

BUSINESS **ADVANTAGE** PNG



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PAPUA NEW GUINEA'S TOP-RANKED BUSINESS MAGAZINE

- Central Bank indicates economy is rebounding
- Papua New Guinea back open for business
- Vodafone's K3 billion investment to expand telco market



Editorial

As expected, 2022 has so far been a year of delayed gratification for PNG business. The tranche of major resources projects we have waited for for some years is still ahead of us, while PNG's National Elections, while giving a short 'sugar hit' to the economy, will inevitably mean major decisions are deferred until the next government is formed.

However, as [recent data](#) released by PNG's central bank confirms, the economy has unquestionably rebounded from the tough early days of the COVID-19 pandemic.

With national carrier Air Niugini reporting its traveller numbers are [back above 2019 levels](#) and the prices of nearly all PNG's major commodity exports higher than usual, the signs are encouraging.

ANZ's positive analysis notes that the commodity windfall, together with infrastructure spending, should keep the economy ticking over until 2023, when we can reasonably expect the Porgera gold mine to be open again under new management and a final investment decision on the TotalEnergies-led Papua LNG project.

Chomping at the bit

Busier international flights are not the only sign business people are chomping at the bit to get going again. This week, we co-hosted (with Austrade and Austmine) an [online briefing](#) for businesses looking to supply PNG's major mining projects. Over 330 people from 15 countries attended.

Our recently-released [PNG 100 CEO Survey](#), produced in partnership with Westpac, also showed signs for optimism from PNG's largest companies, who are expecting profits, capex and payroll growth this year.

The survey also reports on the downside of operating in PNG – impediments. The top ones this year were all related to government – regulatory uncertainty, security/law and order, and lack of government capacity.

But for some bureaucratic bottlenecks – the Port Moresby Chamber of Commerce and Industry President Rio Fiocco also recently expressed frustration at the slow progress of streamlining work permit and visa systems – could PNG be bouncing back even faster?



Latest Central Bank figures indicate Papua New Guinea's economy is rebounding

Recently released data from Papua New Guinea's Central Bank indicates the country's economy bounced back significantly in the September 2021 quarter on the back of a massive increase in export receipts due to higher commodity prices. While private sector employment and sales also rose, the bank warns inflation is also on the march.



The Bank of PNG's Benny Popoitai.
Credit: Post-Courier via Facebook

In the Bank of Papua New Guinea's latest [Quarterly Economic Bulletin](#), released at the end of April, Acting Governor Benny Popoitai noted that rising global commodity prices have been beneficial to PNG's commodity exporters. 'The pick-up in global trade resulted in higher demand and prices for PNG's export commodities resulting in a higher export receipts and contributed to the overall balance of payments recording a surplus,' he observed. The bank recorded higher prices for

not just mineral exports, such as copper, crude oil, nickel, cobalt and condensate, but also for 'all non-mineral export commodities, except for tea, logs and marine products.'

'Over the year to September 2021, total sales increased by 24.5 percent'

'The weighted average kina price of PNG's export commodities, excluding LNG, increased by 20.7 per cent in the September quarter of 2021,

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compared to an increase of 2.5 per cent in the corresponding quarter of 2020. There was an increase of 16.0 per cent in the weighted average price of mineral exports, compared to an increase of 8.2 per cent in the corresponding quarter of 2020,' says the Bulletin. 'For agricultural, logs and marine product exports, the weighted average kina price increased by 41.7 percent, compared to a decline of 18.7 percent in the corresponding quarter of 2020.'

Employment and sales up

There were other positive indicators too. The bank recorded a 0.9 per cent rise in private sector employment in the September 2021 quarter, led by the construction and finance sectors, up from 0.5 per cent in the previous quarter. The total nominal value of sales by the private sector also increased in the September quarter – evidence that PNG's economy has rebounded after the 2020 COVID-19 downturn.

'Annual inflation to 31 December 2021 was 5.7 per cent, up from 4.3 per cent in the September quarter.'

'Over the year to September 2021, total sales increased by 24.5 per cent, compared to a decline of 22.5 percent over the corresponding period of 2020. Excluding the mineral sector, sales increased by 20.6 per cent over the year to September 2021, compared to a decline of 13.3 per cent over the corresponding period of 2020,' says the Bulletin. Sales increased highest in the transportation, wholesale, financial/business/other services, manufacturing, retail and mineral sectors, while the agriculture/forestry/fishing and construction sectors saw a decline in sales. Echoing the long-held views of his predecessor, Loi Bakani, Acting Governor Popoitai urged the government 'to continue to support and diversify the agricultural/forestry/fishing

sector including downstream processing to increase value added production and improve foreign exchange inflows'.

Inflation warning

The Acting Governor sounded a note of caution regarding inflation, however. Increased global activity and 'demand from large fiscal and monetary stimulus packages' has led to 'higher imported prices and domestic inflation'. The situation has since been further exacerbated by the war in Ukraine, he said. Annual inflation to 31 December 2021 was 5.7 per cent, up from 4.3 per cent in the September quarter. Prices related to education, alcoholic beverages and transportation rose highest, while prices in restaurants and hotels, and communications declined slightly. ♦



PNG Commercial Survey 2022

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**START
SURVEY**

Papua New Guinea back open for business travel

By Robert Upe

With international and domestic airline services starting to return to pre-COVID levels and health protocols increasingly relaxed, business travel to Papua New Guinea is finally getting back to 'normal'.



Air Niugini's domestic and international passenger volumes have reached and, in some instances, exceeded, pre-COVID levels.

After two years of COVID-19-related disruptions, Papua New Guinea's international aviation sector has taken off again.

'We can see the flights coming back to and from Australia, and they're pretty much full,' Rio Fiocco, President of the Port Moresby Chamber of Commerce and Industry, told a business breakfast in Port Moresby last week. 'We're getting a lot of business people

coming back.' National carrier Air Niugini is already back on the radar between PNG and Australia, with regular flights to Brisbane, Cairns, and Sydney. The airline is flying return to Brisbane daily. Flights on Monday, Wednesday, Thursday, Saturday, and Sunday are on a Boeing 767, and flights on Tuesday and Friday are on Boeing 737. There is one return flight to Sydney each

week, every Monday on a Boeing 737. A second flight is expected soon. There are three weekly flights to Cairns on a Fokker 70 every Wednesday, Friday, and Sunday. Return flights depart the next day. Air Niugini is also flying five times a week to Singapore, three times to Manila and one to Hong Kong. Inflight entertainment and catering have also returned, while the airline's award-winning inflight magazine *Paradise* will return in September.

Qantas returns

Meanwhile, Qantas resumed regular flights between Port Moresby and Brisbane last week after more than two years. Three return flights are now operating weekly on a Boeing 737-800, every Monday, Friday, and Sunday. A Qantas spokesman told *Business Advantage PNG*

that demand on the route is expected to grow in the next few months, particularly from the corporate market. Flight frequency is expected to ramp up to five flights a week from June 20. ‘The route is the latest international service to be added to Qantas’ network out of Brisbane and will support business and trade between Australia and PNG,’ the spokesman said. The flights include complimentary food and drink, checked baggage, frequent-flyer points, and lounge access in Brisbane. There is no news yet about the possible return of Virgin Australia to PNG. The airline was one of the early casualties of COVID-19 travel restrictions. However, a takeover by private equity firm Bain Capital in November 2020 has ensured it has stayed in the air. ‘We have not announced any plans to fly to PNG,’ said a Virgin spokesperson, responding to enquiries from *Business Advantage PNG*.

Relaxation of COVID controls

COVID-related controls have also been relaxed in parallel with the increase in international flights. While Air Niugini recently confirmed that passengers departing internationally from PNG cannot be checked in without a certificate of vaccination valid for travel, pre-departure COVID tests are not required for passengers going to Australia, Singapore, the UK, EU, Scandinavia, Canada, Australia, Brazil and South Africa. At the time of writing, territories that still require pre-flight PCR tests include the USA, New Zealand, Indonesia, Malaysia, Japan, China, Hong Kong, and South Korea. Meanwhile, if you’re a non-PNG resident flying from Australia to PNG, you’ll only be allowed to enter if you’re fully vaccinated for COVID-19 and hold a valid PNG visa. As of last week, passengers arriving in

PNG no longer need to take a rapid PCR test on arrival. With travel requirements for different countries changing rapidly, it’s best to check at airniugini.com.pg/international-travel for the latest information. ♦

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Vodafone's K3 billion investment to expand Papua New Guinea's telco market

Papua New Guinea finally has a third telecommunications player, following the launch of Vodafone PNG last week. Talking exclusively to *Business Advantage PNG*, Vodafone's Regional CEO Pradeep Lal outlines the telco's ambitious plans.



The Vodafone brand over APEC Haus in Port Moresby at the network's launch last week. Credit: Vodafone PNG

After almost two years of COVID-related delays, Vodafone PNG is finally a reality. It has welcomed onboard just over 100,000 subscribers to its new network since its official opening last Thursday. For Pradeep Lal, Vodafone PNG's successful launch is the culmination of a journey that started over 20 years ago. 'I had originally come to PNG back in days as

a young graduate to support a local entity, Datec, at that time owned by Steamships,' he tells *Business Advantage PNG*.

'This is ATH's third attempt to enter PNG's telecommunications market'

'I saw so much potential in this country at the time.

Therefore, I am most humbled and extremely pleased to be part of this transformational project that will have lasting positive impact on the people of PNG. 'A well-developed, robust and affordable telecommunications infrastructure is critical to supporting the development of many other industries and sectors.'

Growth potential

Lal thinks that there is immense potential to grow the market in PNG, which is currently estimated at about three million mobile customers in a population of about ten million people. ‘According to GSMA reports, market penetration here is about 37 per cent of the population,’ he notes, citing the ratio of SIM cards to head of population. Internet penetration stands at just 20 per cent. ‘Fiji is at 130 per cent mobile penetration – the same as Australia and New Zealand. Vanuatu and Samoa are at 100 per cent. PNG can very easily reach between 80 to 90 per cent mobile penetration in the next couple of years.’

‘Within 18 months, we aim to have live on-air 1200 sites, covering 90 per cent of PNG’s population.’

In such an expanded market, he believes, there is plenty of room for a third operator to

compete effectively and provide the stimulus needed to spur increased competition. ‘To put things in perspective, in New Zealand, for instance, with 4.5 million population, there are three profitable operators who provide competitive propositions and continue to invest to transform the network and customer experience.’ PNG is more twice the population size of NZ.

Experience

Vodafone PNG is owned by Singapore-registered ATH International Venture Pte Limited with a few institutional

investors, including the Asian Development Bank (ADB) and Amalgamated Telecom Holdings Limited (ATH), which has operations in Fiji, Vanuatu, Samoa, Cook Islands, Kiribati, American Samoa and now PNG. Vodafone Fiji has the rights to the Vodafone brand in the Pacific through a partnership agreement with Vodafone Sales & Services Limited in the UK and this is used by all Vodafone companies operating across the Pacific markets. Lal explains that this is ATH’s third attempt to enter PNG’s telecommunications market, after a deal to acquire



Deputy Prime Minister Sam Basil (left), Vodafone PNG Chairperson Kalpana Lal, and Prandeel Lal (right) during the launch of Vodafone PNG. Credit: Vodafone

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Telikom PNG fell through in 2012. A subsequent attempt to invest in Bmobile (now merged with Telikom) proved short-lived.

Technology

One of the competitive advantages Vodafone PNG brings is its access to the latest technology. 'In every market we go, our target is to be the best. We are very determined to provide top quality products and services. All our base stations are 3G/4G+, offering greater speed and capacity,' says Lal. Lower prices on products such as handsets and cheaper data are a part of the Vodafone offering at launch. The cheapest 4G smartphone on offer retails for just K89.

'According to Lal, the launch in PNG represents an investment of just over K3 billion'

'Along with value packed mobile and data bundles, we

also have a comprehensive suite of ICT products aimed at business customers and specifically at various verticals such as agriculture, education, finance and health, to name a few.' At launch, Vodafone's network covers about 50 per cent of PNG's population, covering Port Moresby, Lae, Madang, Mt Hagen and Goroka. Lal says the network rollout will continue beyond the 500 towers in its first phase. 'Our target is to expand this to 800 sites by Christmas, thereby covering all 22 provinces. Within 18 months, we aim to have live on-air 1200 sites, covering 90 per cent of PNG's population.'

Investment

According to Lal, the launch in PNG represents an investment of just over K3 billion, 53 per cent of which is being provided by shareholders and 47 per cent financed through borrowings. The entry into the PNG is also being underpinned by a US\$25 million (K87.75

million) 'cornerstone' equity investment from the ADB, which conducted its own comprehensive project appraisal and due diligence before investing. 'This is a mark of confidence in the market, management's capabilities and positive financial returns from an institutional investor perspective,' says Lal. ♦



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