Business Advantage

# PAPUA NEW GUINEA 2022

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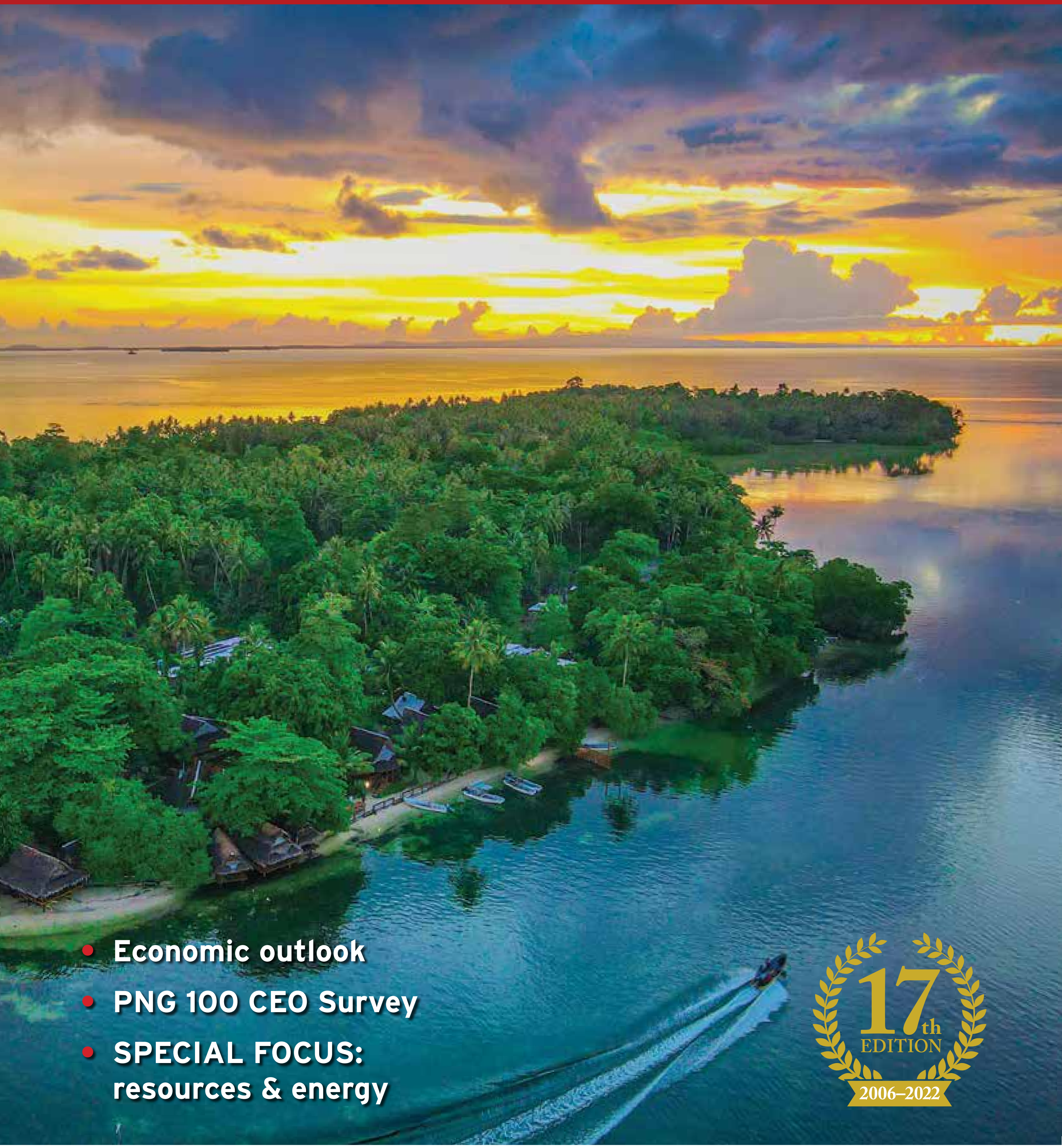
**PAPUA NEW GUINEA'S PREMIER BUSINESS AND INVESTMENT GUIDE**




- **Economic outlook**
- **PNG 100 CEO Survey**
- **SPECIAL FOCUS: resources & energy**

# Welcome

Welcome to the 17th annual edition of *Business Advantage Papua New Guinea.*

Business Advantage International has produced this annual snapshot of Papua New Guinea's business and investment prospects each year since 2006.

It is the longest-standing and most respected guide of its kind, and has a genuine worldwide readership.

We also publish its online sister, PNG's top-ranked online business magazine, businessadvantagepng.com, where you'll be able to subscribe to our free *PNG Business Update* email, access our comprehensive *Doing Business in PNG* investor guide, and search our premium online business services directory, png1000.com.

If you want to do business in PNG, these are the resources you'll need.

PNG enters 2022 having navigated the COVID-19 pandemic in its own way. Without the big government and resources for major lockdowns and mass vaccination campaigns, its focus has been on preserving the formal sector and keeping the subsistence economy going as much as possible. This has largely been achieved.

Once PNG's National Elections are complete in the middle of 2022, its incoming government can look forward to a steady stream of major resources and infrastructure projects over the coming decade, which should do much to restore the strong economic growth the country experienced between 2007 and 2015.

This will be good news for businesses of all sizes, and will reward the patience of those companies who have been long-term investors in the economy.

But, as a frontier market, there is plenty of room for more investment in PNG.

If you are intrigued by what you read in this publication, join us at our next Papua New Guinea Investment Conference. This annual event, to be held in Brisbane on 15 and 16 August 2022, will bring together PNG-focused business people from across the globe in the same room together for the first time in three years.

To find the latest information on the conference, visit www.pnginvestmentconference.com.

**Andrew Wilkins**
*Publishing Director*
*Business Advantage International*

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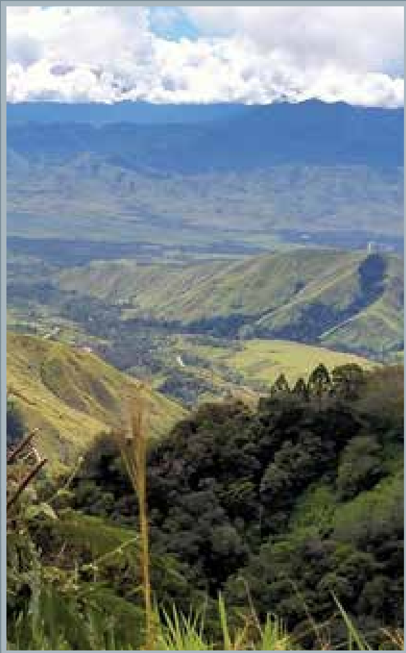






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**Project Director:** Robert Hamilton-Jones (rhj@businessadvantageinternational.com)

**Publishing Director:** Andrew Wilkins (aw@businessadvantageinternational.com)

**Editorial:** Paul Chai, Gabriella Munoz, Justin Smirk, Sally Woollett

**Advertising:** Charles Saldanha

**Design:** Peter Schofield

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# Cautious optimism as major projects take shape

With major new resources projects still in play, and new players entering the market, this election year will be one to watch in Papua New Guinea.

By Andrew Wilkins

In 2020, PNG's economy struggled under the triple challenges of political uncertainty, economic contraction and COVID-19. 2021 was a more stable year politically, while PNG developed its own way of handling the pandemic, with business returning to a 'new normal' or *niupela pasin*.

While the country experienced modest GDP growth in 2021, led by its non-resources sectors, the underlying economic challenges faced by the country, which pre-date COVID-19, have not disappeared. Government debt is now at record levels, while there has been no employment growth in the formal sector for several years.

On the surface, therefore, GDP growth predictions for 2022 of around four per cent (World Bank and Asian Development Bank) and 5.4 per cent (PNG Treasury) would seem very encouraging.

However, the government's own projected 5.4 per cent growth for 2022 is considered by some in business as a slightly optimistic. Douveri Henao, Executive Director at the Business Council of PNG, explains why.

'A lot of that [expected growth] is coming from the mining sector,' he observes. 'So, a restart of the Porgera [gold mine] has got a lot to do with it.'

The Porgera gold mine, PNG's largest, has been in 'care and maintenance' mode for two years while the PNG Government has negotiated a new special mining lease with its operator, Barrick Niugini [see page 27].

A 'commencement agreement' has been signed by all parties but, at the time of writing, more work was required for the mine to actually reopen (targeted for the first half of 2022), let alone recommence production.

Any major delays will impact GDP growth projections, so there is plenty at stake.

On the plus side, higher-than-expected oil and gas prices, due to the global bounceback from COVID-19, supply constraints and war in the Ukraine, may well provide a revenue windfall for PNG, while also putting upward pressure on inflation.

## Stimulus

While some in business were advocating for PNG's budget deficit to be tackled, Treasurer Ian Ling-Stuckey instead announced a 2022 National Budget containing K22.175

CREDIT: IFC


The fertile Markham Valley in Morobe Province has enormous potential as a centre for agribusiness.

## Key points

- PNG's GDP expected to grow modestly in 2022.
- Cautious optimism among businesses
- An election year in which there will be spending on infrastructure.
- Strong expectations around key new mining and petroleum projects

billion (US$6.3 billion) of spending—a record.

The government plans to invest more money in infrastructure, health and education, with a major boost for spending on the Connect PNG roads program [see page 37], and more funds to upgrade the country's ports and electricity system. Much of the infrastructure spend is being supported by countries such as the United States, Australia, Japan and New Zealand, and multilateral lending agencies.

'One of the reasons lenders are providing a lot of support to the PNG government is because they can see the potential for the economy going forward,' notes ANZ's Pacific Economist, Kishti Sen.

'Debt as the proportion of GDP is still under 52 per cent, well below the legislated limit of 60 per cent. And 52 per cent for a developing country like PNG is not even close to the median for similarly rated countries.'

Business is already feeling the benefits of the government's expanded Public Investment Program.

'It's a very exciting time in the civil construction space,' observes George Constantinou, Managing Director of Hebou Constructions, which is currently involved in the reconstruction of the port at Motukea Island and a major upgrade of Lae's Nadzab Airport.

'The infrastructure spending has been quite healthy, with the Connect PNG rollout and the upgrade of PNG's ports. Those two rollouts will be quite important for the next 20 years.'

## National elections

PNG's five-year electoral cycle means the current government led by Prime Minister James Marape must face the voters in June 2022 to obtain a mandate for its 'Take Back PNG' agenda, which has the aim of obtaining a better return from the nation's resources for local interests.

While an incumbent government does have significant advantages in an election year, sources are predicting a concerted challenge this time from the People's National Congress party led by former Prime Minister Peter O'Neill, whom Marape replaced mid-term in 2019.

Given PNG governments tend to be coalitions of several political parties, it would be a brave person to predict the result.

What can be expected, however, is a short-term stimulus

CREDIT: K92 MINING


**The Kainantu mine in PNG's Eastern Highlands Province is undergoing expansion.**

**Papua New Guinea in brief**

| | |
|---|---|
| **Population** | 8.947 million (2020, United Nations) |
| **Capital** | Port Moresby |
| **Surface area** | 463,000 sq km |
| **People** | Melanesian, Papuan, Negrito, Micronesian, Polynesian |
| **Time zone** | GMT +10 hrs |
| **Business language** | English |
| **Political status** | Parliamentary democracy |
| **GDP** | US$23.592 (2020, World Bank) |
| **GDP growth** | 4.1 per cent (2022 forecast, Asian Development Bank) |
| **Inflation** | 4.6 per cent (2022 forecast, Asian Development Bank) |
| **Currency** | PNG Kina (PGK) |
| **Major industrial sectors** | Mining, gas/energy, crude oil, petroleum refining, palm oil, forestry, coffee, fisheries, construction, manufacturing, tourism |
| **Exports** | Petroleum gas, gold, copper ore, rough wood and crude petroleum |
| **Major export markets** | Australia, China, Japan, Chinese Taipei, South Korea |
| **Imports** | Refined petroleum, excavation machinery, crude petroleum, other edible preparations, delivery trucks |
| **Major import markets:** | Australia, China, Singapore, Malaysia, and Indonesia |

> THERE WILL BE FUNDS SPENT – YOU'LL SEE PART OF THE ECONOMY HAVING A LIFT IN EXPENDITURE AS PEOPLE MOVE THROUGH THAT ELECTION PROCESS – IT WILL ALSO BE DISTRACTION FROM PRODUCTIVITY IN CERTAIN BUSINESSES.

to the economy mid-year driven by election-related spending and the need to disburse government funding before it enters caretaker mode. Government activity as a whole, however, is expected to slow in the second quarter of 2022.

'Whilst there will be funds spent—you'll see part of the economy having a lift in expenditure as people move through that election process—it will also be distraction from productivity in certain businesses,' predicts Paul Sayer, Chief Executive Officer of the country's largest superannuation fund, Nambawan Super.

## Strong performers

PNG's growing population (increasing by two per cent annually) ensures that there is a growing domestic demand for many staples, regardless of macroeconomic factors.

'Some of our food producers had a massively strong back end to 2021 and are forecasting strong budgets for 2022,' notes John Byrne, President of the Chamber of Commerce in PNG's second biggest city, Lae.

Global supply chain issues during the COVID pandemic have encouraged the trend for more goods to be manufactured and sourced locally.

On the downside, the increased cost of international freight, combined with an increase in local port-related fees, has also created a challenge for the country's manufacturers.

'The ability of people to absorb costs has come to an end,' notes Chey Scovell, CEO of the Manufacturers Council of PNG, who tells *Business Advantage PNG* that he expects costs will start to be passed on to end-users this year.

While the government has a deal to reopen the Porgera mine, and there are hopes for progress in several other major resources projects, experienced PNG business people are not budgeting for it.

'By and large, most people have strapped themselves in for another quiet year,' says Scovell.

'The situation is absolutely challenging, there's no question of that. But companies and people here are very resilient,' observes Mark Baker, who is President of the Australia Papua New Guinea Business Council and heads the PNG operations of Australian bank, ANZ.

A quieter year is also reflected in flat bank lending figures.

CREDIT: NAMBAWAN SUPER

**Work on Nambawan Super's new headquarters in Waigani started last year. The company is investing K166 million in the development.**

WE'LL HAVE EIGHT YEARS OF CONSTRUCTION AT LEAST HERE IN MORESBY AND GULF PROVINCE. THE WHOLE COUNTRY WILL GET A HUGE UPLIFT ONCE ALL THOSE GET GOING

## Major projects

Let's look a little closer at those major resources projects. Together, they have the potential to inject billions of dollars into PNG's economy over the next decade.

The largest and most advanced of these is the US$10 billion TotalEnergies-led Papua LNG gas project.

With a gas agreement and enabling legislation in place, Papua LNG is expected to go into its front-end engineering and design (FEED) stage in June 2022, with a final investment decision likely by the end of 2023. This decision will trigger a four-year construction phase, during which the project will be connected to the downstream facilities of ExxonMobil's existing PNG LNG project.

ExxonMobil's next LNG project, P'nyang, is expected to start construction as soon as Papua LNG is completed. A gas agreement was signed for the project in February 2022.

Gulf and Western, two of PNG's least-developed provinces, will benefit from these new projects, with new port, road, telecommunications and aviation infrastructure, and a special economic zone at Ihu in Gulf [see page 11].

'Basically, we'll have eight years of construction at least here in Moresby and Gulf Province. The whole country will get a huge uplift once all those get going,' enthuses Rio Fiocco, President of the Port Moresby Chamber of Commerce and Industry.

Another project for which there are high hopes is the Wafi-Golpu copper-gold project in Morobe Province. Legal issues have stalled progress but PNG's Minerals Resources Authority has made Wafi and Porgera its twin priorities for 2022.

Meanwhile, the prospects of the giant Panguna copper

## BIG NAMES TARGET PNG

**A new wave of major players looks set to make its mark on PNG's economy.**

Arguably the most-high profile of these is Australian gas producer Santos. A long-term minority partner in the ExxonMobil-led PNG LNG project, Santos significantly ramped up its interests in the country by merging with PNG's largest company, Oil Search, in late 2021. This saw it become not only PNG LNG's largest single shareholder but also a significant partner in the planned Papua LNG and P'nyang gas projects.

'We don't see a risk having more of PNG. We see it very much as a land of opportunity,' Santos' CEO Kevin Gallagher tells *Business Advantage PNG*.

Meanwhile, two new entrants look set to transform PNG's telecommunications market in 2022. Australia's largest telco, Telstra, was the winning bidder for PNG and the Pacific's largest telco, Digicel Pacific, in 2021. Its successful US$1.6 billion (K3.51 billion) bid was substantially backed by Australia's government in what has been widely interpreted as a move to prevent the Digicel falling into Chinese hands.

Telstra isn't the only new telco in town. Fiji's Amalgamated Telecoms Holdings is launching the Vodafone brand in PNG in 2022 to compete not only with Digicel but state-owned telco Telikom PNG (itself currently a target for privatisation). With data volumes increasing tenfold in the last seven years, PNG's telecommunications sector is one to watch.

Another big name to enter PNG in the past year is Australia's Fortescue Future Industries, which has agreements with the PNG Government to explore several promising renewable energy projects, including the massive Purari River hydro project.

## NEW ECONOMIC ZONES TO OFFER TAX INCENTIVES

**A new legislative framework is paving the way for a new generation of special economic zones in PNG.**

With new roads, airstrips and increased interest from potential tenants, it has been a busy two years for the Ihu Special Economic Zone (ISEZ) in Gulf Province.

The zone is intended to support the US$10 billion TotalEnergies-led Papua LNG gas project, set for a final investment decision at the end of 2023.

The National Executive Council's approval of the ISEZ was announced in 2019. Two years on, momentum is building, not only in anticipation of Papua LNG but also Mayur Resources' nearby Orokolo Bay Industrial Sands Project, which received its mining lease in 2021.

While a final investment decision on Papua LNG will trigger the zone's construction, Peter KenGemar, Project Director of ISEZ, says the necessary seed funding to advance the zone is already in place.

'The government has approved the funding of up to K100 million,' says KenGemar. 'That's K20 million annually to support the administration and the work we are doing.' The zone has also attracted funding of K80 million from China.

Once the ISEZ is given the green light, KenGemar is targeting US$8 billion in investment up to 2033, the bulk of which will come from the private sector.

PNG's Parliament passed the *Special Economic Zone Authority Act* in 2020.

'The *Act* clearly states that there will be concessions and relief from taxes for the first 10 to 15 years for any new companies that come into our space,' says KenGemar. The *Act* also provides for a statutory authority to run the country's SEZs.

The Ihu SEZ is likely to be followed by others across PNG, as the country seeks to attract foreign direct investment in a targeted way. These include the long-awaited Pacific Marine Industrial Zone in Madang, a free trade zone at Vanimo on PNG's border with Indonesia, an SEZ adjacent to PNG's busiest port, Lae, and a tourism SEZ in Port Moresby, at Paga Hill.

mine on Bougainville reopening after 35 years were boosted in early 2022, when the Autonomous Bougainville Government and landowners agreed the mine should reopen.

### Cautiously optimistic

ANZ's Mark Baker was one of several business leaders who said they were 'cautiously optimistic' about the resources-led stimulus to the economy in coming years, although 2022 may be too soon.

'We are getting closer to PNG LNG being fully paid off, so that's comforting, and you're seeing high prices in oil, which should be helping the economy somewhat. But I don't think 2022 is going to be a boom year,' Nambawan Super's Paul Sayer tells *Business Advantage PNG.*

'I think 2022 will be another tough year, but from 2023, we should hopefully see some early works on these big projects and by 2024, we should see one or two of these big capex projects get going,' says Rio Fiocco. 'The future's looking bright.'

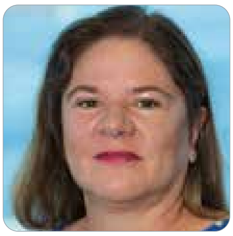
The prospect is giving confidence to domestic investors.

'We see that the fundamentals of PNG as a market are very strong,' says Rupert Bray, Managing Director of Steamships Trading Company, a conglomerate with property, hospitality, and logistics interests.

'We are in investment and expansion mode after a period of consolidation. Our shareholders are encouraging us to carefully consider sensible long-term investment opportunities.' ◆

# Perspectives

Business leaders provide their personal takes on the state of business in Papua New Guinea



‘There’s more activity in the deals space in PNG, certainly. It’s to do with generational change and business owners looking to retire. It’s also about organisations wanting to divest themselves of businesses that are maybe marginal or not core to their business.

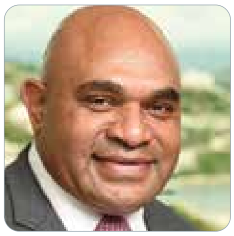
‘We also see great movement in the banking sector. There’s more interest in becoming commercial banks. There are several organisations currently looking at getting banking licenses.’

**Zanie Theron**
*Managing Partner, KPMG PNG*

‘Papua New Guinea is a very significant part of Newcrest’s business.

Last year, Lihir [the gold mine] produced around 35 per cent of the gold production for the group ... and accounted for 35 per cent of the overall revenue.’

**Craig Jones**
*Chief Operating Officer (PNG), Newcrest Mining*



‘PNG’s oil and gas sector is looking much stronger. We are paying down debt every year, we are depreciating the asset that we built, in the PNG LNG project.

Hopefully, future projects will take advantage of that position: the skilled people, the experience in every aspect of large oil and gas projects.’

**Wapu Sonk**
*Managing Director, Kumul Petroleum Holdings Limited*

❛ I think there's always going to be a real war for talent, good local talent in this market. That's something that we all have to build ourselves.

In terms of expatriate talent, I think COVID has certainly made that more challenging.

What I see on the positive side is that Papua New Guineans really step up. We've had to take a chance on people earlier than we probably would've done and we've been pleased with how people have done that. ❜

**Mark Baker**
*Managing Director, ANZ PNG*

❛ What I enjoy about working in PNG is that it is one of those markets where you learn to be very, very agile and very, very flexible.

As part of a masterplan we implemented recently, we have already made a big investment in Lae. We have a huge warehouse, the biggest one in PNG. We invested in a new, state-of-the-art production line. We have a brand-new office there as well.

We can now cope with business growth for the next five or six years, at least.❜

**Philippe Mondada**
*General Manager, Coca-Cola Europacific Partners PNG*

❛ We have continued to see SMEs and commercial customers in all sorts of industries make a go of it themselves.

If you look at any company that comes into the country, the first thing they do is subcontract out all the work to local companies who have got the people on the ground, and the skill and capability, or the equipment.

Some of our biggest customers have been quite successful in winning subcontracting work on some of the major projects. And they're now substantial companies in their own right. That's typical of PNG. ❜

**Danny Robinson**
*CEO, Credit Corporation (PNG) Ltd*

# PNG promotes itself to investors

OUR MAJOR PRIORITY AREA IS TO PROVIDE AN ENABLING ENVIRONMENT FOR BUSINESS TO THRIVE

Prime Minister James Marape

CREDIT: IFC

Top right: IFC Vice-President Alfonso Garcia Mora spoke about the increased support for green energy projects.

Bottom right: Samoa's first female Prime Minister, Fiame Naomi Mata'afa, spoke of the potential to build closer trade and business ties between Pacific nations.

While the resources sector maintained a high profile at PNG's major international investment event, the 2021 Business Advantage Papua New Guinea Investment Conference provided clear signs that PNG's economy is diversifying.

**By Andrew Wilkins**

While the COVID-19 pandemic prevented a physical conference in 2021, the Business Advantage Papua New Guinea Investment Conference went ahead as a livestreamed event, and clearly demonstrated there was certainly no shortage of interest in PNG as a business and investment destination.

The conference featured around 40 expert speakers over its three days, covering such topics as PNG's investment climate, funding for investments and how to do business in PNG.

Delegates were also given a closer look at opportunities across the country's major economic sectors, including mining and petroleum, telecommunications, energy, financial services, infrastructure, logistics, manufacturing, agriculture and real estate development.

## Enabling environment

The conference was opened by PNG's Prime Minister, James Marape, who used his opening address to highlight his government's support for infrastructure development, including the Connect PNG program [see page 34] and special economic zones to attract foreign direct investment.

'Our major priority area is to provide an enabling environment for business to thrive,' he told delegates.

He also flagged major policy reforms related to governance and accountability, the mining and petroleum sectors, and foreign investment to ensure a 'more equitable return on investments, not only to PNG but also to our investors.'

Speakers such as PNG Ports' Managing Director Fego Ota Kiniafa, the CEO of PNG DataCo Paul Komboi and Department of Works and Highways Secretary David Wereh spoke in more detail about PNG's infrastructure development plans, while delegates also received an update on PNG's most advanced special economic zone, at Ihu in Gulf Province.

Meanwhile, VIP speakers included Samoa's first female Prime Minister, Fiamē Naomi Mata'afa, Australia's Minister for International Development and the Pacific, Zed Seselja, and US Ambassador to PNG, Erin Elizabeth McKee.

## Growth cycle

Conference delegates were provided with a detailed economic update from the Asian Development Bank (ADB)'s PNG Country Economist Ed Faber, while economist Saul Eslake outlined the global trends that will influence PNG's progress over the coming decades [see page 31].

'PNG can expect a tough couple of years, followed by the beginning of another growth cycle,' noted Faber.

Faber said a key driver of this growth cycle will be the next wave of major resources projects, including Papua LNG, the Wafi-Golpu copper-gold mine and P'nyang LNG. Presentations were made by ExxonMobil, Oil Search (shortly before its merger with Santos), Newcrest Mining and state-owned Kumul Petroleum on the progress of these projects.

PNG already has significant installed capacity for hydroelectricity but, with global efforts to develop low carbon fuel sources increasing (as highlighted in the address by the International Finance Corporation's Vice-President, Alfonso Garcia Mora), PNG is looking to add more sources of renewable energy to its energy mix. Presentations were made on the country's significant solar and wind power potential.

## New funding

With foreign direct investment worldwide temporarily slowed by the COVID-19 pandemic, the conference was notable for highlighting the availability of other, low-cost sources of funding for investment.

Multilateral agencies such as the ADB, the World Bank and the IFC are long-term participants in the conference, but the 2021 event also welcomed speakers from the Australian Infrastructure Finance Facility for the Pacific and US Aid, both of which are actively seeking to fund more projects in PNG, especially in infrastructure.

## SME growth

Small and medium (SME) size enterprises have been an emerging class of business in PNG, thanks in part to government policies designed to support their development, such as preferential tendering and subsidised loans.

As well as hearing from some SME owners, the conference heard from the founder of City Pharmacy Group, Sir Mahesh Patel, on how PNG's largest retail group was encouraging its SME suppliers, while Queensland's Chief Entrepreneur Wayne Gerard and KPMG Australia's Barbara-Anne Bensted (KPMG Australia's Partner Digital Delta) highlighted the benefits of large corporates and SMEs working closer together. ◆

# The 2022 PNG 100

Business Advantage International has run a business sentiment survey of senior PNG executives every year since 2012. Known as the **PNG 100 CEO Survey**, it captured the depth of the COVID crisis through 2021, and is now charting a return of some optimism in 2022.

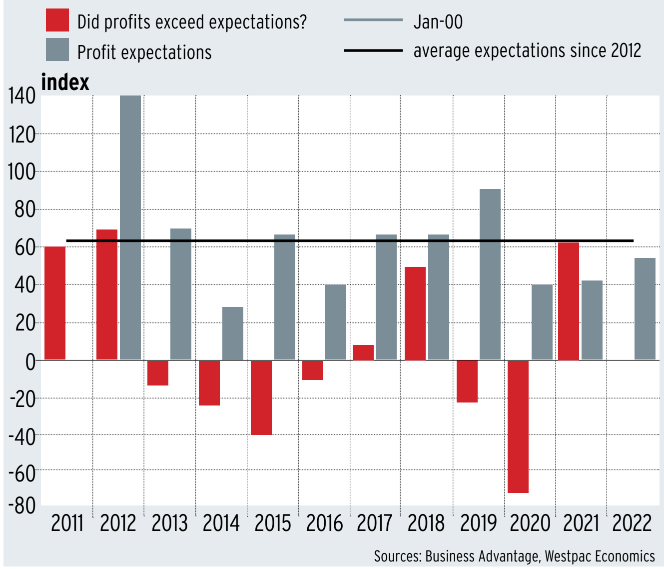
**By Justin Smirk, Senior Economist, Westpac**

**This year's survey in a nutshell**

- Regulatory uncertainty, law and order, and government capacity constraints having the biggest impact on business.
- Despite COVID challenges, modest growth in recruitment is expected.
- Investment and profit expectations are higher but not yet back to pre-COVID levels.

**BUSINESS ADVANTAGE – PNG PROFITS**

**Expectations lift following a better than expected year**




Sources: Business Advantage, Westpac Economics

After 11 years of data, we are now seeing some trends regarding business impediments in PNG: where improvements have been made, where there has been slippage and where there is more work to be done.

The number one message from the survey is that COVID remains one of the most significant shocks to hit PNG businesses since the start of the survey and we are still a long way from getting out of the woods, even though some other issues are now more pressing.

Without the support of a significant resources project, PNG's business leaders are telling us that the country's economy remains vulnerable to any external shocks (including further COVID impacts and the Russia–Ukraine war) and the expected recovery is modest and gradual, compared to the V-shaped recovery being experienced by many other nations.

From the 2022 survey, we have identified four key highlights:

**1. Profits in 2021 were better than anticipated and are expected to be better in 2022. But they're still below average.**

Last year, we were disappointed that profit expectations for 2021 were not greater. Given the magnitude of COVID-19's hit to profits in 2020, we were surprised businesses were not expecting a stronger bounce.

In this year's survey, however, profit results for 2021 exceeded business leaders' expectations by a margin not seen since 2012. This outperformance is a very promising result.

Some 25 per cent of firms reported that their profits greatly exceeded expectations—much higher that the 10 per cent in 2021 and the highest since 30 per cent in 2013.

Meanwhile, 33 per cent reported profits slightly exceed expectations, 25 per cent said profits had met expectations, while 17 per cent reported profits slightly short of expectation. No-one reported profits substantially short of expectations—the last time this was the case was in 2019.

Through the history of the survey, we are yet to see a year when our CEOs were not expecting better profits this year than last. Given this natural optimism, we should therefore ask: is the expectation of a lift in profits greater, or less, than usual?

This year's results suggested PNG businesses are maintaining a degree of caution.

Only 11 per cent expected profits to be substantially higher than the previous year (compared to 18 per cent in 2021), 44 per cent expected them to somewhat exceed the previous year (compared to 28 per cent in 2021), while 36 per cent expected profits to be the same (compared to 38 per cent in 2021).

The number of businesses expecting profits to be less than the previous year fell from 9.0 per cent in 2021 to 4.0 per cent this year.

**2. Recruitment, investment and profit expectations lifted in 2022 but are still to fully recover**

The survey asked CEOs for their recruitment, investment, and profit expectations for 2022. Combining these three, we have created a weighted net balance of the sum of their expectations: a Business Confidence Index, if you will.

This index improved in 2022, lifting from 66.3 in 2021 to 78.0, the strongest level since 2019 (93.3).

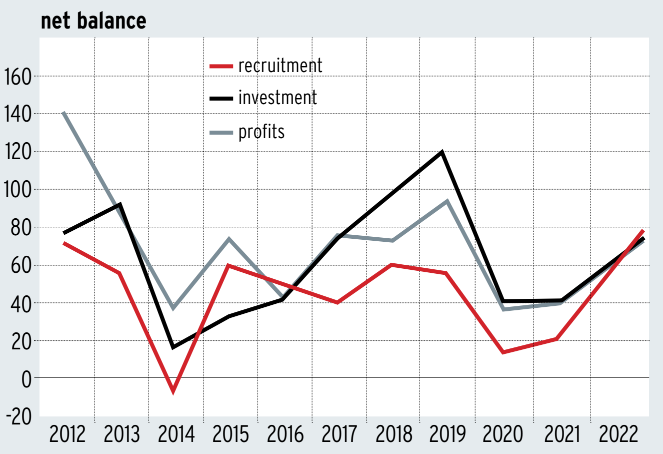
While the expectations for profits and investment have

# CEO Survey



## EXPECTATIONS ARE MODEST FOLLOWING TWO SOFT YEARS

Weighted percentage expecting a better outcome less those expecting worse




Sources: Business Advantage, Westpac Economics

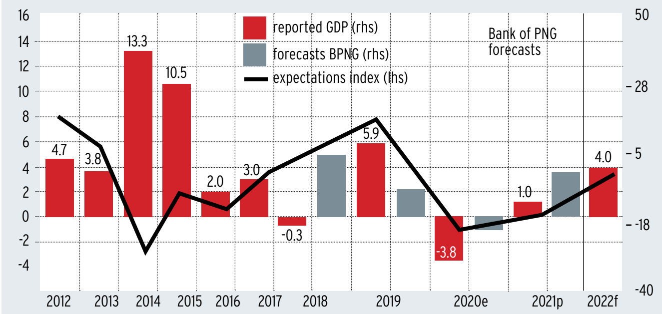
## EXPECTATIONS vs GROWTH IN NON-MINERALS EMPLOYMENT

Non-mineral employment is at risk of a further contraction in 2021


Sources: BPNG, Business Advantage, Westpac Economics

## EXPECTATIONS vs GDP

Wild swings in minerals sector increases volatility of headline growth




Sources: Business Advantage, National Statistical Office PNG, Westpac Economics

lifted, they are still well down on the results of the 2019 survey.

The Profit Expectation Index lifted to 55.5 from 37.4 but it is still meaningfully lower than the 90.0 in 2019. The Investment Expectation Index lifted to 55.6 from 40.0, although this is less than half of the 113.3 index in 2019.

Meanwhile, the Employment Expectation Index is up from 20.0 in 2021 to 56.8, which is higher than the 56.6 of 2019. This is a promising sign for stronger growth in formal employment.

Over its 11 years, the PNG 100 CEO Survey has consistently reported that employment is expected to grow while the official data has been more volatile, which suggests an upward bias on employment expectations.

Thus, the 56.8 result for 2022 should be considered relative to the survey's 11-year survey average of 40.6. This makes it easier to compare the survey to PNG's official non-minerals employment, which saw something of a recovery through 2019 and only a modest correction through 2020 and 2021.

The current survey is pointing to a possible solid recovery in employment through 2022 (although a lot will depend on the public sector employment for the final official figure).

**3. A modest lift in expectations points to a modest lift in growth**

There seems to be a broad expectation from forecasters for the PNG economy to grow 4.0 per cent this year, building on the modest 1.0 per cent recovery in 2021.

While there was a recovery in employment, most likely related to the opening of the economy from the COVID restrictions, businesses remain uncertain on profits and investment. Without a positive boost of a large of resources project this year, the PNG economy remains vulnerable, suggesting downside risks to the 4.0 per cent forecast.

**4. Security, law and order now a bigger constraint on business than COVID restrictions.**

The PNG 100 CEO Survey asks CEOs about the top constraints on their businesses.

Since 2014, the top five have been: foreign exchange (FX), security/law & order, unreliable telecommunications, unreliable utilities and lack of government capacity.

From 2016 to 2019, as liquidity improved, FX dropped back down the list but in 2020 it popped back to be the most significant constraint and it was only beaten in 2021 by COVID restrictions. This year, FX has dropped back to being of the same level of concern as unreliable telecommunications.

Telecommunications have been improving since the 2019 survey and are now a much less significant constraint than they were. There have been similar improvements in utilities and skill shortages over time, but unreliable utilities lifted as a concern in 2022.

Of concern is that we come out of the COVID restrictions with three key foundations of any economy—law and order, government capacity and regulatory uncertainty—found to be wanting. The lack of government capacity was very telling in 2021 with the additional stress of the COVID outbreak but in 2022 it is again the third most significant constraint behind regulation and security/law and order. Rising regulation concerns is an issue if it provides a brake on potential investment.

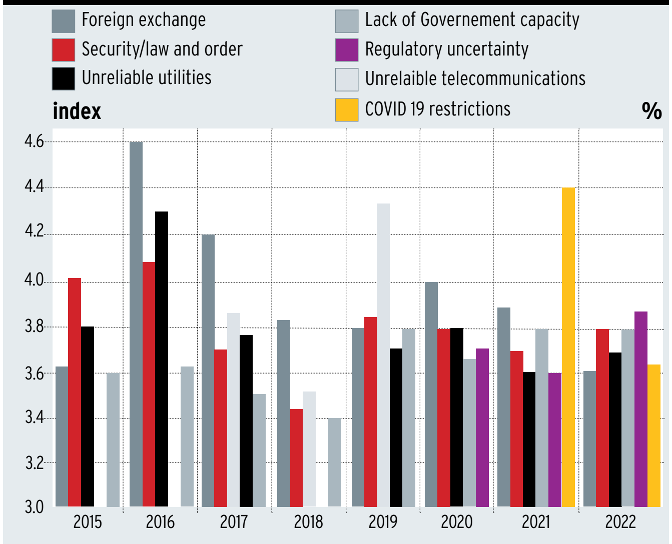
Security/law and order have been a consistent issue in this survey and given the social and economic disruptions in 2021 it is good to see there was not a greater lift in business concerns this year. COVID restrictions have dropped to the fourth most significant concern.

There has been a recent deterioration in logistic services compared to the improving trend seen from 2016 to 2020. A large part of this would be the disruptions to global distribution networks, which should start to improve in late 2022. This is nevertheless a key point of concern.

Finally, while still relatively low compared to other times in the survey's history, rising concerns about inflation are not surprising given emerging global inflation concerns. This is something the Bank of PNG will be watching closely, given it presents a significant risk to the economy. High employment costs remain a concern but not more so than they have been for a number of years. ◆

## TOP BUSINESS CONSTRAINTS IN PNG

**Outside COVID restrictions, FX remains a key concern**




Sources: Business Advantage, Westpac Economics

The 2022 PNG 100 CEO Survey was conducted between October 2021 and January 2022. The survey polled senior executives from a representative sample of PNG's largest companies, across all sectors of the economy. For the full survey report, visit www.businessadvantagepng.com.

ONE OF THE GREAT ADVANTAGES PNG HAS IS ITS ENORMOUS WATER RESOURCES

# Papua New Guinea's investment potential

Respected economist **Saul Eslake** considers the economic opportunities for PNG in a post-COVID world.

Given how rich Papua New Guinea is in resources, it shouldn't be one of the poorest countries in the Asia-Pacific region.

There are considerable opportunities for PNG in the post-COVID world to position itself to benefit from the rivalry that will undoubtedly be between China and the Western allies in an increasingly contested part of the world.

PNG also has considerable potential to increase its agricultural production to help feed a hungry and thirsty world, and to benefit from the need for the greater use of renewable energy.

## Agriculture

We have seen over the past decade very strong growth in global demand for agricultural commodities. Much of that has come from rising living standards, especially in China.

The important thing for PNG will be to increase its market share in some of the product markets where it already has a foothold and, where possible, to develop some new ones.

The sort of products that really should stand out are vegetable oils (palm oil and the like), where PNG already has a significant production base, fisheries, rice and even poultry, for which there's considerable demand in the Asia-Pacific region.

PNG's coffee exports have been declining and that's an area where it could be doing better, especially if climate change has an adverse impact on some other parts of the world's capacity to produce.

One of the great advantages PNG has here is its enormous water resources. It has the fifth highest renewable water resources per head of population in the world, and that's something that, in a world threatened by climate change, ought to be a very substantial advantage.

PNG used to be quite a significant rice producer 40 or 50 years ago. Given the likelihood of very strong demand for rice continuing within Asia, but with the declining capacity of many Asian countries to produce it, rice represents an enormous opportunity over the medium term.

## Fisheries

Marine fisheries are another area where PNG has enormous potential for growth. Its share of global fish production has been rising over the last 20 or so years but nonetheless accounts for less than half a per cent of global fish exports.

With sufficient foresight and investment, that could be an increasingly important source of income and exports over the next 20 years.

## Energy and resources

Four of Papua New Guinea's principal mineral exports are likely to be major beneficiaries of global efforts to reduce carbon dioxide emissions.

In the near term, PNG's LNG exports will be important for those countries who see gas as a transitional fuel moving away from coal and oil.

PNG's principal metal exports—cobalt, nickel and copper—are all likely to be important in the growing quest for the use of renewable energy and battery storage.

PNG could also be a more significant producer of renewable energy itself.

It would then have the opportunity either to use renewable energy to increase the processing of its own mineral and agricultural products or, alternatively, to export some of the energy it's not able to use. ◆

Saul Eslake is Principal of Corinna Economic Advisory and was formerly Chief Economist at ANZ Bank and Chief Economist (Australia and New Zealand) for Bank of America Merrill Lynch. This piece is an edited extract from his keynote address to the 2021 Business Advantage Papua New Guinea Investment Conference.

# Total commitment: Papua LNG finally approches FEED

**Jean-Marc Noiray,** Managing Director of TotalEnergies E&P PNG, talks about the delays, design changes and disentanglement of the Papua and P'nyang LNG projects, and why he is positive about the future of Papua LNG.

**By Paul Chai**

Talking at the PNG Mining and Petroleum Conference in November 2021, Noiray told attendees that despite having to separate the Papua LNG and P'nyang gas projects, TotalEnergies was happy with where the Papua LNG project was now headed.

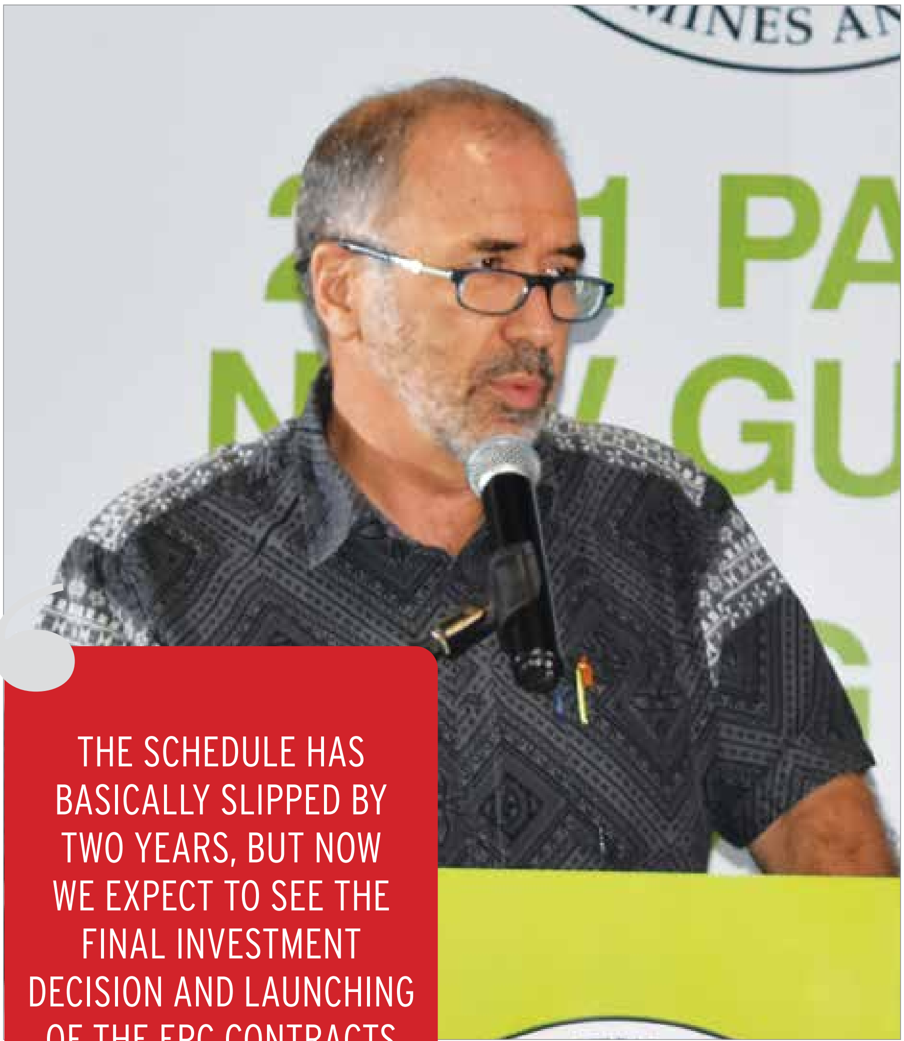
'COVID meant we had to stop everything between March 2020 and June 2021, we severely reduced activity and focussed on care and maintenance of our projects,' he said. That meant a huge reduction in staff from 350 people to 22 in the field and from 100 to less than 50 in the TotalEnergies PNG office.

Now TotalEnergies is looking to the future with the Papua LNG project. The project stagnated after the PNG government did not want Papua LNG in Gulf Province combined with the P'nyang project in Western Province, despite all commercial parties agreeing there were operational synergies in using common downstream facilities.

This stalemate was gradually unwound, as the two projects were separated, and both are now back on track. Early last year, the PNG government signed a Fiscal Stability Agreement with TotalEnergy. The document paved the way for the restart of Papua LNG, which is expected to produce 5.4 million tonnes of LNG a year.

## Looking to the future

'In mid 2020, we managed to become disentangled from the P'nyang saga and initiated a revision of the corresponding commercial agreements and other agreements to this change of going from two to three trains, so they still maintain synergies despite the project being smaller,' Noiray explained.



CREDIT: PNG CHAMBER OF MINES & PETROLEUM

THE SCHEDULE HAS BASICALLY SLIPPED BY TWO YEARS, BUT NOW WE EXPECT TO SEE THE FINAL INVESTMENT DECISION AND LAUNCHING OF THE EPC CONTRACTS IN MID-2023

He said the key to maintaining the profitability of the smaller project was to simplify some of the common facilities that would reduce construction and labour costs.

'Overall, the savings from adjusted common facilities should compensate the loss of synergy, which is why we pushed ahead for a speedy project development,' he added.

TotalEnergies is the overall operator for the Papua LNG project but will still delegate part of the operation to ExxonMobil for downstream liquefaction to maximise any remaining synergies.

'The schedule has basically slipped by two years, but now we expect to see the final investment decision and launching of the EPC contracts in mid-2023, and the first LNG cargo by the end of 2027,' said Noiray.

The project remains a key one for TotalEnergies, which rebadged during the pandemic to reflect a new focus on renewable energies and a move away from oil, but LNG will still play an important part in the group's future—and that of PNG. ◆

# Gas-fired economy: PNG on track to be global leader in LNG production

**Peter Larden**, Managing Director of ExxonMobil Papua New Guinea, tells a recent industry conference that, in spite of COVID-19 challenges, the LNG sector is kicking serious goals and has a bright future.

**By Paul Chai**

Despite the challenges of COVID-19, Papua New Guinea's only productive gas project, the ExxonMobil-led PNG LNG project, reached record levels of production in 2021.

'In September 2020, a new daily production record was set at 9.3 million tonnes per annum and that's relative to an original design basis of 6.9 million tonnes per annum,' Larden told the 2021 PNG Mining and Petroleum Conference. 'August 2021 was the best month of production on record sustaining an average rate of 9 million tonnes per annum for a full 30 days.'

This positive result has been a win for the PNG economy as well, with PNG LNG generating K11 billion (US$3.1 billion) in revenue to the State and landowners up to October 2020.

There have been tangible benefits for power supply in the country too.

'Through the supply of PNG LNG gas, [state utility] PNG Power Ltd is able to transition away from high-cost, high-emission diesel to lower-cost, lower-carbon gas-fired power,' Larden said, adding that five per cent of future PNG LNG gas production is earmarked for this purpose.

### THE INSIDE VIEW: PETER LARDEN, MANAGING DIRECTOR, EXXONMOBIL PNG

'I remain incredibly confident that PNG has everything it takes to remain a global leader in the LNG industry.

'The P'nyang [gas project] will construct new upstream facilities in Western Province and link them to existing pipeline infrastructure and the LNG plant in Caution Bay.

Our development plan phases P'nyang after the Papua LNG project, which could result in nearly a decade of continuous construction activity; this would be significant for the country and potentially more than K65 billion could be invested in that timeframe.'

## Gas-fired future

Larden is very positive about the future of ExxonMobil and LNG in PNG. A gas agreement for the the long-awaited P'nyang gas project in Western Province was finally signed in February 2022 following extensive negotiations.

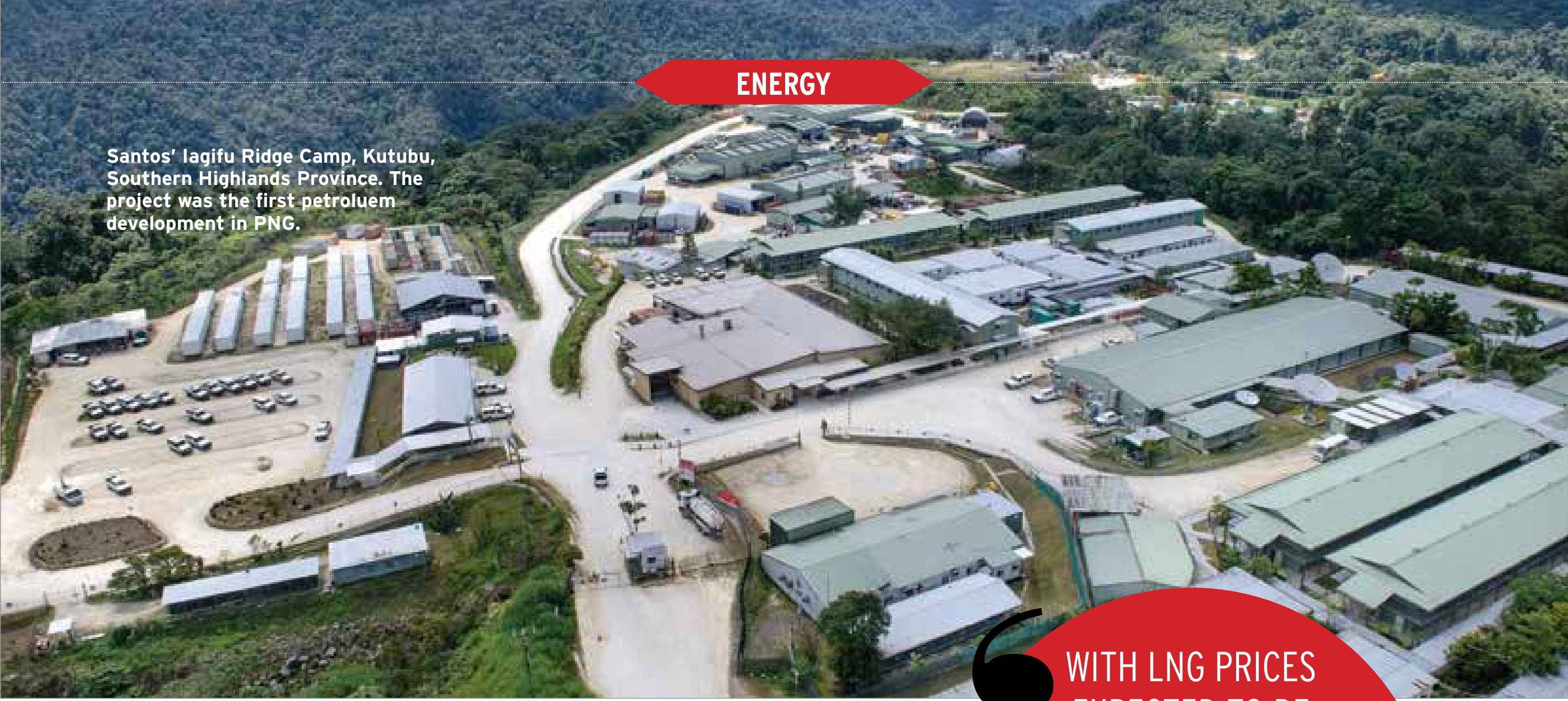
'We were incredibly proud and pleased to reengage with the government and the state negotiating team on the P'nyang LNG project,' Larden said.

The P'nyang gas field contains an estimated 4.4 trillion cubic feet of natural gas. The plan is for P'nyang to share infrastructure with the PNG LNG project, including its 700 km pipeline and the LNG Plant at Caution Bay near Port Moresby, which would see both projects benefit from the economies of scale.

The participants in the P'nyang project are currently ExxonMobil (36.86 per cent), Santos (51.16 per cent) and JX Nippon affiliate Merlin Petroleum Company (11.96 per cent). State nominee Kumul Petroleum will acquire a 32.5 per cent in the project, with the interests of the other participants reducing proportionally.

Larden also praised the restart of the Angore Project, situated at the east of PNG LNG's Hides facilities. Angore was suspended in 2020 due to the COVID-19 pandemic.

Despite the challenges of the past two years, Larden thinks PNG's position in the LNG market remains 'incredibly strong and production remains attractive'. This is due to high-quality resources, proximity to Asian markets, demonstrated regular supply and strong partnerships with governments and local community. ◆



Santos' Iagifu Ridge Camp, Kutubu, Southern Highlands Province. The project was the first petroluem development in PNG.

CREDIT: SANTOS

# LNG: now or never?

After the first two years of the COVID-19 pandemic, the LNG market seems to be on the mend, but what are the long-term prospects for Papua New Guinea's LNG sector?

**By Gabriella Munoz**

The expansion of PNG's LNG sector may be helped by higher near-term prices but impacted by contracting market demand from the late 2020s, according to Daniel Toleman, Senior Research Analyst at Wood Mackenzie.

He says overall LNG demand growth is set to average 3.5 per cent until 2040. After that, demand could slow down because of the imminent transition to renewable energy.

Demand will be driven by China, south-east Asia and southern Asia.

Wood Mackenzie projections suggest a 'very tight' LNG market from 2022 to 2026. Toleman says final investment decision (FID) projects that can be accelerated by 30 or 35 months could benefit from this period.

The Russia-Ukraine war and delays in new projects such as TotalEnergies' Mozambique LNG project could also influence trends.

Toleman suggests that price recovery could accelerate in the early 2020s as demand strengthens and LNG supply slowly grows again.

'With LNG prices expected to be structurally higher and oil indexation on the rise, there is plenty of momentum behind new LNG projects. Wood Mackenzie expects 79 million metric tonnes per annum (mmtpa) of additional LNG to take FID over the next two years, including 33 mmtpa in North America and 16 mmtpa in Qatar.'

Toleman says that after 2026 'a potential second weak price cycle is expected'.

While long-term LNG demand will come under pressure because of the market transition to renewable energy, 'there's still opportunity for projects such as the PNG LNG expansion [P'nyang]. There will be more opportunities for new projects, particularly from 2026,' Toleman explains. ◆

> WITH LNG PRICES EXPECTED TO BE STRUCTURALLY HIGHER AND OIL INDEXATION ON THE RISE, THERE IS PLENTY OF MOMENTUM BEHIND NEW LNG PROJECTS

KDSC (2019)
JAYAPURA
VANIMO
AITAPE
WEWAK
MAPRIK
SANDAUN
MANUS
LORENGAU
BISMARCK SEA
Sepik River
EAST SEPIK
FRIEDA
WAPENAMANDA
WESTERN HIGHLANDS
JIWAKA
MADANG
MADANG
IRIAN JAYA
OK TEDI
TABUBIL
P'NYANG
STANLEY
KETU
ELEVALA
JUHA
KIUNGA
PORGERA
HELA
WABAG
MT. KARE
ENGA
ANGORE
HIDES
TARI
MENDI
KOMO
MORAN
PAUANDA
S.E. MANANDA
KUTUBU
MORO
SOUTHERN HIGHLANDS
Mount Wilhelm
RAMU
BANZ
YANDERA
KUNDIAWA
GOROKA
EASTERN HIGHLANDS
GUSAP
KAINANTU
YONKI
MOROBE
KIMBE
WEST NEW BRITAIN
KANDRIAN
Lake Murray
GOBE
LEHI
MOUNT HAGEN
CRATER
BWATA
WAFI GOLPU
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BULOLO
ELK ANTELOPE
PUKPUK
DOUGLAS
KIMU
BARIKEWA
CHIMBU
GULF
EDIE CREEK
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HUON GULF
WESTERN
Fly River
KIKORI
URAMU
KEREMA
OROKOLO BAY
KUMUL TERMINAL
PASCA
PANDORA
GULF OF PAPUA
CENTRAL
CENTRAL CEMENT & LIME
TOLUKUMA
OWEN STANLEY RANGE
POPONDETTA
ORO BAY
ORO
MOTUKEA
PORT MORESBY
DARU
NATIONAL CAPITAL DISTRICT
KWIKILA
MILNE BAY
CORAL SEA
HAWAIKI NUI CABLE (2025)
CSCS (2019)
AUSTRALIA

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Economic map of
PAPUA NEW GUINEA
Infrastructure
Airports
Ports
Manufacturing
Special Economic Zones (planned)
Thermal power stations
Hydro power stations
Power zone substations
Transmission lines
Mining projects
Operating mine
Mine under development
Possible mine
Petroleum projects
Oil project
Possible oil or gas project
Gas project
Oil export pipeline
Gas export pipeline
Primary production
Livestock
Fisheries
Forestry
Coffee
Cocoa
Copra
Palm oil
Telecommunication cables
Kumul Domestic Submarine Cable (2019)
Coral Sea Cable System (2019)
PIPE Pacific Cable-1
Hawaiki Nui Cable (2025)
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KAVIENG
SIMBERI
LIHIR
NEW IRELAND
SOLWARA
RABAUL
KOKOPO
KERAVAT
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Rei
WARANGOI
HOSKINS
EAST NEW BRITAIN
LAKE HARGY
BUKA
AUTONOMOUS REGION OF BOUGAINVILLE
ARAWA
KIETA
SOLOMON SEA
PPC-1
TROBRIAND ISLANDS
WOODLARK
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SAMARAI
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CREDIT: FORTESCUE FUTURE INDUSTRIES


Fortescue Metal's Andrew Forrest and PNG Minister for Energy Saki Soloma sign the agreement that could see PNG become a green energy giant.

# PNG's renewables advantage

With wind, water, geothermal resources and sunshine in abundance, Papua New Guinea is ideally positioned to become a leader in renewable energy.

'PNG's offshore wind resource is an amazing attribute,' says Sean Whittaker, Principal Renewables Specialist at the International Finance Corporation (IFC), which has an international portfolio of investments in wind power worth over US$1 billion.

The IFC recently completed a study of wind power's potential in PNG.

'You have many locations with wind speeds over 10 metres-per-second, and the best wind farms that are offshore in Europe at the moment are in these 10 metres-per-second winds, so you have a tremendous resource there,' observes Whittaker.

'Onshore wind is one of the cheapest forms of new power generation. Period. We see onshore wind projects being financed with a cost of electricity of anywhere between three to six cents per kilowatt hour and that is often the cheapest form of new generation that you can get,' he notes.

'You have a good onshore resource around Port Moresby, and just to the east. But it is also spread out in other parts around the country, particularly in the coastal areas.'

The IFC is looking to act as a catalyst to get wind power started in PNG.

## Hydropower

State utility PNG Power already has its own hydropower assets, and also buys hydropower from independent power producers such as PNG Forest Products.

The largest immediate hydro prospect in the country is the 180 megawatt (MW) Ramu 2 hydro in Eastern Highlands Province. PNG Power signed a conditional power purchase agreement for Ramu 2 with China's Shenzhen Energy in 2021. Once operational—most likely towards the end of the decade—the project could boost PNG's installed capacity by around 20 per cent.

Other new hydro power projects being planned include the 50 MW Edevu project, the 80 MW Naoro Brown project and PNG Forest Products' 12 MW Baime hydropower project.

Fortescue Future Industries (FFI), a subsidiary of Australia's Fortescue Metals Group, is also looking at hydro projects in PNG, but for a different purpose.

In August 2021, it signed a Master Development Agreement with the PNG State allowing it to undertake feasibility studies for up to seven hydropower projects, including the massive 3000 MW Purari Wabo hydro in Gulf Province.

In addition, FFI is looking at 11 geothermal energy projects, the most advanced of which is a 4.2 MW project based in West New Britain.

FFI would be looking for these projects to generate up to 2.3 million tonnes of green hydrogen per year and green ammonia, to be exported as an alternative to fossil fuels.

'PNG can be at the forefront of developing hydropower and geothermal resources for the emerging global green hydrogen industry,' believes Julie Shuttleworth, FFI's CEO. ◆

### SOLAR HITS THE ROOF

PNG's Climate Change and Development Authority is proposing over K105 million of solar energy projects in PNG between now and 2026, including the 10 MW Saussia Solar Project in East Sepik Province and the 1.5 MW Alotau Solar Project.

One project already underway is the PNG Power Solar Rooftop Pilot project being run by PNG Power in partnership with the IFC. This has been developed to encourage businesses in Port Moresby to test rooftop solar. Companies such as TotalEnergies and S P Brewery have so far participated, according to Christian Lohberger, President of the Solar Energy Association of PNG.

# Porgera: the litmus test

When it happens, the reopening of the Porgera gold mine in Enga Province will mark a significant milestone for Papua New Guinea's mining sector – and its relations with government.

CREDIT: BARRICK NIUGINI LTD

> THE FORMAL EXECUTION OF THE PPCA REPRESENTS IMPORTANT PROGRESS

No mining venture is more of a test of the James Marape-led government's 'Take Back PNG' agenda than the Porgera gold mine in the Highlands province of Enga.

The mine was closed in April 2020 after the expiry of its original special mining lease as the government sought to negotiate a lease renewal on better terms.

Two years later, the mine—which produced 600,000 ounces of gold in 2019 and was the country's largest gold mine—remains unproductive, but there has been slow and steady progress towards a 2022 reopening.

The Porgera Project Commencement Agreement (PPCA) was signed in October 2021 between the State's nominee, Kumul Mineral Holdings, and mine operator Barrick Niugini Ltd (BNL, a joint venture between Canada's Barrick Gold and China's Zijin Mining).

The PPCA is the 'master' agreement that details the terms under which the mine will reopen.

Mineral Resources Enga, the 50/50 consortium between the Enga Provincial Government and Porgera landowners, finally signed up to the PPCA in February 2022, affirming landowner and local government support for the mine's reopening.

As well as giving Kumul Minerals Holdings Ltd and Mineral Resources Enga between them 51 per cent ownership of the mine, it is understood the Commencement Agreement also provides for Barrick Niugini to finance the mine's reopening and gives the State the right 'to acquire the remaining 49 per cent of the mine from BNL at fair market value after 10 years'.

## Important progress

'The formal execution of the PPCA represents important progress,' says Barrick Gold's President and Chief Executive Officer Mark Bristow.

'Our task now, in partnership with the State, is to accelerate the process so that the new company, which will be 51 per cent majority owned by Papua New Guinean shareholders, is incorporated and a sound tenement granted, enabling the mine to reopen at the earliest opportunity.'

At the time of writing, there are still several steps that need to be completed before the mine can reopen, including the incorporation of the new Porgera joint venture company, the issuing of a new special mining lease and an operatorship agreement. ◆

Lihir has a 22 million ounce gold reserve, or about 30 years of reserve life, which sets it apart from most other mines in the world.

CREDIT: NEWCREST MINING

# The future for Lihir and Wafi-Golpu

Newcrest's Chief Operating Officer PNG, **Craig Jones**, talks about the future of the Lihir gold mine and the Wafi-Golpu project and the importance of PNG to the mining company.

**How important is PNG to Newcrest's business in 2022 and the future?**

PNG is a very significant part of Newcrest's overall business. Cadia and Lihir are our largest gold producers. Last year, Lihir produced about 35 per cent of the overall gold production for the group. So, in terms of the gold production, it's quite significant. At Lihir, we employ around 5000 people and most are Papua New Guineans; that's something we're very proud of. From a revenue perspective, Lihir generated about 35 per cent of the overall revenue for Newcrest in 2020.

The other very important part of Newcrest's business in PNG is the Wafi-Golpu project. Wafi-Golpu will be PNG's first block caving operation—something in which Newcrest has a very strong foundation.

We started with block caving in the Ridgeway Deeps mine and then leading onto our Cadia East development, which is our flagship project, but we've also run sub-level caving operations in Cadia and Telfer.

Bringing those years of experience in block caving into Wafi-Golpu is something we are quite excited about. We're working very closely with our joint venture partner, Harmony Gold, for the development of the project.

**What are the current challenges at Lihir?**

Lihir is quite isolated and that does create its own challenges. From a supply chain perspective, moving people around is challenging, but that also creates opportunities for our local area and businesses. Our preference is to support local suppliers wherever we can. Last financial year, we relied heavily on them, so about 40 per cent of the K1 billion we spent on PNG suppliers last year stayed on the island itself; that's 14 per cent up on our previous financial year.

**What's been the COVID-19 situation at Lihir?**

The local and global travel restrictions have made it very difficult to move people around. The quarantine has impacted people in terms of being isolated from their peers and from their families, and that's impacted our ability to attract and retain staff.

That said, we've had great support from the local level governments, the provincial government and the national government.

In 2020, we spent K180 million to keep the business safe during COVID and that obviously has impacted our all-in sustaining costs as a business.

Now, the most important initiative that we've turned our mind to is supporting the roll out of the vaccination across New Ireland Province. Back in April 2021, we committed US$1.8 million to UNICEF. It is working very closely with the New Ireland Provincial Health Authority and Australian Doctors International to facilitate the program.

**What are the plans for Lihir?**

We've been working on a number of initiatives and projects to improve the operational performance of Lihir, but also increase value. We've got ongoing improvement work underway on our mining, processing and recovery—all looking at improving performance of the existing system.

During the financial year just gone, we completed our Lihir Mine Optimisation Study. One of the key things that came out of that study is that it identified an opportunity to increase value through what we're calling Phase 14A cutback.

The prefeasibility study is focusing on extending the Phase 14 cutback and safely steepening the walls of the mine using civil engineering techniques to access existing resources that would've otherwise been inaccessible using standard mining practice. This gives us the opportunity to access higher grade ore earlier and opens up a separate mining front, which creates operational flexibility for us. ◆

# CAPEX to boost gold production

Despite COVID-19, K92 Mining delivered record results and continued with its ambitious expansion plans for the Kainantu gold mine.

The Kainantu gold mine in Eastern Highlands Province is a low-cost underground mine operated by Canadian mining company K92 Mining. The operator is expecting another 'significant' year in 2022, with gold production up 35 per cent, from 115,000 to 140,000 ounces.

Speaking at a recent mining industry event, Chief Executive Officer John Lewins highlighted that Kainantu 'still has potential, extension, depth, and high-priority and high-vein systems.'

He said the ongoing Stage 2A expansion was set to increase production further, which will help to fund the mine's Stage Three expansion. A feasibility study and updated preliminary economic assessment for Stage Three are expected later this year.

'We will be investing over a billion kina in capital this year alone, we are doing about K300 million in capital projects.

The expansion of the Kainantu gold mine will position it as one of the world's largest and most profitable.

CREDIT: K92 MINING

All is part of that expansion to triple our productions so that by 2025, we will be producing about 350,000 ounces of gold a year, which will make Kainantu one of the largest gold mines in PNG and the world, and a very profitable one,' he said.

## Social responsibility

Commercial operations started at Kainantu in 2018 and have delivered immediate local benefits.

'We have over 1200 people on site, growing by 30 per cent during the COVID pandemic. Forty-five per cent are PNG nationals. We are really proud that we continue to create jobs with the expansion, with the majority of people coming from the Highlands region.

'Sixty-three per cent of all our expenditure has been on goods and services from PNG. We have created a number of long-term opportunities for landowner groups and supporting agriculture,' he told the conference.

## Environmental impact

K92 has a significant focus on protecting the environment and continues to work on having a low environmental impact, explained Lewins.

'We are an underground mine ... It [Kainantu] has a very small footprint. We constantly exceed our requirements and are participating in the 10 million tree planting program in PNG.'

Kainantu also uses hydro power as its main source of power. As Lewins said, 'It ticks all the boxes'. ◆

# The shipping forecast

PNG Ports has received millions in funding from Australia. Its Managing Director, Fego Ota Kiniafa, outlines how the money will be spent and how the state-owned entity is managing the COVID era.

**By Paul Chai**

'Despite the challenges of COVID and the restrictions on global trade, we have seen growth through our ports,' Fego Ota Kiniafa, Managing Director, PNG Ports told the 2021 Business Advantage Papua New Guinea Investment Conference.

The state-owned company, which manages PNG's 16 gazetted ports, saw a three per cent rise in vessel port calls to July 2021 and a 15 per cent growth in containers over the same period.

'We have tried to make it so our ports remain open despite the challenges of COVID,' Kiniafa says.

In order to stay open, PNG Ports has been working close with ICTSI, the terminal services company that has the 25-year contract to operate PNG's two busiest ports—Motukea and Lae's South Pacific International Container terminal—to plan for worst-case scenarios and keep the ships coming. Support from international donors has also been instrumental.

'The Australian government has recently contributed about A$10 million (K26 million) in security and safety for all our ports,' said Kiniafa.

This investment has resulted in 375 staff being upskilled and trained, with K580,000 spent on training and protective workware. Australia has also invested heavily in palisade fencing, solar lights, vessel tracking cameras and CCT cameras.

## Investment program

Australian support is going to play an even more important role in the future development of the country's ports, following the announcement of A$580 million (K1.45 billion) in financing 'to support the repair and upgrade of several key ports'.

The Australian support includes a substantial tranche for the development of Lae's Tidal Basin. According to Kiniafa, the aim is to expand Lae's port with additional mooring, bollards and a deeper draft to attract larger container vessels, thereby increasing capacity to 9000 containers.

Last September, delegates at the 2021 PNG Investment Conference received an early briefing on the intended Australian support from Robert Jauncey, Chief Investment Officer for Australian Infrastructure Finance Facility for the Pacific (AIFFP).

'Our first cab off the rank will be Oro, where I expect tenders will be out very early next year [2022],' he said. 'Then, we will be working on Kavieng, Kimbe, Lae, Manus, Wewak and Vanimo, with tenders progressively rolling out over the course of next year and early 2023.' ◆

DESPITE THE CHALLENGES OF COVID AND THE RESTRICTIONS ON GLOBAL TRADE, WE HAVE SEEN GROWTH THROUGH OUR PORTS

Fego Ota Kiniafa, PNG Ports

### THE INSIDE VIEW: ROBERT MAXWELL, CEO, ICTSI SOUTH PACIFIC

Since taking over Lae port, ICTSI has consistently delivered shorter berthing times, fewer berthing delays, and faster vessel and truck turnaround times.

At the same time, volumes through the port have grown to over 200,000 containers annually and productivity has increased substantially.

Innovation is the key to the improved port operations. Wherever possible, we are using advanced technology to automate, monitor and simplify port operations and customer service.

Major investment in new cranes, gangtries and vehicles in Lae will greatly improve the port's capacity, enabling it to become a transhipment hub for freight across the Pacific region.

A tenfold increase in transhipment volumes is expected once all new equipment is in place.

# Wholesale internet prices fall in PNG

Reductions in the wholesale price of data and prospects for increased competition look set to deliver lower prices, according to **Paul Komboi**, Chief Executive Officer of state-owned wholesaler, PNG DataCo.

**THE INSIDE VIEW: PAUL KOMBOI, CEO, PNG DATACO**

We are promoting growth and advocating for huge price reductions offered to retailers, who need to pass some of that benefit to their customers.

When Vodafone comes in [see page 33], that will add on to that competition and contribute to the reduction in pricing.

I hope by 2022 we will see at least a 50 per cent reduction in the retail price. I think the market will move very fast and it will be very aggressive as well.

In November 2021, state-owned telecommunications wholesaler PNG DataCo announced a 66 per cent price reduction for its Metro fibre connectivity services.

Even before this latest move, PNG DataCo's CEO Paul Komboi says there has been a reduction of almost 40 per cent in wholesale pricing for wholesale since the completion of the Coral Sea Cable in December 2019.

Now, it's up to retailers to pass on those savings to consumers.

'Either the market will force that to happen or we will see the regulator stepping in' he says.

'We know that Telstra is also coming on board now [through its acquisition of Digicel Pacific]. That will also create a different dynamic in the market place. We are all hoping that will continue to put pressure on the price of services to the people.'

## On-seller

During the 2021 Papua New Guinea Investment Conference, Komboi gave an update on several initiatives being undertaken by DataCo.

'We have been participating in the industry as an on-seller, focusing on the fibre and satellite assets. We provide services to Digicel, PNG Telikom and bmobile. And now we are looking very closely at Vodafone.' (Vodafone is expected to launch in PNG in 2022.)

Komboi noted that there has been a steady increase in the take-up of broadband technology in the country, with data volumes increasingly more than tenfold over the past seven years.

'We are basically up to around 22 gigs [gigabytes] on average being managed throughout the country, both domestically and internationally. In 2014, we had only around 2 gigs.'

Over that same period, wholesale prices have reduced from about K3000 per Mbps (megabits per second) in 2014 down to K300 now.

'That is a very big reduction in price,' says Komboi.

'Our network is all around the country as we continue to extend further and further into those economic zones and where the population is. We are in the 16 coastal provinces as well as all the Highlands provinces with terrestrial fibre.'

## Infrastructure

In addition to its cable and transmission infrastructure, DataCo now also has two operational data centres: one in Madang and one in Port Moresby, which can host companies' IT infrastructure within PNG.

'We have got around 16 hubs where you can connect to us and access the internet directly,' says Komboi. 'We have also got five international hubs, including one in Jaipura, one in Sydney and also one in Perth.'

Komboi said the digital infrastructure will help government 'transform into the digital economy in servicing its people', including providing more efficient e-government services. It also opens up the opportunity for businesses to use cloud services, which will reduce costs.

'You pay as you require, you don't have to invest in capital expenditures,' he explains. ◆

# New players heat up telco market

The arrival of new players into Papua New Guinea's telecommunications sector looks set to increase competition.

In 1973, Australia's Overseas Telecommunications Commission (OTC) handed over its PNG-based telecommunications assets and left the country.

Forty-eight years later, the OTC's direct successor, Telstra, is returning through its purchase of PNG and the Pacific's largest telco, Digicel Pacific.

The US$1.6 billion (K4.04 billion) acquisition of Digicel Pacific is already under way and is likely to be completed by early 2023. It's backed by US$1.33 billion (K4.67 billion) from the Australian Government-owned Export Finance Australia, while the Australian Government itself will provide 'cash repatriation from the regions, FX protections, and political risk insurance for six years.'

Telstra's Chief Executive Officer, Andrew Penn, has confirmed it intends to run the business as a stand-alone venture within its new Telstra International subsidiary, with the Digicel brand and key staff remaining in place.

'When I look at the growth opportunities moving forward, one of the key ones … is around mobile penetration. When we look at mobile penetration in PNG today, it sits around the 30 per cent mark. So, we see a significant opportunity to leverage the extensive network footprint that they [Digicel] have rolled out,' says Oliver Camplin-Warner, Chief Executive Officer of Telstra International. He says the ongoing rollout of 4G services will be a focus.

> WHEN I LOOK AT THE GROWTH OPPORTUNITIES MOVING FORWARD, ONE OF THE KEY ONES … IS AROUND MOBILE PENETRATION

Telstra's move coincides with plans by Fiji's Amalgamated Telecoms Holdings to launch the Vodafone brand and its own greenfield network in PNG during 2022. This is likely to lead to strong competition, especially in PNG's lucrative urban centres.

This year is also likely to be a big year for PNG's state-owned telecommunications companies, Telikom PNG and bmobile, which are merging. Privatisation of the merged entity is being seriously considered, with the country's leading superannuation funds, Nasfund and Nambawan Super, having held discussions with the entity responsible for PNG's state-owned enterprises, Kumul Consolidated Holdings. ◆


**Telstra's acquisition of Digicel's PNG business received ICCC approval in February 2022.**


THERE WILL BE K3 BILLION WORTH OF CAPITAL WORKS CONTRACTS FOR THE INITIAL PHASE OF THIS PROJECT

CREDIT: OTML

# New connections set to transform PNG

Papua New Guinea's ambitious 20-year road development plan is on track to create major new infrastructure corridors.

**By Paul Chai**

The first phase of the 20-year Connect PNG road recovery plan aims to deliver a completed Trans-Island Highway connecting PNG's capital city and Lae by sealed road for the first time. The Trans-Island Highway remains Connect PNG's number one priority: a road that would run from Nine Mile Junction in Lae and end in Malalaua in Gulf Province, connecting Lae and Port Moresby via a functional highway.

According to David Wereh, Secretary of Connect PNG's implementing agency, the Department of Works and Highways, that goal will be achieved when the 121 kilometre 'missing link' between Bema in Gulf Province and Bulolo in Morobe Province is completed in 2025.

'To coincide with the 50th anniversary of independence of the country, the government would like to see that this section of the highway is fully connected to the southern region. The missing link has 68 kilometres of tough, rugged terrain and that will be our biggest challenge,' says Wereh.

'We will be using satellite technology that can relay the coordinates and do some concept design that can give us an idea of how much work we can do.'

## Long roads ahead

Connect PNG is expected to cost around K20 billion up to 2040 to improve road connectivity between PNG's four geographic regions so that the country can literally drive more economic participation from regions currently cut off from major trade routes.

The first phase, which runs to 2027, is costed at K7.98 billion.

Wereh says there will be K3 billion worth of capital works contracts for the initial phase. ◆

## LENDERS AND DONORS RALLY ROUND

Funding certainty is 'critical' for the Connect PNG project, according to the Department of Works and Highways' David Wereh.

However, he observes, a 'funding gap' of nearly K1.6 billion had accumulated between what PNG needed to spend on its roads and what it could afford to spend.

To try to address the gap, the government passed the *Connect PNG (Implementation and Funding) Bill 2021*. The legislation guarantees an annual minimum funding of 5.6 per cent (about K1 billion) per year to the project.

Another significant portion of funding will come from international donors and lenders, including the Asian Development Bank, the World Bank, the Australian Infrastructure Finance Facility for the Pacific (AIFFP), the Japan International Cooperation Agency, and the Chinese and Indian Exim Banks.

Robert Jauncey, Chief Investment Officer at AIFFP, says his facility has a keen focus on new infrastructure.

'We will be working with PNG to undertake preparatory work for the first stage of the trans-national highway … We are hoping to be able to offer PNG up to A$300 million (K775 million) for the first phase of that,' he says.

# Banking on the future

After over 40 years as a finance company in Papua New Guinea, Credit Corporation (PNG) Ltd is planning to apply for a banking licence. CEO Danny Robinson explains the company's plans to *Business Advantage PNG*.


CREDIT: CREDIT CORPORATION

**Credit House in Port Moresby.**

Credit Corporation (PNG) Ltd, one of PNG's longest-established finance companies, is entering 2022 in good shape and with a renewed purpose, according to Robinson, who was confirmed as the company's CEO in September 2021 after six months acting in the role.

In September 2021, the company announced half-year profits had risen by 12 per cent. This was led by stronger finance business and steady returns from investments. On the downside, it was impacted by lower occupancy in its portfolio of residential property.

'On the PNG front, the business has performed well,' he says. 'We've seen things starting to turn around in terms of the finance business.'

Credit Corporation's finance division has a focus on equipment and vehicle finance a barometer of economic activity in a country such as PNG.

'What we're seeing is middle market and high net worth individuals who have employment and are looking to upgrade motor vehicles and other things of that nature. So, that's just a sign of a reasonably healthy environment,' Robinson observes.

## Bank licence

On the back of a more positive financial performance, Robinson is now focused on taking Credit Corporation into new territory.

'Our board have signed off on us becoming a licensed bank,' he says.

PNG only has four licensed banks—BSP Financial Group, Kina Bank, Westpac and ANZ. That number almost became three in 2021, when Kina Bank unsuccessfully tried to acquire Westpac, in a deal ultimately rejected by PNG's Independent Consumer and Competition Commission.

## Transition

Credit Corporation, which holds seven per cent of BSP's shares, was a bidder for the Westpac business itself. Now, it has decided to add to the competition in the banking sector by joining the fray itself.

'I believe the SMEs, the commercial customers and the high net worth individuals have been ignored,' notes Robinson.

'What we've done really well in the past is bank the unbankable customer who is starting up a business. We've been able to support those people with equipment finance-type transactions and we've seen those businesses succeed. And, then, they move on to one of the financial institutions …

'We think the natural progression for us is to continue to support start-ups through our typical finance products. But then, when they're in a position to borrow larger amounts, or for longer term, and can provide security, we can offer them a more holistic financial services package similar to what the banks are providing.

'Credit Corporation's been lending

> WHAT WE'VE DONE REALLY WELL IN THE PAST IS BANK THE UNBANKABLE CUSTOMER

money for 42 years in PNG. And the board of directors and senior management have an understanding of the market.'

He suggests that the company's property portfolio could be sold to fund the transition into a bank, including capital adequacy requirements. He is hopeful the transition, which is subject to regulatory approvals, won't take too long.

'We'd definitely look to have the banking license in place by the end of 2022,' he says. 'Then we'd be out in the market with a products offering and being able to target new customers.'

## THE INSIDE VIEW: GREG PAWSON, CEO, KINA BANK

“We are very encouraged by the government’s focus on the SME sector. We see that as being integral to the future growth and prosperity of PNG.

We’ve come out with a SME loan product of up to K500,000 (secured) or K100,000 (unsecured) at four per cent interest per annum, with an extended term of up to 15 years. It goes to businesses that are turning over up to K5 million a year.

We’ve fast-tracked the approval process to be able to access that scheme. As you can imagine, we’ve had an incredible amount of inquiries around it.

A lot of business enterprises don’t have equity available to them. Our planned capital fund helps solve that problem. We become a form of silent debt in the business, and provide a whole bunch of advisory services to help them out.

We are also putting in place a transactional banking offer for small businesses as well, which will essentially be fee free. It’ll provide access to our payment gateway, which will give them the ability to accept cards for the payment of goods and services online. And we’ll provide a payment card for the SME as well.”

# Stock exchange looks to expand

Papua New Guinea's capital markets received a boost at the end of 2021 with the listing of Santos on the country's stock exchange.

In December 2021, following approval of its merger with Oil Search, Australian oil and gas giant Santos successfully listed on PNG's stock exchange, the PNGX.

'It's an exciting development for the PNG market,' PNGX's Chairman, David Lawrence, tells *Business Advantage PNG*, who points out that Oil Search was listed on the exchange's first day of trading back in 2001.

'We hope Santos coming onto the market is a sign of its commitment to the country and is the catalyst for other offshore companies joining the market and giving local investors the opportunity to invest.'

## Vote of confidence

'It's a fantastic vote of confidence in Oil Search's shareholder base in PNG, in the exchange, and in the capital markets in PNG,' agrees Lars Mortensen, Managing Director of JMP Securities, one of PNG's two licensed stockbrokers.

'We've got one of the largest oil companies in Australia giving the exchange, the regulatory regime, the market, and the economy the thumbs up.'

## New listings

While its regulator, the Securities Commission of PNG, has been resolving some legacy legal issues in the past two years, the PNGX has not been able to expand as hoped.

However, these issues appear largely resolved as the exchange enters 2022 and the time looks right to put some of the exchange's long-term plans into place.

Lawrence says there are currently up to six companies working on coming on to the exchange within the next two years.

'We have had more inquiries about new listings in the last 12 months than we have had for years,' he says.

PNGX is also looking to create a listed investment fund and a PNG-based crowdfunding platform.

'The role of the [investment] fund will be to provide access to capital, either directly to SMEs or indirectly by working with some of the financial institutions that provide finance to small enterprises,' says Lawrence.

Over 2021, the exchange's main index, the KSi, fell by 3.1 per cent. However, local stocks underperformed dual-listed stocks, with the index of home stocks, the KSHi, rising by 8.1 per cent. ◆


> WE'VE GOT ONE OF THE LARGEST OIL COMPANIES IN AUSTRALIA GIVING THE EXCHANGE, THE REGULATORY REGIME, THE MARKET AND THE ECONOMY THE THUMBS UP

# Best practice brewing

Paradise Breweries' state-of-the-art brewery in Port Moresby repesents a major domestic investment in local manufacturing.

Paradise Breweries opened the doors of its K200 million state-of-the art manufacturing facility in 2019 to tap into PNG's growing beer market.

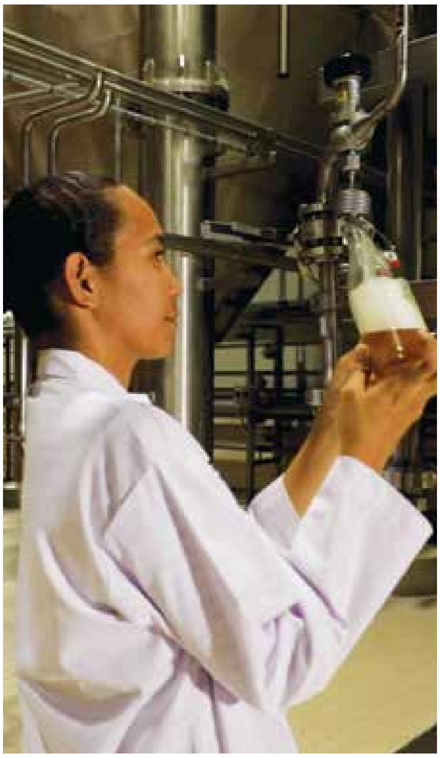
The investment in the new business was not made lightly. The pristine facility required the importation of the latest brewing technology from Europe.

'The investors had an expert firm conduct an independent market assessment, as did the financier, to determine that the current market and expected growth in PNG would support competition to the long-held monopoly,' explains Carolyn Blacklock, Paradise Breweries' Managing Director.

She explains the new brewery aims to offer a point of difference.

'Our brewery is offering a traditionally brewed pale ale and pilsner, both new to PNG,' says Blacklock. 'We also offer a successful mid-strength beer—walking the talk when it comes to responsible drinking.'

CREDIT: PARADISE BREWERIES



**Local experts ensure the taste and quality of the beers are on par with the best international standard.**

## Thinking local

She says Paradise Breweries' marketing approach is to 'support SMEs who run bottle shops and bars closest to our drinking customers' and to partner with PNG-owned distributors who may not have had the opportunity to work with a brewer before.

'We think and act local because we are local. We have assembled a tough and passionate team of Papua New Guineans who really love to win. Setbacks and challenges are in our DNA, from the shareholder [PNG's former Prime Minister, Peter O'Neill] to our brewery team to the frontline sales team.

'No one controls us from outside PNG—all our decisions therefore are local and can be made fast,' she says. ◆

Women in the Markham and Ramu could benefit from the proposed IFC model.

PHOTO: IFC

# New agriculture corridor promises jobs & growth

The results of a scoping study of the Markham and Ramu valleys are helping to develop a win-win business model for investors and customary landowners.

**By Gabriella Munoz**

About 80 per cent of land in the fertile Markham and Ramu valleys in northern Papua New Guinea could be used for agricultural development but so far it remains intact.

Why is this so?

'It's clear when you talk to the people that there are challenges, the biggest of which seems to be land ownership. But there are other issues, such as infrastructure and farmers gaining access to inputs,' Christian Reichel, International Finance Corporation (IFC)'s Operations Officer in Port Moresby tells *Business Advantage PNG*.

'When you consider the growth in population in PNG and the demand growth in Asia, it's clear we need to understand how we can support farmers, manufacturers and exporters to seize these opportunities.'

The IFC partnered with the PNG Government's Grow PNG program, with further support from the Australian and New Zealand governments, to deliver a study of the agricultural potential of the Markham and Ramu valleys and to create development scenarios for landowners and investors.

As part of the study, the IFC and its partners looked at land ownership, soil types, crop suitability and access to necessary resources, as well as historical, current and planned economic activities.

'Potential investors have access to relevant information in one stop, so they can decide if it's worth spending more time in developing business and investment plans,' says Reichel.

## Farm management

One recommendation of the IFC's study is to create a farm management services company. Its aim would be to offer advice on good agricultural practices, farm management and farm inputs (such as fertilisers, chemicals and equipment, especially tractors).

The service company would help farmers develop the

## The Markham/Ramu Valley corridor in brief

**Where** The valleys are located between Lae, PNG's second largest city, and the Highlands region.

**What's produced now** Palm oil, sugar, cocoa, fresh produce and livestock.

**What can be produced** Rice, animal feed, fruits and vegetables.

**The project** The IFC has developed a 20-year project that could boost the growth and economic development of the region. Development could include a variety of produce, including animal protein, animal feed, fruit and vegetable production, while cocoa-to-chocolate production, a recent growth area in PNG, could be realised quicker.

CREDIT: IFC



technical skills to improve their agricultural practices. The company could also do 'everything for landowners, in return for a profit share,' explains Reichel.

He believes that if there are different business models available to landowners, then they will not feel they are losing their land when it is developed.

'World Bank research shows growth from agriculture can have a more significant impact on the poorest 40 per cent of the population compared to growth in other parts of the economy,' says IFC Resident Representative for PNG, Markus Scheuermaier. 'With 80 per cent of the population [in PNG] working in agriculture, it is essential that smallholder farmers are linked to markets and derive income from their crops.'

## Turnover

'Meaningfully divided between crops' and crops that are regularly turned over would help the landowners decide what to produce. Long-term crops, however, could mean landowners lose 'some feeling for it'.

The IFC wants to avoid a situation where investments don't work out and companies leave the country out of frustration. A partnership with professional landowners and investors makes sense and lowers the risk on both sides.

The aim is to showcase one pilot area instead of having hundreds of smallholdings all over the country.

Reichel says the intention is to create a model that can be applied to the whole of PNG. ◆


Imagine the possibilities
Something new is on its way...

# Tourism's plan to rebound

PNG's tourism sector is looking to make up for lost time, after being seriously impacted by the COVID-19 pandemic.

According to the Business Council of Papua New Guinea, PNG's tourism and hospitality sector has been the hardest hit by the COVID crisis, with a third of businesses reporting that their first half revenue for 2021 was down more than 50 per cent on projected revenue.

The industry is estimated to have lost over K500 million to COVID, on the back of an 82 per cent drop in international arrivals, according to PNG's Tourism Promotion Authority.

Between April 2020 and February 2022, no tourist visas were issued to international travellers. In the absence of international tourists, domestic tourism activity, limited business travel and quarantine kept the country's resorts and hotels open.

'That Coral Sea Hotels exceeded budget in 2021 is purely down to Coral Seas being a beneficiary of the quarantine business,' observes Rupert Bray, Managing Director of Steamships Trading Company, which owns PNG's largest hotel chain.


CREDIT: AIRWAYSHOTEL

### HOTELS FOCUS ON GUEST SAFETY

While international tourists are only just returning to PNG, business travellers have been welcomed throughout the pandemic.

Like hotels elsewhere, PNG's hotels have gone to significant lengths to create COVID-safe environments for their guests.

The award-wining Airways Hotel in Port Moresby, for example, implemented stringent hygiene protocols, including a UV cleaning system, temperature checks, mandatory use of face masks, and free rapid tests and hand sanitiser for all guests, as well as a vaccination program for its staff.

'This is in line with our perennial commitment to protect the well-being of our guests and staff, and supports the campaign of COVID-19 vaccination,' says Airways Hotel General Manager, Sunilkumar Panda.

'At this difficult time, we want to assure all our guests that it is safe to stay in the hotel and we are taking utmost care to follow all the guidelines set by the government and health authorities.'

## Reopening

The reopening of the country's borders to vaccinated international tourists in February 2022 was the news the entire tourism sector was waiting for.

The move should restart the flow of visitors from PNG's nearest neighbour, Australia, which also opened its borders at the same time as PNG. The country's signature tourism experience, walking the historic Kokoda Trail, relies heavily on Australian tourists for its viability. There is clearly also pent-up demand from other markets such as Europe and the United States.

## The reach of tourism

At Lissenung Island Resort in Kavieng, owner Angelique Amon says she has been amazed by the resilience of international tourists who have had to abandon their plans to come to PNG.

'The people want to come, we are changing bookings from month to month. That's how keen people are,' she told *Business Advantage PNG* shortly before the borders reopened.

'We are not just depending on Australian tourists, but currently more on European and US visitors … Before COVID, our biggest market was the German-speaking market.'

Bob Bates, who owns the successful Trans Niugini Tours, agrees that PNG has a loyal following among international tourists.

'We get feedback from our tourists when they have finished their tour that the tour was much better than they expected, and one of the highlights was the friendly people,' he said at a recent industry event. However, he asserts, PNG must do more to market itself.

'PNG has an image problem that needs to be addressed. This could be done by getting some good travel journalists and getting some big news stories about PNG.

'It can also be helped by spending more on marketing PNG as a safe and tourist friendly place to visit.'

## New plan

It is hoped that PNG's new *Tourism Development Plan 2022-2026* will provide fresh impetus for the sector to rebound.

Launched at the end of 2021, the plan provides for more funding for the sector, and better coordination of public and private sector efforts.

'The support of everyone to make the industry succeed into the future is needed. In fact, the plan highlights these issues and will present the strategic direction in which to successfully develop and grow,' says Eric Mossman, Managing Director of the Tourism Promotion Authority. ◆

# New strategy to double fish processing

Papua New Guinea's tuna processing sector could double in size if the goals set out in the country's new strategic plan for the sector are achieved.

**By Gabriella Munoz**

While significant progress has been made in developing an onshore tuna processing industry in key centres on the country's northern coast, such as Lae and Madang, in the last 15 years, there is significant potential to grow PNG's fisheries sector further.

Eleven priorities, including building new infrastructure, encouraging more downstream processing and providing better support for investment, underpin the *Fisheries Strategic Plan 2021-2030*, a new ten-year roadmap launched by the country's National Fisheries Authority (NFA) in 2021.

## Market access

Maintaining high standards is critical not only for sustainability but also for market access. PNG currently exports most of its catch to the demanding European Union market under an Economic Partnership Agreement, which guarantees preferential market access and low tariffs.

In addition to the EU, PNG tuna is also exported to Japan, the Philippines, Taiwan, the US and Australia, while PNG's domestic market consumes around 10,000 metric tonnes of canned tuna annually. The NFA estimates the value of all tuna products is about US$400 million, the 'highest income stream for the fisheries sector'.

With PNG's 2.4 million square kilometre Exclusive Economic Zone sitting within the world's largest tuna fishery, there is clearly scope for expansion, especially as the bulk of PNG's catch currently is harvested by vessels from other countries.

Prime Minister James Marape said he expects '50 per cent of all tuna catches in the country processed in the country by 2025 and, when the plan ends, 100 per cent'.

## More infrastructure

A key driver for this increase will be more infrastructure.

PNG currently has six fish-processing plants. Modelling for the strategic plan projects the creation of between four and 14 new plants over the coming decade. The construction of new wharves, jetties and slipways would support these new facilities.

The plan outlines the need to encourage local companies and international investors to invest in the sector by maintaining the 'pioneer' tax holidays and other broad-based incentives that kick-started the fish processing sector over a decade ago.

CREDIT: NFA

**Releasing fishing stocks into a river in Enga Province.**

### THE INSIDE VIEW: JOHN KASU, MANAGING DIRECTOR, NATIONAL FISHERIES AUTHORITY

'Maintaining the EU-recognised competency status of the organisation is vital for the fisheries sector so that our fish and fishery products continue to enter the global market and are competitive, where 98 per cent of our total PNG fish and fishery products exports are currently destined.'

'The projected impacts of climate change [also] pose significant concerns in terms of the long-term viability of Papua New Guinea's fisheries resources.

Of particular note will be the future availability of tuna stocks. Subsequently, there is a need for broader diversification in the fisheries sector of Papua New Guinea.'

The plan also advocates for the creation of fisheries-related Special Economic Zones, such as the planned Pacific Maritime Industrial Zone near Madang. (The *Special Economic Zone Authority Act* was introduced in 2020 to support the roll-out of such zones.)

The need to expand PNG's access to other markets with which it has trading agreements, such as China and the US, is also acknowledged. ◆

# DIRECTORY

This directory provides details of our corporate partners and key PNG information resources.

CREDIT: STEAMSHIPS

**Airways Hotel & Residencies**
Airways is PNG's leading hotel and one of the world's most unique airport hotels, offering world-class accommodation in one of the Pacific's most striking settings.
www.airways.com.pg
+675 324 5200 or +675 7373260

**ANZ**
www.anz.com/institutional/global/papua-new-guinea/en/

**BizPrint**
BizPrint offers a complete, end-to-end print solution, from the design and concept stage through to production, finishing and delivery of your business printing requirements.
www.bizprint.com.pg
Phone: +675 3213500

**Bmobile**
www.bmobile.com.pg
+675 325 6900

**Coca Cola Amatil**
www.ccamatil.com/au

**Credit Corporation (PNG) Limited**
Credit Corporation (PNG) Limited commenced business in 1978 as a general finance company and over the past 40 years has grown to become one of the South Pacific's most progressive financial institutions.
www.creditcorporation.com.pg
+675 321 7066

**Data#3**
A leading IT services and solutions provider, Data#3 is focused on helping customers solve complex business challenges using innovative technologies.
www.data3.com
+61 434 830 704

**Datec PNG Ltd**
From its humble beginning more than 30 years ago, Datec is now the largest technology solutions and services provider in PNG.
www.datec.com.pg
+675 303 1333

**ExxonMobil PNG Limited**
ExxonMobil PNG Limited is the operator of the US$19 billion PNG LNG Project, an integrated development that is commercialising the gas resources of PNG.
www.pnglng.com
+675 309 7111

**Hebou Constructions (PNG) Ltd**
www.hebou.com.pg

**International Terminal Container Services (ICTSI)**
www.ictsispl.com
+675 320 0881

**Kina Bank**
Kina Bank services retail, commercial and SME customers across the country and offer end-to-end financial solutions from savings accounts to small business loans, investments to mortgages, financial advice and investment management.
www.kinabank.com.pg
+675 308 3800

**KPMG**
KPMG is a global network of professional firms providing audit, tax and advisory services across a wide range of industries, government and not-for-profit sectors.
www.kpmg.com
+675 321 2022

**Kumul Petroleum**
Kumul Petroleum Holdings Limited is PNG's national oil and gas company.
www.kumulpetroleum.com
+675 320 2253

**Lightspeed PNG**
www.lightspeedpng.com
+675 323 6558

**Mineral Resources Authority (MRA)**
mra.gov.pg
+675 321 3511

**Moni Plus**
Moni Plus provides market leading solutions in personal loans, asset finance, foreign exchange and offers attractive and competitive rates for fixed term deposits.
www.moniplus.com
+675 313 2900

**Nambawan Super**
Nambawan Super Limited is PNG's largest superannuation fund with around K7.7 billion assets under management.
www.nambawansuper.com.pg
+675 180 1599

**Nasfund**
Nasfund is PNG's largest industry fund for professionals in the private sector and government-owned corporations with 590,000 member accounts.
www.nasfund.com.pg
+675 313 1998

**Pacific Islands International**
Pacific Islands International is a wholesale supplier of building & construction materials to PNG and the Pacific Islands.
www.pacificislands.com.au
+61 417721730

**Pacific Palms Property**
PNG's most innovative property developer, Pacific Palms Property has delivered some of PNG's most progressive commercial developments, including the iconic Harbourside development in Port Moresby.
www.pacificpalmsproperty.com.pg
+675 321 2822

**PNG DataCo**
www.pngdataco.com
+675 313 3929

**PricewaterhouseCoopers Papua New Guinea (PwC)**
PwC is a team of over 150 partners and staff delivering quality outcomes in assurance, tax, advisory and entrepreneurial and private business services.
www.pwc.com/pg
+675 321 1500 / 305 3100

**Puma Energy**
Puma Energy is the largest entity in downstream petroleum distribution in PNG, with a geographic footprint of assets covering all market sectors, including 507,500 m3 of storage capacity, a presence at 11 airports and a network of 84 retail sites.
www.pumaenergy.com.pg
+675 309 9400

## Useful online resources for PNG

***Business Advantage PNG***
Business Advantage International's online business magazine for PNG and the region. Produces a regular PNG Business Update via email.
www.businessadvantagepng.com

**PNG 1000 (database)**
Papua New Guinea's leading companies and service providers
www.png1000.com

***PNG Now***
PNG's premium lifestyle magazine featuring lively and topical articles on PNG events, people, culture, health, travel, food, money, tech and much more.
pngnowmag.com


**PNG's two daily newspapers, *The National* and the *Post-Courier.***
www.thenational.com.pg
www.postcourier.com.pg

**EMTV**
PNG's largest TV broadcaster.
www.emtv.com.pg

**SES**
SES combines a vast, intelligent network of satellite and ground infrastructure with industry-leading expertise to manage and deliver high-performance video and data solutions virtually everywhere on the planet.
www.ses.com

**Steamships**
Steamships Trading Company, or Steamships as it is more commonly known, is a diversified leader in shipping, transport, property, manufacturing and hotels in PNG.
www.steamships.com.pg
+675 313 7400

**Swire Shipping**
www.swireshipping.com

**Transparts International Limited**
Transparts provides a diverse range of parts, safety accessories, chemicals and services to the transport and mining industry around the country.
www.transparts.com.pg
+675 472 4447

**TotalEnergies**
TotalEnergies is active in PNG in the marketing of petroleum products and services, as well as LNG development.
png.total.com

**Vanguard International**
Vanguard is a privately-owned leader in recruitment, labour hire and immigration services in PNG.
vanguard.com.pg
+675 7500 7500

**Vodafone**
Vodafone.com.pg
+675 325 6900

**Westpac**
Westpac was the first bank in PNG and is helping to create a brighter financial future for generations to come.
www.westpac.com.pg
+675 322 0888

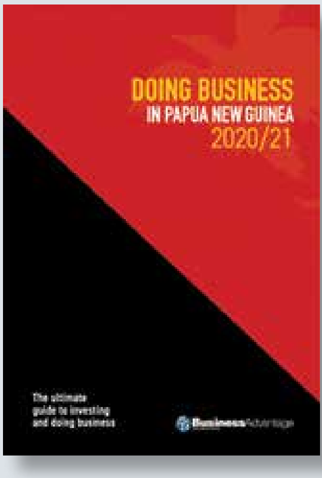
## BUSINESS, GOVERNMENT & MULTILATERAL ORGANISATIONS

**Asian Development Bank**
+675 321 0400
www.adb.org

**Australian Trade Commission (Austrade)**
+675 325 9150
www.austrade.gov.au

**Australia-Papua New Guinea Business Council**
www.apngbc.org.au

**Business Council of PNG**
+675 320 0700
www.bcpng.org.pg




## Doing Business in PNG

The ultimate guide to doing business in PNG, produced by Business Advantage International and its content partners. Includes industry sector profiles, legal and tax guides, business guides to PNG's provinces and more.
www.doingbusinessinpng.com

**Kumul Consolidated Holdings**
KCH is the holding company for PNG's state-owned enterprises.
www.kch.com.pg

**PNG Institute of National Affairs**
Industry-funded think-tank
+675 321 1045
www.inapng.com

**International Finance Corporation (IFC)**
+675 321 7111
www.ifc.org

**International Monetary Fund**
The IMF is expected to run a Staff Monitored Program in PNG in 2022.
www.imf.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**
www.pngcci.org.pg
+675 321 3057

**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