

SUPPORTING VANUATU'S ECONOMY

LOCAL POWER PROVIDER UNELCO RELIES INCREASINGLY ON ALTERNATIVE ENERGY RESOURCES.

Providing adequate services to a country comprising of 65 inhabited islands and only 229,000 people is never going to be an easy task. However, things are clearly improving.

TELECOMMUNICATIONS

The most dramatic recent development has been in the area of mobile phones. The long-awaited arrival of competition in telecommunications occurred in 2008 with the arrival of developing Digicel (see box, far right).

Incumbent Telekom Vanuatu Ltd (TVL) has predictably responded by beefing up its sales and marketing activities, but has also committed to a major capital works program to upgrade its main exchange, as well as increase capacity on its national backbone network.

Deregulation of the internet service provider (ISP) space is expected to follow soon. Internet access has improved markedly in Vanuatu in the past four years, thanks in part to TVL increasing the capacity of its international satellite link.

'The most dramatic recent development has been in the area of mobile phones.'

AIRPORTS

A new cargo terminal opened at Port Vila's Bauerfield international airport in 2005. What it really needs now is a runway extension so that it can accept larger aircraft. Santo's Pekoa Airport was upgraded in 2007 and now handles international flights.

ELECTRICITY/WATER

These services are provided by Unelco Suez, a subsidiary of France's Suez. While prices are high, services are reliable. A Utility Regulatory Authority Act was recently passed to introduce regulation to this sector.

Only about 20% of Vanuatu's population has access to electricity, but demand has risen sharply over the past three years. Accordingly, Unelco has now embarked on a three-year investment project to increase its electricity generating capacity and upgrade its grid.

Faced with ever-increasing diesel bills, Unelco undertook a successful and well-publicised experiment to blend diesel with coconut oil (pressed from copra, or dried coconut, which is abundant in Vanuatu) in 2005.

Besides the use of biofuel, its renewable energy plan also involves wind energy: Unelco's first wind farm was established just outside Port Vila in 2008.

CASE STUDY: PROVIDING VANUATU'S IT SOLUTIONS



DALTRON'S BRUCE MEAD.

Joining the growing list of international businesses investing in Vanuatu is leading IT services provider Daltron.

Owned by the WR Carpenter Group, Daltron is rapidly expanding from its PNG base across the South Pacific, with offices in Fiji and the Solomon Islands and

plans to enter Samoa next year. Its decision to invest in Vanuatu suggests the country has reached a 'tipping point' in terms of its IT infrastructure capacity (see 'Telecommunications' left).

In 2008, Daltron entered the Vanuatu market with the purchase of well-established local firm PacTec, instantly capturing 40% of the local market. Daltron offers a broad range of IT hardware and tailored business solutions, and also has plans to add training and support services.

'Our aim is to provide the best level of hardware, software and business solutions to all clients in Vanuatu,' says Bruce Mead, Daltron's Managing Director.

Daltron will also establish a fully certified Hewlett Packard (HP) Service Centre in Vanuatu, continuing its expansion as the major HP provider in the South Pacific. For its corporate and government clientele, this means IT solutions and maintenance services can finally be sourced onshore.

'Daltron Vanuatu will have access to all the technical resources of Daltron PNG. This will not only enable clients in Vanuatu to remain up to date with the latest technologies but will assist with large projects.'



CROWDS GREET THE LAUNCH OF DIGICEL'S VANUATU SERVICE IN MID-2008.

SHIPPING

A total of seven overseas shipping lines provide both container and general cargo international services to and from Vanuatu. The ports at both Port Vila and Luganville (on the island of Espiritu Santo) can handle both standard and refrigerated 20-foot containers.

According to the Pacific Islands Trade and Investment Commission, coastal freight services are irregular and costly. These are provided by private companies with a cargo capacity in general well below 100 tonnes. Many smaller ports do not have wharves.

PORTS

Congestion at Port Vila's port terminal has worsened in recent years as a burgeoning number of cruise ship arrivals has impeded regular shipping services, to the detriment of local traders. A US\$15 million (A\$19.3 million) upgrade of the wharf facilities (including the provision of two tugboats) announced in 2008 is expected to solve many of the port's problems.

ROADS

Vanuatu's road network is currently getting a much-needed overhaul thanks to US\$66 million (A\$81 million) windfall. Vanuatu is the only Pacific Island country eligible for funding under the Millennium Challenge Account (MCA). According to the Asian Development Bank's latest 'Private Sector Assessment' of Vanuatu, road density is low, only 20% of roads are sealed, and maintenance has traditionally been inadequate.

The MCA funding means that by April 2011 the entire ring road around the main island of Efate will be sealed, as will 57km of the East Coast Highway on the island of Espiritu Santo.

Part and parcel of Vanuatu's compact with the Millennium Challenge Corporation is that road maintenance will improve, with AusAID funding a US\$11 million complementary three-year program. ■

CASE STUDY: DIGICEL STIRS UP MOBILE MARKET



DIGICEL'S TANYA MENZIES.

The entry of Digicel into Vanuatu's mobile phone market in mid-2008 produced an apparently perfect case study on the benefits of deregulation. Until then, mobile phone rates in Vanuatu had been high, service indifferent and coverage limited.

Once Digicel painted the town red in its inimitable fashion the market was transformed literally overnight, thanks to low-cost handsets and call costs, expanded coverage and an innovative, customer-oriented approach. And amazingly, not even the incumbent Telekom Vanuatu Ltd (TVL) was complaining.

TVL's Acting Managing Director, who is also the Regional Director for Cable & Wireless (a major TVL shareholder), recently told *Business Advantage* that 'the advent of competition had been good for TVL' and had also encouraged its board to commit to additional capital expenditure on its network.

It is also to the credit of the Vanuatu Government that the process of deregulation was carried out in an orderly and equitable fashion, without any friction between the two parties involved.

After expanding throughout the Caribbean, Digicel entered the Pacific market in 2006 and already operates in five countries in the region.

To understand the company's focus you don't need to look any further than its Country Manager in Vanuatu, Tanya Menzies, who started out as a customer care agent in her native Jamaica. 'All of our business is developed around the customer,' she explains. For instance, as some of Digicel's prepaid customers are located in remote areas, being able to get to a store to purchase credit can present a problem. To combat this Digicel introduced its revolutionary 'Kredit Mi—Kredit U' service. This enables customers to transfer credit balances between accounts instantly, with just a text message.

As a major new investor in Vanuatu, Digicel was also very impressed with the level of assistance it received: 'the support we received from the Government was so good that we now hold Vanuatu up as an example when we enter into negotiations with other countries in the region,' says Menzies.