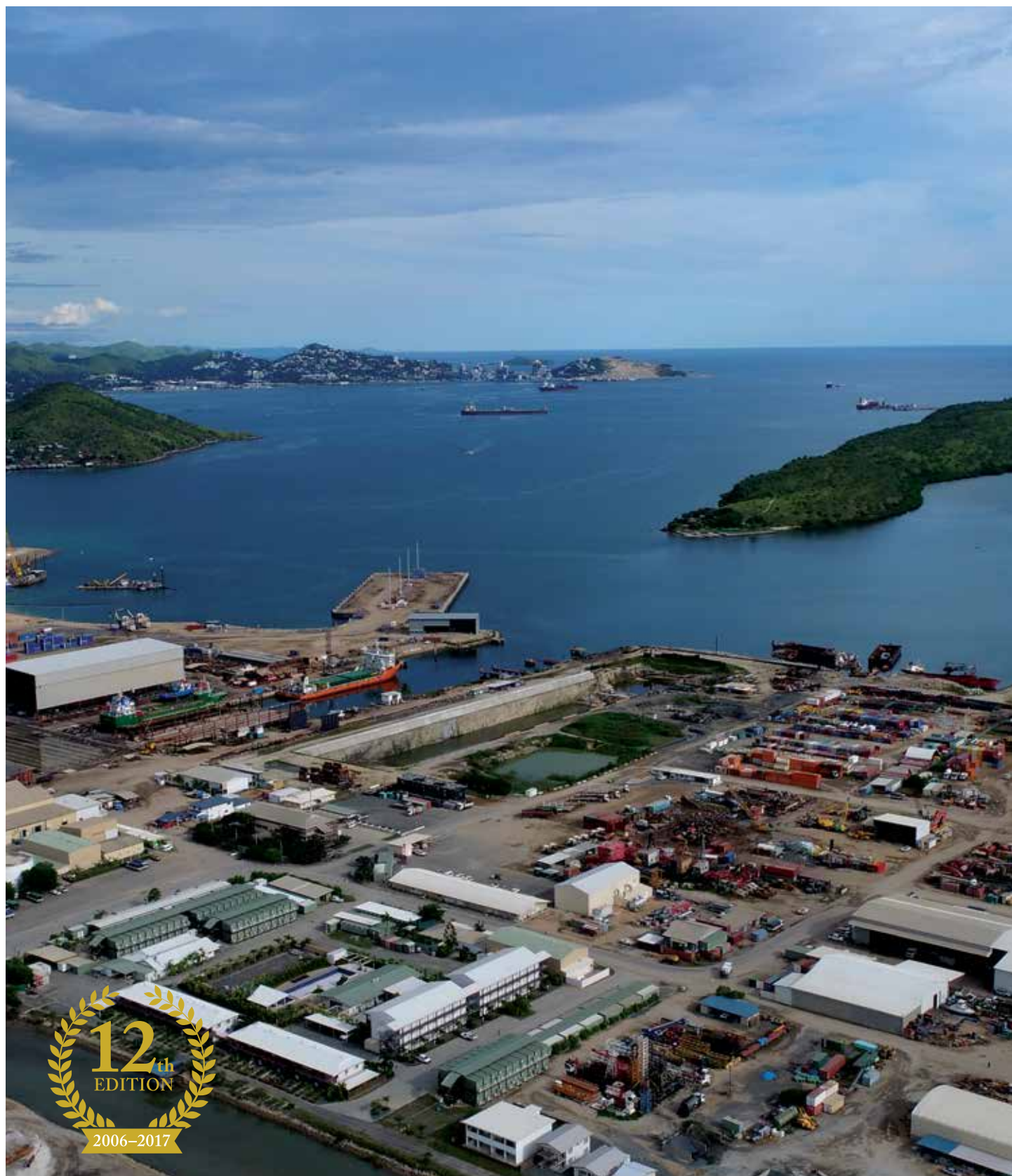


BUSINESS ADVANTAGE

# PAPUAN<sup>NEW</sup>GUINEA<sup>2017</sup>

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# Welcome

Welcome to the 12th annual edition of Business Advantage Papua New Guinea.

Business Advantage International has been reporting on PNG's economy since 2006: initially in this annual guide and, since 2013, also through our online business magazine, **businessadvantagepng.com**.

From the outset, we have given prominence in our reporting to the views and experiences of those actually doing business in the country. Our small team of highly experienced business journalists conducts hundreds of interviews each year, in addition to other substantial research.

We feel it is the best way for our readers to understand not only what is really happening on the ground, but also to filter out the preconceptions, half-truths and misinformation that can only too easily find their way into business reporting.

We like to think it is one reason why our reporting on PNG business is so widely shared and syndicated—by business chambers and media outlets, in Air Niugini's in-flight magazine, on social media, by hand, in diplomatic missions, and by word of mouth.

For a true publisher, producing content is only half

the job; you also need to get it to the readers who need it.

These days, we count our readers in the hundreds of thousands. It rarely takes long before a business person, new to PNG, comes across our work in some form.

Since 2012, we have also run regular investment conferences on PNG. These are designed to enhance our readers' understanding of PNG's economy, and to give them invaluable opportunities to meet face-to-face with investors, financiers and entrepreneurs.

A Business Advantage event is not just well-organised and enjoyable. It is carefully curated and packed with highly relevant expertise and insights. We do not run them often. But when we do, attending them is uniquely worthwhile.

Our next event is the 2017 Papua New Guinea Investment Conference, to be held at the Shangri-La Hotel, The Rocks, Sydney on 7 and 8 September. We are relishing the opportunity to bring PNG's story to one of the Asia-Pacific region's major financial centres. If you enjoy this publication, we hope very much you'll join us there.

*Business Advantage Papua New Guinea 2017 was made possible by the support of the following organisations:*



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MORE THAN THREE  
QUARTERS BELIEVE  
PROFITS WILL RISE THIS  
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Business Advantage Papua New Guinea 2017 is published by Business Advantage International Pty Ltd  
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ISSN 1836-7895 (print)/1836-7909 (online)

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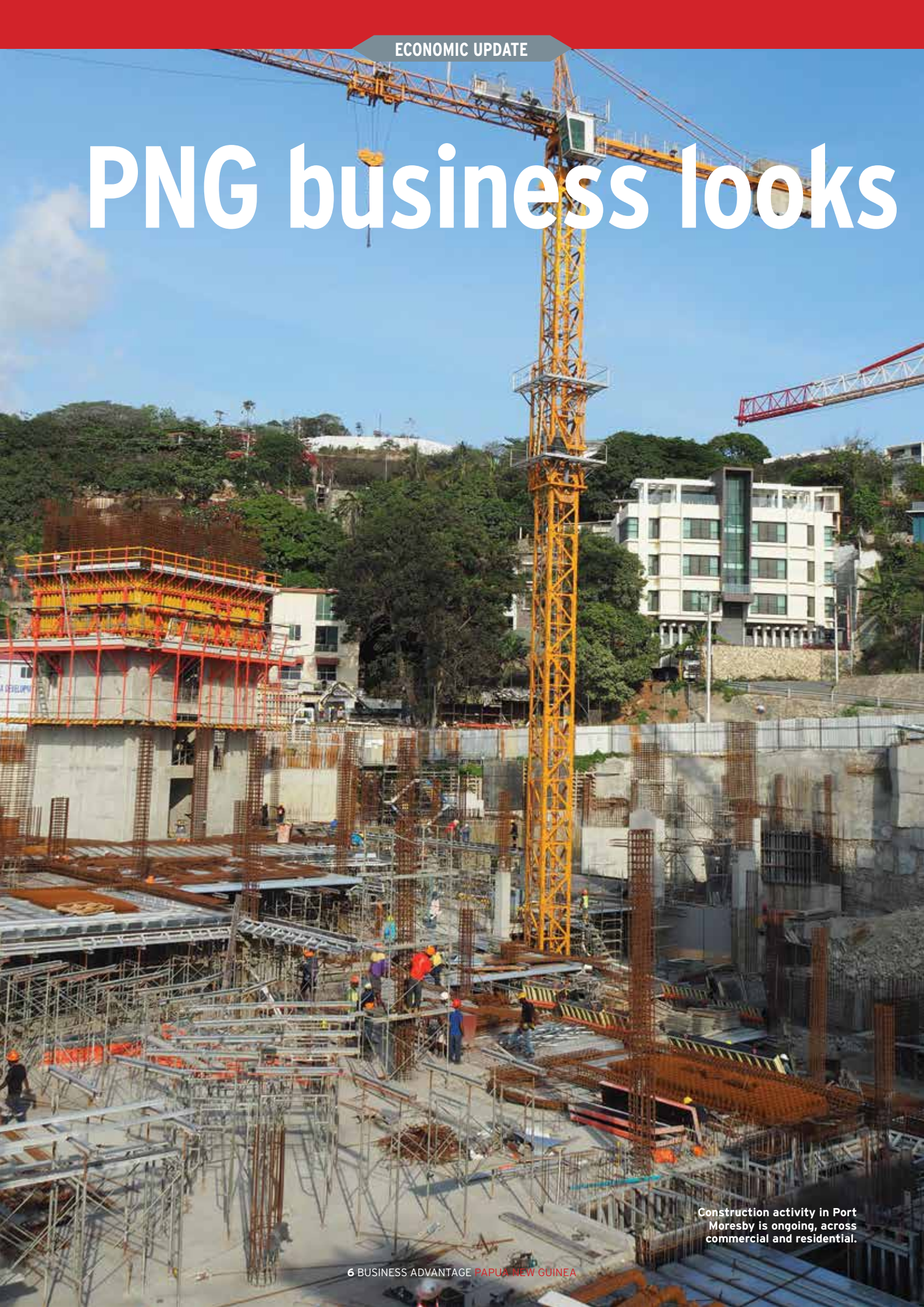
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# PNG business looks



Construction activity in Port Moresby is ongoing, across commercial and residential.



# to the next upturn

The fall in global commodity prices has had a negative impact on Papua New Guinea's economy. However, as **Andrew Wilkins** discovers, adjustments have been made and 2017 looks likely to be a year of preparation for better times.

**A**fter a decade of impressive economic growth—during which it was one of the Asia-Pacific's fastest-growing economies—Papua New Guinea is now experiencing a prolonged period of more modest expansion.

The three per cent GDP growth forecast for PNG by the Asian Development Bank for 2017, while still in positive territory, is marginally behind the International Monetary Fund's global growth forecast of 3.4 per cent for the year.

Although the consensus among experts is that it will be another 12 to 18 months before the economy picks up substantially, companies are already preparing themselves for the next upturn.

## Global factors

The slowdown in the economy, which commenced in 2015, is attributable mainly to external factors.

Lower prices for many of the mineral and agricultural commodities PNG exports to the world—in particular liquefied natural gas (exports of which only commenced in 2014), gold, copper, palm oil and coffee—were key, as was the resultant depressed global resources sector, which slowed investment in PNG's own mining and petroleum industry.

Lower prices means less income, as Bank of Papua New Guinea Governor Loi M Bakani outlined to me during a televised discussion back in September 2016:

'The issue that we have in front of us is the lack of foreign exchange coming in. That is due to the low commodity prices that we have, low investment into Papua New Guinea and a lack of increase in exports to bring back the foreign exchange.'

In practical terms, this has led to a consistent backlog of foreign currency orders in PNG over 2016 and into 2017. Businesses have had to wait longer to settle their overseas debts and repatriate profits offshore.

## Flow-on effects

Meanwhile, a combination of lower income and lower investment has hit the domestic economy. The 2016 financial year was a tough one for many businesses, with sales down across the board, often by as much as 15 to 20 per cent. Forty per cent of executives responding to our latest PNG 100 CEO Survey reported that profits were below expectations, while only five per cent bucked the trend and actually saw profits exceed expectations. (See page 18 for the full survey results.)

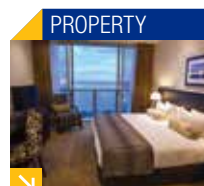
Inevitably, there has been a reduction in the workforce, as companies respond to new circumstances. One indicator of this is the fact that superannuation funds reported an increase in requests from their members to draw down on their savings during 2016.

'It's going to be a year of consolidation and getting back to basics,' suggests Ravi Singh, Chief Executive Officer of PNG's largest retailer, CPL Group. 'Most of our growth, though, has come from outstations and the Highlands region, because of the strong coffee season.'

Peter Langslow, Chief Executive Officer of Steamships, which operates a portfolio of businesses in PNG across logistics, manufacturing, hospitality and property development, has a similar story to tell *Business Advantage PNG*:



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GIVEN THE SOMETIMES DIRE ECONOMIC DEPICTIONS OF PNG FROM MAINLY EXTERNAL COMMENTATORS, ONE MIGHT REASONABLY ASK: WHY IS THERE STILL SO MUCH OPTIMISM IN BUSINESS CIRCLES ABOUT THE ECONOMY?



Picture: Milen Stiliyanov

Lae, PNG's second city

'The underlying profit for the group was down by just four per cent January to June 2016. Since then, levels of business activity have remained relatively quiet, and our focus has remained on what we do and how well we do it ... we have continued to look at our approach to the markets and the customers we serve, and the efficiencies of our operations.'

### Impact on government

The downturn has meant less taxation and resources revenue for the national government, which has been forced to tighten its belt to keep within mandatory debt-to-GDP ratios.

As a consequence, PNG's Treasurer Patrick Pruaitch has flagged that the national budget for 2017 of just over K11 billion will be a reduction on the previous year.

Consultancy firm KPMG estimates that capital expenditure on infrastructure is projected at K836 million, down from the K1.4 billion committed in 2016. KPMG believes that there will be a dramatic 20 per cent cut in health expenditure, and a decrease of 14 per cent in education spending.

While drastic, most experts agree it is the reasonable response in the circumstances.

'The government is actually faced with a dilemma whereby they need to try and balance the budget, raise revenue because of the revenue shortfall, cut expenditure, and at the same time think about how to encourage new investment. So, it is a challenge for them,' observes Syd Yates, Chief Executive Officer of the Kina Securities Limited Group.

'It was always going to be a challenging budget because of the macro-economic circumstances, and second because you were delivering in the context of an upcoming election,' agrees Mark Baker, Managing Director for ANZ in PNG. 'They've approached it in the way in which we expected.'

'We can see the government is being cautious about the economy, and I think this is good,' says Marcelo Minc, Country Director for the Asian Development Bank in PNG. 'For us at the ADB, we would like to see the authorities follow on this prudent fiscal path towards a balanced budget, so that it's done in a calibrated way. Public expenditure is still a very important investment item; cutting it could have an adverse effect on the economy.'

Indeed, while some expenditure programs have been cut back, some key government programs have been preserved, notably signature infrastructure projects tied in some way to the country's hosting of the APEC Economic Leaders' Meeting in November 2018—the first time PNG will host this major regional gathering. Key among these are the relocation of Port Moresby's port, the upgrade of the capital city's international airport and several road construction projects. (Turn to page 14 for more on PNG's debut as an APEC host.)

Meanwhile, legislative progress on key areas such as a new *Mining Act*, small business development and land reform is likely to have to wait until after the July 2017 national elections, which will usher in a new five-year term of government.

### Positive signs

While the downturn is by no means over, there is evidence that the worst may be behind PNG. Global commodity prices rallied significantly over 2016/17, and the national currency, the kina—which dropped in value by over 30 per cent between July 2014 and May 2016—has since stabilised around the US\$0.31 mark. Meanwhile, the drought of 2015/16, which reduced rural productivity and temporarily closed the Ok Tedi copper mine (one of PNG's major earners of foreign exchange) has ended.

The Bank of PNG's September 2016 employment figures were up marginally too, suggesting confidence may be returning to the private sector. That is certainly what our 2017 PNG 100 CEO Survey suggests: over 60 per cent of the country's largest companies are planning to increase investment in 2017, while 40 per cent are looking to expand their workforce.

The foreign exchange shortage has also had some positive impact on local manufacturers, encouraging companies to buy locally.

'We have clients who don't want to go through the hassle of getting the foreign exchange,' says Frank McQuoid, Chairman of steel fabricator, Steel Industries. 'They know when they come to our company they can pay for their product in PNG kina.'

Chey Scovell, Chief Executive of the Manufacturers



# THE NEW WAY TO FLY



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Picture: Steamships

Pacific Palms Property's Harbourside development in downtown Port Moresby is a landmark real estate development for the capital's CBD. Featuring several popular restaurants and high-end office space, including Port Moresby's first serviced offices, the site has heralded the re-development of the CBD's foreshore.

Council of PNG, agrees that PNG's currency situation is creating opportunities for some local manufacturers:

'A lot of the fast-moving consumer goods are where the local manufacturers are really going gangbusters—and smallgoods manufacturers as well.'

### Optimism

Given the sometimes dire economic depictions of PNG from (mainly) external commentators, one might reasonably ask: Why is there still so much optimism in business circles about the economy?

The presence of substantial mineral reserves, recoverable at globally competitive costs, is undoubtedly a major reason.

'I think PNG's very well situated to weather an extended low oil and gas price environment,' observes Peter Botten, Managing Director of PNG's largest company, Oil Search. 'I actually think the calibration of the oil and gas space [over 2015/16] has been very healthy for the long-term, and will ensure that only the best projects get sanctioned.'

### New projects

It is generally agreed that one of the best projects is the Papua LNG project, based around the Elk–Antelope gas fields in Gulf Province. The project will see French super-major Total partner with Oil Search and—since its acquisition of InterOil in March 2017—US super-major ExxonMobil. Front-end engineering and design for Papua LNG is expected to start later this year.

'I think it's very good to have a number of major companies being brought into the country and having large organisations willing to invest. I think that sends a great message,' says Botten.

New mining projects are also in the offing. Of these, Harmony Gold/Newcrest Mining's Wafi-Golpu and PanAust's Frieda River are the most advanced, with both projects lodging applications for mining licences last year. An extension of the life of PNG's largest producing mine, Ok Tedi, is also a possibility.

'The new projects will be the catalyst to significantly move the dial,' says Ian Tarutia, Chief Executive Officer of superannuation fund, NASFUND, a major domestic investor. (See pages 26 to 36 for more on PNG's resources sector.)

### Infrastructure progress

Another source of optimism is the progress being made on energy supply. Long considered a brake on economic activity, there are signs that PNG's lack of reliable electricity supply is being seriously addressed. One dividend of the existing ExxonMobil-led PNG LNG project is the agreement to release gas for local power generation. ExxonMobil is starting construction of a new 50 MW power plant outside Port Moresby in early 2017—a move that should ensure a much more reliable power supply to the capital in future.

Progress is being made too in PNG's manufacturing hub, Lae, with Daewoo and Oil Search building power plants. More work is also being done to improve transmission in the Ramu Grid that services the city and the Markham Valley, a major agricultural centre.

### Papua New Guinea in brief

<b>Population</b>	7.619 million (2016, source: World Bank)
<b>Capital</b>	Port Moresby
<b>Surface area</b>	463,000 sq km
<b>People</b>	Melanesian, Papuan, Negrito, Micronesian, Polynesian
<b>Time zone</b>	GMT +10 hrs
<b>Business language</b>	English
<b>Political status</b>	parliamentary democracy
<b>GDP</b>	US\$21.2 billion (2015, source: IMF)
<b>GDP growth</b>	3.0% (2017 projected, sources: IMF/Asian Development Bank)
<b>Inflation</b>	7.5% (2017 projected, source: IMF)
<b>Currency</b>	PNG kina
<b>Major industrial sectors</b>	mining, gas/energy, crude oil petroleum refining, palm oil, coffee, plywood and wood chip production, construction, fisheries, tourism, manufacturing
<b>Exports</b>	liquefied natural gas, oil, gold, copper ore, logs, palm oil, coffee, cocoa, seafood
<b>Major export markets</b>	Australia, Japan, Philippines, China
<b>Imports</b>	machinery and transport equipment, manufactured goods, food, fuels, chemicals
<b>Major import markets</b>	Australia, Singapore, China
<b>World Bank Ease of Doing Business Ranking 2017</b>	119 out of 190 economies





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'If all goes as expected, the power supply in Lae will be more regular and reliable,' observes Lae Chamber of Commerce President Alan McLay. 'This will be a further attraction for industries to relocate here.'

Business will be hoping the recently announced reorganisation of state-owned telecommunications companies (see page 39) will continue the long-term trend towards cheaper and more reliable phone and internet.

### Housing growth

Investment in housing is also on the rise—an indicator of PNG's rising middle class (another sign is the plethora of new restaurants opening in the capital—see page 53). While most housing developments so far have been in Port Moresby, there are housing developments in Lae in the pipeline as well.

'There is demand all around the country,' observes Robin Fleming, Chief Executive Officer of PNG's largest bank, Bank South Pacific, which at the time of writing is considering a secondary listing on the Australian Securities Exchange. 'Housing loans have probably grown by about 40 to 50 per cent; maybe a little bit more.'

Certainly, the country's banks have no shortage of funds to lend, for housing or business.

'The market's liquid, there is a surplus of kina and we need to lend,' says Greg Pawson, General Manager of Westpac Pacific.

There is general agreement that PNG needs to focus more on its natural strengths in agriculture, which is still the sector in which most Papua New Guineans work, often as smallholders.

'It's also time to think about investments in the non-resources sector, so that you are broadening the drivers for growth,' says the ADB's Minc. The bank recently

announced the Sustainable Highlands Highway Investment Program to restore, maintain and upgrade a 450 km stretch of this major supply route for PNG's farmers.

Things are looking up for coffee producers. Last year was the strongest coffee crop since 2011, according to provisional Bank of PNG export figures. Prices have also improved over the past year. Meanwhile, palm oil prices are at 12-month highs and production has been maintained. Pioneer investors, such as New Britain Palm Oil (owned by Malaysia's Sime Darby) and Israel's Innovative Agro, have shown that larger scale agribusiness can flourish in PNG. But enormous untapped potential remains.

### Towards 2018

Although PNG is still in the downward phase of the economic cycle, business leaders remain positive about the longer term prospects for the economy.

'We are still medium term bullish on PNG and what PNG produces, particularly from the hard commodity point of view,' says ANZ's Mark Baker.

'Steamships remains confident of a recovery in the economy and business environment in PNG,' says Steamships' Peter Langslow. 'We're looking forward to 2018, which will certainly be a big year, with APEC at the end of the year coinciding with Steamships' 100th anniversary.'

Also confident is James Lau, Managing Director of the diversified Rimbunan Hijau Group, which has interests in forestry, property and retail:

'PNG's APEC year in 2018 provides PNG with the opportunity to market itself to the rest of the world as a promising investment destination,' he says. 'More foreign direct investment will result in greater employment opportunities for Papua New Guineans, and build the case for greater investment in infrastructure and education.' ♦

## MIXED YEAR FOR PNG'S FINANCE MARKETS

The key economic and financial indicators in Papua New Guinea's economy reveal that 2016 was a mixed year. The equity markets performed reasonably well. Interest rates were high, favouring investors. Commodity prices mostly recovered, but the currency weakened.

The nation's bourse is the Port Moresby Stock Exchange (POMSoX). Last year, there was a significant disparity between the dual-listed stocks (recorded on the Kina Securities Index, or KSI) and the stocks listed only in PNG (the KSI Home Index). The KSI was up by 40.8 per cent for the year while the KSI Home Index was up 10.7 per cent for the year. Both indices performed better than their Australian equivalent: the All Ordinaries Index was up only 7.5 per cent. America's S&P 500 Index was up 9 per cent over the year.

The giant of the PNG stock market, Bank South Pacific, was up 20 per cent for the year. Many of the dual-listed stocks performed well. Resources giant Oil Search was up 24.5 per cent over the year and Newcrest Mining was up

76.9 per cent. The newly dual-listed Kina Securities had a modest year; its shares were up 1.9 per cent over the year.

There were positive developments in the commodities markets. Oil and gas prices were up in 2016, according to Kina Securities. West Texas Intermediate (light crude oil) rose by 46.9 per cent for the year, recovering from the price drops of 2015. LNG prices (Japan/Korea) rose more modestly: by 12 per cent, according to Kina Securities.

Palm Oil was strong, rising by 38.4 per cent and coffee was up 9.5 per cent. Cocoa, however, fell by a third over 2016.

Precious metals and copper were strong, a positive for PNG's mining. Gold rose by 9.2 per cent over the year and silver was up 16.3 per cent. Both metals have remained strong in early 2017. Copper was up 15.8 per cent in 2016.

In 2016 PNG's currency, the kina, was down 5.3 per cent against the US dollar, 4 per cent against the Australian dollar and 8.2 per cent against the Japanese yen.



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# PNG prepares for



Paga Hill and APEC Haus (top right), locations for the 2018 APEC Economic Leaders Meeting, under construction.

The annual APEC Leaders' Meeting will be held in Port Moresby in November 2018. It is expected to have a profound impact on the country.

By Kevin McQuillan

**F**or the first time since joining the Asia Pacific Economic Council in 1994, Papua New Guinea will host APEC's annual leaders' meeting in the capital, Port Moresby. It is to be held on the 12–18 November, 2018.

'There are two great opportunities to be realised from hosting APEC,' says David Toua, the President of the Business Council of PNG (BCPNG).

'The first is to invite people to our country, and showcase its enormous potential as an investment destination. The second is to bring our people closer to the global market beyond our borders.'

Toua says the e-commerce SME summit hosted in Port Moresby in April, 2016, provided 'a glimpse of the entrepreneurial and technological opportunities that our people and our businesses can access.'

## Is it worth it?

The experience of other countries that have hosted the event suggests benefits outweigh the costs, claims Francis Hualupmomi, a political scientist at New Zealand's Victoria University in Wellington.

'For instance, the Philippines, as a host of two APEC meetings (1995 and 2015), is currently experiencing a growth rate of eight per cent, partially as a result of heavy investment in between those years.'

Hualupmomi points to increased investment from tourists and businessmen (which results in job creation), restored credibility of the state as a host of future high-level meetings, the boosting of PNG's socio-economic infrastructure, and enhanced defence capability and capacity. In the long-term, he says, the meeting will deepen PNG's trade and investments in the region.

## 'On track'

The national government has allocated K800 million for the event and preparations are 'on track', according to PNG's APEC Ambassador Ivan Pomaleu. He says the Committee on APEC Policy Issues document has gone through four drafts. The subjects covered are: enhancing regional economic integration; sustainable and inclusive growth; structural reforms; and human capital development. An events calendar will be ready in mid-2017.

## APEC Haus—Leaders' Conference Centre

The construction of the purpose-built APEC Haus convention centre is expected to be completed by August, 2018. LNG producer Oil Search is carrying out the work, financed under a tax credit scheme.



# biggest ever event

APEC Haus is being built on reclaimed land near Ela Beach. APEC Minister Justin Tkatchenko claims the unique design of the facility, which resembles a Lakatoi sail, will rival other iconic world sites.

'It will be just like what the Sydney Opera House is to Australia,' he said.

APEC Haus will host the Leaders' Summit and the Leaders' Dialogue with the APEC Business Advisory Council.

## Paga Hill Estate

A K85 million development at the new Paga Hill Estate will play a key role in accommodating APEC participants. It consists of a six-star hotel, 68 serviced apartments, commercial buildings, restaurants, a cultural centre, a marina and an international cruise line terminal.

## Other accommodation

By the time the summit starts, Port Moresby could have as many as 2590 high-end hotel rooms, and conference capacity for many thousands. It will be a sharp contrast to five years ago, when the city had just 600 high-end hotel rooms.

According to Chris Hawkins, Chief Executive of the PNG APEC 2018 Authority, guests will be accommodated in new and existing hotels and three cruise liners that will be parked in Fairfax Harbour especially for the event. 'There are sufficient rooms for leaders to have the rooms they require,' he says.

Accommodation will be arranged in accordance with security requirements. The APEC Authority will be in charge of all hotel bookings and there will be strict security compliance.

One of the new hotels is The Stanley,

which opened in July of 2016. Located in central Waigani it features 429 rooms. General Manager Geoff Haigh says the centrepiece of the hotel is its function space, which can cater for a plenary conference attendance of up to 1000 and a sit-down dinner for 1200.

Another hotel is PNG's first Hilton, which will have a 16-storey, mixed-use tower that will house the 212-room Hilton hotel, office and retail space and 128 apartments. It will be ready by late 2017.

## Airport facilities

A K550 million upgrade of Jacksons national and international airport is underway. It is due for completion by August, 2018. The upgrade includes expanding the international terminal building to include a VIP facility and more facilities at the airfield.



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THE EXPERIENCE OF OTHER COUNTRIES THAT  
HAVE HOSTED THE EVENT SUGGESTS BENEFITS  
OUTWEIGH THE COSTS.



### Roads

Two key roads have been built to provide easy access from the airport and between APEC conference facilities. Six new roads have been built at a cost of K700 million. These have eased congestion.

The Paga Hill ring road connects all precincts on Paga Hill and the waterfront, as well as linking the city centre, the port and Ela Beach.

The completion of the Pacific's first flyover in May, 2015, linked Port Moresby's Jackson International Airport to the administrative, sporting and retail hub of Waigani. The K161 million project included the design

and building of a 2.2 km, four-lane road and a 600-metre flyover.

### Security

The PNG Cabinet has established the APEC PNG Joint Security Task Force under the command of the Police Commissioner, Gary Baki. It will oversee security during the summit and the pre-summit officials' meetings.

Prime Minister Peter O'Neill says the security procedures will require closer links with Australia, Indonesia and the Solomon Islands. Seventy-three Australian Federal Police officers will remain in PNG until the end of the November 2018 leaders' meeting. They will assist in security, diplomatic

support, advisory roles, intelligence services and immigration processes.

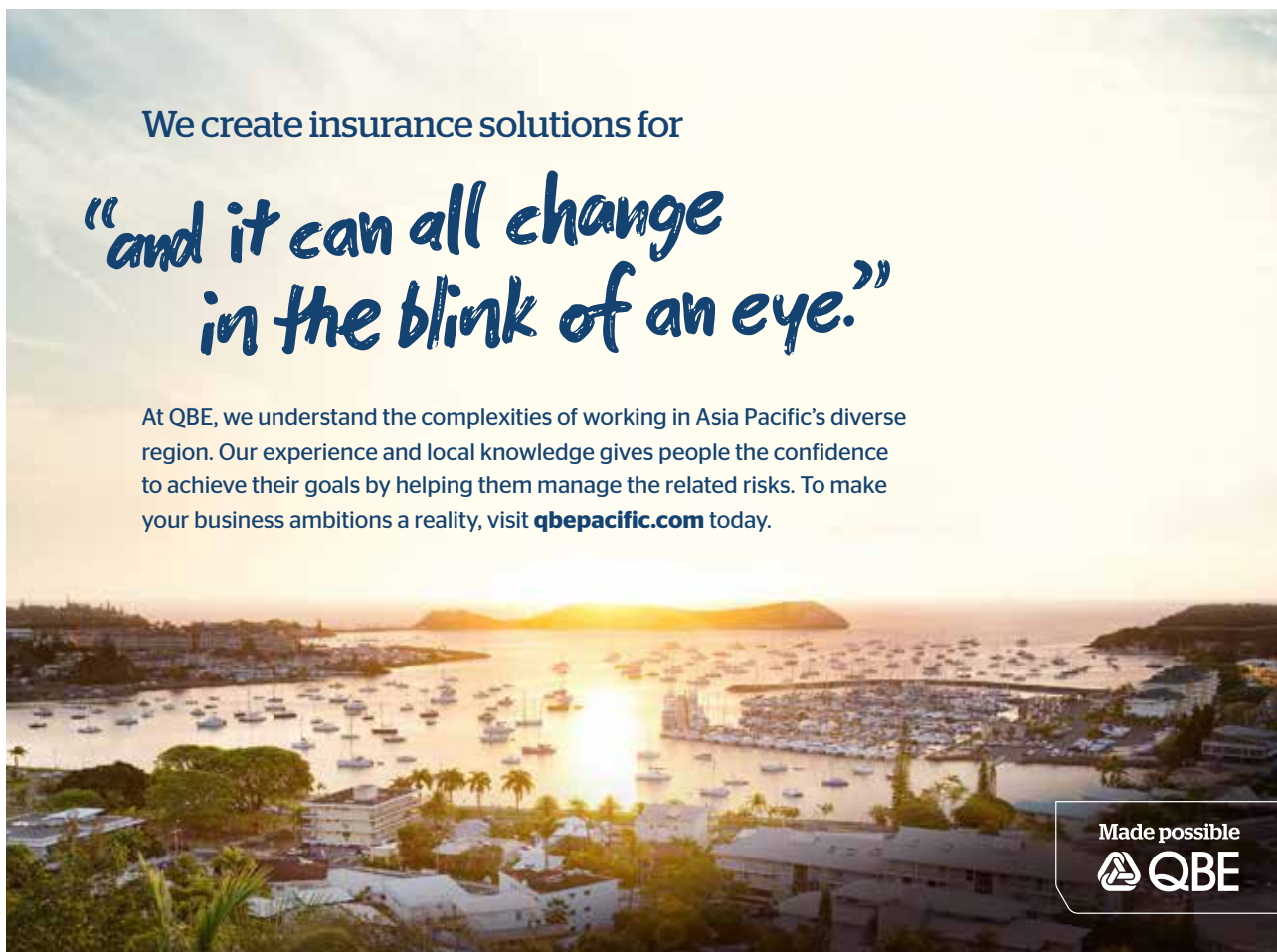
### Tourism

The 2018 APEC event and the meetings leading up to the finale are expected to draw tens of thousands of visitors and participants. It will generate many opportunities for the tourism industry: not just in the nation's capital, but also in the provinces of East New Britain, Morobe, Madang, Eastern Highlands, Milne Bay and New Ireland. All have been selected to host APEC meetings. It offers visitors the chance to experience different parts of the country. ♦

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# How to deal with the foreign exchange problem

PNG businesses must have strategies to manage the current shortage of foreign exchange, says **Stephen Massa**.



**T**he pressure of limited foreign currency supply in PNG has become part and parcel of doing business in the country. It affects any business that needs to pay offshore suppliers of goods or services, or repay offshore loans. It also affects foreign-owned businesses wanting to remit profits.

It has created pressures but it is imperative that businesses avoid unintentionally breaching PNG's foreign exchange controls. All offshore debts must be settled via an actual outflow of money through an authorised dealer and not simply via an offsetting, notional or account entry arrangement.

## Controls

The Bank of Papua New Guinea, PNG's central bank, has tightened control around foreign currency movement and accounts. For example, it has placed a stay on the opening of any new onshore foreign currency accounts. It has also required entities with existing onshore foreign currency accounts to reapply to the bank to keep those accounts open as foreign currency accounts.

If the bank is not satisfied with an applicant's need to maintain an onshore foreign currency account, deposits in that account are converted into kina.

## Compliance

Businesses that have received the bank's approval to maintain their onshore foreign currency account must comply with the bank's conditions. In general terms, this means that the account should usually be limited to making or receiving foreign currency payments under core commercial contracts necessary for that business to operate effectively in PNG.

Many businesses may be motivated to look for creative or innovative 'solutions'. For example:

- A business in need of foreign currency to pay an offshore supplier might propose to transfer an agreed amount of PGK to a business that has foreign currency and can pay the offshore supplier on their behalf; or
- A business with an onshore foreign currency deposit might consider making a foreign currency loan to an offshore entity in order to protect their foreign currency deposit against any further tightening or forced conversion into kina; or
- A business that is owed a foreign currency debt under an

inter-company loan from its offshore parent entity might consider offsetting a dividend or management fee owed to its parent in lieu of repayment of the loan.

## Breach

All of the above scenarios would be a breach of PNG's Foreign Exchange Control Regulations, which prohibit the selling or exchanging of foreign currency (or transactions that have the effect of this) other than through the central bank or an authorised dealer.

The penalties for breaching the foreign currency controls can be severe and include large fines, prison terms, and/or forfeiture of foreign currency or goods.

Businesses will continue to experience the negative impacts of a squeeze on the availability of foreign currency, but if they are able to ride out the short-term challenges they should be well placed to benefit from the next significant growth phase. ♦

Stephen Massa is the Managing Partner of Dentons' Port Moresby office.

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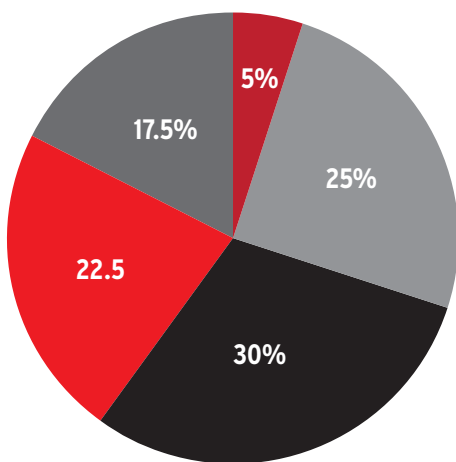
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# The 2017 PNG 100

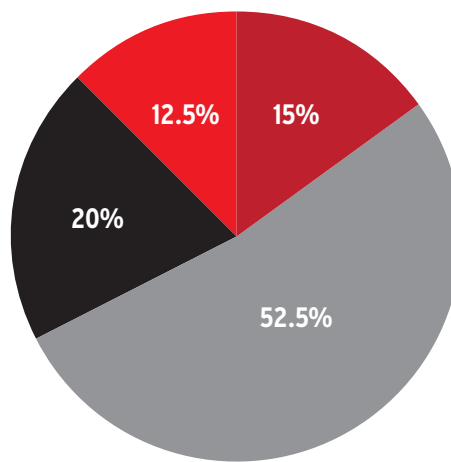
This is the sixth year that *Business Advantage PNG* has run the PNG 100 CEO Survey—our exclusive survey of the executives who run PNG's largest companies. Each year, the survey aims to reveal levels of business confidence by asking CEOs about their anticipated profit levels and expectations for investment and recruitment in the year ahead. They also identify the key issues that they face in their businesses.

## Looking back on your business's performance in 2016, did your profits



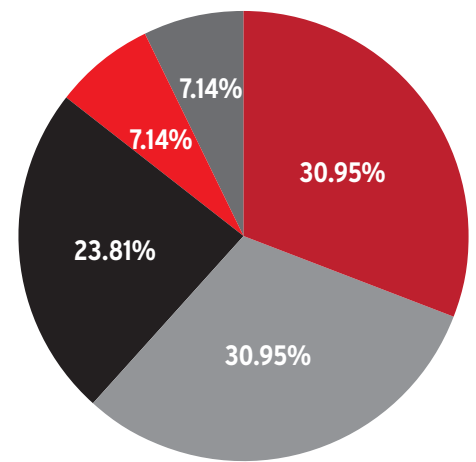
- Greatly exceed expectations?
- Slightly exceed expectations?
- Meet expectations?
- Fall slightly short of expectations?
- Substantially fall short of expectations?

## In 2017, do you anticipate that your profits will



- Substantially exceed 2016?
- Somewhat exceed 2016?
- Be about the same as 2016?
- Be slightly less than 2016?
- Be substantially less than 2016?

## How much investment (e.g. in plant, equipment, land or other assets) are you planning in 2017?



- A substantial increase on 2016
- A slight increase on 2016
- About the same as 2016
- Slightly less than 2016
- Substantially less than 2016

## Profits mixed

Twelve months ago, when we asked the CEOs what their profit expectations were for 2016, they were optimistic. Half thought profits would 'substantially' or 'somewhat' exceed the levels of 2015.

A year on and that optimism has proved to be overstated, although the picture is nuanced. Just five per cent of CEOs say profits substantially exceeded expectations, while a quarter say they had experienced slightly better profits.

Thirty per cent say profits were what they expected, while 22.5 per cent say

profits were slightly below expectations. About 17.5 per cent say they recorded profits substantially below expectations.

## What will 2017 bring?

Despite a sustained economic slowdown business leaders are optimistic. More than two-thirds (67.5 per cent) believe that profits will rise this year, an increase in the level of optimism in the previous year.

Fifteen per cent of CEOs expect profits to be substantially up, while no CEO expects profits to be substantially lower in 2017 than they were in 2016.

## Investment and employment intentions

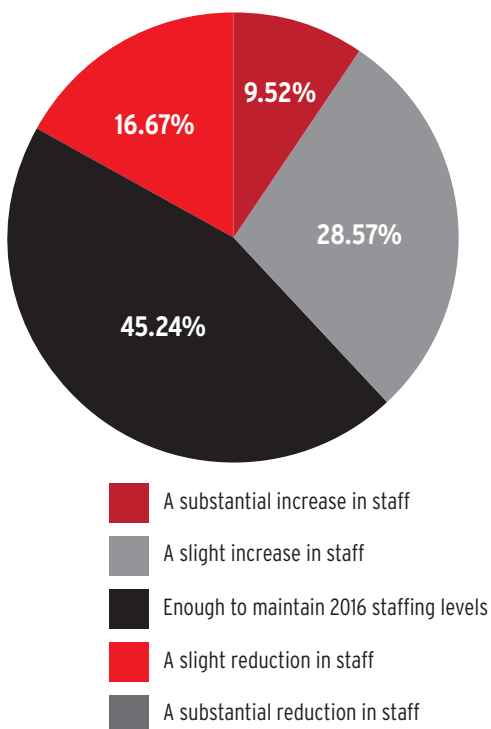
Two useful indicators of economic confidence are how much business leaders intend to invest and how many new people they intend to employ.

The patterns of intended investment are more bullish than anticipated employment levels. About 31 per cent of respondents said they expected to make a 'substantial' increase in investment this year. The same level expected to make a slight increase in investment. Only 14.3 per cent expected to make substantially, or

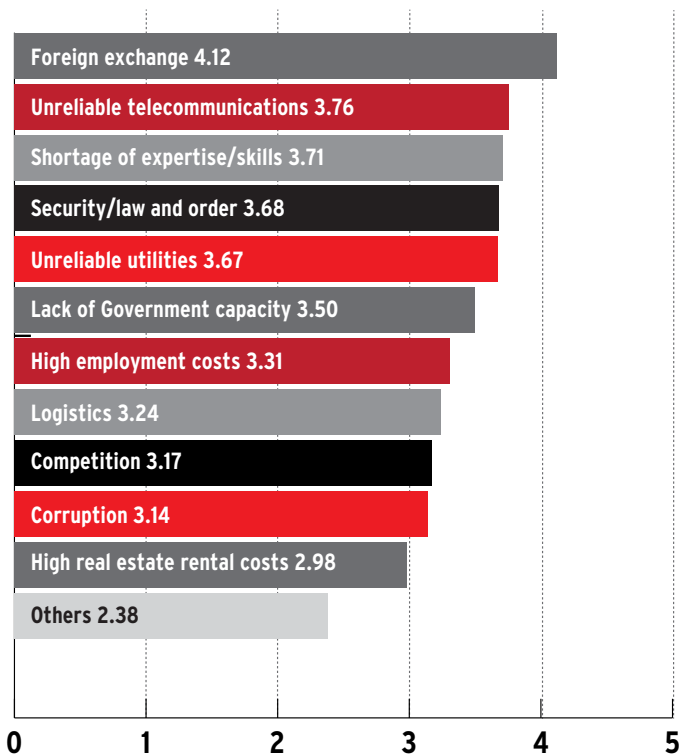


# CEO Survey

What level of recruitment are you planning in 2017?



What are the impediments facing your business right now?



slightly, less investment, compared with 22.6 per cent in the previous year.

Recruitment expectations are less positive. While no CEO expects a substantial reduction in staff numbers (3.23 per cent expected this in the previous year), the majority, 45.2 per cent, expect staffing to remain unchanged. More than a quarter (28.6 per cent), expect to make slight increases in recruitment, while 9.5 per cent are anticipating a substantial increase—a figure that was down from 19.3 per cent in the previous year.

## Issues facing PNG business

Once again, access to foreign exchange is regarded as the most critical issue. It was nominated as the major obstacle by 59.5 per cent of CEOs, considered more than double any other challenge.

Other issues nominated as 'critical' by respondents were: shortage of expertise and skills (28.6 per cent of respondents); unreliable telecommunications (28.6 per cent); security and law and order (24.4 per cent). ♦

The 2017 PNG 100 CEO Survey was conducted by Business Advantage International between late November 2016 and early February 2017. The survey included senior executives from a representative sample of Papua New Guinea's largest companies, across all sectors of the economy.

# The conglomerate option

In Papua New Guinea, industry diversification is often used as a way to grow, as **David James** observes.

In developed economies, conglomerates have become a rare breed. The strategy of diversifying across different industry sectors tends to be punished by investors who prefer specialised players.

Not so in PNG. The conglomerate strategy, sometimes described as the pursuit of 'economies of scope,' is common, partly in response to the relatively small size of PNG's economy. When companies achieve a sizeable market share in one market sector, they often find it difficult to grow further, so they look further afield.

Another reason is that PNG's formal economy remains comparatively small. But, as it expands, new consumers come into the market. Companies that are positioned as conglomerates are more able to tap into that new growth.

## Different approaches

There are several ways to diversify a company's operations. Sometimes the new sectors chosen appear to be close to the company's existing activities, at other times less so.

K K Kingston, a manufacturer, has diversified in part because it is pursuing vertical integration (combining two or more stages of production). The company retails manufactured household consumer products as well, supplying specialty chemicals to commercial customers.



Many PNG businesses diversify into different industry sectors.

Pictures: Steamships



K K Kingston has diversified into services. The company has a hire service arm for industrial and construction equipment, and it supplies industrial equipment. There is also product diversification: the company sells water tanks and other rotomoulded products.

Chief Executive Michael Kingston believes the diversification creates a partial hedge when economic conditions are difficult. For example, when the mining sector becomes weak, the company's activities in the consumer market and commercial and industrial markets may mitigate against the worst effects.

Ravi Singh, Chief Executive of CPL Group, says diversification allows the company to be exposed to different parts of the economy. 'Because we are operating in sectors which are core, like health, food, shelter and clothing, we have not experienced declines of 35–40 per cent,' he says. 'One of the advantages you have in a diversified business is that if one part of the economy is doing well—in this case it is the coffee and cocoa in outer regions—we get this benefit.'

## Cyclical

Len Pianta, General Manager of the retailer Bishops, says the company's operations are split between the resources sector and the rest of the economy. The firm set up an individual office to handle the LNG side of the business, keeping it separate from the 'day-to-day business'. That enabled the company to keep good



relationships with its general customers.

Bishops diversifies by combining high quality international brands and doing its own direct sourcing. House brands account for half Bishops' product mix, which has helped the company maintain profit levels.

### Opportunistic

Some diversification is opportunistic. Executive Director of the Brian Bell Group, Ian Clough, says the company started out as a 'gun shop on Ela Beach 58 years ago' but has transitioned into a true conglomerate.

'[We went from] moving into white goods and kitchen appliances to where we are now. We are the Nike agent in PNG, and we produce our own bed coverings on-site in PNG and buy raw materials

and produce quality linen. We also identified an opportunity with commercial cleaning which led to our Belltech chemicals division.'

Clough says the strategy is to assess whether there is an opportunity in the market and determine whether or not the company has the capacity, or can source the capacity, to take the business in that direction.

He says he expects the company to continue looking for different areas of opportunity.

The Bell Group has home centre, trade and electrical and chemicals divisions. It has pursued some vertical integration by establishing 'a fairly extensive dealer network' in some smaller locations.

Companies may move into different industries as they evolve. For example, Mainland Holdings, which breeds



DIVERSIFICATION  
CREATES A  
PARTIAL HEDGE  
WHEN ECONOMIC  
CONDITIONS ARE  
DIFFICULT.



chickens and farms crocodiles, used to be a coffee grower and manufacturer, with a mill in Lae. To transport the coffee it even at one point owned aircraft.

Steel fabrication company Hornibrook NGI has become a diversified manufacturer, moving into construction, motor transport engineering, bridging and even a hotel. Managing Director Matthew Lewis says the strategy is to avoid being overexposed to the cycles that occur in the resources sector.

Managing conglomerates can be tricky, which is one reason why they have become rare in developed economies. But with so many established PNG companies pursuing the strategy, it seems certain diversification will remain a popular option. ♦

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YOUR WORLD  
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# Proudly independent

The secrets to the success of Anitua, PNG's biggest landowner company.

By Kevin McQuillan



Above: Anitua undertakes roadwork and civil construction.  
Below: Developing good relations with staff is critical to success.  
Pictures: Anitua



The 'Lihir Destiny', the independence strategy for Anitua, Papua New Guinea's largest and most successful landowner company, will continue under its new CEO, John Gethin-Jones. He says key focuses are a constant review of activities, and staff development.

Originally set up in 1989 for the people of Lihir Island to participate in the Lihir Gold project, Anitua's portfolio now includes 16 subsidiaries and employs 3500 people in 30 locations in PNG and Australia. It has become an exemplary company in managing tribal complexities.

Gethin-Jones says Anitua's founding CEO, Colin Vale, took the enterprise 'from a bunch of companies all working individually, with no synergies or group direction, to what is now considered the most successful landowner company in PNG.'

## No change

Gethin-Jones was, for the last five years, Managing Director of Anitua's largest subsidiary, catering and camp management company NCS Holdings. He says there will be no immediate change of direction now he is in the top job.

'We are still focused on achieving the "Lihir Destiny"—of being non-reliant on mining activities on Lihir, to ensure the future of all Lihirians.'

Gethin-Jones considers the rate of return on investment (ROI) a key indicator and tries to pursue the principles of business excellence when planning.

'As a Group, we keep a close watch on cash flow, margins, profitability—delivering value to our shareholders.'

'We consistently review our marketplace, our competitive environment and our competencies. We use a



number of matrixes to assess new business opportunities and determine top priority opportunities.

‘Most importantly, we constantly review our plans, reviewing the external environment and amending our strategic plans to suit.’

## Board

The board of Anitua is made up of one representative from each of the six main clans on Lihir Island.

‘They are involved in assessing new business opportunities and reviewing current businesses.’

Anitua has three-year strategic and business improvement plans for each of its 16 businesses, all sitting under a master three-year strategic plan for the group.

He admits managing landowners and their expectations can sometimes be ‘tricky’ but says it is something that the group prides itself on.

‘Our senior managers are all culturally sensitive and experienced in managing and delivering on landowner expectations.’ He says Vale was exceptional in his ability to work well with landowners, adding: ‘It is something that I hope to be able to replicate.’

He says another area ‘in which we probably lead the country’ is success at partnering with other landowner groups on commercial terms.

‘NCS, our camp and catering company, has developed a number of highly successful JVs [joint ventures] with small landowner companies, enabling them to participate in local resource projects.

‘We share our expertise to benefit landowner groups across the country, including at Ramu Nickel and Hidden Valley.’

## Staff training

‘It sounds clichéd, but staff really are our most important asset,’ he says. Half the staff at NCS are women. They receive extensive in-house training, complemented by externally provided training programs.

A founding member of the BCFW (Business Coalition for Women), Anitua has had a ‘Women in Leadership’ training program. One female staff member has been promoted to Group HR Manager with NCS, while another is now Group Safety Manager.

‘Both great achievements, and testament to our commitment to developing staff from within,’ says Gethin-Jones.

‘Being a landowner company doesn’t affect the way in which we view our competitors. We respect them and ensure we know our competitors as well as we can, with a view to obtaining our own competitive advantages in each of our companies.’

## New markets

Gethin-Jones admits the downturn in the PNG economy, in particular the resources sector, has certainly made things tougher for the Group.

‘We have had to focus on costs and cash flow. I find that hard times sometimes bring out the best in an organisation. You have to be more creative, be disruptive in your thinking and look for new niches, look for new business opportunities.

‘We, as a group, have been heavily reliant on contracts with resources companies, but we have strategies in play to ensure that our reliance on the resources sector is not as strong in the medium-to-longer term. We have a focus on some new industries, which have high growth opportunities.’

The next stage of development will see Anitua enter new market segments, he



OUR SENIOR MANAGERS ARE ALL CULTURALLY SENSITIVE AND EXPERIENCED IN MANAGING AND DELIVERING ON LANDOWNER EXPECTATIONS.

John Gethin-Jones

says. ‘We will still be heavily involved in providing a range of services to new resource projects, such as the Frieda River and Wafi-Golpu [mines], and we will continue to grow the group and achieve the “Lihir Destiny” of self-reliance before mine closure.

‘We are also looking closely at opportunities on Bougainville. A number of our companies have already been working there and we feel that there are definitely synergies that will come from being involved there on a greater scale.’

Gethin-Jones believes the PNG government needs to focus on non-resource sectors in order to assist industries such as tourism and agriculture. The aim should be to encourage exports that are not from the resources sector. ♦

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Managing human resources is always a priority in business and PNG is no different. **David James** looks at some of the different ways the issue is tackled.

# People: PNG's major asset

A successful human resources approach has to be specific to the local culture and to worker expectations. In PNG, that can require flexibility and a high degree of understanding.

One of the more obvious strategies is to focus on employing locals and many of the more established companies pursue that option. It is the approach of Michael Kingston, Chief Executive of Lae manufacturer KK Kingston. He says his 'aspiration' is to have as many local workers as possible so he can minimise the number of expatriate workers.

Kingston argues that, by employing PNG nationals, he ensures longevity of tenure and reduces staff turnover. And it is cheaper.

Most expatriates in PNG, he says, save up money then move elsewhere. Locals, however, can stay for decades, a continuity which Kingston considers 'fantastic'.

The challenge is to get locals into positions of senior management. That means training them in managerial best practice and putting in place a mentoring system.

## Family

Ian Clough, Executive Director of

diversified retailer Brian Bell, says the company is a 'family business in essence' and has tried to build on that philosophy. 'We have recently celebrated 17 members who have been with us for over 30 years,' he says. 'One is over 40 years.'

Like KK Kingston, the emphasis is on longevity. Clough says that a further 67 of the company's 1300 employees have been part of their team for 20 years or more.

'That adds up to thousands of years of collective service,' he says. 'Everyone is very close-knit. The Chairman, who has been in the business for 50-odd years, still sees everyone as if they are family. In PNG, having a culture built around that close-knit environment is key.'

Clough points to the importance of succession planning, technical development for tradespeople and leadership development.

'All of this builds sustainability. People see us as an employee of choice because they know that we are a reputable organisation.'

## Morale

Chief Executive of security company Black Swan International, Brian Kelly, focuses on two

things in his human resources strategy: encouraging staff to be responsible for the big picture and creating incentives for attendance.

Kelly says employees are not just assigned defined roles, they are given a clear understanding of how what they do fits into the overall activities of the firm. This encourages *esprit de corp*, and collective responsibility.

Kelly's other human resources emphasis is to give staff an incentive to turn up by paying bonuses for good attendance. Pay increases are also based on attendance.

## Multinationals

Globalised companies operating in PNG tend to have standardised human resources practices which have to be adapted to the local conditions. Global paint manufacturer AkzoNobel has established an 'academy' to provide staff with e-learning in a variety of areas, ranging from compliance to diet. Managing Director Mikael Ruben says this is the most cost-effective option. He says the company measures the engagement and inclusion of staff, which helps with staff retention.

A similar approach to collective staff attitudes is taken by insurer QBE Insurance. Matthew Kearns, Managing Director of QBE in PNG, believes in sharing goals and commitments with his staff and making all employees collectively accountable for



“ IN PNG, HAVING A CULTURE BUILT AROUND THAT CLOSE-KNIT ENVIRONMENT IS KEY. ”

Ian Clough





**Above: Brian Bell Group employees get awards for longevity. Left: Brian Bell's Lae headquarters.**

Pictures: Brian Bell Group



the results. The emphasis is on empowerment.

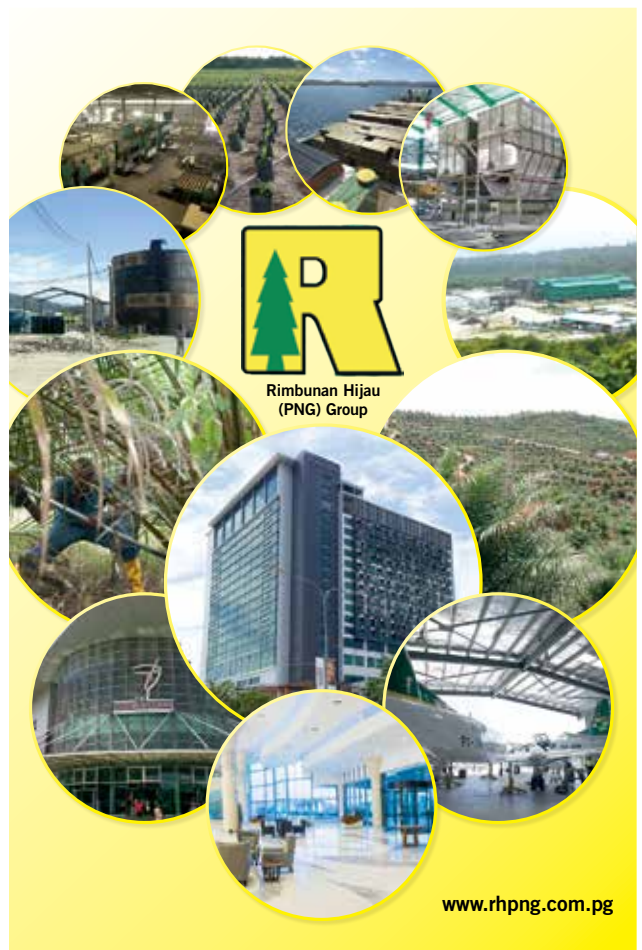
### Gaps

George Bopi, former Lead Advisor to the national government's Medium Term Development Plan, comments that when it comes to human resources management there are gaps between what is taught and what the job market requires.

'Managers need to coach individuals for performance and for personal development,' he says. 'I encourage workers and employers to invest in skills that they need now and

anticipate what they will need in the future.'

Bopi believes that individual workers should take the time to assess their own goals and work out what satisfies them. The next step is to seek help, coaching and guidance along the way. In the final analysis, it is up to the individual, he says. 'At the end of the day, they own their engagement. Managers need to coach individuals for performance and for personal development. Executives need to foster a sense of community in the organisation.' ♦





# The Total picture



Philippe Blanchard, Managing Director of Total E&P PNG, the operator of the Papua LNG project, says production is expected to begin in 2022/2023.

**Business Advantage PNG:** What has the last 12 months been about for Total?

**Philippe Blanchard:** The last 12 months were mostly dedicated to progressing our Papua LNG development. We drilled Antelope 6 at the beginning of 2016 and we are currently drilling Antelope 7. Antelope 7 should be the last appraisal well. It is located to the west of the field and is required to finalise the assessment of Elk-Antelope resources. We have also started several field surveys required to perform the environmental and social impact assessments. That will provide us with the baseline, which will be used to minimise the potential development impact on the communities and the environment.

**Business Advantage PNG:** So after you've finished that well, you'll have a really good idea of exactly the extent of gas reserves?

**Philippe Blanchard:** Yes. We should have a clearer picture of what is in the ground and we hope that uncertainties will be strongly reduced

**Business Advantage PNG:** There is a lot of interest in the infrastructure that's going to go into Gulf Province and the location of any processing plant. There has also been discussion of possibly sharing facilities.

**Philippe Blanchard:** In July 2015, we announced the different locations. We said that Papua LNG needed to be a cost-competitive project. A processing plant to separate the gas from the liquids on PRL 15 will be located in Gulf Province; there will be transportation pipelines bringing the gas and liquids to an LNG plant. Our decision was to consider an LNG plant in Caution Bay near Port Moresby. It will allow us to explore synergies with other projects. If we can make a better project and save on costs, why not? It is our responsibility as operator.

**Business Advantage PNG:** You have mentioned previously that there is an opportunity to present LNG to the market in around 2022. Is that window still open?

**Philippe Blanchard:** Yes, with our planning as it stands today, that window is still open. It's more 2022/23 and all the teams are working hard to respect this target. This planning considers that FEED (Front End Engineering and Design) is due to start in 2017, for a final investment decision (FID) at the end of 2018. The construction will happen then between 2019 and 2022.

**Business Advantage PNG:** And, if that's the case, when do you start hiring?

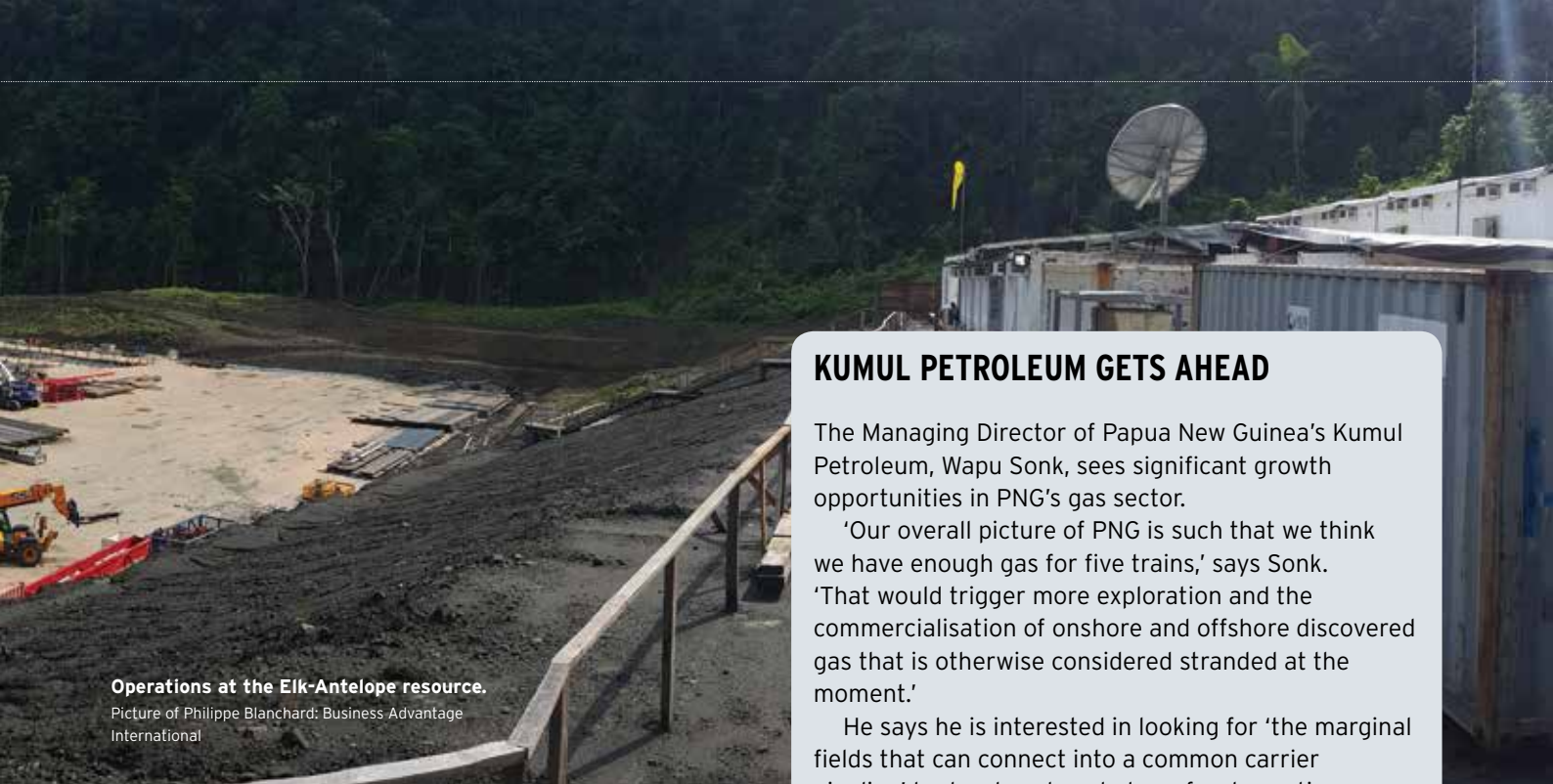
**Philippe Blanchard:** First keep in mind that the project is already benefiting the local communities as there are opportunities offered for logistics and drilling activities; however, more people will be employed in the coming years. Which year exactly? I would say that it depends on what type of work needs to be done. There will be site preparations for the different locations followed by construction. So part of this could start in 2019.

**Business Advantage PNG:** How many staff have you at the moment?

**Philippe Blanchard:** For Total, we have about 140–150 people. These personnel are located in Port Moresby but also on the ground on PRL15, where we have a logistics base, a drilling site and a few surveys camps. In addition, we have contracted staff on these sites.

Performing drilling activities and baseline surveys at the same time requires carrying a lot of people from one place to the other, hence the logistics base and the personnel requirement. To conduct all these operations, we are employing local civil works companies for building our well pads, local specialists or expertise through our contractors for





Operations at the Elk-Antelope resource.

Picture of Philippe Blanchard: Business Advantage International

the environmental and social baseline surveys.

Because we are running our activities from PNG, all our contractors have an office in Papua New Guinea. It is easier for interacting with them and checking directly how things are progressing without having to travel abroad. ♦

## KUMUL PETROLEUM GETS AHEAD

The Managing Director of Papua New Guinea's Kumul Petroleum, Wapu Sonk, sees significant growth opportunities in PNG's gas sector.

'Our overall picture of PNG is such that we think we have enough gas for five trains,' says Sonk. 'That would trigger more exploration and the commercialisation of onshore and offshore discovered gas that is otherwise considered stranded at the moment.'

He says he is interested in looking for 'the marginal fields that can connect into a common carrier pipeline' to develop stranded gas for domestic energy purposes.

Sonk says it is important for PNG 'to be on the front foot'.

'The Papua project will be easier to develop, particularly as there is a shorter distance between the source of the gas and the processing plant.'



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# Oil Search's five-year plan

Oil Search, PNG's biggest company, is thriving in difficult conditions.

By David James

**O**il Search's Papua New Guinea assets are 'highly profitable' despite low prices, according to Managing Director Peter Botten. He tells *Business Advantage PNG* that the company is focusing on developing a five-year plan for ensuring sustainability, managing exploration and working with the community.

Botten believes that PNG is well situated to 'weather the storm' of a low oil and gas price environment because of its proximity to Asian markets and low cost base.

But he says he has closely examined the implications of the current situation.

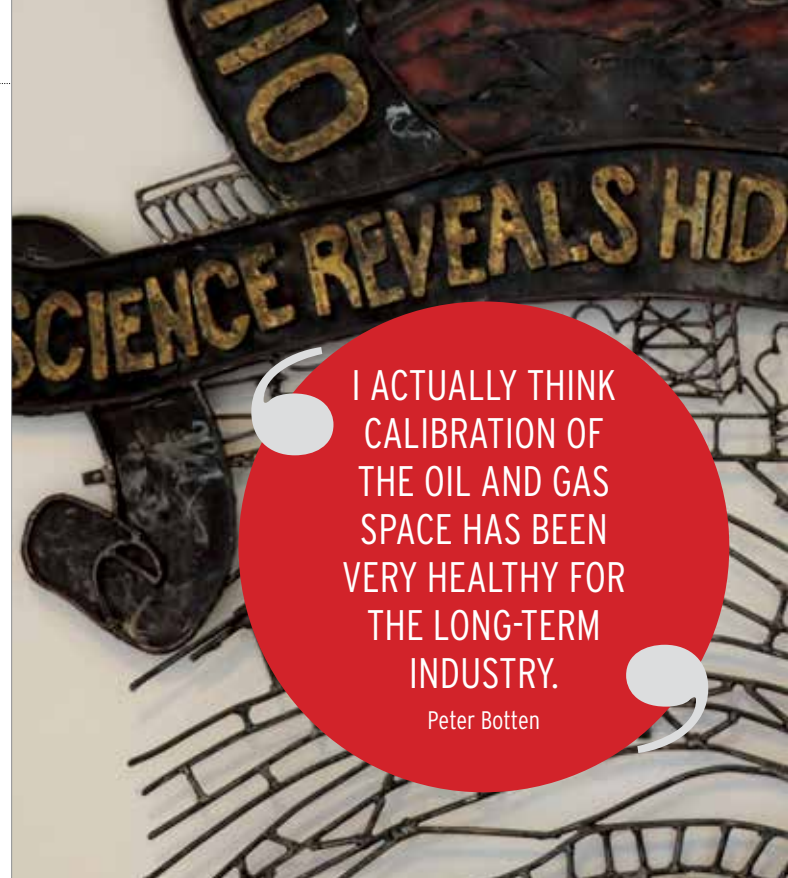
'Like every organisation in the oil and gas space, we went through an initial review of how to drive further cost efficiencies and production uplifts through a period of relatively low commodity pricing, and that is an ongoing review,' he tells *Business Advantage PNG*. 'I actually think calibration of the oil and gas space has been very healthy for the long-term industry.'

Botten is 'not particularly optimistic' about the oil price in the short term, adding that OPEC needs to 'demonstrate solid discipline around production.' And, even if OPEC's supply is restricted, any effect may be 'swamped by production additions in the US,' he adds.

'All the industry is going through a review of what makes money, what makes a decent return. We are at the bottom end of the cost curve and are very efficient. Our assets are not being overly stressed and we are able to pay back our banks and maintain a strong balance sheet. That's not the case for a range of oil companies in Australia and indeed around the world.'

## Cyclical

Botten says the oil and gas industry has a history of being cyclical. 'This is one of the more radical downturns, but there were some in the late '80s and some in the early '90s. Back in 1997, there was a very large oil crash when oil prices were



I ACTUALLY THINK CALIBRATION OF THE OIL AND GAS SPACE HAS BEEN VERY HEALTHY FOR THE LONG-TERM INDUSTRY.

Peter Botten

predicted to go to US\$5 a barrel. This one is unusual for the fact that it's driven primarily by a technological change [improvement in processing shale oil] which has led to an oversupply environment; that is a little different to the ones in the past.

'But, overall, I think it's a calibration that actually the industry had to have, and clearly it's removed cost and actually makes good projects built in a very low cost environment really quite attractive, as long as you can manage your costs.'

'It concentrates us on how we can run our oil business sustainably out into the future, and look at how we can maximise oil production and organise ourselves as the oil fields mature further.'

## Exploration

Botten says the company will continue its exploration efforts in the Highlands, in the Gulf of Papua 'both onshore/offshore' and in the 'deep water offshore to feed what the optimal LNG development scenarios might be over the next 10 years or so.'

He says this involves asking a series of strategic questions: 'When do we drill wells? What type of wells will we drill? Where will they be and how would they feed into a growing LNG business? Clearly, we don't want to have discoveries that sit there for 15 years.'

A five-year plan has been developed. 'It highlights how we want to address some of the local issues such as delivery of power and development of small scale LNG for local power development.'

'It also look at things like the Hela Provincial Health Authority (which we're supporting), infrastructure support, roads, schools, hospitals. All our in-country efforts are designed not just to give back to the country, but also to ensure that we're bringing our communities along with us and helping government to do that.' ♦





Picture: Business Advantage International

## COMMUNITY KEY TO OIL SEARCH'S APPROACH IN PNG

Oil Search's Managing Director Peter Botten argues that the company has developed a business ethic that has both a financial dimension—getting an appropriate return for the risk being taken—and a social element. 'Our future is absolutely tied to the fate of Papua New Guinea, and it therefore is in our absolute interest to ensure that our programs and strategies bring the communities along with us.'

'As PNG's biggest company, and PNG's biggest investor, we think it is the right thing to do from a social and a business perspective. The strategies for how we manage these things, both through the Oil Search Foundation and through our normal operations, are very comprehensive.'

'It's very, very connected right through the DNA of the organisation; this is not a cosmetic thing.'



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# Economic map of Papua New Guinea



## STYLISH SERVICED OFFICES

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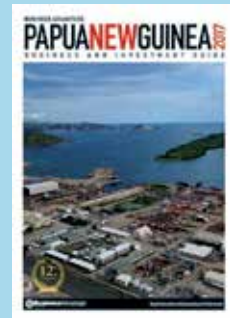
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## Mining Projects

- Operating Mine
- Mine Under Development
- Possible Mine
- Large Scale
- Medium Scale
- Small Scale

## Petroleum Projects

- Oil Project
- ◆ Gas Project
- ▣ Possible Oil or Gas Project
- Oil Export Pipeline
- Gas Pipeline

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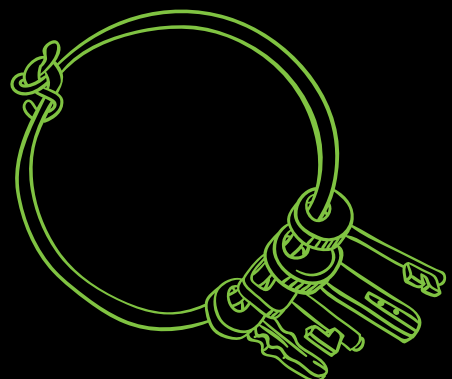
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# A multi-generational mine

The Wafi-Golpu gold and copper project could be one of PNG's largest ever.

By David James

If the Wafi-Golpu mine is developed to its potential, it will be the largest underground mine in PNG and the first greenfield mine development since the Harmony Gold Hidden Valley mine commenced production in 2009.

Bryan Bailie, Executive Project Director of the Wafi-Golpu Joint Venture said the project has the potential to be a 'long duration sustainable mining operation' that could last '28 to 35 years or more'.

He said the resource at Wafi-Golpu is estimated to be 820 million tonnes of mineralised ore at 1.05 per cent copper and 0.7 per cent grams of gold.

'Wafi-Golpu has the potential to make a significant contribution to the mining pipeline and PNG as a whole,' said Bailie. 'Greenfield projects of this magnitude require significant investment. Long lead times are required to bring them into production.'

The Wafi-Golpu mine site.

Bailie said the mineralised body has 'multi-generational potential derived from its large scale, its high grade and its embedded optionality.'

He said the copper grade is estimated to be 'in the range' of 28-30 per cent, while the gold concentrate is estimated to be 5-15 grams per tonne.

## Managing risk

Bailie believes a multi-staged development strategy is the 'optimal approach to mining this substantial mineral resource'. The project will be rolled out in a number of steps to help manage the risk.

'This approach affords an underground exploration platform for further mineral resource development, a reduction in the overall risk profile in developing the greenfield underground blockade mine, improved project portfolio management and multiple decision-making points across the project life cycle, and then staged or phased capital expenditure

and shorter development times to first production, thus improving project economics.'

The difficulty is aligning short-term volatility in commodity markets with long-term investment commitments. Bailie reckons the emphasis will be on 'risk mitigation before further investment', making it easier to align the roll out of the project with the 'dynamic and fluctuating external environment'.

## Stages

The Wafi-Golpu Joint Venture is equally owned by subsidiaries of Newcrest Mining and Harmony Gold. The first production will be targeted from Blockade 1, which is located 980 metres below the surface. This is expected to enable the extraction of eight million tonnes of ore over a four-year period at a peak annualised production rate of three million tonnes per annum. The aim will be to mine the





high grade ore body first to generate cash flow to support the construction of Blockade 2.

'Blockade 1's production is anticipated to occur in the 60th month and Blockade 2's production will be achieved in month 85. Mining of Blockade 1, however, is limited to the duration it will take to bring Blockade 2 into production.'

Blockade 2 is located a further 680 metres below Blockade 1, according to Bailie. 'This will extract 141 million tonnes of ore over a three to four year period at a peak annualised production rate of six million tonnes per annum. This is a big ore body.'

### Infrastructure challenges

Bailie said the company is looking at 'multiple terrestrial tailings facility options' and also marine options.

'PNG presents a challenging environment in the design and operation of terrestrial tailings storage facilities, primarily due to mountainous terrain, the high rainfall, poor conditions for containment bores, and limited availability of land due to the topography, the environment and social heritage concerns.'

The project will require reliable, low cost bulk power supply, stable low outage, an electricity transmission system and new access roads from the Highlands Highway to the mine site boundary, Bailie claims.

He has also called for the Lae Airport to be updated to international status and for improvements to be made to

the marine port facility for the shipping of concentrate.

'Much of the existing Lae infrastructure, particularly hospitals, educational facilities, housing and roads will have to be substantially upgraded to support a long-duration mine.'

Bailie described the international context as a 'very challenging economic environment' because of slowing demand for global metals, depressed commodity prices and weakening investor demand for large-scale mining projects.

'Project success in such an environment is highly dependent on regulatory and fiscal stability, sustained government and landowner community support, and the timely granting of our permits.' ♦

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WILL BE ROLLED  
OUT IN A NUMBER  
OF STEPS TO  
HELP MANAGE  
THE RISK.

Bryan Bailie



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## Harmony Gold looking for further riches

Opportunities exist for brownfield expansion at the Hidden Valley mine.

By Sarah Byrne

**V**olatile mineral prices have challenged the mining sector both globally and nationally, but Johannes van Heerden, Chief Executive Officer of South-East Asia for Harmony Gold, is confident in the future of the gold price and the company's capacity to expand in Papua New Guinea.

'With so much global economic uncertainty, gold will retain its appeal as a store of value,' says van Heerden. 'We will take a measured view on any investment.'

### Investment

The South African miner is seeking to become a 1.5 million ounce producer within the next three years, producing at a cost of less than US\$950/oz. To achieve this, the company is focused on opportunities for brownfield expansion at Hidden Valley.

Investment of up to K560 million at the Hidden Valley mine in Morobe Province will be implemented over the next two years, van Heerden told the Lae Chamber of Commerce and Industry.

In a bid to improve operations following the acquisition of Newcrest Mining's 50 per cent share in the mine in October 2016, Harmony Gold has commenced waste stripping at stage five and is investing in an additional, and replacement, mobile fleet.

Nine trucks have been ordered and additional personnel will be recruited to operate and maintain the fleet, van Heerden says.

Stockpiles and Hamata ore will be processed to June 2017, followed by a five-month shutdown of the

mill. Maintenance and upgrade projects are planned at the Hidden Valley mine during the shutdown period.

'There is potential upside for exploration within the PNG region. We are focused on the Hidden Valley acquisition and the plan to deliver the production required based on the reinvestment made by Harmony in the operation.'

### Under-explored

With the Hidden Valley and Wau areas under-explored, van Heerden believes there is an opportunity for the company to expand its operations in Papua New Guinea.

'As the infrastructure is developed a smaller mine that may not (have been) developed in isolation can be developed and use the Hidden Valley mill.'

Having an operating processing plant provides the company with a competitive advantage in the area, van Heerden explains.

The company is committing to a K12 million exploration program in Wau in the first half of 2017. The drilling planned at Wau is located about 10 kilometres from the Hidden Valley plant.

### Debt

Harmony Gold reported a 61 per cent reduction in net debt in the 2016 financial year and a 49 per cent decrease in net debt to US\$38 million in the first quarter of the 2017 financial year.

'We have made very good headway in reducing our debt. We have a strong balance sheet and will be funding the growth at Hidden Valley from our cash flow,' says van Heerden. ♦



GOLD WILL RETAIN ITS APPEAL AS A STORE OF VALUE.

Johannes van Heerden



# Preparing for the start line

PanAust is keen to begin development of the Frieda River copper and gold project but there are obstacles to overcome.

By David James

**T**here is little doubt that the Frieda River mine in West Sepik Province is a world-class resource. PanAust Managing Director Fred Hess says its value is well understood and that it 'has been known about' for almost 50 years.

The company is currently waiting for permit approval. Once that has been received, the company will then consider what the environment is like for making an investment decision. Hess says the mine 'is in the top 10 copper deposits in the world.' But he adds that there is a number of conditions that will have to be met 'in order for us to proceed to that investment decision.'

## Environmental issues

The engineering challenges are considerable. Hess has described the project as a substantial open-cut mining operation dominated by a very large storage facility that is designed to take the tailings from the processing plant and the waste from the mine. That sits behind a very large embankment, which will take about 40 per cent of the capital cost.

'It doesn't produce any copper but it is a necessary requirement in order to produce copper. It is distinctive in the sense that PNG has traditionally taken cheaper forms of tailings and waste disposal routes.

'But, because of the issues that we have with Frieda River being upstream from the Sepik River, this is the solution we have come up with, which we think addresses all the environmental issues that are so important to a project like this succeeding.'

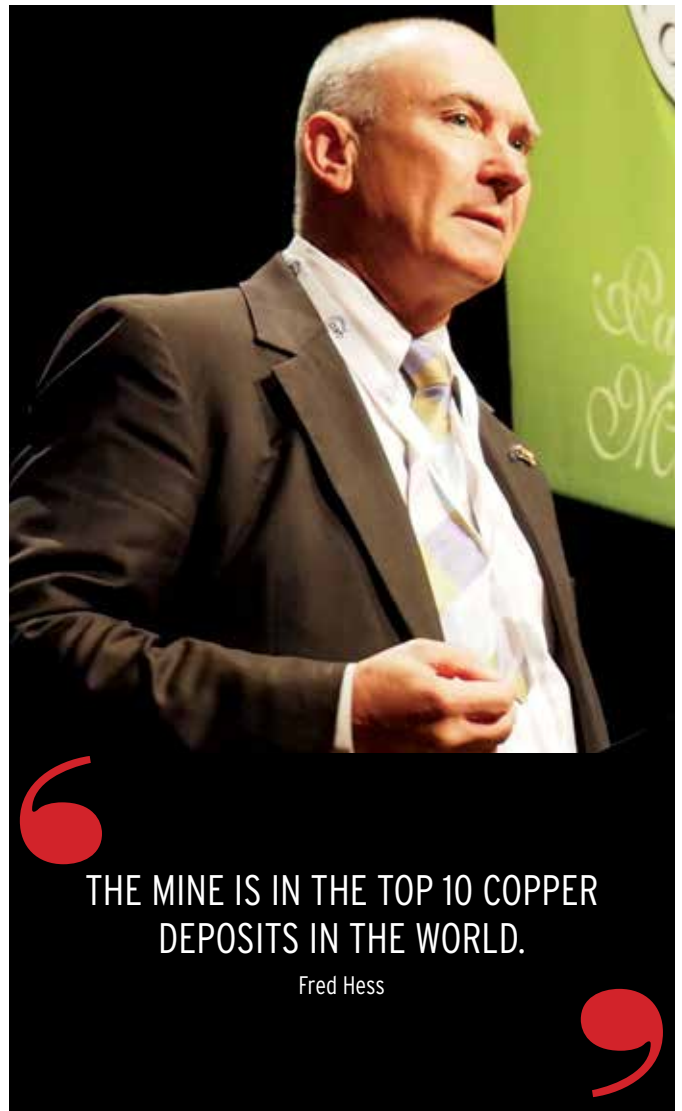
## Hydro power

'The other special part of this project is that, because of the size of the embankment, because of the size of the catchment it sits in and the amount of water that falls as rain and gets collected in the catchment, and because of the height of the embankment, the opportunity to produce hydro-electric power also presents itself.

'That makes it a unique storage facility, in our assessment, in being able to store not only tailings, mining waste and water but it can generate a return in terms of hydro-electricity.'

## World scale deposit

Hess argues that the project is of national significance, describing it as a 'world scale deposit'. Although it will create



THE MINE IS IN THE TOP 10 COPPER DEPOSITS IN THE WORLD.

Fred Hess

many jobs for locals, he warns there are challenges ahead. 'There are no free lunches. We must be mindful of the risks of developing large-scale projects. Frieda River has substantial logistical challenges. It is inland; there are no roads.

'If you look at the terrain, it is relatively mountainous and it has a high level of rainfall all year round. That makes it a challenging environment in terms of building stable structures and undertaking the whole construction effort.' ♦

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WE ARE ALL  
AFFECTED BY  
THE LOW OIL  
PRICE.

Gerea Aopi

# Hard times bring energy majors together

Volatility in oil prices is forcing resources companies in Papua New Guinea to find ways to reduce costs.

By David James

**M**ajor resources companies are looking at working together more, says Gerea Aopi, President of the PNG Chamber of Mines and Petroleum.

'If you look at the PNG LNG project, and the Papua LNG project, you have two world-class operators. It is important for PNG that they can share synergies and pursue integration to reduce costs. So, you could have Total operating the upstream and ExxonMobil the downstream. This is good for all stakeholders and, in particular, the state.'

The challenge, Aopi adds, is to build relationships between different operators, which he believes is happening. 'They are looking at the best way of doing things in an efficient way.'

Aopi describes the last two years as a 'roller-coaster ride' for the resource industry. He believes the situation 'remains challenging' but is optimistic about the future.

'You have to look at the best way

of distributing the costs. We are all affected by the low oil price.'

He says resources companies are talking to the service providers. 'In bad times, you have to share the pain. They are also looking at better and more innovative ways of doing things.'

## Landowners

Aopi says the distribution of benefits to landowners has been 'agreed at the macro level'. The next steps are more problematic.

'It is really getting down to the next level as to how the benefits are distributed, within the licence areas, between the different clan groups and between families.'

'The project is going to be there for a long time and you have to have that relationship on a good footing from day one.'

'It is quite complex and I think at the moment, because some of the landowners may feel that they might not be part of that process, they take out restraining orders against the

government for the distribution of benefits. But the funds are obviously there in the Central Bank.'

## Long term

Aopi notes that gas projects are long-term in nature. 'If you look at the gas projects around the world, they are not 10, 15 years; you are looking at 30-plus years. So, you need to build that relationship with all stakeholders, whether they be the community or the government. It is like a marriage.'

'It is challenging but you have to manage the expectations. The industry is going to be there for a long time. It is really about sitting down with the people and explaining to them that this is not something that is going to happen in the next five years.'

'That education process is really about getting the whole community involved, including the young people, and getting everybody appropriately briefed on the project, its implications, the benefits it is going to bring and how long it is going to be there.' ♦



# Powering PNG's future



Gas is now become part of PNG's power-generation mix.

Picture: ExxonMobil

Papua New Guinea is taking a multi-pronged approach to its fast-growing energy needs.

- **PNG is heavily concentrating on hydropower projects to meet its energy needs.**
- **Electricity from the PNG LNG project may eventually power more than half Port Moresby's requirements**
- **PNG Power is looking at some large potential solar projects**

By Kevin McQuillan

**P**apua New Guinea has a national energy strategy that mostly emphasises the use of renewable sources. Construction on three huge hydropower schemes is proposed, as part of the government's goal of increasing household access to electricity from currently 12 per cent to 70 per cent by 2030, and to provide a reliable electricity supply across the country.

In addition, solar power, LNG and biomass energy production projects are being developed.

By far the biggest prospective project is an 1800 megawatt

(MW) dam project at Karimui, Chimbu Province. This US\$2 billion project will take six years to build, with the work to be carried out by the Italian company Salini Impregilo.

Another large hydro scheme is the Ramu 2 Hydro Power scheme, a 180 MW hydro-electric power station on the Ramu River, in Kainantu in the Eastern Highlands Province. This US\$2 billion (K5.97 billion) scheme will lift electricity generation capacity by 36 per cent according to sources at Kumul Consolidated Holdings (KCH), the state entity managing the project. The project will operate under a public-private partnership (PPP) model, with China's Sinohydro Corporation Limited and Shenzhen Energy Group Co. Ltd awarded the contract to construct the project. Shenzhen Energy's Director Peng Haibin said it marked a new period of closer and deeper cooperation with PNG.

A third major hydropower project was launched in Central Province in February 2017. The Edevu Hydro Power Project is expected to generate 50 MW power to boost electricity supply to Port Moresby. PNG Power will then buy power from the Chinese company, PNG Hydro Development Ltd. It will also supply power to villages in the local area.

Project Manager, Charles Gubei, says negotiations on the project began in 2009 and it has taken eight years to get to

UPON COMPLETION, THE NEW PLANT WILL ADD ENOUGH POWER GENERATION CAPACITY TO SUPPLY 40 PER CENT OF PORT MORESBY'S PEAK DEMAND.

this stage. The major funding of the K630 million has come from the Hunan Provincial Government of China, and AG Investment.

Hydropower is replacing high-cost diesel generation in smaller centres too. PNG Forest Products has three hydropower stations at Baiune in Morobe Province, with a combined installed capacity of 15 MW, while state utility PNG Power Ltd (PPL) is constructing a new 3 MW Divune hydroelectric project in Oro Province. Power from this site will feed the provincial capital, Popondetta, and the tourist town of Kokoda.

### Biomass power

PNG Biomass, which is wholly owned by Oil Search has entered the Front End Engineering and Design (FEED) phase of the proposed Markham Valley Biomass Project.

The project involves using woodchips that are sourced primarily from new indigenous plantation trees grown in the Markham Valley, which is located approximately 55 km north-west of Lae. It will generate up to 15 MW—which may go up to 30 MW—of renewable, biomass-fired, base load power for the Ramu Power Grid.

The FEED stage process will refine the technical and commercial aspects of the project, ahead of a final investment decision, which is expected before the end of 2017.

### Gas

In 2015, PNG Power signed an agreement to buy LNG from ExxonMobil at half the current diesel rate to supply the capital, Port Moresby. The agreement is producing up to 25 MW of electricity (about a fifth of Port Moresby's requirements) coming from the PNG LNG plant. This is a five-year agreement that will lapse when the PNG LNG joint venture needs the power for a third train.

At the end of 2016, ExxonMobil announced plans to

build another 50 MW power plant outside Port Moresby. Andrew Barry, Managing Director of ExxonMobil PNG, said the power plant will use gas from the PNG LNG project.

'Upon completion, the new plant will add enough power generation capacity to supply 40 per cent of Port Moresby's peak demand, helping to meet the nation's growing energy needs using a reliable and cleaner burning source of energy,' he said.

Barry said the power plant will provide 'one of the most cost-effective sources of generation for PNG Power ... we need to focus on options that can be scaled as demand increases, like the planned power project in Port Moresby. It has been designed such that it can be expanded to a total of 200 MW, as required.' Barry added that only 'relatively minor investments' would be required to match supply and demand.

The initial plan was for ExxonMobil to build the plant and turn it over to PNG Power, but a private-public partnership is now being investigated. Possible interested parties include Kumul Consolidated Holdings, PNG Power, Oil Search, Kumul Petroleum, major super funds and other investors.

A 26 MW General Electric Gas Turbine generator was installed at the Lae Port in January 2016. PNG Power also commissioned the Korean company Daewoo to build a heavy oil plant at Munum, just outside Lae, which, when commissioned, is expected to generate a further 30 MW of power into the Ramu grid. A second transmission line from the Ramu 1 power station to Lae, is also nearing completion.

### Solar

PNG has considerable potential for solar power, the cost of which is falling quickly. In 2016, PNG Power signed a memorandum of understanding to work with the International Finance Corporation (IFC) to establish a way for the private sector to become involved in rooftop solar.

In 2017, PNG Power also signed a Memorandum of Understanding with the Central Provincial Government and South Korean company, K&P Limited, to conduct a feasibility study into the development of a 50 MW solar farm. If it goes ahead, the electricity would be supplied into PNG Power's Port Moresby system.

Rice supplier, Trukai Industries, has introduced a solar-powered agro-processing machine for small-scale rice processing in rural areas.

Rice Development Manager, Humphrey Saese, says solar technology does not need frequent maintenance, unlike diesel agro-machines. 'It will be cheaper to use longer-term.' ♦

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# A quantum leap in communication

Major developments are in the pipeline for PNG's telecommunications sector.

By Kevin McQuillan

**P**roposed changes in the telecommunications sector promise to boost data speeds, widen broadband coverage, improve e-commerce, enhance competition, and reduce the cost of mobile phone and internet usage.

Central to the strategy is a restructure of the government's communications companies, bmobile Vodafone and PNG DataCo. They will become subsidiaries of Telikom PNG, which will be renamed Kumul Telikom.

The Acting Minister for Public Investment and State Enterprises, Charles Abel, says the aim is to build a stronger, vertically integrated company.

The new entity will operate under a single board, headed by Telikom's current chairman, Mahesh Patel.

'The transferring of the country's main fixed-line and gateway assets into one entity, DataCo, will provide backbone services and international connectivity to operators, and will be positive for the market,' observes Vanessa d'Alancón, Telecommunication Analyst with Singapore-based BMI Research, a subsidiary of the ratings agency, Fitch.

She says after DataCo's plans to upgrade and run the National Transmission Network (NTN) are completed, internet service providers and corporates will have access to wholesale capacity.

'This will provide a boost to bandwidth and encourage market competition, which



Mobile telephony penetration in PNG extends to about 90 per cent of the population.

should reduce prices over the medium-term, she says.

Port Moresby-based IT specialist Russell Woruba, of Taragai Advisory, believes the restructure will reduce prices, and allow telcos to provide attractive bundled services, including media content, cloud options and professional services.

Another view comes from Masalai Communications' IT specialist, Emmanuel Narokobi: 'There is a huge cultural shift that needs to take place internally within all the organisations.'

'Given the underdeveloped telecom services, PNG's telecom market has enormous growth potential,' a report by Sydney-based telecommunications analyst, BuddeComm, says.

'Despite the challenges, the country offers many investment opportunities. An increasing number of Papuans are embracing the digital age, particularly the younger generation, and mobile phones in particular are becoming

a more important source of social interaction.'

## Mobile telephones

Mobile telephony penetration in PNG extends to approximately 90 per cent of the population. Internet access, however, is available to only 10 per cent of the population.

Digicel is the leading mobile provider in PNG, having cornered about 90 per cent of the mobile phone and broadband market since it won a licence to operate in 2007. Its competitor, bmobile Vodafone, is gaining traction, however.

In early 2017, Telikom and Digicel began rolling out 4G/LTE networks, offering discounted devices and packages to customers in order to encourage take-up.

Digicel's recently appointed Chief Executive Officer, Brett Goschen, tells *Business Advantage PNG* that his goal is to improve 'data throughput speeds, network availability, value propositions, promotions, self service, call centres and product availability.'

## National Transmission Network

Huawei Marine has been contracted to help finish building the K685 million NTN with DataCo, during the second quarter of 2017, although a substantial part of the NTN has already been built.

'The project has been kept to schedule,' BuddeComm analyst Henry Lancaster tells *Business Advantage PNG*.

'Because of the unique terrain, though, there has had to be additional work, including the provision of satellite connectivity.' ♦

GIVEN  
THE UNDER-  
DEVELOPED  
TELECOM  
SERVICES,  
PNG'S TELECOM  
MARKET HAS  
ENORMOUS  
GROWTH  
POTENTIAL.

BuddeComm

## MAKING THE INTERNET AFFORDABLE

The board of the newly named Kumul Telikom is prioritising the completion of the international cable link and the rollout of its 4G mobile phone system, according to the Chairman of the new-look Kumul Telikom, Mahesh Patel.

The government has decided to merge bmobile Vodafone and PNG DataCo as subsidiaries of Telikom PNG, which will be renamed Kumul Telikom, but will remain a subsidiary of the state-owned enterprise, Kumul Consolidated Holdings.

Patel tells *Business Advantage PNG* the ultimate goal is for the consumer to get affordable, low-cost internet. 'That's the bottom line,' he says. 'From my perspective as Chairman, it's the customer first. If they're not going to get the internet prices slashed, then what's the point?'

Patel says once bmobile and DataCo are brought under the control of Kumul Telikom, the board will assess how best to use their assets and resources.

He says there will be a retail arm—which will provide fixed, mobile and content services—and a wholesale arm.

'The board's intention is to provide a one-stop shop for the consumer, but that will require a lot of planning before any decisions are made,' he says.

Funding of the telco's development is also an issue. Patel says while Telikom and bmobile are 'EBITDA-positive', the problem is that government debts are 'not

allowing us to free up any cash'.

'We're looking at realigning our banking facilities now that we've got a firm structure. We have the capacity to borrow within our own means. We have to ask ourselves how do we generate cash and, with whatever cash that is generated, where is the best use for that?'

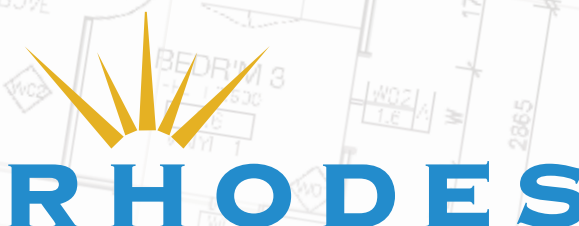
'The restructure will not minimise competition, but actually strengthen competition so that there is competition.'



Kumul Telikom's Chairman, Mahesh Patel.

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EMPOWERING COMMUNITIES THROUGH  
SOCIAL INFRASTRUCTURE



Papua New Guinea's airports are to be upgraded.

By Kevin McQuillan

**P**apua New Guinea's gateway airport, Jacksons International in Port Moresby, is about to be expanded. The plan is to have the private sector design, build, finance, operate and maintain the airport facilities.

The Asian Development Bank (ADB) is overseeing the project. Marcelo Minc, the ADB's Country Director for PNG, says the plans include a new international passenger terminal, the extension of the main runway, and other infrastructure enhancements.

The expansion of the terminal is a response to expectations of a huge increase in traffic over the next 10 to 15 years. It follows an upgrade in 2015, which resulted in expanded check-in counters, additional immigration facilities, better foreign currency exchanges and more cafés, duty-free liquor stores, souvenir shops and restaurants.

The country's 21 regional airports

# Flying into the future



An Air Niugini plane at Jacksons International Airport, Port Moresby.

are gradually being improved. Goroka Airport in Eastern Highlands Province is being upgraded at a cost of K82 million by China's COVEC Co. and is due to be ready in time to host APEC events in November 2018.

Other airports undergoing upgrades in 2017 are Vanimo Airport, Girua in Popondetta and Chimbu.

The Japan International Cooperation Agency is leading the K600 million redevelopment of the Lae Nadzab

airport, scheduled for completion by August 2020.

Both carriers, Air Niugini and PNG Air, are upgrading their fleets. Air Niugini is replacing its Dash-8 fleet with nine Dutch-built Fokker 70 aircraft. It is buying four new Boeing 737s for delivery in 2020/21.

PNG Air is replacing its Dash-8 fleet with the 74-seat French-Italian built ATR 72-600. It will have 12 such aircraft by 2020. ♦

## THE INSIDE VIEW

# Linking the region

PNG's national airline is upgrading its Asia-Pacific connections.

By Sir Frederick Reiher

**T**his year is shaping up as a busy and successful one for Air Niugini. At the end of March, we commenced twice-weekly services to Townsville, North Queensland, and later in 2017 we will commence regular services between Port Moresby and Shanghai.

The Townsville service will benefit our own business community, the tourism sector, education and family reunions. It coincides with new codesharing arrangements with Qantas on the Brisbane and Sydney services.

The Shanghai air link reflects China's development as an important investment and trading partner with PNG, and an increasing source of tourism.



Sir Frederick Reiher

This year also marks the 75th anniversary of the defining battles of World War 2. The most memorable battle was the 1942 Battle for Kokoda and in acknowledgement of that, Air Niugini is naming an aircraft *Kokoda*. Air Niugini flies to Japan with regular services, and we have noticed a growth in Japanese tourism, much of it with links to World War 2.

In December 2016, we opened our first Business Travel Centre, which reflects the critical importance Air Niugini attaches to our corporate

clients. It offers ticketing for all airlines, hotel bookings, rail bookings, car hire bookings and all the other services the modern-day corporate client demands.

Our first regular twice-weekly service to the Federated States of Micronesia (FSM) began last December, and took more than 1300 bookings in the first five months. Many of these passengers are originating from overseas countries taking advantage of the new 'Jacksons hub' facility to travel between their home countries and FSM via Port Moresby.

Our capacity to maintain services has been greatly strengthened by the outstanding success of our subsidiary airline, Link PNG, which we established three years ago to meet the specific needs of communities in remote and distant areas. ♦

Sir Frederick Reiher is Chairman of Air Niugini.

# A revolution in ports

Congestion looks to be a thing of the past thanks to some major changes to the country's two largest ports.

By Kevin McQuillan

**M**ajor improvements are being made in PNG's port infrastructure.

PNG Ports Corporation is moving the port of Port Moresby across to the large harbour island, Motukea, in order to relieve congestion in the central business district of the capital. The port had reached operational capacity and was hamstrung by traffic congestion.

PNG Ports' Chief Executive Officer, Stanley Alphonse, says the new port facility is expected to cost more than K300 million and, when completed in November 2017, will allow international vessels of up to 240 metres in size to berth, discharge and take on cargo bound for Australia, New Zealand, and other Pacific and Asian ports.

Motukea will be bigger than the current Lae port, which is currently PNG's busiest. PNG Ports Corporation Limited, the owner of the port, has engaged Curtain Bros PNG, the original owner of Motukea, to carry out the work.

'This is a world-class project, managed by our very own people and they will deliver ahead of, or on, time and within budget,' says Alphonse.

Curtain Bros is expanding its own ship repair facilities by building a large dry dock, capable of taking Panamax ships for repairs, according to General Manager, Justin McGann.

Peter Langslow, Managing Director of Steamships, one of the largest users of PNG's ports, believes there has been steady improvement in PNG's shipping infrastructure.

'Port efficiency and infrastructure in Lae is much improved compared to the torrid years of the PNG LNG project construction, and since the opening of the new berth at the Lae tidal basin at the end of 2015,' he says. 'The congestion problem in Lae has been almost entirely relieved.'

Langslow says before the congestion was improved, its subsidiary Consort Express Lines was 'effectively' losing one ship a month to congestion, just waiting to get onto a berth.

'Such lost productivity was extremely damaging, so the turnaround in this regard has been very positive. There's presently no congestion problem in Port Moresby.'

## International operator

The development of Phase 2 of the Lae Tidal Basin project, which includes the port upgrade and an industrial zone, is 'on track', according to Kumul Consolidated Holdings (KCH).

THIS IS A WORLD-CLASS PROJECT, MANAGED BY OUR VERY OWN PEOPLE AND THEY WILL DELIVER AHEAD OF, OR ON, TIME AND WITHIN BUDGET.

Stanley Alphonse





**Left: Niugini Coast arrives in Lae.**  
**Main: Motukea Island, location for Port Moresby's new port.**

Pictures: Steamships/Stephen Rae.

This is despite the discovery of major structural defects in Phase 1 of the project. The K809 million [US\$266 million] Phase 1 project was completed in 2014 by contractor China Harbour Engineering Company (CHEC).

PNG Ports' Alphonse says an international operator for both the Lae port and Motukea terminal has been sought. This would mark a major change in the way ports are managed; PNG Ports has traditionally operated the nation's ports directly.

Another part of the Lae port development is Huon Industrial Park, which will store wet (general fuels and chemicals) cargo, dry bulk materials, feed stocks and be the base for a mineral export facility. The cost is estimated to be K258 million.

Lae's port handles more than 60 per cent of PNG's international and domestic trade. Alphonse says that Phase 2 includes a second multipurpose berth, a tidal basin, terminal

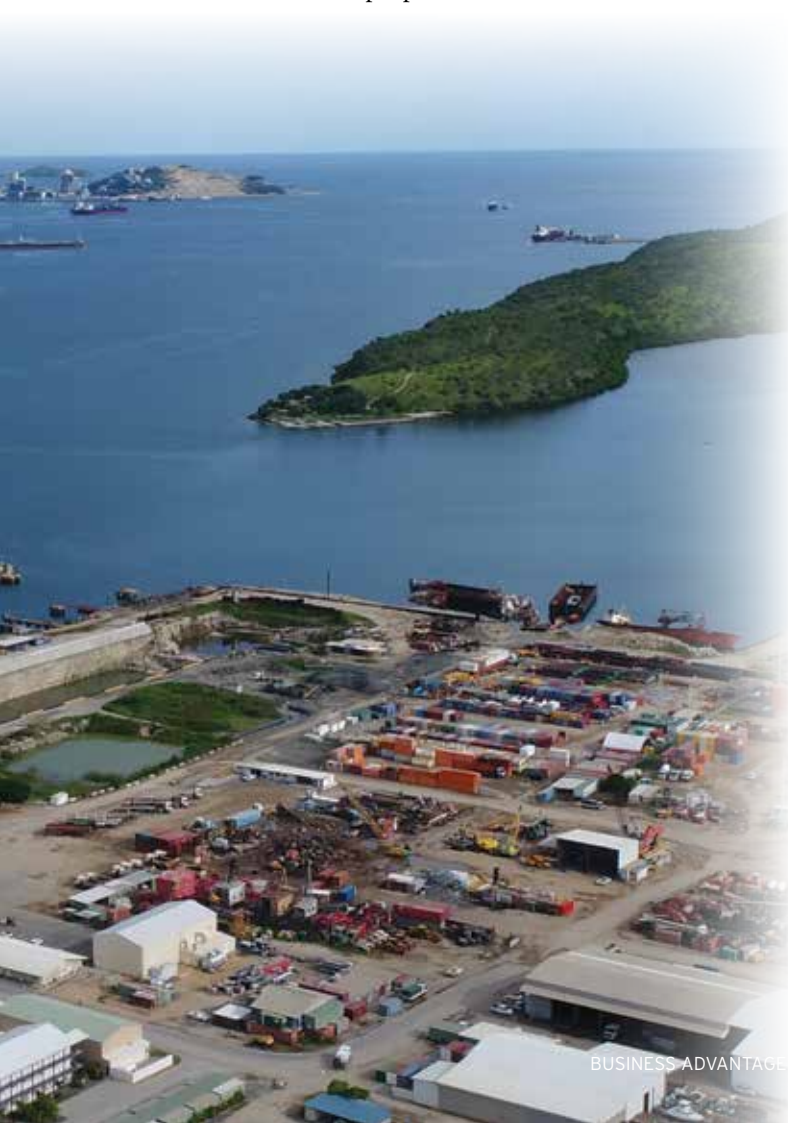
works buildings, storage areas, roads, drainage, water, electricity and sewerage services.

A second berth of at least 240 metres length is required for the terminal to operate as efficiently as possible by an experienced terminal operator, Alphonse says. 'This will enable two vessels of anything up to 200 metres length overall to berth at the same time.'

Alphonse says PNG Ports has held discussions with potential tenants from the mining, petroleum, power and fisheries sectors. The government estimates that when the expanded port is fully operational, it will create 5000 new jobs. Eventually, as a consequence of growth in revenue from more pilotage, wharfage and berthage, it is projected that 10,000 new jobs will be created.

## Regional ports

PNG Ports is gradually rehabilitating 13 other ports around the country. It is needed. According to the World Bank, PNG's regional ports 'provide only a basic service for coastal traffic and are often unusable in bad weather.' The Lorengau port rehabilitation program on Manus Island, for example, includes the installation of wharf fenders, a standby generator set, new fencing and an access gate. ♦





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# New wealth, new services

Banks and financial services companies are tapping into PNG's rising middle class.

By David James

**P**NG's senior bankers are focusing their strategies on a growing middle class. Robin Fleming, Chief Executive of Bank South Pacific, says the bank has sharply increased its lending for housing.

'Housing loans have probably grown by about 40 to 50 per cent; maybe a little bit more,' he says. 'It means that our retail banking has grown and developed and increased its internal metrics.'

'It is certainly not a driver of short-term profits. It is more a longer term positioning for an emerging middle class over the next 10 to 15 years.'

Mark Baker, Managing Director of ANZ in PNG, agrees the country is developing a more mature consumer market. The bulk of ANZ's business in PNG is corporate, but the bank is also focusing on the growing middle class. Baker points to the recent launch of a Visa debit card.

'Papua New Guineans want to travel, and they want to be able to fund themselves in the way that most travellers do, which is to securely debit their home account,' he says. 'You are also seeing some growth in mortgages as more land is released and titles registered. We're always open to people approaching us on this.'

## Technology

A second positive for the financial services sector is the increasing sophistication of technology. In effect, PNG is leapfrogging the industrial era by deploying post-industrial technology.

Greg Pawson, Westpac's Regional Head, South Asia and Pacific, says although the country is 20 years behind more developed markets like Australia and New Zealand in electronic transactional banking, it is catching up quickly.

'That will give people back the time they spend visiting branches or managing their financial affairs. It will also help to take the pressure off the volume, the sheer volume, in cash and cheques that are in the banking systems in both (the PNG and Fiji) markets today. It causes us more concern in PNG because the security cost of moving cash around is significant.'

Pawson says value-added services can be provided using mobile phone technology. 'They can pre-pay their utility bills, they can buy insurance services and a whole bunch of other things—all from the palm of their hand.'

Syd Yates, Chief Executive of Kina Bank, believes technological change will transform PNG's finance sector.

## PNG'S SUPER GIANTS SEEK DIVERSITY OFFSHORE

PNG's two major superannuation funds are performing strongly, but the managers are constantly reviewing both their investment strategies and operational practices. Ian Tarutia, Chief Executive of NASFUND, says 88 per cent of the members' funds are in domestic investments, the remainder offshore.

'We have a strategy to invest some of our funds offshore to ensure that there's better diversification of our investment portfolio, and to ensure that we have the opportunity to liquidate the portfolio as required to pay members' dues when they need to become available.'

'We've got a strategic asset allocation which says: "These are the asset classes that we should be investing in and these are the expected returns."

'For example: fixed income, shares, listed/unlisted, loans, properties and so forth. There have been tactical moves in between those asset classes. What we have done is shift away from low yielding cash deposits, and



**Ian Tarutia, CEO of NASFUND**  
says the fund is diversifying.

into higher earning Treasury bills.'

The former Chief Executive of Nambawan Super, Garry Tunstall, said Nambawan will also be looking to diversify offshore. He said the fund had changed its strategic asset allocation to 75 per cent onshore and 25 per cent offshore. The previous allocation was 15 per cent offshore. Getting the additional 10 per cent allocation offshore was, however, affected by the foreign exchange shortages.

Nambawan, according to Tunstall, is looking to increase its emphasis on income rather than capital gains. The emphasis will be on 'real income' from earnings, rather than 'income by valuation'. He said the fund's average return over the last ten years has been about 9.9 per cent.

Tarutia says government bonds are 'paying well and truly above' the yields on the property portfolio. Treasury bills are currently providing a seven per cent return, well above international equivalents.





A new residential development in the Port Moresby suburb of Baruni. Significant housing construction is under way in the capital's outer suburbs.

Picture: Business Advantage International

He anticipates that banks will become 'quasi-technology' companies.

'EFTPOS machines probably won't have great growth. Mobile technology will probably be where it all really sits, and we need to think about digital online. So, our customers need to be able to connect with us anytime, anyhow and anywhere.'

There are barriers to improving the finance sector in PNG, however. PNG's financial system is undeveloped, which means there is insufficient demand for PNG financial assets. So when investment flows out of the country because of the ending of large resource projects there is a lack of availability of overseas currency. The slowing economy also changes the risk appetite of the banks and other financial institutions.

HOUSING LOANS HAVE PROBABLY GROWN BY ABOUT 40 TO 50 PER CENT; MAYBE A LITTLE BIT MORE. IT MEANS THAT OUR RETAIL BANKING HAS GROWN AND DEVELOPED AND INCREASED ITS INTERNAL METRICS.

Robin Fleming

### Credit improving

Land ownership is based on customary rights, which means that it is not conventionally tradeable and cannot be used as an asset to back a loan. As the World Bank's most recent *Doing Business* survey notes, however, the establishment of a Credit and Data Bureau in PNG has been instrumental in improving the situation for both business and consumer borrowing. In just one year, between 2016 and 2017, PNG rose from 109th in the world to 32nd for 'getting credit'. ♦

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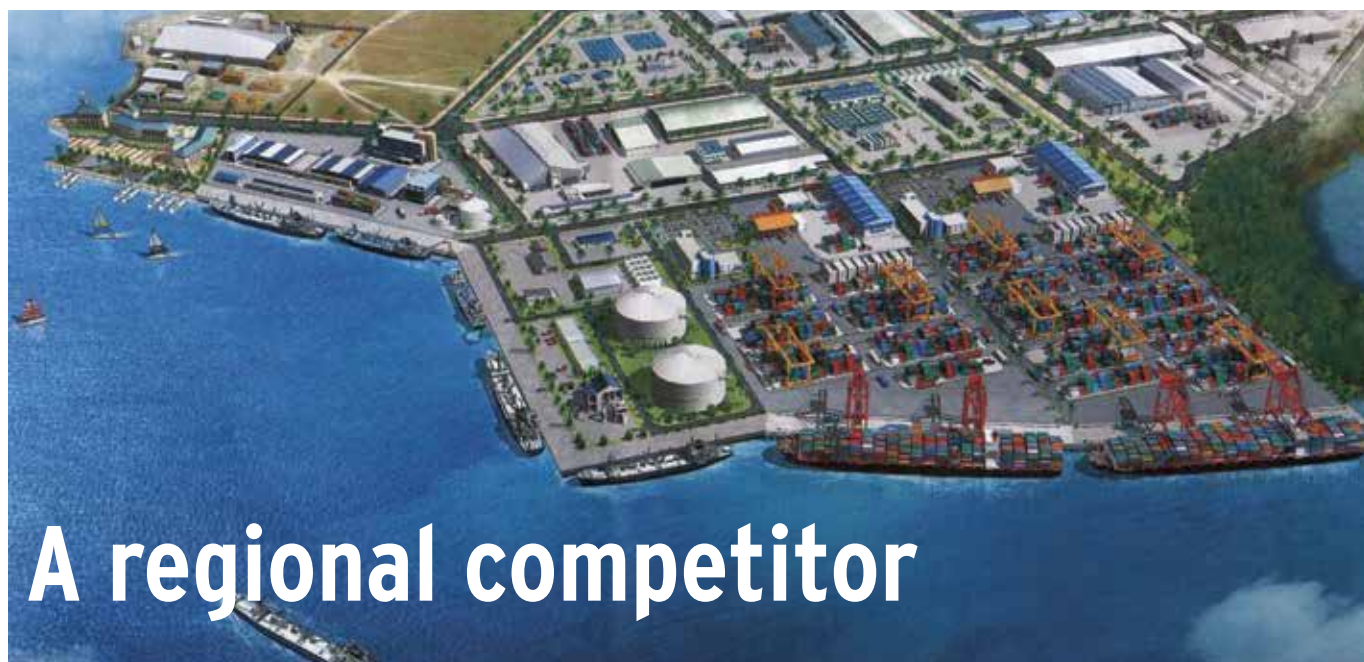
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# A regional competitor

PNG is seeking to reach a major milestone on its journey to becoming a regional fish processing powerhouse.

By Kevin McQuillan

**T**he plans for Papua New Guinea's fishing industry are ambitious. The Prime Minister Peter O'Neill is on record saying his government's aim is for the industry to become the largest tuna processing and canning hub in the region, ahead of Thailand and the Philippines.

Although there is a long way to go before that is achieved, there are positive signs. Alan McLay, President of the Lae Chamber of Commerce, describes Lae's established fish canneries as 'the shining light, especially the tuna canneries relying on stock from Morobe waters.' McLay says a new cannery will be built soon, which, he says, shows 'the strength of this industry'.

Another initiative is the proposed establishment of a Pacific Marine

Industrial Zone project in Madang Province. It is to have up to 10 tuna canneries and other port facilities, located on the Madang Lagoon.

The project has faced delays and cost increases, however. According to the EXIM Bank of China, which is a 78 per cent partner, the budget has increased by US\$61 million (K194 million) on top of the original US\$95 million (K300 million) secured under phase one.

The area will encompass 100 hectares for the industrial zone and 115 hectares for residential and commercial use. Anton Yagama, Vice Minister in charge of the project, hopes operations will begin in the first half of 2017.

## Local manufacturing

Pete Celso, the Managing Director of the country's biggest cannery, the Philippine-owned R D Tuna Canners, and chairman of the Fishing Industry Association (PNG), is positive about the project but says 'the biggest challenge is to make it happen'.

A 2017 report by the Fishing Industry Association found that PNG in 2012–2013 exported more tuna than

it imported. The report pointed to an alleged lack of border control.

'We have more than enough local manufacturers and canneries to supply the needs of the entire nation with surpluses,' says Celso. 'Here you are trying to encourage local producers to do it and yet we simply don't have much control on all these imported items whose guidelines are a bit different from the local producers.'

'To me it doesn't make any sense because most of the tuna that comes back was the same tuna that was caught in PNG waters. But foreign canners can produce it much cheaper because the cost of doing business is not only lower overseas, their respective governments have built incentives which we don't have here.'

Celso points to other issues facing the industry. One is the lack of foreign exchange. Another is the rising cost of doing business. Maintaining market access is a further challenge.

'We used to be getting almost exclusive duty free access to Europe, but Europe is now trying to give the same benefit to a good number of countries whose cost of doing business is much lower.' ♦



ALAN MCLAY, PRESIDENT OF THE LAE CHAMBER OF COMMERCE, DESCRIBES LAE'S ESTABLISHED FISH CANNERIES AS 'THE SHINING LIGHT'.



# Waiting for the next wave

Papua New Guinea's manufacturers are finding different methods to deal with tough market circumstances.

By David James

**T**he strategies business leaders adopt in difficult economic circumstances determine both the company's capacity to survive and ability to benefit when the economy improves.

Many of Papua New Guinea's manufacturers are facing just such a period. Some are employing highly defensive strategies; others are more prospective.

'You are just more conservative,' says Stan Joyce, Managing Director of SP Brewery, PNG's largest brewer. 'You protect what you have got, which is still a lot more than what we had before we started out on this wonderful journey. We will wait for the next wave to come through.'

## Commodity prices

Manufacturing accounts for about seven per cent of PNG's GDP, according to the International Monetary Fund. The economy's heavy dependence on resources industries means that the fate of manufacturers is heavily affected by what happens in the global commodity markets.

Nowhere is this more evident than in the availability of foreign exchange. Chey Scovell, Chief Executive of the Manufacturers Council of PNG says some PNG manufacturers are struggling because they cannot source their inputs.

Michael Kingston, Chief Executive of KK Kingston, says getting foreign currency is the number one issue. 'The biggest challenge on everyone's lips, and we are no different, is foreign exchange—obtaining sufficient foreign currency to pay our raw materials suppliers,' he says.

PEOPLE ARE TAKING  
MANUFACTURING  
INDUSTRIES OF A  
SIGNIFICANT SCALE  
INTO THE HEARTLAND.

Chey Scovell

'We are a fairly diverse company so there is quite a long list. We are not just grinning and bearing it, we are trying to find solutions to make the situation a bit more bearable.'

At the same time, some manufacturers are benefitting from the lack of foreign exchange as PNG companies and customers pursue local options. 'We have clients who don't want to go through the hassle of getting the foreign exchange,' says Frank McQuoid, Chairman of steel fabricator Steel Industries.

'We have five new indigenous manufacturers of saveloys located throughout the Highlands—



S P Brewery's Stan Joyce

something we have never really had before,' Scovell tells *Business Advantage PNG*. 'People are taking value-added and manufacturing industries of a significant scale into the heartland where people are. It is really positive.'

## The kina

Mikael Ruben, Managing Director at paint manufacturer AkzoNobel PNG, says the level of the kina affects his company's profit margins. 'We pay in US dollars, so that means that everything will become much more expensive,' he says.

'We have several expats working in the company who get paid in foreign currency, so of course if the kina weakens that is also an additional operational cost.'

Joyce says one response is to move to local suppliers when possible. 'There is no doubt we are doing that, you can do those things to mitigate it.'

## Infrastructure

The quality of infrastructure is an area of great concern to manufacturers, although Scovell says there have been many advances, especially with the roads. He says the government has invested in infrastructure 'really for the first time since Independence'.

Ruben says the problems are ongoing. 'We have all the infrastructure matters: power cuts, water shortages, and high operational

costs, shipping around the country to our customers,' he says. 'That impacts on all the operational challenges of the company.'

Joyce agrees, pointing especially to the high cost of the internet and the lack of consistent power. 'There are always logistical challenges. The Highlands Highway is another one.'

### Different strategies

The approaches of PNG's manufacturers differ depending on the nature of their business and their position in the market. Jean-Michel Lejeune, General Manager at Goodman Fielder PNG, says the company is taking a long-term view and embracing a counter-cyclical strategy.

Ruben says AkzoNobel is looking to regain market share that it lost during the construction of the PNG LNG project, when other competitors entered the market.

Kingston says K K Kingston's mix of offerings provides a 'useful hedge'. 'When mining is down, fortunately our exposure to the more general consumer



Picture: Manufacturers Council

market and the general commercial industrial markets acts as a nice buffer against the downturn in the mining sector.

'That said, when there is a downturn in the mining sector it eventually flows through to the consumer sector and the commercial and industrial sector as well.'

Scovell says many manufacturers developed inefficiencies during the boom, which they are now addressing. 'This downturn has put them in a position where they have had to maximize all their efficiencies—invest a little bit more in upskilling some of their people so they can improve their productivity a little bit.' ♦

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# World-class beans

By Kevin McQuillan and Sarah Byrne

**T**he prospects for coffee production look strong in Papua New Guinea, according to Joeri Kalwij, Manager of Monpi Coffee Exports, one of PNG's major coffee exporters. In particular, the 2016 result of one million exported bags was impressive. He says that the industry is likely to average 800,000 bags a year. If the industry can achieve that 'we'll be doing well,' he says.

PNG is among the world's top 20 coffee producers, and boasts the ideal environment: excellent soil, rainfall and the right climate.

But there could be greater upside. Kalwij believes that if training is improved, the trees are upgraded, mills improved and the bottlenecks at ports—which are due to lengthy and complex export bureaucracy—are removed, then the industry could be doing much better.

'People will stand in line to buy a cup of PNG coffee—if it's marketed as PNG coffee. PNG can cater for all ends of the spectrum: high-end specialty and a solid quality bulk volume.

'We will never be a Brazil or a Vietnam. But do we need to be? We can create specialty coffees. We can create quality by being more hands-on with the farmers.'

## Investing

Major trade and development organisation Fairtrade Australia and New Zealand works with over 6000 coffee farmers in Papua New Guinea, including the 2600-member Highlands Organic Agricultural Cooperative (HOAC).

The Cooperative is investing into improving local infrastructure and bucking local trends, with production increasing by 350 per cent over the last 10 years.

Fairtrade Australia and New Zealand CEO, Molly Harriss Olson, tells *Business Advantage PNG* that some of the country's rural infrastructure, such as roads and bridges, has deteriorated, limiting 'access to many of the ideal coffee growing regions.'

Delays in transport also affect the quality of coffee, which reduces the price that can be charged, she says.

## Mobilising farmers

The Coffee Industry Corporation has implemented a strategy of mobilising farmers into groups in an attempt to address farmers' concerns about low prices.

Tom Kukhang, the Coffee Industry Corporation's Chief Scientist, says if farmers work together, the consistency of the crop will improve. It is a strategy that provides the growers with larger crop volumes, putting them in a stronger position to negotiate the sale price with the exporter.

'When they go as individuals to the roadside or market to

Papua New Guinea's coffee industry is already a major exporter, but it has even more potential if some of its challenges can be addressed.

# “ WE WILL NEVER BE A BRAZIL OR A VIETNAM. BUT DO WE NEED TO BE? ”

sell their coffee, they have no power,’ says Kukhang.

Eventually, he says, the grower co-ops will allow the farmers to deal directly with small roasters throughout the world, removing the ‘middle man’.

## Export bureaucracy

Kalwij praises the US\$50 million World Bank-funded Productive Partnerships in Agriculture project (PPAP), which trains farmers and aims to rehabilitate ageing trees. But he says some of that money could be directed towards improving the export process.

‘We need to do away with the problems in getting export documents ready. If we could achieve this, the exporters would buy more and we could export more.’

Kalwij likewise points to the need for better training. ‘It’s a negative vicious circle with regards to quality.’ He notes that quality standards are often not observed. Some coffee may be under-grade, or may be from past crops. ‘We are devaluing our coffee,’ he says.

‘A bucket of random cherries at a random wet mill will be any colour, from green to dark red and everything in between. Why don’t mills reject unripe beans? Why don’t we train coffee growers better?’

Kalwij says infrastructure also needs to be improved. ‘The decline in infrastructure and services can be seen when a road is washed away, or a bridge has collapsed in the more remote areas.’

‘It doesn’t get fixed in the same season. That means that a lot of farmers who grow coffee have a harder time bringing their coffee to market.’


## Future demand

Fairtrade’s Harriss Olson believes demand for coffee is growing across the globe. ‘It’s projected that by 2020, Australians will be drinking 4.5 billion cups of coffee each year.’


‘This growth in demand, coupled with PNG’s close proximity to Australia, provides a tremendous opportunity for PNG coffee growers,’ she says.

Kalwij says PNG currently provides about one per cent of the global coffee output and is unlikely to reach double digits. But he believes there is no need to compete with the bigger nations. Rather, the approach should be to aim at a distinctive niche. ♦

Some fish are smarter than others.



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# Looking to new markets



International demand for wood is changing and PNG's industry is responding.

By Kevin McQuillan

**P**apua New Guinea's timber exports have been comparatively stable, despite the sector experiencing many problems. Chief Executive of the Forest Industries Association, Bob Tate, tells *Business Advantage PNG* that one difficulty is what is happening in China, PNG's biggest export market.

He says the Chinese government is embarking on a program of restructuring. 'They're closing a lot of their smaller producers, and they're moving aggressively into forest plantation establishment.'

Tate says China is successfully expanding its range of domestically produced bamboo products, which is bad news for countries that export traditional wood products.

## Exports

According to Tate, over the past two years export revenues have fallen by about five per cent, in line with the downturn in prices. The Bank of PNG reports that in the nine months to September 2016, forestry

exports were K231.1 million, compared with K241.8 million in the previous corresponding period.

'We sell a very mixed bag of species to China, which is the nature of PNG forests,' says Tate. 'Outside China, markets seem to be specific-oriented.'

On the plus side the PNG industry, says Tate, is finding that Vietnam, and to a lesser extent India, have shown interest in PNG's local plantation-based products.

## Research

An innovative new project, funded by the Australian Centre for International Agricultural Research (ACIAR), may help increase the scale and profitability of PNG's processed timber products.

The research centre's director, Professor John Herbohn, says the project also involves teaching remote Papua New Guineans how to log more sustainably and to repair harvested forests. A National Diploma in Wood Processing and Products

Programme has been established in PNG.

## Taxes

Meanwhile, the 2017 national budget flagged the reintroduction of a progressive log export tax, which Tate argues will force a number of companies out of business and cost as many as 15,000 jobs. The proposed tax rate would rise from 28 per cent to 50 per cent.

'The bottom line is that having suffered a decline in volumes and prices, it is hardly the time to double the tax rate.'

James Lau, Chief Executive of Rimbunan Hijau, PNG's largest forestry operation, describes the proposed log export tax as the 'biggest current issue of concern' in the sector.

'The tax increase originally proposed in late 2016 would seriously impact PNG's forestry sector, destroying jobs and the royalties and development levies received by landowners,' he says. ♦

'VIETNAM, AND TO A LESSER EXTENT, INDIA HAVE SHOWN INTEREST IN PNG'S LOCAL PLANTATION-BASED PRODUCTS.'

Bob Tate

# A place to stay

Major events are transforming the hotel scene in Port Moresby.

**B**y the time of the APEC Summit in 2018, Port Moresby could have as many as 2590 high-end hotel rooms, and conference capacity for many thousands. Hoteliers tell *Business Advantage PNG* that the increase in scale and quality means the capital could become a world-class regional conference venue.

Only five years ago, there were just 600 high-end hotel rooms in Port Moresby.

But economic growth, and regional sporting and political events have prompted new investments in rooms and in conference facilities.

The newest project under construction is PNG's first Hilton Hotel, being developed by Star Mountain Plaza in a partnership with the PNG Government. Also under consideration is a 500-room hotel, for which state-owned enterprise Kumul Consolidated Holdings (KCH) has inked preliminary agreements with Hong Kong property developer Shin Kong Pacific Investments.

Port Moresby's newest hotel, The Stanley, opened in July 2016 in central Waigani, with 429 rooms.



The lobby of The Stanley hotel.

Picture: Business Advantage International

## Major hotels in Port Moresby

Hotel	Owner/manager	Rooms	Status
Airways Hotel	Constantinou	149	Vue Restaurant refurbished
Crowne Plaza	Kumul Hotels	157	For sale
Ela Beach Hotel	Coral Seas Hotels	97	Recently renovated
Five-star hotel proposed	Shin Kong Group & Kumul Consolidated Holdings	500	MOU signed August 2016
Gateway Hotel	Coral Sea Hotels	193	Renovations underway
Grand Papua	Coral Sea Hotels	161	Opened December 2011
Hilton Hotel	Star Mountain Plaza/Hilton Hotels	212	Completion set for 'late 2017'
Holiday Inn	Kumul Hotels	153	Refurbished 2010
Holiday Inn Express	Kumul Hotels	199	Opened May 2015
Laguna Hotel	TST Group	60	Opened May 2014
Lamana Hotel	Constantinou	103	Recently refurbished
Proposed 'luxury hotel' on Paga Hill	Paga Hill Development Co	200	Opening end 2018?
The Stanley	R H Group	429	Opened June 2016
<b>TOTAL ROOMS</b>		<b>2590</b>	

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General Manager Geoff Haigh says the centrepiece of the hotel is its function space, which can cater for a plenary conference attendance of up to 1000 and a sit-down dinner for 1200.

It has more than doubled the conference capacity of the city, he believes. Haigh says Port Moresby can now develop as a regional conference centre, attracting large conferences, which would otherwise go to either New Zealand or Australia.

Coral Sea Hotels has three hotels in Port Moresby (Grand Papua Hotel, Gateway Hotel and Ela Beach Hotel), providing a total of 451 hotel rooms. Its conference facilities can cater for up to 800 at Gateway, 230 at Grand Papua Hotel and 180 at Ela Beach Hotel.

'Port Moresby is becoming a metropolitan city,' observes Deidre Halstead, Group Sales & Marketing Manager for Coral Sea Hotels.

## Upgrades

Greater competition in Port Moresby's hotel sector is driving investment in upgraded facilities.

The Lamana Hotel recently completed major renovations, including impressive new food and beverage venues, while Airways has reopened its signature Vue Restaurant, after extensive renovations. Coral Sea has spent K7 million upgrading its 97-room Ela Beach Hotel. It is also spending K25 million on new dining facilities at Gateway Hotel, most notably Jackson's Restaurant, Bar and Gaming. ♦

# A dining revolution



Duffy cafe, one of several popular food outlets in Steamships' Harbourside development in Port Moresby's CBD.

Picture: Steamships

The eating options in Port Moresby have greatly improved.

**A** boom in new restaurants is improving the quality and variety of dining options in Papua New Guinea's capital.

A few years ago, diners had only a handful of options when eating out in Port Moresby. The Royal Papua Yacht Club and Aviat Club were social hubs but otherwise, if you wanted to eat outside a hotel, you had little choice beyond stalwarts like Asia Aromas in Town (the CBD) or Daikoku at what is now Harbour City.

How times have changed. In the past year alone, over 20 new eateries have been opened across PNG's capital. The combination of a rising middle class and a permanently enlarged expatriate population—largely due to the advent of the PNG LNG gas project—has encouraged local investors to open new eateries, upgrade their existing restaurants, and expand the tastes and quality on offer.

## Harbourside leads the way

The opening of Steamships' high-profile Harbourside development in Town has provided a fillip. The site is now home to five restaurants, including the popular Duffy café and the recently opened Italian restaurant, Sogno. Longstanding favourite Asia Aromas has relocated there and Harbourside also offers quality Indian and seafood dining options in the form of Tandoor on the Harbour and The Naked Fish.

Harbourside's waterfront location, with its uninterrupted views across the harbour, is a major attraction. Diners are able to choose between dining under the stars or enjoying air-conditioned comfort.

With further major redevelopment of the waterfront planned for the coming years, as Port Moresby's port is relocated to Motukea Island and APEC Haus and the Paga Hill Estate are completed, the dining revolution in Town looks set to continue.

A short distance away, in Harbour City in Konedobu, the Mediterranean food and drink at Mojo Social is

proving popular. The eatery opened in May 2016.

### Waigani

While Town is undergoing its own revival, the largest growth in dining options is happening elsewhere: in the government precinct of Waigani. The opening of Port Moresby's largest hotel, The Stanley, in July 2016, and the expansion of the adjacent Vision City shopping mall (both owned by R H Group) have been the major drivers.

The Stanley is home to five new eateries, including the Silver Leaf Restaurant (fine dining) and the Monsoon Lounge (tapas). In-house guests can enjoy the barbecue on the pool deck.

Stanley Hotel guests, and visitors to Vision City, have three new upmarket dining options inside the mall: Korean Garden (Korean), Hosi Ramen (Japanese) and Bel Cibo (Italian). Add existing restaurants such as the massive Dynasty (Chinese), Ten (Japanese) and an attractive food court, and it is evident the location has become a major hub for 'foodies'.

If R H Group has raised the bar for dining in Waigani, others in the area are showing they can rise to the challenge. Shortly before Christmas 2016, the renovated Lamana Hotel re-opened its public areas, with four stylish new eateries: the classy Café Palazzo, The Italian, Spices (Indian) and Port Moresby's first Brazilian

restaurant, Rio's at the Temple.

PNG's first Hilton Hotel is due to open nearby in 2018. We can expect even more dining options in Waigani before too long.

### Six-Mile/Airport

The building of the Kumul Flyover in the past 18 months has improved access to Jacksons International Airport and its precinct, from Waigani. That has meant an expansion in the food on offer out at Six-Mile.

The Gateway Hotel, which is adjacent to the airport and is part of the Steamships-owned Coral Sea Hotels chain, has opened three new affordable food outlets in 2016: Enzo's (pizza), Jackson's Restaurant (pizza, pasta and noodles) and Sizzler's family-style grill.

Jackson's Restaurant, in particular, offers great views overlooking the airport, as does the celebrated Vue Restaurant at Airways Hotel, which is just 500 metres up the road. The Vue recently re-opened after extensive renovations. It looks a treat.

For diners, the greater variety will be welcomed. There are other benefits from an expanded restaurant scene. More competition has already led to rising standards of service and food preparation; there is a larger market for quality locally grown fruit, vegetables, seafood and meats; and there are more employment opportunities for local workers. ♦



### New eateries in Port Moresby

#### Asian

Asia Aromas—Harbourside (Town)  
Hosi Ramen (Japanese)—Vision City Mega Mall (Waigani)  
Korean Garden—Vision City Mega Mall (Waigani)  
Tandoor on the Harbour (Indian)—Harbourside (Town)  
Spices (Indian)—Lamana Hotel (Waigani)

#### Cafés

Cafe Palazzo—Lamana Hotel (Waigani)  
Duffy—Harbourside (Town)  
Rainforest Café—Stanley Hotel (Waigani)

#### Buffet/Grill

Green Haus Café—Stanley Hotel (Waigani)  
Pool Deck—Stanley Hotel (Waigani)  
Sizzler's—Gateway Hotel (Six-Mile)

#### Fine dining

Silver Leaf Restaurant—Stanley Hotel (Waigani)

#### Mediterranean

Bel Cibo—Vision City Mega Mall (Waigani)  
Enzo's (Pizza)—Gateway Hotel  
The Italian Restaurant—Lamana Hotel (Waigani)  
Jackson's Restaurant (pizza, pasta and noodles)—Gateway Hotel (Six-Mile)  
Mojo Social—Harbour City (Konedobu)  
Sogno—Harbourside (Town)

#### Seafood

The Naked Fish—Harbourside (Town)  
Spanish/South American  
Monsoon Lounge (Tapas)—Stanley Hotel (Waigani)  
Rio's at the Temple (Brazilian)—Lamana Hotel (Waigani)

## Essential reading for PNG-focused executives

If you've found this publication useful, you'll find even more business news, analysis, opinion, interviews and intelligence at [businessadvantagepng.com](http://businessadvantagepng.com), plus our free weekly business update.

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# DIRECTORY WHO'S WHO IN PNG

This directory provides contact details for organisations featured in this edition, plus other key contacts.

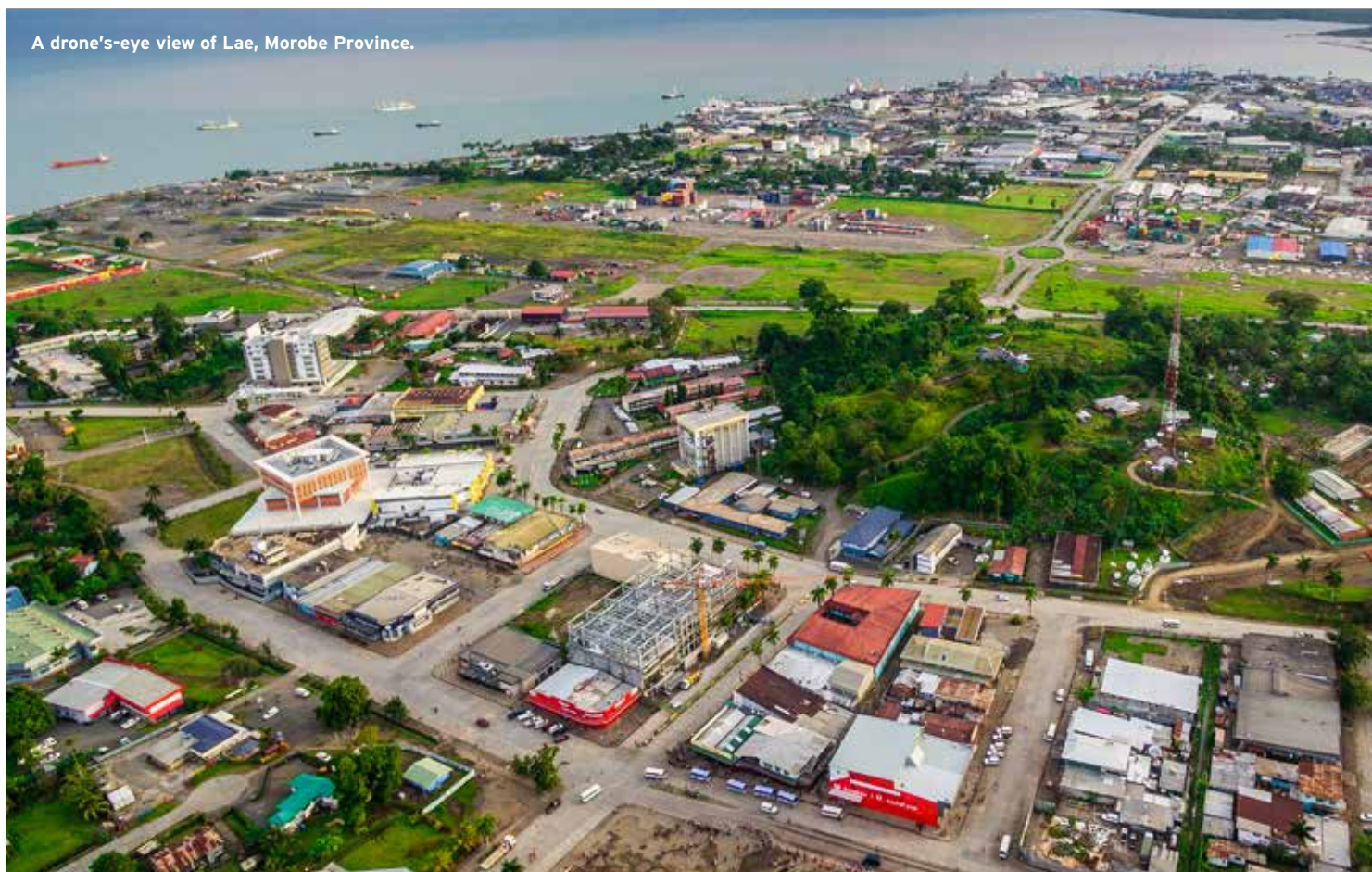


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A drone's-eye view of Lae, Morobe Province.



Picture: Milen Stilyanov

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### AkzoNobel PNG

[www.taubmanspg.com](http://www.taubmanspg.com)

### Coca-Cola Amatil PNG

+675 472 1033

[www.ccamatil.com](http://www.ccamatil.com)

### Goodman Fielder International (PNG)

+675 308 2200

<http://goodmanfielder.com/countries/papua-new-guinea/>

### K K Kingston

[www.kingston.com.pg](http://www.kingston.com.pg)

### Lae Biscuit Company

+675 475 9988

[www.laebiscuit.com.pg](http://www.laebiscuit.com.pg)

### New Britain Palm Oil

+675 985 2177

[www.nbpol.com.pg](http://www.nbpol.com.pg)

### Paradise Foods Limited

+675 325 0000

[www.paradisefoods.com.pg](http://www.paradisefoods.com.pg)

### SP Brewery

+675 302 8200

[www.sp.com.pg](http://www.sp.com.pg)

### Trukai Industries Ltd

+675 472 2466

[www.trukai.com.pg](http://www.trukai.com.pg)

## BANKING, FINANCE & INSURANCE

### ANZ

+675 321 1079

[www.anz.com/png](http://www.anz.com/png)

### Bank of Papua New Guinea

+675 322 7200

[www.bankpng.gov.pg](http://www.bankpng.gov.pg)

### BSP (Bank South Pacific)

+675 320 1212

[www.bsp.com.pg](http://www.bsp.com.pg)

### Capital Insurance Group

[www.cig.com.pg](http://www.cig.com.pg)

### Kina Group of Companies

+675 308 3800

[www.kina.com.pg](http://www.kina.com.pg)

### Nambawan Super Ltd

[www.nambawansuper.com.pg](http://www.nambawansuper.com.pg)

### National Development Bank

+675 324 7500

[www.ndb.com.pg](http://www.ndb.com.pg)

### National Superannuation Fund Limited (NASFUND)

[www.nasfund.com.pg](http://www.nasfund.com.pg)

### Pacific MMI Insurance

+675 321 4077

[www.pacificmmi.com](http://www.pacificmmi.com)

### Port Moresby Stock Exchange Limited

+675 320 1980

[www.pomsox.com.pg](http://www.pomsox.com.pg)

### QBE

+675 309 0110

[www.qbepacific.com/papua\\_new\\_guinea.html](http://www.qbepacific.com/papua_new_guinea.html)

### Tower Insurance

[www.towerinsurance.com.pg](http://www.towerinsurance.com.pg)

### Westpac Bank PNG Limited

[www.westpac.com.pg](http://www.westpac.com.pg)

## BUSINESS & GOVERNMENT ORGANISATIONS

### Asian Development Bank

+675 321 0400

[www.adb.org](http://www.adb.org)

### Australian Trade Commission (Austrade)

+675 325 9150

[www.austrade.gov.au](http://www.austrade.gov.au)

### Australia-Papua New Guinea Business Council

[www.apngbc.org.au](http://www.apngbc.org.au)





## Useful online resources for Papua New Guinea

### [www.businessadvantagepng.com](http://www.businessadvantagepng.com)

Business Advantage International's online business magazine for PNG and the region. Produces weekly PNG email update.

### [www.ipa.gov.pg](http://www.ipa.gov.pg)

PNG's Investment Promotion Authority.

### [www.thenational.com.pg](http://www.thenational.com.pg)

### [www.postcourier.com.pg](http://www.postcourier.com.pg)

PNG's two daily newspapers, *The National* and *The Post-Courier*.

### [www.emtv.com.pg](http://www.emtv.com.pg)

Commercial TV broadcaster.

### [www.pngchamberminpet.com.pg](http://www.pngchamberminpet.com.pg)

The PNG Chamber of Mines and Petroleum (see page 56) produces a number of useful publications including *Profile* magazine, which coincides with its major biennial conference.

### Economic bulletins

Informative quarterly bulletins are produced by the Asian Development Bank (*Pacific Monitor*; [www.adb.org](http://www.adb.org)) and the central bank of PNG (*Quarterly Economic Bulletin*; [www.bankpng.gov.pg](http://www.bankpng.gov.pg)). ANZ Research also produces the helpful *Pacific Monthly*.



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www.bcpng.org.pg

**Business & Professional Women's Club of Port Moresby**

www.bpwpng.org

**Kumul Consolidated Holdings**

(formerly Independent Public Business Corporation, IPBC)  
www.kch.com.pg

**Institute of National Affairs**

Industry-funded think-tank.  
+675 321 1045  
www.inapng.com

**International Finance Corporation (IFC)**

+675 321 7111  
www.ifc.org

**Investment Promotion Authority**

+675 308 4444  
www.ipa.gov.pg

**Lae Chamber of Commerce & Industry**

+675 472 2340  
www.lcci.org.pg

**Manufacturers Council of PNG**

+675 321 7143

**Papua New Guinea Chamber of Commerce and Industry**

+675 321 3057  
www.pngcci.org.pg

**PNG Chamber of Mines and Petroleum**

+675 321 2988  
www.pngchamberminpet.com.pg

**Port Moresby Chamber of Commerce & Industry**

www.pomcci.com

**World Bank**

+675 321 7111  
www.worldbank.org/en/country/png

**BUSINESS SERVICES**

**Datec**

+675 303 1222  
www.datec.com.pg

**Dentons PNG**

+675 308 4600  
www.dentons.com

**Deloitte PNG**

+675 308 7000  
www.deloitte.com/pg

**DHL Express (PNG)**

+675 325 9866  
www.dhl.com

**Ela Motors**

+675 322 9500  
www.elamotors.com.pg

**Guard Dog Security Services**

+675 7373 2300 (POM)/7202 1069 (Lae)  
www.GuardDogSecurityPNG.com

**Pacific Palms Property/Harbourside**

+675 313 7920  
www.pacificpalmsproperty.com.pg

**PVM Advertising**

+675 325 7419  
www.pvm.com.pg

**CONSTRUCTION & ENGINEERING**

**Avenell Engineering Services (AES)**

+675 320 3288  
www.aespng.com

**Hebou Constructions (PNG)**

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www.hebou.com.pg

**Hornibrook NGI**

+675 472 3599  
www.hornibrook.com.pg

**Kramer Ausenco (PNG)**

+675 321 7333  
www.kramerausenco.com

**Lamana Development**

+675 323 4791  
www.lamdev.com.pg

**Monier**

www.monier.com.pg

**PICSA Group**

www.picsa.com.pg

**Rhodes PNG**

www.rhodespng.com

**FORESTRY**

**PNG Forest Products**

www.pngfp.com

**MINING & PETROLEUM**

**Barrick Gold**

+675 322 4800  
www.barrick.com

**ExxonMobil PNG Ltd (PNG LNG Project)**

www.pnglng.com

**InterOil**

www.interoil.com

**Kumul Petroleum**

(formerly PNG National Petroleum Company)  
www.kumulpetroleum.com

**Mineral Resources Authority**

+675 321 3511  
www.mra.gov.pg

**Morobe Mining Joint Venture**

www.morobejv.com

**Nautilus Minerals**

+675 321 1284  
www.nautilusminerals.com

**Newcrest Mining**

+675 321 7711  
www.newcrest.com.au

**Oil Search Limited**

www.oilsearch.com

**Ok Tedi Mining Ltd**

www.oktedi.com

**Repsol (formerly Talisman Energy)**

www.talisman-energy.com

**Total E&P (PNG)**

www.total.com

**TOURISM/TRANSPORT**

**Air Niugini**

+675 327 3444  
www.airniugini.com.pg

**NAC**

www.nac.com.pg

**PNG Air (formerly Airlines PNG)**

www.pngair.com.pg

**Tourist Promotion Authority**

+675 320 0211  
www.tpa.papuanewguinea.travel

**UTILITIES/TELECOMMUNICATIONS**

**bmobile-Vodafone PNG**

www.bmobile.com.pg

**Digicel PNG**

www.digicelpng.com

**PNG Ports Ltd**

www.pngports.com.pg

**PNG Power**

+675 324 3200  
www.pngpower.com.pg

**Water PNG**

+675 323 5700  
www.waterpng.com.pg

**Telikom PNG**

+675 300 4000  
www.telikompng.com.pg

**DIVERSIFIED INDUSTRIAL GROUPS**

**City Pharmacy Ltd (CPL)**

www.cpl.com.pg

**CHM Group**

+675 301 0500  
www.chm.com.pg

**Rimbunan Hijau (R H) Group**

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