



SOLOMON ISLANDS BUSINESS GUIDE

SPECIAL FEATURE



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INTERNATIONAL

STAYING BUOYANT

Where to now for the Solomon Islands economy?



Business ties are strong between Papua New Guinea and the Solomon Islands. In this special eight-page section, *David James* looks at the economy of PNG's nearest neighbour and talks to the experts about future opportunities. There are also tips for business travellers: where to stay, visa requirements and more.

Making a splash ... tourism is one sector that can help future-proof the economy of the Solomon Islands.

The Solomon Islands' economy grew by three and a half times between 2003 and 2016. But, according to the Asian Development Bank, logging has been the most significant source of government revenue over the past decade, accounting for about half the government's export earnings. That is expected to decline, meaning the country must find ways to diversify its industry base.

Jay Bartlett, chair of the Solomon Islands' Chamber of Commerce and Industry, identifies agribusiness, mining and tourism as three sectors with potential.

"With agribusiness, there is a lot of scope and a lot of opportunity. Much of the population is rural and a lot of the population is already engaged in the informal sector in agriculture.

"So, we could possibly look at ways where we can value-add; look at the supply chains and make markets more accessible – domestic markets and maybe also regional and international markets. There is a lot of scope to directly impact people working in the rural and informal sectors."

At the moment, Bartlett says, the Solomon Islands' biggest agricultural export is palm oil. The main player is Guadalcanal Plains Palm Oil, which is majority owned by New Britain

Palm Oil (itself owned by Malaysia's Sime Darby).

"They are looking at a significant program to expand over the next five to 10 years in the Guadalcanal plains, which will likely triple the production.

"We should be exploring and driving innovation in some of the niche products. That has a lot of scope to improve our export sector and create a lot of jobs for the community and the economy.

“ Agribusiness, mining and tourism are three sectors with potential.

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"There is also opportunity with other crops such as coconut oil, taro, cassava and kava," notes Bartlett. "Those are obviously not going to be huge volumes. They are done on a more small-holder scale. But I think that has a lot of opportunity."

Seva Payevskiy, the resident representative, Solomon Islands, for the International Finance Corporation, says the economy's weaknesses stem from its smallness, remoteness and dispersed population.

"This increases the costs of public service delivery, constrains the reach of infrastructure and reduces the range of opportunities for private sector development.

"Remoteness inflates transport costs for all traded inputs and products, which, together with lack of economies of scale in the provision of basic infrastructure required for economic activity, pushes up the total cost of goods and services.

"The upside, however, is a relatively rich resource base in agriculture, including fisheries, and also untapped wealth of natural resources."

Mining policy reform, says Payevskiy, is also of considerable importance because the sector is one of the few major alternative sources of growth.

Bartlett believes the biggest challenge is access into markets. "That is probably a bigger challenge than the actual physical logistics of it: getting the right certification in place to enable some of our crops to go into some of the bigger markets, like Australia and New Zealand." ➤

PNG COMPANIES WITH A Foothold IN THE SOLOMON ISLANDS

Many PNG companies are already in the Solomons, confirming commonality in the two Melanesian economies. In many areas, the two nations are at a similar level of development and face similar cultural and business challenges.

According to the PNG High Commission in Honiara, there are 52 PNG companies operating in the Solomons, among them Bank South Pacific, New Britain Palm Oil, Credit Corporation, Kramer Ausenco and Bmobile-Vodafone, representing an \$SBD2 billion investment portfolio and employing more than 5000 Solomon islanders.

The Solomon Islands is currently going through a period of economic consolidation after experiencing a strong period of economic growth over the past decade.

According to the Australian Department of Foreign Affairs and Trade (DFAT), growth accelerated in 2016 to 3.2 per cent. DFAT expects it to moderate to 3 per cent in 2017 and fall to 2.8 per cent in 2018 "as the short-term benefits of expansionary fiscal policy and unsustainable logging dissipate".

Although smaller, the country has many parallels with neighbouring Papua New Guinea. According to the Asian Development Bank (ADB), the majority of the population, which is growing at about 3 per cent a year, is involved in subsistence or cash crop agriculture. Less than a quarter of the population is involved in paid work.

The Solomon Islands has significant infrastructure challenges. Unlike PNG, there is no undersea telecommunications cable to provide international connectivity. Distances

between its six major islands, and 900 smaller islands, increase the difficulty of transporting goods and equipment.

There have been political issues, especially over land alienation controversies, some of which date back to colonial times. In 2003, this broke out into open conflict, leading to the Regional Assistance Mission to Solomon Islands (RAMSI) being invited in. RAMSI is scheduled to complete its mission on June 30.

There are also physical challenges. According to the World Bank, population density, at 20 people per square kilometre, is among the lowest in the world. The World Bank says significant funds are spent on small and medium-sized capital expenditures, but there are limited systems of financing for recurrent costs and ongoing maintenance.

Staying buoyant

Tax policy is considered an important issue by businesses.

“Businesses in Honiara often report the relatively high burden of taxation falling on compliant businesses, the scarcity of urban land for business expansion,” says Payevskiy.

Bartlett says the Solomons Chamber has been talking to government about broadening the tax base and diversifying the economy. “At the moment, the tax system is quite complicated. If it could be simplified, made easier, it would catch a lot more and contribute more into the government’s revenue.

“The other big fundamental issue that is ongoing is the land issue, which needs to be addressed. There needs to be more effort put into mechanisms that allow ownership structures to be put in place for customary land in order to open it up for development and investment.”

Bartlett says some processes where local landowners can address land issues, are required. He points to the need for

mechanisms “where we can formally register customary land through landowner groups or associations”. He believes it is a long-term challenge.

“We need to allocate resources today to enable that to be dealt with. In Melanesia, land can be a quite complex and sensitive issue and there is not one solution, due to the different island and cultural differences.”

Tourism has great potential, according to the chief executive of Solomon Islands Visitors Bureau, Josefa Tuamoto. He says international visitation in 2016 increased by 7.3 per cent on the previous year. It was the third year in a row that numbers have risen.

“One of our biggest opportunities lies in the fact the Solomon Islands holds strong appeal for international travellers looking for something different,” he says. “It is a unique ‘living’ culture with World War 2 history, diving, fishing, surfing, trekking and yachting.

“We ideally want to grow our leisure market, which currently sits on 30 per cent

of our overall international visitation. With new operators coming online in both our traditional and developing source markets, we are confident this growth will be achieved.”

The most high-profile tourist and business accommodation venue is the Heritage Park Hotel in Honiara. General manager Sanjay Bhargava says it is a tough market to operate in. “It is basically for business travellers. We haven’t really been exposed so much to the world. We are in the process of doing it.

“The economy of the Solomon Islands isn’t so very strong that it can withstand many shocks. A lot of exterior forces are there which affect whether or not there is a good occupancy in the hotel.”

Bhargava says tourism is held back by cost considerations. “It is beautiful, but as a destination it is not very cheap.” Growth has nevertheless been strong and Bhargava expects that to continue. “It will take time; it is a very young country.” ■

BSP backs Solomon Islands

David Anderson, Bank South Pacific’s country manager in the Solomon Islands, shares an overview of the country’s economy.



David Anderson ... “There is plenty of money around for people to do things.”

“The Solomon Islands is a very liquid economy at the moment,” notes David Anderson, Bank South Pacific’s (BSP) country manager in the Solomon Islands.

“There is plenty of money around for people to do things. Officially, there was a 3.2 per cent rise in GDP in 2016 and that has been pretty consistent for the last couple of years.

“The forecast for 2017 is about 3.3 per cent. It’s been good, steady growth. BSP is looking to grow here. We have confidence in the country.”

Anderson says the Solomon Islands relies heavily on logging, which accounts for 60–70 per cent of its exports. But he believes the government has to plan for the logging to eventually cease.

“In 1996, when I was working in the country previously for Westpac, the general expectation was for logging to end in approximately five years.

“In 2013, when I came back, people were still saying another five years.

“When will it end? I don’t know. However, contacts in the logging industry expect it to last longer than five years.”

Anderson says there may be plenty of trees left in the Solomon Islands, but the environmental pressures grow stronger every year.

“There is a lot of economic growth in the Solomon Islands beyond the forests, however, especially in Honiara,” he says. “The economy in Honiara is fairly strong. There is a lot of construction going on. Some of it is coming from funds from the Chinese and most of the Chinese are investing into property.

“Tourism has a big future for the Solomon Islands. Over recent years, it’s certainly improved.”

“The return on it here can be very good; in some cases, between eight and 12 per cent. And there’s not much empty commercial or industrial property in Honiara. “If you drive from Henderson Airport into Honiara, there is hardly a vacant commercial space anywhere. There is a lot of building going on.”

Anderson says a lot of the industrial land in Honiara is just about built out. As a

consequence, people are looking for more space to build.

“As soon as a property does come up it is quickly leased. The quality of buildings is certainly a lot better (than when I was last living here).”

Such interest in property bodes well for the post-logging future, says Anderson.

“Tourism has a big future for the Solomon Islands. Over recent years, it’s certainly improved.

“The Western Province is the jewel of the country. Unfortunately, a lot of people in nearby countries, including New Zealand and Australia, don’t know that.

“The Solomon Islands just has to keep moving forward (on tourism) and come to an arrangement with people in New Zealand, Australia and elsewhere to try and sell the country better.”

BSP purchased the National Bank of the Solomon Islands 10 years ago this year.

Anderson says BSP is now the largest bank in the Solomon Islands. The bank has eight branches around the country—four in Honiara and four in the provinces.

With 260 staff, it has a loan book of around \$SBD930 million and has over \$SBD2 billion in deposits. ■

—GREG CLARKE

HONIARA'S FINEST

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REVIEW: HERITAGE PARK HOTEL

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LOCATION

This waterfront hotel is 12 kilometres from Honiara International Airport, close to the city's main port and yacht club. The hotel is in Honiara's small CBD and is just a short walk to a market, bank and shops.

THE PLACE

On a verdant site that was once home to the country's governor general, the Heritage Park Hotel is one of just five premier hotels in the city. Despite being part of the CBD, the hotel was quiet during the nights I stayed. Hotel guests come for the cleanliness and safety aspects, according to the manager.

ROOMS

There are four styles. My room was



impeccably clean and perfectly cool – the tiled floors helped in this regard. The hot water can take a while to come through in the shower. William and Kate stayed in room 312. There were no complaints from them about the hot water.

FOOD AND DRINK

There are three eateries. The fine dining restaurant is in a part of the governor general's former residence. The resplendent and aged timber floors remain. The restaurant – it serves Solomon Island dishes, Indian, Western and Italian (pizza) – is known locally as GG's, but more formally as The Renaissance Restaurant.

A buffet breakfast is served from 7–10am, lunch from 11am–3pm and dinner from 6–10.30pm. Splash is the poolside bar/cafe, The Terrace is a coffee shop. A nightclub is open until 2am. Room service is 24 hours.

—GREG CLARKE

WHO STAYS? Mostly business travellers. The Duke and Duchess of Cambridge (William and Kate) stayed in 2013.

HOW BIG? 66 keys (39 hotel rooms and 27 apartments).

COST Standard rooms from \$S1980 (about PGK800); suites from \$S3025 (about PGK1230). The executive and deluxe rooms fall between the two price ranges.

CHECK IN AND OUT 1pm/12pm

HIGHLIGHTS Every room has a water view with a private balcony. There is also a swimming pool, five conference rooms for groups between 10 and 250, three restaurants and beautiful gardens and lawns.

NEARBY The National Museum is a few minutes' walk from the hotel.

Wi-Fi in rooms/public areas:	✓
TV:	✓
Air conditioning in room:	✓
Ceiling fan in room:	✗
Business centre:	✓
Gym:	✓
Room service:	✓
Swimming pool:	✓
Free airport transfers:	✗
Hotel arranges tours:	✓
Breakfast included in room charge:	✗

WHAT GUESTS LIKE

I visited the hotel as a prospective site for our annual business conference. The hotel is a fantastic location for a conference or a getaway. The staff are beyond hospitable, nothing is too much trouble. The resort has a very tropical oasis feel with the most incredible view from the pool bar, perfect for a sunset dinner and cocktail. I can't wait to get back to Heritage Park Hotel for our conference. – TripAdvisor

Modern, good quality room fittings. By far the best hotel in the Solomons. Staff always helpful. Free Wi-Fi which actually worked well! – Bookings.com

The hotel overall was nice, the staff in the restaurant were lovely, the rooms were clean and the sea view rooms had a great view – TripAdvisor

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Travellers' tips



VISAS

Free visas valid for 90 days are issued on arrival for most nationalities, including Commonwealth, US and European visitors. To ensure the visa is issued, visitors should have return or onward tickets.

INTERNATIONAL/ DOMESTIC FLIGHTS

International flights land at Honiara's Henderson Airport. Air Niugini flies from Port Moresby to Honiara four times weekly. See airniugini.com.pg. Solomon Airlines flies throughout the country. The domestic terminal is two kilometres from Henderson. A shuttle bus connects the airports and costs \$SBD35 each way. See sightseesolomons.com.

CURRENCY

One Solomon Islands dollar (SBD) is worth around 0.41 kina and 0.13 USD. There are ATMs in the international airport and in Honiara's small CBD.

GETTING AROUND HONIARA

Central Honiara is 12 kilometres from the international airport. A taxi from the airport to the CBD costs around \$SBD200. Major hotels can organise transfers. The country's official tourism site is a good place for travel information. See visitsolomons.com.sb.

CAR HIRE

Avis and Economy Car Rentals have a good variety of vehicles in Honiara. See avis.com.sb and economycarrentals.com.sb. Car hire and drivers can also be booked via travel agencies such as Guadalcanal Travel Services. See solomontravel.info.

BUSINESS ETIQUETTE

Meetings can seem informal – jackets and ties aren't necessary, though a degree of flexibility is. 'Island time' can mean some people don't show for appointments or, conversely, meetings can be arranged at short notice.

BUSINESS HOURS

Banking hours are 8.30am or 9am to 3pm, Monday to Friday. Commercial hours tend to be from 7.30am to midday and 1pm to 4pm, Monday to Friday, and also Saturday mornings. Government offices open from 8am to midday and from 1pm to 4.30pm, Monday to Friday.

SAFETY

The Regional Assistance Mission to the Solomon Islands (RAMSI) has brought stability to the country following 2003's social unrest. RAMSI is to withdraw in the middle of 2017. Throughout the Solomons it is safe to walk around during the day; however, as for anywhere in the world, caution should be a priority at night.

HEALTH

It is advisable to take anti-malarial tablets, even if just visiting Honiara. Consult your doctor before departure about malaria but also tetanus and vaccination for hepatitis A and B. A typhoid booster is also recommended.

ACCOMMODATION

The Heritage Park Hotel (see our review on page 120) is popular with business travellers and has a swimming pool and conference rooms. See heritageparkhotel.com.sb. The five-star Coral Sea Resort & Casino opened this year. See coral-sea-resort.com. The Solomon Kitano Mendana Hotel, next door to the Solomon Island Visitor Bureau office, has a business centre and conference rooms.

RESTAURANTS

The Heritage Park Hotel and the Coral Sea Resort have upmarket restaurants. At the Heritage, guests dine in part of the governor general's former residence. Haydn's Steakhouse at the Coral Sea Resort has modern Australian and European cuisine. There is also a restaurant, The Boardwalk, featuring South-East Asian street food at Coral Sea. There are also several options away from the hotels. Sea King is the best-known of the crop of Chinese restaurants. Taj Mahal (Sri Lankan and Indian), just across the road from the Heritage Park Hotel, has a very good

reputation. If you are after great coffee and comfort food, the Breakwater Cafe and Lime Lounge are popular expat hang-outs in the centre of town. The Bamboo Cafe, run by and directly next door to the King Solomon Hotel, is another good option.

CLIMATE

Warm and humid, with coastal day temperatures averaging 28°C. May to November tends to be drier.

TIME ZONE

11 hours ahead of GMT.

ELECTRICITY

240V AC 50Hz, using Australian-style plugs.

ENTERTAINMENT

Away from the larger hotels, many call into the Point Cruz Yacht Club for a beer after work. Visitors can sign in. The Honiara Golf Club, just out of town, is also popular.

MEDIA

The *Solomon Star* (solomonstarnews.com) and the *Island Sun* are the local daily newspapers. The *Solomon Times Online* (solomontimes.com) is the other local main news source. ■



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