contractors and engineering firms.'

Key ADB-supported projects include the tidal basin project to expand the port of Lae, PNG's busiest and most important port, and a major project to improve facilities at PNG's key airports (see page 37). Andrews says the volume of work, and a lack of capacity in-country to supply engineering and construction contractors, means there are many opportunities for international contractors in PNG.

'There's hundreds of millions of dollars of contracts just for projects we're associated with coming on stream,' he tells *Business Advantage*. 'There's a big body of work that's becoming available, all of which should be of interest to international contractors and engineering firms.'

TELECOMMUNICATIONS & IT

PNG's telecommunications market began opening up in 2007 with Irish-owned Digicel PNG joining state-owned Telikom PNG in providing mobile phone and mobile internet services.

Leon Buskens, Chief Executive Officer of Nambawan Super, is on the board of Telikom PNG. He tells *Business Advantage* that the opening up of the telecommunications sector to competition was, 'the best thing that ever happened. Competition makes you think: it puts you on your toes.'

The PNG Government's pro-competition policy in the telecommunications sector will be formalised in an Information and Communications Technology Bill due to be introduced in 2010. The Bill will also provide for a new industry regulator.

Lower prices, wider coverage, the introduction of wireless broadband, CDMA/3G services and support for Blackberry smart phones in PNG have all been attributed to stronger competition. Telikom PNG continues to provide all fixed line phone calls in PNG. Its internet and mobile arm, bemobile, was partly privatised in 2008, and has successfully bid to provide mobile services in Solomon Islands (see box on page 39).

While phone and internet services in Port Moresby have improved markedly over the past four years, services outside the capital are less reliable. In an encouraging development, two state-owned utilities, Telikom PNG and PNG Power, have announced they will bring fibre optic telephone and internet links to the important industrial and population centres of Lae and Madang. The new agreement will see a fibre optic cable run from Madang to Lae on PNG Power's transmission powerlines.

Lawrence Solomon, PNG Power's Acting Chief Executive has told *Radio Australia*, 'This is not only about improving the service in Lae and Madang, but also improving the service throughout the country. With fibre optics we are looking at improving the capability of the telecommunication system and delivering ... data as well as voice communication.' The program should be up and running by the end of 2010.

ENERGY

Energy in PNG is provided by state utility, PNG Power. PNG's topography makes power delivery a major challenge but even in major industrial centres such as Lae, power cuts are common

CASE STUDY: DEREGULATION ACTS AS SPUR FOR ICT COMPANY

PNG's blooming ICT sector is encouraging industry service providers such as Daltron to make significant investments to expand their service offerings to the corporate and government sector.

'Deregulation in ICT is creating opportunities for us to grow our internet business,' explains Kumar Baliah, Acting General Manager, 'so we are investing in our ISP capability in order to improve and expand our services.'

Part of the WR Carpenter Group of companies, Daltron leverages a strategic alliance with Hewlett Packard to offer a wide range of technology services.

It has used PNG as a base to expand around the Pacific markets over the past three years (it now operates in Vanuatu, Fiji, Solomon Islands), but is also rapidly increasing its physical presence in PNG. After opening a new data centre in Port Moresby and an office in Lae in 2009, the company is now looking to establish itself in other urban centres.

Daltron's ambitions are positive news in a country where IT solutions have traditionally been hard to obtain:

'Over the past two years we've been winning a lot more business from larger firms and government departments who previously tended to source offshore,' concludes Baliah.

enough for most businesses to have their own power generators for redundancy.

Charles T. Andrews says the ADB has begun to 'dip its toe' into the power sector, a pressing need as 'there's been little investment in the sector.' He envisages the ADB becoming a major partner and participant in the power sector in future years.

Currently, the ADB is helping the Department of Petroleum and Energy and PNG Power Ltd establish the feasibility of developing small hydropower schemes in up to five provincial cities, increasing their electricity coverage from about 15% to 40% of the population.

'Hydro is a great green power opportunity. Hydro power could do so much in this country,' Andrews says.

In Madang Province, negotiations continue over funding of the proposed Ramu 2 hydro power station. The plant would power the large Ramu Nickel project, and also provide electricity to locals.

AVIATION

PNG's 21 major airports are managed and owned by the National Airports Corporation Limited.

The ADB is financing most of a US\$640 million program to rehabilitate and maintain PNG's airports, and improve capacity at the PNG Civil Aviation and Safety Authority. The first phase of the ten-year program includes improvements to the country's largest, Jacksons International Airport in Port Moresby, and the rehabilitation of airports in Wewak, Alotau, Kimbe and Mt Hagen.

Charles Andrews believes this work could provide opportunities for the next phase of government's Public-Private Partnership (PPP) strategy. 'I think there's a PPP opportunity around the redevelopment of Jackson's airport. The main seaports of the

country as well,' he says.

PNG is serviced by four main airlines: national carrier Air Niugini Limited (ANL), POMSoX-listed Airlines PNG, Virgin Blue subsidiary Pacific Blue and, finally, Australia's Qantas Airways. ANL flies to Sydney, Singapore, Manila, Tokyo, Hong Kong and Kuala Lumpur, and has plans to extend to China and India. It also has the most extensive domestic network (see box on page 38).

Airlines PNG provides a smaller number of domestic services as well as flying to and from Australia via a codeshare arrangement with Pacific Blue. It also has plans to extend its network to parts of Asia in 2010. A range of smaller companies provides charter services for business, miners and tourists.

Qantas' participation in PNG's aviation market has until recently been through a codeshare arrangement with ANL. However, it recently applied successfully for the air rights to fly 12 weekly services from Cairns to Port Moresby, and hopes to begin service from July 2010.

PORTS

PNG's 16 declared ports are managed by state-owned company, PNG Ports Corporation Limited. As indicated above, PNG's busiest port at Lae is undergoing a major expansion that should be completed by 2014.

PNG Ports has a large schedule of other major projects. There are long-standing plans to move the Port Moresby port to a larger site away from the CBD, a project likely to be delivered under a Public Private Partnership (PPP). In the meantime, there are plans to upgrade and extend existing wharf facilities in Port Moresby.

The ports of Lae and Port Moresby are also earmarked to undergo a significant remodelling exercise. Coupled with the

We are meeting the challenges of the future

Our Ports are our gateway to world trade and tourism. At PNG Ports Corporation, we are continuing to advance, improve and modernise our Nationwide Port and Pilot facilities to efficiently handle the growing shipping movements throughout Papua New Guinea.



We are committed. We are PNG Ports Corporation.

Tel: (675) 308 4200 Email: business@pngports.com.pg
Head Office: Stanley Esplanade Port Moresby, PO Box 671
Port Moresby, Papua New Guinea

www.pngports.com.pg





THERE ARE PLANS TO RELOCATE PORT MORESBY'S PORT.

introduction of harbour cranes, new container scanners and x-ray machines, significant efficiencies in cargo productivity, yard management and ship turnover are expected.

Another US\$18 million project will see part of the Rabaul port rehabilitated for use by Nautilus Minerals for their proposed Solwara deep sea mining operation, while harbour cranes are to be installed in Lae and Port Moresby possibly through a joint venture with donors and private partners.

PNG Ports is also embarking on revitalising its marine and harbour pilotage operations. Through an arrangement with the Australian Reef Pilots, a marine transfer pilotage operation is provided at Jormad Pass in Milne Bay Province for north and south bound vessels. As well as shorter journey times, the arrangement ensures that PNG's pristine marine environment is protected.

SHIPPING

With a limited number of roads in PNG and a large number of

widely dispersed islands, a lot of goods are transported around the country via a busy coastal shipping network.

Among the international shipping companies servicing PNG is Swire Shipping, which recently improved its services between PNG and Australia and other South Pacific Islands. Swire will now operate to the Pacific Islands on an 18-day frequency (down from 35 days) using two larger vessels, and between Australia and PNG on a seven-day frequency (down from 10.)

'Papua New Guinea is central to a number of Swire Shipping trades and the region is a key focus for the group. We are confident that the enhancements to the PNG/Solomon Islands trade will deliver significant value to the area's business community,' says Swire's General Manager Trades, Toby Smith.

ROADS

PNG has some 27,000 km of roads, and land transport plays a critical role in the country's economy, particularly in enabling farmers in the highlands to bring their produce to market. The major artery is the 700km Highlands Highway, which connects the provincial capitals of Lae, Madang, Goroka and Mount Hagen, provinces where gold, oil and gas and agricultural production are crucial for PNG's overall economic health. However, the ADB estimates about 70% of the road network in the Highlands region is in poor condition, for financial and institutional reasons.

The PNG Government's *National Transport Development Plan, 2005–2010* gives priority to maintenance and improvement of the existing road infrastructure. The ADB has a long-term, US\$400 million program for supporting and maintaining the Highlands Highway.

AIR NIUGINI: RISING TO THE CHALLENGE OF COMPETITION

While Papua New Guinea's aviation sector now has healthy competition on key international and domestic routes, national carrier Air Niugini still has a key role to play in its future development. It still provides the first taste of the country for most international visitors and is the only provider on many domestic routes.

'Volumes of visitors to PNG have increased for both visiting friends and relations and also business,' notes the airlines Chairman, Sir James Tjoeng. In response to demand, the airline is expanding its services to the Asia-Pacific region. It opened a new service to Kuala Lumpur towards the end of 2009, and in March 2010 introduced a second weekly flight to Narita International Airport in Japan. Further ahead, Sir James anticipates flights to both China and India.

The Air Niugini fleet is also being modernised, with a Falcon 900 EX executive jet recently added for private and Government charter and two new Bombardier Dash 8-Q400s recently ordered for delivery in 2010. A gradual phasing out of its older Fokker 100s on domestic services will follow. Looking further down the line, Air Niugini has placed an order for the new Boeing 787-8 'Dreamliner' for its international routes. Delivery is expected in 2014. A codeshare relationship with Australia's Qantas has also recently been extended.

PNG provides Air Niugini with a tough operating environment—one reason why PNG-trained pilots are in demand worldwide.

'We have a different geography, different weather—a large percentage of flight delays are weather- or airport infrastructure-related,' says Tjoeng. With this in mind, he says the Asian Development Bank's K700 million (US\$259 million) project to improve current airport infrastructure in PNG is 'exciting.'

As a state-owned enterprise, Air Niugini is currently managed by the Independent Public Business Corporation, but Tjoeng would like to see the airline privatised at some stage in the future.

'We are working to maximise return to stakeholders over the next ten years but privatisation is the way to go,' he told *Business Advantage*. 'The taxpayer can't continue to fund what is effectively a private enterprise.'

A privatised Air Niugini, Tjoeng thinks, might continue to provide much-needed flights to non-viable routes through partnerships with PNG's provincial governments.



RAPID PROGRESS IN THE MOBILE PHONE MARKET

Following its 2008 rebranding, mobile phone provider bemobile (formerly B-mobile), is consolidating its presence in the local mobile phone market, and providing increased competition to Digicel PNG.

The result of a 50/50 joint venture between Telikom PNG and a consortium of international private investors, bemobile is now upgrading and reconfiguring its network.

'We've planned on getting 250 towers up and we're on target for that. We've come along way in terms of stabilising the network too,' says John Papazian, bemobile's acting CEO. Ultimately, Papazian says the goal is to make bemobile's network independent of Telikom's. 'It should take about six months before we can route bemobile off the Telikom network.'

The company's name change and increased visibility via a new purple and orange logo, has been a major part of its rebranding strategy, as has its approach to pricing.

'We reduced our prices by 60% over 12 months. Our flat rate of 49 toea a minute used to be between 1.20 and 1.70 kina. It's very cost-effective for the consumer,' says Papazian.

While the introduction of SMS banking in PNG is expected to lift demand for text services, there are plans to introduce data services via GPRS technology. The company also hopes to introduce 3G services into the local market.

'Data is a big step for people. Internet hasn't exploded yet but it will happen. With the advent of the LNG project, there will be demand,' says Papazian. 'There are loads of opportunities for development, if oil and gas goes right. The economy will absolutely explode with the wealth that's here.'

Bemobile received a boost in late 2009 when it was awarded the second operating licence in the Solomon Islands, allowing it to compete with the state-owned telecommunications carrier Our Telekom. Papazian has no doubt that bemobile's community consultation business model helped it secure the contract, and he estimates that bemobile will be providing coverage to around 80% of the population by 2013.

- BADILI**
- PH 321 7036 FAX 321 3703
- WAIGANI**
- PH 325 7388 FAX 325 1252
- ALOTAU**
- PH 641 0100 FAX 641 0102
- BUKA**
- PH 973 9915 FAX 973 9916
- GOROKA**
- PH 532 1844 FAX 532 2426
- KAVIENG**
- PH 884 2788 FAX 884 2251
- KIMBE**
- PH 983 5155 FAX 983 5119
- KOKOPO**
- PH 982 9100 FAX 982 9101
- LAE**
- PH 478 1800 FAX 472 2463
- LIHIR**
- PH 986 4099 FAX 986 4097
- MADANG**
- PH 852 2188 FAX 852 3010
- MT. HAGEN**
- PH 542 1888 FAX 542 1937
- PORGERA**
- PH 547 9367 FAX 547 9348
- TABUBIL**
- PH 548 9080 FAX 548 9294
- VAMIND**
- PH 857 1254 FAX 857 1226
- WEWAK**
- PH 856 2255 FAX 856 2252

Ela Motors

Your First Choice

World Class Products From PNG's No.1 Quality Assured* Automotive and Marine Dealer

Ela Motors

TOYOTA TSUSHO (PNG) LTD
HEAD OFFICE
PASCAL AVENUE, SCRATCHLEY ROAD, BADILI . TELEPHONE : (675) 322 9400 FACSIMILE : (675) 321 7268
P.O. BOX 74, PORT MORESBY, NCD, PAPUA NEW GUINEA.
*Quality Assured ISO 9001:2000 Lic.1368 SAI Global . www.elamotors.com.pg