

INFRASTRUCTURE & TRANSPORT

THE BUILDING BLOCKS OF AN ECONOMY

CREDIT: ADB

Infrastructure development is essential to the future prosperity of the Solomons. Although the task is huge, there are encouraging signs in most areas.

It is hard to imagine a country anywhere in the world that is more challenging in terms of infrastructure provision than the Solomon Islands. The population of just over 500,000 is scattered over hundreds of islands that are prone to very high rainfall and even earthquakes.

However, donor agencies, especially the Asian Development Bank (ADB), have identified infrastructure as a priority and new technologies are starting to provide solutions to old problems. Furthermore, the current administration has put infrastructure development at the forefront of its economic policy.

POWER

The Solomons is among the most expensive countries in the world for electricity. Naturally, this puts up the cost of doing business and limits consumer access, with some estimates suggesting that only 20% of the Solomon Islands population has access to electricity supplied by the Solomon Islands Electricity Authority (SIEA). Honiara itself has also been prone to power cuts in recent years, with larger businesses relying on back-up generators. Outside of Honiara, major projects such as Guadalcanal Plains Palm Oil or the Gold Ridge Mine generate their own power.

Some progress is being made, however. The Honiara Power Supply Improvement Project, funded by the Japan International Cooperation Agency (JICA), has done just that, but how can the cost of power be made more affordable?

The obvious answer is to find a way of generating power without the need to import expensive diesel, which presently gobbles up as much as 90% of the SIEA's operational budget.

The Tina River Hydropower Development Project in the centre of the main Guadalcanal Island, for example, could reduce tariffs for end-users by two-thirds. A feasibility study was commissioned in late 2009 by project partners, the World Bank, the European Investment Bank and the Solomons' Ministry of Mines, Energy and Rural Electrification.

Other renewable forms of energy could potentially be used to provide electricity to the country's rural population.

WATER

Access to reticulated (or running) water is only available in the four major urban areas, with services provided by the Solomon Islands Water Authority (SIWA). However, major investment is required to upgrade pipes, tanks and underground plants, as well as to install new treatment facilities and metering systems. As a result, water supply remains unreliable.

SIWA is currently in advanced discussions with JICA for a US\$22 million upgrade to the water supply systems in both Honiara and Auki, the rapidly-growing urban centre on the island of Malaita. It is hoped that work on this project will commence in the third quarter of 2010.

'The current administration has put infrastructure development at the forefront of its economic policy.'

SHIPPING & PORTS

The Solomon Islands international shipping services are provided by Swire Shipping as follows:

- Monthly calls from New Zealand to Solomon Islands utilising Swire's East South East Asia service
- Every 21 days from Australia to Honiara
- Every 36 days direct from South East Asia to Solomon Islands

All of the above are multi-purpose services capable of carrying containers (dry and refrigerated), break-bulk and project cargo. In addition, there is a transshipment service connecting Europe and the Solomon Islands.

The problem, though, is with inter-island shipping, which is vital for social and economic development. This area has been deregulated but many domestic routes are simply not commercially viable. Thus service is very poor, making life tough for rural-based industries.

The principal ports are in Honiara and Noro (Western Province), but existing infrastructure is inadequate to meet rising demand. The Solomon Ports Authority is involved in a reclamation project at Noro and is building a new jetty in Honiara.

ROADS

Although the Solomon Islands has a road network of almost 2000 km spread over 30 islands, only about one-fifth of the national population has access to land transport, mostly in Guadalcanal and Malaita Provinces.

The Solomon Islands Road Improvement Project, led by the ADB and in partnership with the Solomon Island Government, AusAID and the European Union, funds the construction, upgrading and rehabilitation of roads and bridges.

In late 2009 it was announced that this programme would be expanded, to the tune of US\$24 million, in order to upgrade 20 kilometres of high priority roads and 30 bridges in rural areas.

Meanwhile, at an urban level, the World Bank is funding a \$US6 million project aimed at fixing up Honiara's roads and footpaths, while giving employment to hundreds of youth and disadvantaged people in Solomon Islands.

AVIATION/AIRPORTS

For an update on the Solomon's aviation sector, see page 12. ■

TELECOMMUNICATIONS EXPANSION

The Solomons economy is set to get a major boost in 2010 as the telecommunications sector enters a new era.

Telecommunications has long been identified as a major obstacle to economic development in the Solomons. Things have certainly improved in the three years that *Business Advantage* has been visiting the country.

Incumbent Our Telekom (formerly Solomon Telecom) has introduced ADSL internet (including wireless), mobile roaming and reduced fixed line costs. However, 2010 is shaping up as a definitive watershed in the evolution of the industry, with the advent of a genuinely competitive market.

The Telecommunications Act passed in August 2009 will pave the way for a second mobile phone operator to establish itself in early 2010, with competition in internet services expected a couple of years later.

In December 2009, it was announced that the second mobile license had been awarded to bemobile, a Papua New Guinea-based operator backed by Hong Kong equity fund GEMS and international telecommunications firm Trilogly. The new entrant is expected to make a substantial investment in the Solomons economy, creating a significant number of permanent jobs. Its presence will also help improve services and apply downward pressure on prices.

At first glance, the Solomon Islands seems to have been slow out of the blocks in deregulating its telecommunications sector. The other larger Pacific Islands Countries have completed this process over the past three years. However, the local business leaders we spoke to in Honiara praised the way the issue has been handled, citing the problems experienced in other jurisdictions (most notably PNG) where the process has been rushed. Our Telekom has been compensated for the premature termination of its monopoly, and a new regulator will oversee the industry.

This more conservative timeframe has also given Our Telekom the opportunity to brace itself for competition—an important consideration if a genuine and long-term competitive environment is the objective. Mobile phone charges fell sharply in 2009, leading to an immediate surge in the number of subscribers.

'A road-map on deregulation was produced by PricewaterhouseCoopers in 2006, so we've been preparing



CREDIT: OUR TELEKOM

for a while,' Our Telekom's Chief Executive Officer Loyley Ngira told *Business Advantage* in late 2009.

These preparations revolve around a major investment in its core network, in order to increase its capacity and expand coverage beyond the main towns. By 2010, it expects to be able to offer its customers the enhanced features of a 3G network.

'Our aim is to have a network that is comparable with that of any competitor,' says Loyley Ngira.

Those in more remote rural areas are benefiting from Our Telekom's 'Unity Blong Community' rural support programme. This is rolling out 30 IP-GSM base stations at various locations around the country to provide rural mobile services.

The Solomons relies on a satellite link for international connectivity, and the capacity of this will shortly be doubled in a move that will also improve internet access speeds. Besides ADSL access, there are also 18 wireless internet hotspots around Honiara. A WiMax network is also being trialled in Honiara to extend internet access beyond the cable network.



Solomon Islands Water Authority

Our goal is to provide a reliable, safe and sustainable water service to all urban areas of the Solomon Islands

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