



# BUSINESS ADVANTAGE PNG

PAPUA NEW GUINEA'S PREMIER BUSINESS MAGAZINE

ANNUAL  
2023

- The next decade of economic growth
- Exclusive interviews
- Market trends & insights





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# Welcome

Welcome to the 18th annual edition of *Business Advantage PNG*.



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.

Also under the *Business Advantage PNG* masthead is PNG's top-ranked online business magazine, [businessadvantagepng.com](http://businessadvantagepng.com). Here, you'll be able to subscribe to free email updates, access our comprehensive *Doing Business in PNG* investor guide, and locate potential suppliers and partners on our premium online business directory, [png1000.com](http://png1000.com).

*Business Advantage PNG* also convenes the annual investment conference on PNG, which will take place in 2023 at the Brisbane Convention and Exhibition Centre on 10 and 11 August (for more information, visit [www.pnginvestmentconference.com](http://www.pnginvestmentconference.com)).

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

PNG enters 2023 with the real prospect of a 10-year growth cycle ahead of it. Driving this decade of growth will be major investments in the resources sector (especially in liquefied natural gas), record government expenditure on enabling

infrastructure, and signature private sector investments.

With the government, led by Prime Minister James Marape, returned for a five-year term in 2022, and major donor and concessional finance underpinning the national budget, there is also every prospect of a period of political and economic stability.

In its new term, the Marape government has renewed its commitments to developing PNG's non-resources economy, encouraging the development of the small and medium-sized enterprises and supporting value-adding in manufacturing. It is also committed to ensuring the country benefits more from its considerable non-renewable resources.

While there is a focus on building domestic capacity, PNG's economy is opening up to international players as never before, in sectors such as petroleum and gas, telecommunications and hospitality.

As you will see in the pages that follow, established PNG-focused businesses are gearing up for a period of extended growth across all sectors of the economy. At the same time, this growth – which some credible observers are suggesting could see PNG's economy double in size by the 2030s – is providing substantial opportunities for new entrants to the market.

**Andrew Wilkins**

*Publishing Director*

*Business Advantage International*

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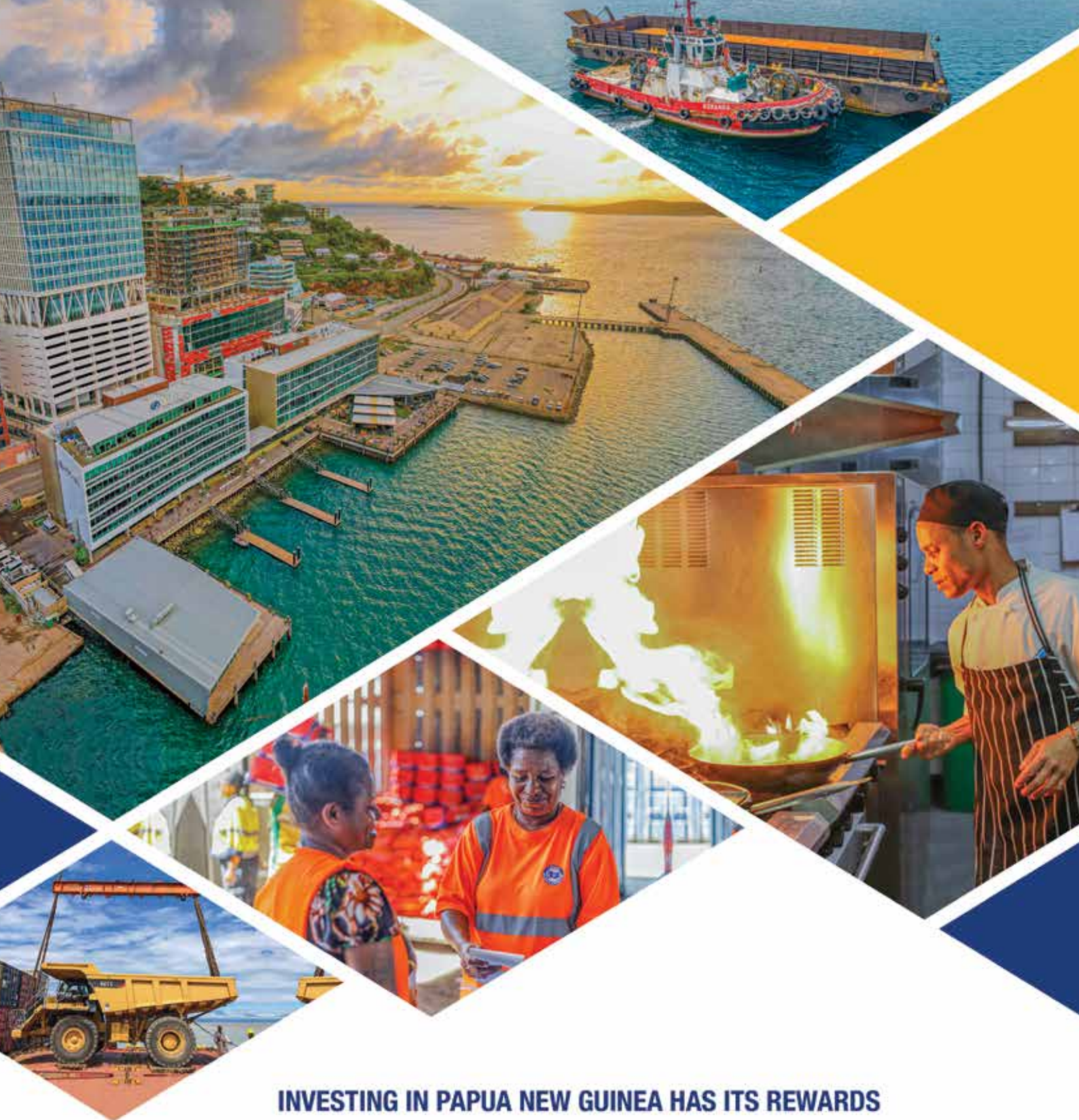
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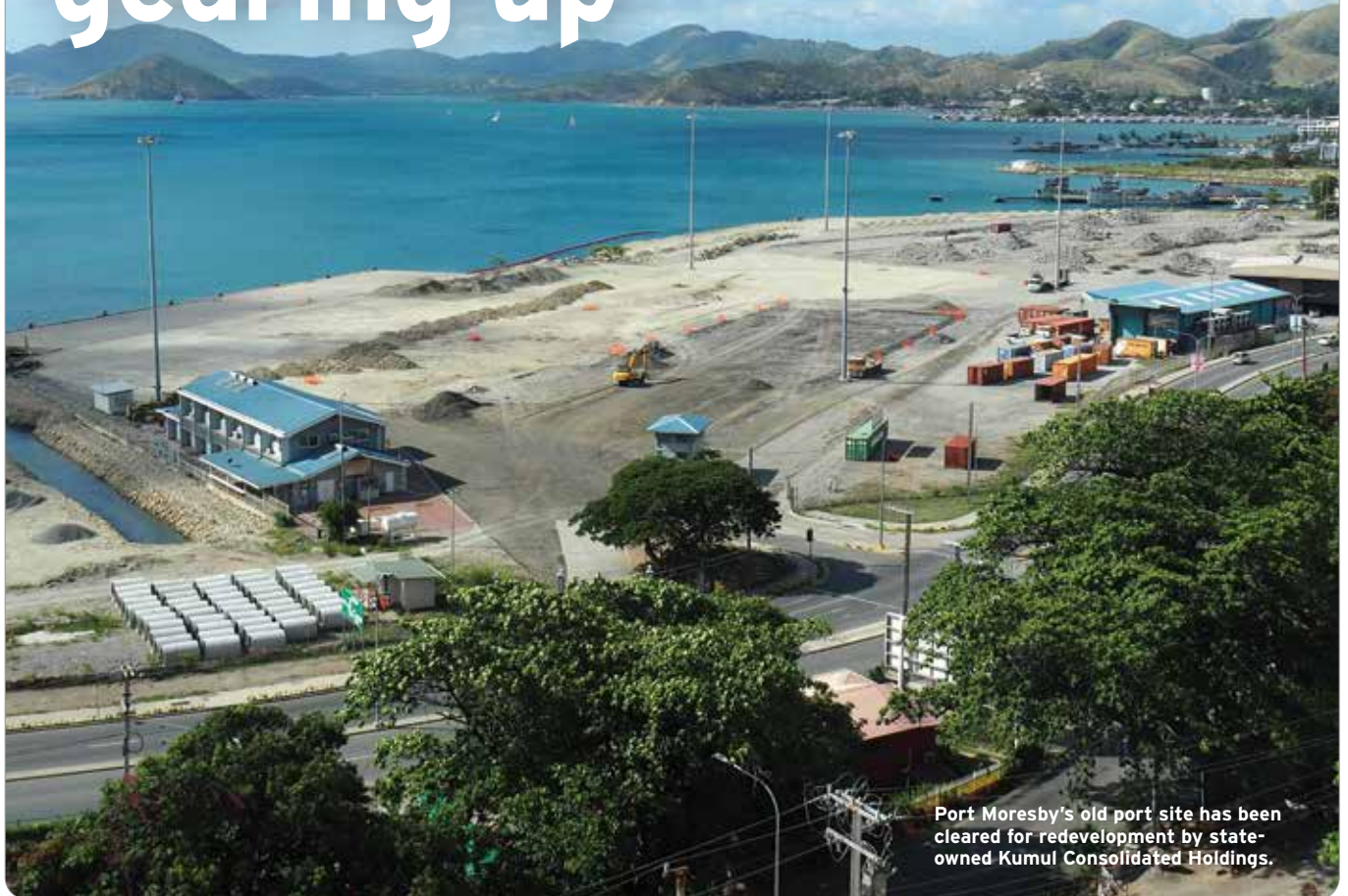
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**STEAMSHIPS**



# 2023: the year of gearing up



Port Moresby's old port site has been cleared for redevelopment by state-owned Kumul Consolidated Holdings.

With the worst of the COVID pandemic behind it, Papua New Guinea is preparing itself for a decade of sustained economic growth. While the investments that will drive this growth are still being finalised, business leaders tell *Business Advantage PNG* the country is already starting to get ready.

**By Andrew Wilkins**

**P**NG was a major beneficiary of higher global commodity prices in 2022, especially for its largest export commodity, liquefied natural gas (LNG).

Improved export receipts have helped it not only claw back some of the lost growth caused by the COVID pandemic and consequent supply chain constraints but also to bring record levels of national debt largely under control.

As it enters 2023, the country now faces the very real prospect of a decade of growth on the back of some major resources investments.

The final investment decision for the first of these – the US\$10 billion TotalEnergies-led Papua LNG project – is due at the end of 2023 and early works have already commenced.

Assuming this project is ready to start exporting as hoped in 2028, construction of ExxonMobil's marginally smaller P'nyang LNG project is scheduled to follow.

Add to these the prospect of the long-awaited US\$2.8 billion Wafi-Golpu copper-gold project in Morobe Province, another project nominated as a national priority by Prime Minister James Marape, and one can see why there is a cautious feeling of confidence in business circles.

'With Papua LNG ready to kick-off any time soon, business morale is improving,' Paul Barker, Executive Director of the Institute of National Affairs, tells *Business Advantage PNG*.

## Marape government returns

The Pangu Party government led by James Marape was returned to power after national elections in August 2022. Marape first came to power in 2019 on a platform of achieving better terms for PNG interests from the country's mineral resources, and also bringing surging national debt under control.

While an improved resource take is a work in progress expected to be finalised by a new resources regime in 2025





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## THE WAR FOR TALENT: employers are bracing for a fierce battle to attract and retain skilled workers

While the skills base in PNG has improved significantly since the construction period of the country's first LNG project, which peaked in 2012, employers and recruiters are already witnessing a new 'war for talent' in anticipation of PNG's next gas project, Papua LNG.

In the lead-up to a final investment decision for the project, the skilled job market in PNG is already starting to heat up.

'We will be doubling our team in PNG. That's reflective of the growth we see coming on the horizon,' Kristine Berry, Managing Director of recruitment company People Connection, tells *Business Advantage PNG*.

'It's growth across the board; from hospitality through to senior executives, to sales, and a lot more technical specialist roles.'

### Filling the void

Employers are already struggling to find staff for key specialist roles.

'We're operating with over 20 vacancies - including maintenance and automation engineers - that's where we have big gaps,' says Ed Weggemans, Managing Director of SP Brewery.

'Finding good skilled people has been a bit of a challenge for us,' agrees Hulala Tokome, Country Director of Puma Energy. Tokome notes, however, the country has an abundance of unskilled labour.

While recruiters typically start by trying to match employers with skilled Papua New Guinean workers,

hiring offshore talent can be equally tough, given global skills shortages.

The Australian labour market, which has historically supplied many skilled workers to PNG, is 'super tight and super expensive,' says Berry. Her company has expanded its skills search globally: 'We are bringing people from everywhere in the world to PNG.'

She reminds PNG employers that 'no-one pinpoints PNG as a destination of choice. It's about pitching yourself as the employer of

An important factor, notes Tarutia, is 'building an organisational culture that individuals want to be part of, and where they see a pathway to develop.'

### Building skills

In the words of John Lewins, CEO of K92 Mining, 'we have to grow our pool of mechanical and technical trades.'

While institutions like the Kumul Petroleum Academy, non-for-profit organisation CareerTrackers and

the universities of technology at Port Moresby, Lae and Goroka are doing their best to produce skilled graduates, many specialist skills can only be acquired on the job.

Many employers, such as Steamships, KPMG and SP Brewery, have graduate intakes annually to hand pick the most promising recruits, while many others, such as PNG DataCo and ICTSI, conduct specialist

training in-house.

Nevertheless, it is generally acknowledged that more needs to be done to address the skills gap.

'Government and companies need to be driving that and planning ahead,' suggests Berry. 'We shouldn't be importing unskilled or semi-skilled labour. But, unfortunately, people are already talking about that.'

Recruiters are bracing themselves for a busy, but exciting, couple of years.

'It's actually quite scary,' says Berry. 'It's going to be a huge challenge.'

CREDIT: AUSTRALIAN GOVERNMENT



Students at the University of Papua New Guinea's School of Medicine and Health Sciences.

choice, and pitching PNG as a unique opportunity to catapult one's career.'

### Offer the right incentives

Even in normal times, larger employers in PNG compete within the same limited pool of skilled workers.

'You've got to offer the right incentives to not only retain existing talent but attract talent,' says Ian Tarutia, departing CEO of superannuation fund Nasfund. This means 'having the right rewards and recognition, paying competitive salaries and benefits,' such as housing and education allowances as well as transport to work.

Loyalty bonuses are also a commonly used inducement in PNG.

### Plan for growth

Since the elections, the Marape government has signalled a desire to diversify an economy still heavily reliant on mineral resources and raw commodity exports, by diverting more funds to enabling infrastructure, prioritising the informal economy (which supports the bulk of PNG's population), and encouraging import replacement and value-adding.

(the 50th anniversary of PNG's independence), Treasurer Ian Ling-Stuckey has largely succeeded - with assistance of the International Monetary Fund (IMF) and more concessionary finance - in restructuring the country's debt. Indeed, the country's sovereign credit rating was upgraded from 'negative' to 'stable' during 2022 by both Standard and Poors and Moody's partly due to this achievement.





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**Left: Prime Minister James Marape welcomes Australian PM, Anthony Albanese. One of PNG's largest trading partners, Australia provides PNG with budgetary support, development aid and infrastructure finance. Above: The life of PNG's largest copper-gold mine, Ok Tedi, looks set to be extended out to 2033.**

The record K9.796 billion capital expenditure set out in the 2023 National Budget is the government's down-payment on these reforms. Big-ticket items to be financed include the ongoing Connect PNG road construction program (see page 34), and major upgrades of the country's ports (see page 33) and airports (see page 50).

According to that Budget, PNG's economy is expected to grow by 4.0 per cent in 2023. (The IMF's and Asian Development Bank's projections are slightly higher, at 5.1 per cent and 4.9 per cent respectively.) This projection doesn't include the boost expected from Papua LNG's early works

but does include activity related to a reopened Porgera gold mine, which has been under care and maintenance since April 2020. At the time of writing, there is still no date for its reopening.

### Brakes on growth

One potential brake on business growth in 2023 is likely to be an ongoing shortage of foreign exchange (forex): the primary issue facing the business community in 2023, according to Port Moresby Chamber of Commerce and Industry President Rio Fiocco.

While improved export receipts have swollen the amount of forex held by the country's Central Bank, companies are still having to wait extended periods to obtain the exchange they need, as Brett Hooker, Chief Executive of Westpac PNG, explains.

'With higher inflation, especially with imports such as fuel, the general user needs more forex in the market,' he tells *Business Advantage PNG*. 'Whether that settles a little into 2023 remains to be seen, but obviously, 2024 is where we're expecting some blue skies.'

Forex shortages are not the only challenge faced by business. According to the 2023 PNG 100 CEO Survey – an established barometer of business confidence – unreliable utilities and telecommunications, security and law and order concerns, and a lack of government capacity, are just a few of the key challenges reported by PNG's major companies (see page 16).

While PNG's underperforming electricity transmission system badly needs investment, there have been more promising developments in telecommunications, with two major new players entering the market in the past year: Australia's Telstra, which acquired market leader Digicel, and Fiji's Amalgamated Telecoms Holdings, which launched the Vodafone brand in PNG in 2022. The investment triggered is set to improve both the reach and reliability of the country's telecommunications networks, and has already put downward pressure on prices (see page 37).

Mark Baker, at the end of his term as Managing Director of bank ANZ in PNG, detects a trend.

'One of the observations you could make about the PNG market is the gradual internationalisation of the economy

### Papua New Guinea in brief

<b>Population</b>	9,119,005 (2021, World Bank)
<b>Capital</b>	Port Moresby
<b>Surface area</b>	463,000 sq km
<b>People</b>	Melanesian, Papuan, Negrito, Micronesian, Polynesian
<b>Time zone</b>	GMT +10 hrs
<b>Business language</b>	English
<b>Political status</b>	Parliamentary democracy
<b>GDP</b>	US\$26.59 billion (2021, World Bank)
<b>GDP growth</b>	4.9 per cent (2023 forecast, Asian Development Bank)
<b>Inflation</b>	5.1 per cent (2023 forecast, Asian Development Bank)
<b>Currency</b>	PNG Kina (PGK)
<b>Major industrial sectors</b>	Mining, gas/energy, crude oil, petroleum refining, palm oil, forestry, coffee, tourism, construction, manufacturing
<b>Exports</b>	LNG, crude oil, nickel, logs, concentrate, gold, copper, palm oil, coffee, cocoa, copra
<b>Major export markets</b>	Australia, China, Japan, Chinese Taipei, South Korea
<b>Imports</b>	Refined petroleum, excavation machinery, crude petroleum, other edible preparations, rice
<b>Major import markets</b>	Australia, China, Singapore, Malaysia and Japan



here, the presence of international brands,' he says. 'Even in the hospitality space, we now have Radissons and Marriotts starting to appear on the skyline.'

While inflation is expected to run at 5.7 per cent this year, there are some indications that imported inflation at least may have peaked.

'The increase in supply chain costs has washed through,' suggests Ed Weggemans, Managing Director of PNG's largest brewer, SP Brewery. 'This year, we see some of these global costs coming down.'

### Set for the next wave?

For those who recall the busy construction phase of the country's first gas project, PNG LNG, which peaked in 2012, the big question remains: is PNG ready for the expected surge from Papua LNG?

'PNG is much more ready than the last time around,' asserts Rupert Bray, Managing Director of the diversified Steamships Trading Company, which has interests in logistics, property and hospitality. 'Whether it is in the hotel space, accommodation, offices, logistics, or just in the technical capacity, there is a lot more of it in-country now than there was before. And it's also at a much higher level.'

ONE OF THE OBSERVATIONS YOU  
COULD MAKE ABOUT THE PNG MARKET  
IS THE GRADUAL INTERNATIONALISATION  
OF THE ECONOMY

'In terms of equipment and infrastructure and everything else, I think people are very much ready. We've been waiting for this project to start for so many years,' agrees Hulala Tokome, Country Director for Puma Energy and Vice-President of the Business Council of PNG.

Indeed, there are early signs that the next wave has already started to build, as companies start to gear up for the expected increase in business after a few tough years.

'The pipeline of activity for us is as high as it's been for the last couple of years,' observes ANZ's Mark Baker.

Fellow banker Greg Pawson, the CEO of Kina Bank, agrees: 'We've seen quite a significant lift in activity. In particular businesses that were probably holding off making decisions over the 2022 election period are now making those decisions, which is encouraging.'

### Warming up

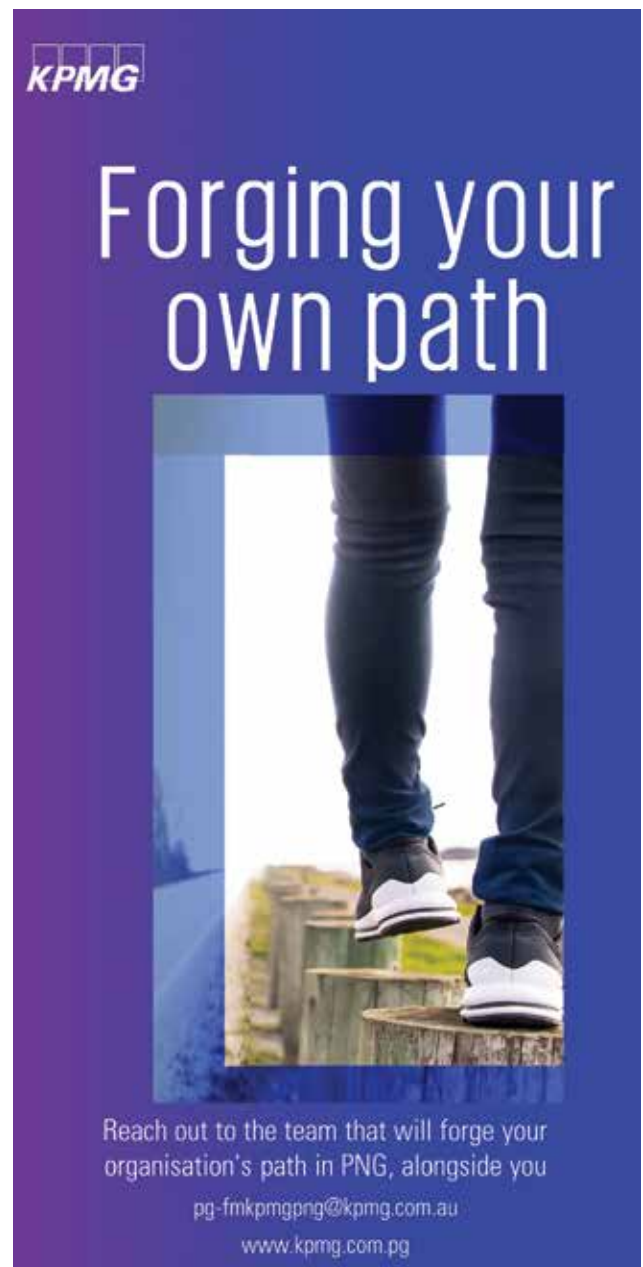
Meanwhile, national airline Air Niugini is reporting its passenger numbers are now higher than in 2019, while employers and recruiters *Business Advantage PNG* spoke with are reporting a hotting up of the jobs market, as the 'war for talent' begins (see box on page 8).

The property sector is also starting to pick up, with realtor Brian Hull of Century 21 noting a 'considerable pickup in enquiries for both affordable rentals and purchases of homes, as well as for sensibly priced offices in the Waigani precinct.'

'There are more and more expats coming into the country and there's a bit more activity,' observes Paul Sayer of superannuation fund Nambawan Super, which has an extensive property portfolio. 'There will be more stock coming on and more people coming in.'

PNG's equity markets have also bucked the global trend, returning positive growth of about 7 per cent over 2022.

'We've seen volume growth in the market as more investors engage with the country's stockbrokers,' says David Lawrence, Chairman of PNGX, the country's stock exchange. 'We're optimistic about the next 12 months.' ♦



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# Perspectives

Business and government leaders provide their personal takes on Papua New Guinea's economy.

“In terms of investment, we’re anticipating double what we’ve spent in the last two years in each of the coming years. The K200 million we’re investing in our logistics subsidiary is indicative of our confidence.

I’m confident we’re in for a period of robust growth.

The challenge is to ensure robust growth delivers the services on the ground and the employment opportunities to deal with 2.8 per cent annual population growth.”

**Rupert Bray**

Managing Director, Steamships Trading Company

STEFAN DANILJCHENKO/BAI



“We think there’s a lot more scope to broaden the base for two-way trade between PNG and Australia, which is around A\$5 billion (K12.17 billion) currently.

We’re impressed by the reforms Prime Minister Marape has made to engage in fiscal repair. We’re happy to support that process; both financially, and with technical support and advice.

Infrastructure will always be a large proportion of what we do in PNG, as it reflects the Government’s priorities.”

**Jon Philp**

Australia’s High Commissioner to PNG



“The steady approach to debt and deficit levels within the PNG Government’s 2023 National Budget paves the path for increased economic independence, while increased scrutiny of budget expenditure should lead to more efficient outcomes.

While the importance of Connect PNG road-building project remains, there’s also a focus on micro-economic growth and foreign exchange issues to improve the domestic business environment.”

**Zanie Theron**

Managing Partner, KPMG PNG

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Being vertically integrated at the group level has helped to overcome supply-chain issues, especially when it comes to sinking our teeth into larger-scale developments in PNG. It reduces the need to import materials.



It's also important to develop local skills, and we're expecting a significant knowledge transfer from imported skill sets to PNG nationals over the next 10 years.

**George Constantinou**  
Managing Director of Hebou Constructions and CEO of Monier Limited at the Constantinou Group of Companies.

The improving state of our loan book and anecdotal signs that in-bound Air Niugini planes are full are two early indicators that the economy is starting to move again.



With people coming here to do business, we're also seeing an increase in occupancy at our rental properties.

I'm witnessing an air of positivity and our customers are gearing up to generate additional revenue though the current economic expansion.

**Danny Robinson**  
Chief Executive Officer, Credit Corporation (PNG)

Without mining and without LNG, PNG would not have made all the economic progress, development and improved livelihoods that we have done.



While we have a lot of problems and issues, we cannot bury the remarkable progress we've made.

If any credit is to be shared, we must all share it together: governments, companies and the people.

**Kerenga Kua**  
Minister for Petroleum



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# Promoting investment

The annual 2023 *Business Advantage PNG* Investment Conference will take place on 10 and 11 August in Brisbane, Australia. Here's a preview of what to expect from PNG's pre-eminent investment promotion event.

In the words of Investment Promotion Authority head Clarence Hoot, foreign direct investment into PNG suffered a 'huge slump' during the COVID pandemic. By the time the 2022 *Business Advantage PNG* Investment Conference took place in August 2022, he was reporting that interest was back across a range of industry sectors, including wholesale, mining and petroleum, real estate, construction and financial services.

It is this interest that the organisers of the 2023 PNG Investment Conference plan to galvanise further and help turn into real investment activity.

First run in 2011, the annual conference provides a platform to accelerate investors' understanding of the business opportunities PNG has to offer and provide a conducive atmosphere for the right conversations to take place.

In 2023, the event will be held at the Brisbane Convention and Exhibition Centre. It will include a business expo, social program and a two-day program of presentations, panel discussions, interviews, and interactive sessions for delegates.

## Keynote speaker



2023 keynote speaker, Alan Kohler.

Leading the program in 2023 will be keynote speaker Alan Kohler, the highly respected financial journalist and broadcaster. In his own accessible and engaging style, Kohler will be providing his expert take on the global factors that will affect PNG's investment climate and

provide some insights into the opportunities that lie ahead.

He will be joined by a line-up of around 40 expert speakers and panellists, including multilateral and bilateral investment agencies, bankers, investment fund managers, stockbrokers, portfolio managers, economists, entrepreneurs, and the heads of key government agencies.

## International event

In line with previous conferences, a wide range of private sector and government delegates are expected to attend, from both PNG and its key international markets.

'It's the perfect opportunity for investors and business leaders to connect with each other, have the conversations they need to have,' notes Andrew Wilkins, Publishing Director of



## 2023 PROGRAM

Of particular interest in 2023 will be:

- how the Marape government is reforming its investment regime following the creation of a new Ministry of International Trade and Investment
- presentation of the latest economic data on PNG
- updates on the country's key mining and petroleum projects
- new and expected changes to relevant investment and capital market laws
- PNG's keystone Special Economic Zones policy, currently the subject of review
- updates on key infrastructure projects, including many of those covered in this publication
- expert views on the country's changing investment climate
- focus sessions on industry sectors of increasing interest, such as construction, renewable energy, ICT and services
- case studies of successful investments
- an expo of PNG-made produce, leading service providers and government agencies.



# in PNG

CREDIT: STEFAN DANILJCHENKO/BAI



“OF PARTICULAR INTEREST WILL BE HOW THE MARAPE GOVERNMENT IS REFORMING ITS INVESTMENT REGIME”

Scenes from the 2022 Papua New Guinea Investment Conference. The 2023 conference in August will include expert presentations, panel discussions, interactive sessions, an expo and plenty of opportunities for networking.



Business Advantage International, which hosts the event. Long-term partners in the event include the World Bank, the International Finance Corporation and the Asian Development Bank – all long-term investors in PNG’s development with their own unique insights – as well as PNG’s Investment Promotion Authority, and key business organisations like the PNG Chamber of Commerce and Industry, its Port Moresby and Lae affiliates, and the American Chamber of Commerce Coral Sea. ♦



## HOW TO ATTEND THE CONFERENCE

The 2023 Business Advantage PNG Investment Conference will take place at the Brisbane Convention and Exhibition on 10 and 11 August 2023.

If you’re already reading this publication, attending the conference is your next step.

For more information on how to get involved, visit [www.pnginvestmentconference.com](http://www.pnginvestmentconference.com).

# The 2023 PNG 100 CEO Survey



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Since 2012, the data collected by the PNG 100 CEO Survey has revealed trends in business confidence in Papua New Guinea. Analysis of the survey data by Westpac has led to the creation of PNG's first Business Confidence Index, which is now tracked annually against other key metrics on PNG's economy. So, what are businesses saying as we enter 2023?

## Profit performance in 2022: the reality

The 2023 survey asked CEOs how profits had performed in 2022 against their expectations. Overall, 49 per cent of respondents said profits were higher than expected. While strong, this was down 10 per cent on the 2022 survey. Meanwhile, 24 per cent said profits were lower than expected, a seven per cent drop on last year.

## Profit expectations

What profits do our CEOs think 2023 will bring? Overall, an impressive 75 per cent of respondents expect higher profits this year, compared with 56 per cent last year. Meanwhile, 11 per cent predict profits will just meet expectations, demonstrably lower than the 36.11 per cent recorded the year prior. Remarkably, no respondents expect profits to be substantially less in 2023.

## Investment intentions

The survey asked respondents for their capital expenditure intentions for 2023. Overall, almost three-quarters of respondents (72 per cent) expect to spend more on capex this year, compared to only half of respondents in last year's survey. Meanwhile, just 10 per cent were expecting to reduce their spending this year.

## Recruitment intentions

The survey asked respondents to indicate their recruitment intentions for 2023, compared to the previous year. The numbers point to robust hiring intentions. Overall, respondents expecting to recruit more staff is up from 46 per cent in 2022 to 64 per cent this year. Meanwhile, no companies are expecting to substantially trim their payroll this year.

## Business impediments

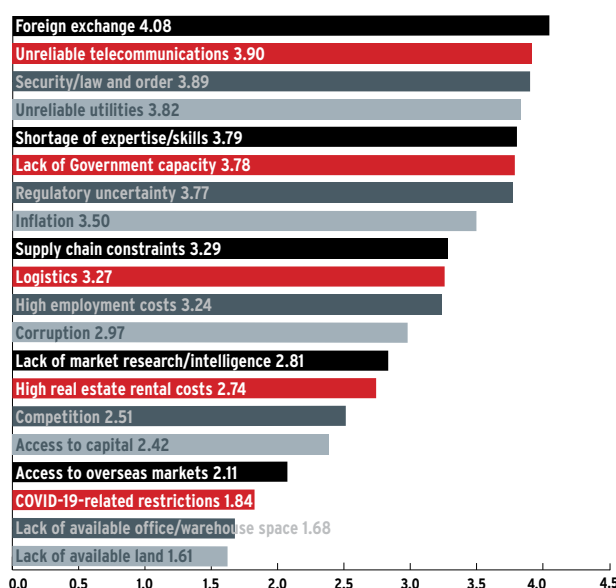
Each year, we ask CEOs to rank the key impediments facing their business. As the table below indicates, respondents rate foreign exchange availability as the top impediment.

Not far behind are some perennial issues, which are hard to separate: security/law and order, unreliable telecommunications, unreliable utilities, shortage of expertise skills, lack of government capacity, and regulatory uncertainty.

Meanwhile, supply chain constraints entered the list this year while, remarkably, COVID-19 has fallen off the radar.

The 2023 PNG 100 CEO Survey was conducted by *Business Advantage PNG* between November 2022 and January 2023. The survey included 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](http://www.businessadvantagepng.com).

### What are the critical impediments facing your business right now? (scale of 0-5)

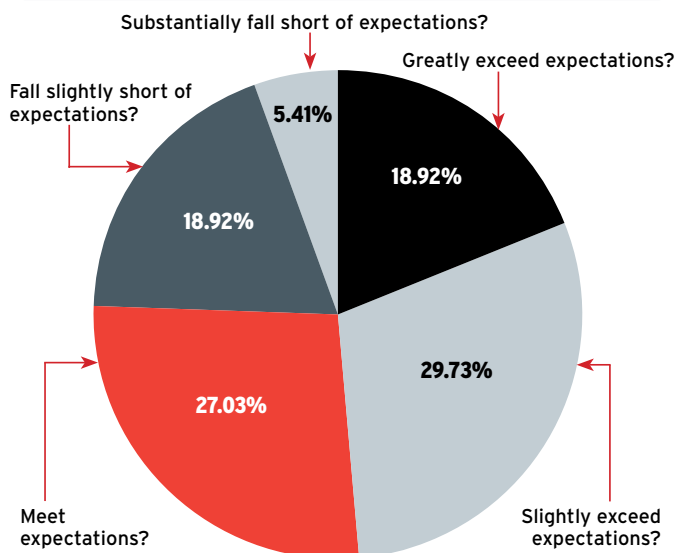


See page 18 for Westpac Senior Economist Justin Smirk's insights into this year's survey results.

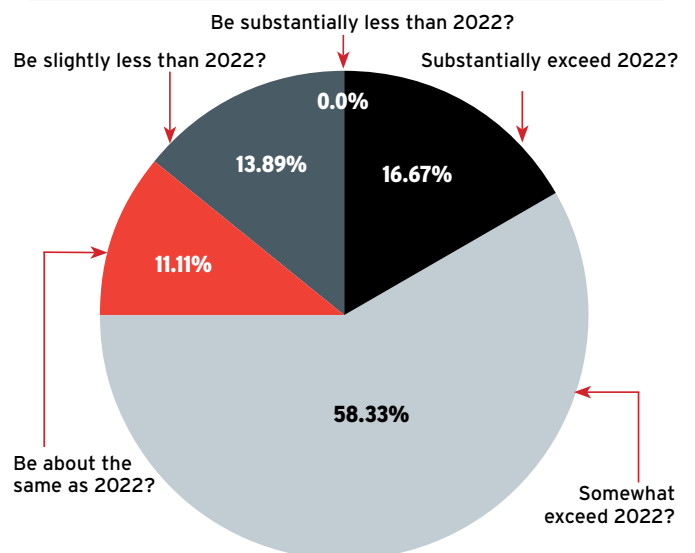


ALMOST THREE-QUARTERS OF  
RESPONDENTS EXPECT TO SPEND MORE  
ON CAPITAL EXPENDITURE THIS YEAR

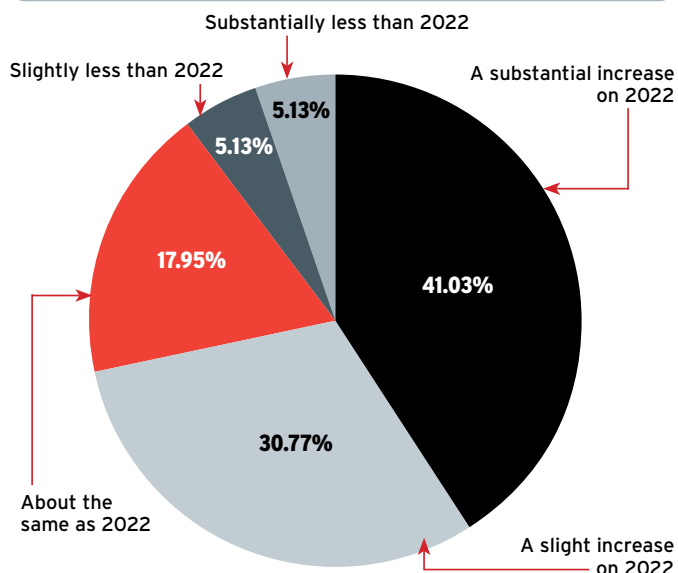
Looking back on your business's performance in 2022, did your profits...



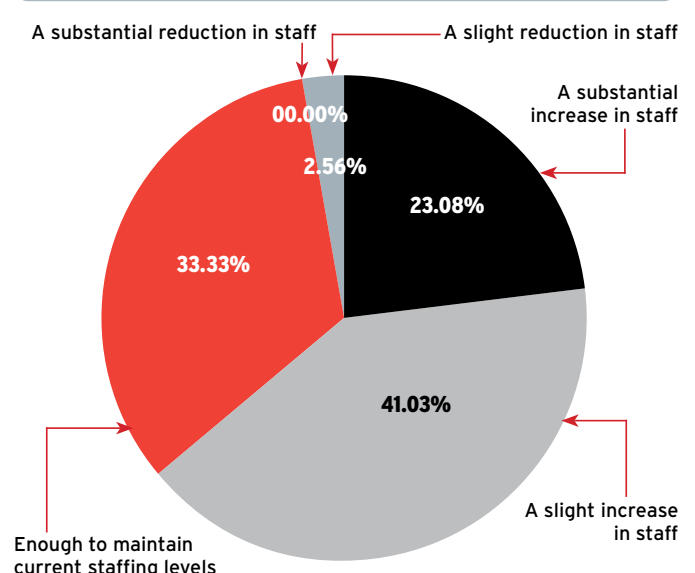
In 2023, do you anticipate your profits will...



How much investment (e.g. in plant, equipment, land or other assets) are you planning in 2023?



What level of recruitment are you planning in 2023, compared to 2022?



# What does the PNG 100 CEO Survey tell us?

Westpac's Senior Economist, Justin Smirk, has drawn on 12 years of PNG 100 CEO Survey results to highlight the changes in business conditions and the issues faced by business.



The 2023 PNG 100 CEO Survey charts a lift in business optimism for profits, investment and, in particular, employment. While this sets a positive tone for the year, the survey continues to highlight the ongoing difficulties PNG firms face accessing foreign exchange (forex), the unreliability of telecoms services and the problems with security/law and order.

Concern for inflation has lifted to a level not seen since 2013. However, with global inflation already showing signs of moderating and the kina holding firm, it is likely that inflation in PNG is close to a peak.

The lack of access to forex is the number one hindrance to PNG businesses, replacing COVID restrictions in 2021 and regulatory uncertainty in 2022. At a weighted average of 4.1 (out of 5), this is the strongest business leaders have felt about this issue since 2017. (See the full results on page 16.)

From the 2023 survey, we've identified four key highlights:

## 1. Business conditions bounce back to levels not seen since 2019

We have combined the expectations for profits, investment and recruitment into a single index: the Business Conditions Index.

This index improved in 2023, lifting to 58.8 from 49.1 in 2022, for the strongest performance since 2019, when GDP lifted by 5.9%.

## 2. Profit, investment and recruitment expectations have improved, with recruitment sentiment at a record high

Profit and investment expectations both rose this year, although not to their 2019 peaks.

Looking at profit expectations only, the Profit Expectation Index is 15.5% stronger than its historical average. Meanwhile, the Investment Expectation Index

**PROFIT, INVESTMENT AND RECRUITMENT EXPECTATIONS HAVE IMPROVED, WITH RECRUITMENT SENTIMENT AT A RECORD HIGH**

lifted to 97.4 – a significant improvement on 2022's 55.5.

More significant was the surge in the Recruitment Expectation Index, which hit a historical high of 84.6, up from 56.8 in 2022. This is a very promising sign for stronger growth in formal employment.

## 3. Lack of forex returns as most critical impediment

From 2016 to 2019, as liquidity improved, forex dropped down the list of impediments. By 2020, however, it was back and was only beaten in 2021 by COVID restrictions. Last year, it eased further to 3.5 (out of 5), its lowest since 2015. Its score of 4.1 this year is the highest since 2017.

## 4. Inflation is a greater concern, but not of the top rank

Inflation rose to 3.5 (out of 5) in 2023 from a low of 2.6 in 2021. However, it is less of a concern than foreign exchange, security, skill shortages, unreliable telecoms and utilities, lack of government capacity and regulatory uncertainty.

Security/law and order lifted this year to the highest level of concern since 2016. Telecommunications had been improving, so it is disappointing to see it lift to 3.9 in 2023. The unreliability of utilities is also an increasing concern. Meanwhile, concern about the lack of expertise and skills is at its highest since 2019. ♦

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# A step up in global offerings

Port Moresby's commercial property sector is evolving rapidly, with large-scale, mixed-use projects in vogue and international hotel chains finally arriving en masse.

## By Paul Chai and staff writers

When the Hilton Port Moresby opened its doors in early 2018, it felt like the start of a new era in the city's high-end hotel sector.

At that point, international hotel brands were scarcely present, yet here was a stylish, 212-room five-star Hilton and state-of-the-art convention centre – the first of three stages of the Star Mountain Plaza development in Waigani, financed by local landowner groups under the Mineral Resources Development Company (MRDC).

Since then, the international brands have just kept coming, as local property owners seek to leverage their name recognition, marketing clout and loyalty programs.

The 54-key Crowne Plaza Residences opened in 2019, as part of another new development, Nambawan Plaza, developed by superannuation fund Nambawan Super and Lamana Development. Operated by Intercontinental Hotels Group (IHG), the upscale property on the edge of the CBD ('Town') provides both regular hotel rooms and longer-stay accommodation.

With 80 per cent of guests currently staying long-term, IHG's Area General Manager Mauro Leone says that IHG's loyalty scheme is a big selling point: 'There is no doubt that part of our success [is] down to our IHG One Rewards. If you look at most people coming into Port Moresby for work, they have to stay somewhere and might as well earn points. Our guests can use their points in over 6,000 hotels globally.'

## New wave

During the last resources boom a decade ago, hotel rooms were scarce, leading to the construction of two large new hotels, the Stanley in Waigani and Coral Sea Hotels' flagship, the Grand Papua, in Town.

In early 2022, the latter became a Radisson Individuals property, affiliated with the Radisson Hotel Group, one of the world's largest hotel operators. Radisson Individuals hotels leverage Radisson's 'high standard of quality and service,' as well as its rewards program, while still retaining their own unique characteristics.

Harbourside South, the next project of Coral Sea Hotels' parent, Steamships, will feature a fully-fledged Marriott-branded property, alongside retail and office space. Marriott Executive Apartments Port Moresby is scheduled to open in July 2023, as part of a K250 million, 21-storey addition to Steamships' transformative Harbourside precinct.

'When large companies like TotalEnergies, ExxonMobil or Santos come into PNG, they look for what they're familiar with. Many of them have global procurement where they favour specific brands, such as Marriott,' explains Steamships' Managing Director, Rupert Bray.

Although Steamships plans to completely rebuild its Melanesian Hotel in Lae, which closed in 2016, for now the internationalisation of PNG's hotel market remains confined to the capital. However, the presence of several global brands in-country surely bodes well for the future development of tourism in the country (see page 50).




## MIXED-USE DEVELOPMENTS THE WAY TO GO

**Investors in Port Moresby's commercial property sector are embracing mixed-use developments, combining retail, accommodation and office space into a single precinct.**

Paul Sayer, CEO of Nambawan Super, expects Nambawan's latest mixed-use project, Rangeview Plaza in Waigani, to benefit from an increase in the number of expats locating to PNG.

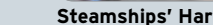
'This particular property project is surrounded by new townhouses in a gated estate, and it is just this type of mixed-use model that appears to be the future for the property industry in Moresby and further afield,' says Sayer.



One benefit

of mixed-use projects, which include accommodation, Steamships Managing Director Rupert Bray observes, is to help expats solve the security challenges of a Port Moresby posting.

**Steamships' Harbourside South will feature retail, offices and apartments.**



CRI

'You've got convenience stores, hairdressers, spas, gyms, pools, your office and retail all in one area. You never really have to leave and that's what's attractive to people.'

Meanwhile, Steamships is also behind the massive Portside Business Park development adjacent to Port Moresby's international port at Motukea. The 40-acre site will host a mix of manufacturing, assembly and logistics facilities.

The trend looks set to continue, with MRDC hoping to announce Stage 3 of its Star Mountains Plaza project in April this year. For CEO Augustine Mano, the sky is literally the limit: 'Shopping mall, cinemas, office space ... put it this way, we want to make the next CBD in Star Mountain Plaza. Just look at the quality of the infrastructure.'

Meanwhile, Stage 2 of MRDC's Star Mountain Plaza project is also due to be completed this year, with a second Hilton property, the Hilton Residences, comprising 180 luxury apartments and related facilities.

In one sense, the advent of major hotel brands simply reflects the maturing of the country's economy.

‘The Papua New Guinean customer is becoming much more discerning’, says Bray. ‘People have more disposable income on the back of PNG LNG. They have had the opportunity to travel internationally for work and for pleasure. So, they’re beginning to enjoy the privileges that come with brand association.’ ♦



**Steamships' Harbourside South will feature retail, offices and apartments.**

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# Papua LNG inches closer to reality

After years of delays, the US\$10 billion-plus Papua LNG project, the country's largest resources project in over a decade, is on track for a final investment decision at the end of 2023.

## By Mark Story

This year, the TotalEnergies-led Papua LNG project enters its FEED [front end engineering and design] stage.

The French super-major is the project's largest stakeholder, with 31.1 per cent of the project, and is working in conjunction with partners ExxonMobil (28.7 per cent), Santos (17.7 per cent) and Kumul Petroleum Holdings Limited (20.5 per cent).

TotalEnergies EP Asia's Julien Pouget told delegates at the PNG Mining and Petroleum Investment Conference in December 2022 that the project was 'progressing well' and was still on

schedule for a final investment decision (FID) at the end of 2023.

## Work plan

FID will trigger a four-year construction phase. An upstream central processing facility will be built in Gulf Province, to process both condensate and gas from the adjacent Elk and Antelope gas fields covered by Petroleum Retention Licence (PRL) 15. Work on this is planned to commence in the second quarter of 2024 and be completed before the end of 2027.

Once processed, the condensate and gas will be sent down a set of parallel pipelines, running 64 km overland to Orokolo Bay in Gulf Province, and then for 260 km across the Gulf of Papua to ExxonMobil's LNG plant at Caution Bay near Port Moresby. Pipeline construction is scheduled for commencement in early 2024 and completion in Q1 of 2027.

Finally, the LNG plant, currently

used to compress gas for export for the ExxonMobil-led PNG LNG project, will need to be expanded to accommodate the new gas, with an additional two trains to be constructed, as well as condensate storage and a new flare system.

## Windfall

While the project will more directly impact Gulf and Central provinces, it is expected to produce 5.6 million tonnes of LNG annually over 15 years.

'From a regulatory point of view, we have done all that was needed. We have the gas agreement which secures the fiscal and regulatory terms. They are stabilised in a fiscal stability agreement with all the amendments that were required. So we are ready to go,' TotalEnergies PNG Ltd Managing Director Jean-Marc Noiray told MPs at a briefing in late 2022.

'The direct value going to the State we reckon will be in the order and value of US\$25 billion (K86 billion) over the life of the project.'

## Expressions of interest

In anticipation of a final investment decision, potential suppliers to the project have already been invited to pre-register for work under several levels of cascading engineering, procurement and construction contracts.

Project partners have flagged the expected commencement of early works this year 'upstream' at the Elk and Antelope gas fields, allowing for local business participation wherever possible.

In addition to required roading, a new quay, logistics base and airstrip at the project's Herd Base on the Purari River, early works are also expected to include the construction of a quarry.

Meantime, the Papua LNG project is seeking expressions of interest from those with experience in civil works, security, training, transport and logistics, accommodation, catering, ICT services, waste management, medical services, engineering, recruitment, plant equipment supply, construction supplies, and supply of food and drinking water. ♦



# Kumul Petroleum moves to commercialise more fields

State-owned oil and gas company Kumul Petroleum has been gradually acquiring licences to some of PNG's smaller and 'stranded' gas assets. Managing Director Wapu Sonk explains the strategy behind the move to *Business Advantage PNG*.



Kumul Petroleum's Wapu Sonk.

In 2021, Kumul Petroleum was granted the Petroleum Retention Licence for the Pandora gas field in the Gulf of Papua. It followed the granting of three other licences – for the Kimu and Barikewa onshore gas fields in PNG's Forelands region and offshore at Uramu earlier the same year.

All the fields have significant exploration histories. In the case of Pandora, estimated to contain one trillion cubic feet of gas, it has passed through several hands over the years.

'The goal is to consolidate these isolated and economically challenging assets, previously held by different owners, and move toward commercialising fields,' Wapu Sonk, Kumul Petroleum Holdings' (KPHL) Managing Director, tells *Business Advantage PNG*.

'We will be looking to invite joint venture partners and technical service providers with the necessary technical and financial capabilities to assist in the development of these gas fields.'

## Connecting stranded resources

Sonk wants to use KPHL's unique position to aggressively develop these licences, while capitalising on synergies with PNG's existing gas infrastructure.

In practice, this means 'piecing together and connecting the resources that would otherwise be stranded into the existing facilities of the PNG LNG project, or what is going to be built by Papua LNG's partners,' he explains.

'We see ourselves as the right partner in between all the parties to encourage aggregation and development.'

Given that it doesn't really fit into that model, Sonk admits that a field like Twinza Oil's Pasca A offshore field, close to Pandora, now remains a bit of an anomaly.

'Pasca A alone doesn't stack up,' says Sonk. 'They can strip the liquid condensate but the gas must go somewhere and the only place for the gas to go is into the PNG LNG or Papua LNG assets.'

'We welcome the different parties in Pasca A to come and talk to us, so we can present a combined position to either the PNG LNG project partners or TotalEnergies' Papua LNG.'


## Marketing its own product

Once it exercises its right to take up equity in the Papua LNG project, KPHL will eventually be free to market around 22 per cent of the project's gas once the project loans are paid off. In the meantime, KPHL will continue to jointly market the gas with project lead, TotalEnergies.

The opportunities are significant, says Sonk.

'The market has started to open up. Beyond existing markets, there are secondary, tertiary markets developing,' he observes.

'There's no destination process anymore in the local contracts, so LNG can go anywhere. It's changed.' ♦



### Understanding the key changes to the Motor Vehicles Insurance Limited's (MVIL) enabling legislations

The amendments to the Motor Vehicles (Third Party Insurance) Act (Chapter 295) and the Motor Vehicles (Third Party Insurance) (Basic Protection Compensation) Act (Chapter 296) came into effect on 22 September 2021.

The amendments include Motor Vehicles (Third Party Insurance) (Amendment) Act 2021 and the Motor Vehicles (Third Party Insurance) (Basic Protection Compensation) (Amendment) Act 2021.

The key amendments under the Motor Vehicles (Third Party Insurance) (Amendment) Act 2021 are threefold:

1. A change in the definition of the words "motor vehicle" extends to and covers all vehicle types including trucks and equipment used in the extractive, logging and agriculture industries;
2. A change in the definition of the word "street" to include all streets or roads, either public or private, including the streets in the extractive, logging and agriculture project sites, and in the private property estates; and,
3. No compensation or claims payment for uninsured and unregistered motor vehicles, equipment and trucks; and where the identity of the motor vehicle cannot be established after due inquiry.

As for the Motor Vehicles (Third Party Insurance) (Basic Protection Compensation) (Amendment) Act 2021:

The change involves the increase of the compensation payment awarded in respect of the death of any person from K\$5,000 for males and K\$2,500 for females and minors to K\$10,000, irrespective of gender and age.

It is important to take note that compensation is only awarded after a thorough assessment and determination is completed.

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Minister for Petroleum Kerenga Kua addresses the 16th Mining and Petroleum Investment Conference and Exhibition.

CREDIT: BAI

# Kerenga Kua on planned petroleum and gas reforms

PNG is planning to move to a production sharing regime for petroleum and gas by the middle of the decade. *Business Advantage PNG* caught up with Minister for Petroleum, Kerenga Kua, to better understand why the reforms are happening, and what industry can expect.

**Business Advantage PNG (BAPNG):** The Marape government has flagged its desire to have a new regulatory framework for petroleum and gas by 2025. What do you expect the reforms to address?

**The Hon. Kerenga Kua MP (Kua):**

Ultimately, we want to remove some of the pain and mischief the current regime is labouring under, while also bringing about greater benefits.

**BAPNG: Where do you see most of the pain and mischief within the existing framework?**

**Kua:** Under the current scheme, we are effectively giving mining and petroleum resources away for free and borrowing to buy them back. Then, there is the requirement for the State to contribute to construction costs, which requires further borrowing.

There are already two huge loans

WE ARE EFFECTIVELY GIVING MINING AND PETROLEUM RESOURCES AWAY FOR FREE, AND THEN BORROWING TO BUY THEM BACK

Kerenga Kua  
Minister of Petroleum

sitting on the State's shoulders, which need to be serviced for many years, before these projects start returning revenue.

The dilemma is twofold: our people don't accept that we're paying loans and receiving no immediate revenue on resources we're supposed to own. As a government, we don't have money to frolic around in commercial enterprises, especially when more immediate pressures must be addressed, including infrastructure, education, healthcare and law and order.

**BAPNG: Exactly how will the policy landscape change?**



**Kua:** Taking the State out of the dilemma means leaving the investment cost to the investors. While the State will get its normal royalty, development levies, and taxes, every project will be based on its own dynamics.

Industry had until February 2023 to make submissions to the proposed Bill before Parliament, and we expect a final draft two months later, which should go before Parliament by mid-2023.

#### **BAPNG: What's your message to investors now?**

**Kua:** First, the reform we're talking about isn't really focused on them per se; it's focused on rescuing the State from its own dilemma.

Second, when it comes to sharing the benefits of a project, that will now be a matter for contract negotiation. We will have some minimum prescriptions, as we already do for the development levy and royalty, but we cannot prescribe on taxes.

Third, within the new regime, we expect the first cab off the rank for investors to be the recovery of royalties and development levies. Only then will the developers be able to take their cost of production out.

Once costs and margins are dealt with, profit is where the big negotiations will take place and, when it comes to profit oil, the State will expect a bigger share going forward.

Overall, investors shouldn't be alarmed by our transition from a post-World War II concession-based licensing system to production sharing arrangements. Investors can continue their activity, based on what drives their financial investment decisions.

#### **BAPNG: It's nearly a decade since PNG became an LNG-producing nation. How has this helped the country?**

**Kua:** Without mining and without LNG, PNG would not have made all the economic progress, development and improved livelihoods that we have done. While we have a lot of problems and issues, we cannot bury the remarkable progress we've made.

If any credit is to be shared, we must all share it together: governments, companies and the people. ♦

## **PNG'S LNG ROADMAP**

**The outlook for PNG's gas sector looks positive, as LNG continues to displace coal as an energy source globally.**

Projections by ExxonMobil, which runs PNG's first gas project, PNG LNG, suggest LNG demand will double up to 2050, with 90 per cent of additional demand coming from Asia, PNG's gas marketplace.

'Natural gas continues to provide a reliable and flexible fuel and will remain important as the world drives to decrease greenhouse gas emissions,' Peter Larden, Managing Director of ExxonMobil PNG told the 2022 PNG Investment Conference.

In 2022, as global demand for gas and prices surged, the PNG LNG project broke its daily production record. While National Budget projections suggest that surge is over, the investment pipeline for gas in PNG looks solid.

A gas agreement for the ExxonMobil-led US\$10 billion P'nyang project in Western Province was executed between the State and project partners ExxonMobil (49 per cent), Santos (38.5 per cent) and JX Nippon (12.5 per cent) in February 2022. While a final investment decision is some years away, construction of P'nyang has been scheduled to commence after TotalEnergies' Papua LNG project (see page 22) is completed, most likely in 2028.

State-owned Kumul Petroleum is expected to take up the State's 22.5 per cent stake in the project, as allowed by law, with the other parties' stakes diluting.

Like Papua LNG, P'nyang - which holds an estimated 4.4 trillion cubic feet of gas - is expected to use ExxonMobil's existing downstream facilities at Caution Bay outside Port Moresby to prepare its gas for export.

Nearer term, ExxonMobil has also been looking to add additional gas from within the existing PNG LNG project footprint. The K5.5 billion development of its Angore gas field restarted in 2022, with production

ExxonMobil PNG's Peter Larden.



**IT'S MORE IMPORTANT THAN EVER THAT WE STAY FOCUSED ON DELIVERING AFFORDABLE AND RELIABLE ENERGY**

due in 2024.

'We've seen dramatic market shifts both in terms of price and demand. It's more important than ever that we stay focused in delivering affordable and reliable energy,' says Larden.

Meanwhile, Australia's Santos greatly increased its footprint in PNG through its merger with Oil Search in late 2021. While Kumul Petroleum's binding offer to acquire five per cent of the PNG LNG project from Santos was in play at the time of writing, Santos is expected to have a major role in Papua LNG and P'nyang, and has flagged its intention to extend the life of PNG's only productive oil fields, Gobe and Kutubu.

# Reopenings, expansions and reforms

Between new watershed developments, renewals/expansions to existing mines, initiatives to encourage exploration and proposed long-term changes to the regulatory framework, there's an exciting US\$13 billion pipeline of activity in store for Papua New Guinea's mining sector.

## By Mark Story

Notwithstanding planned regulatory reforms, 'PNG is well-placed to compete for the global mining investment dollar,' Mining Minister Sir Ano Pala emphasised to the PNG Mining and Petroleum Investment Conference in December 2022, highlighting the country's prospectivity, sound judicial system and regulatory framework.

While there had been no news at the time of writing, Porgera, the country's largest gold mine, is expected to reopen in the first half of 2023. Closed since April 2020, the mine will reopen under a new 51/49 per cent joint venture – New Porgera Ltd – between PNG stakeholders and operator Barrick Niugini, once a 25-year special mining lease has been issued by the Mineral Resources Authority (MRA) and an outstanding tax issue has been resolved.

## Wafi-Golpu progress

Meanwhile, negotiations for a special mining lease for Newcrest Mining and Harmony Gold's proposed Wafi-Golpu copper-gold project are ongoing.

'Our teams have made progress in recent weeks and months over the Wafi-Golpu project, and we anticipate a positive and clear outcome in due

course,' Newcrest Mining's CEO Sandeep Biswas advised the PNG Mining and Petroleum Investment Conference, just prior to his surprise resignation in late December 2022.

'The gaps in the negotiations are narrowing,' confirmed Sir Ano Pala.

Smaller but significant new developments are ASX-listed Mayur Resources' two mining projects in Central and Gulf provinces. Mayur aims to produce quicklime, clinker,

After a tough couple of years due to COVID-19 and high oil prices, Chief Financial Officer Cameron Clark told the PNG Mining and Petroleum Investment Conference that the mine was now set to generate over K19 billion in dividends for PNG over the next 11 years.

'Even in our toughest year, we are profitable,' he said, although he warned that 'we've squeezed most of the juice out of the lemon.'

CREDIT: BARRICK NIUGINI



**Above:** Mining Minister Sir Ano Pala and Porgera MP Maso Karipe at the Security Forum at Aumbi Lodge, Porgera Valley. **Below:** Barrick Gold President and CEO Mark Bristow visits the Porgera mine site in 2022.

cement and mineral sands for both domestic use and export.

## Mine life extensions

On the renewals front, having spent more than K350 million on exploration in recent years, the board of state-owned Ok Tedi Mining Ltd has given approval to extend the life of the country's largest copper mine to 2033.

Meanwhile, Canadian company K92 Mining plans to invest US\$364 million (K1.28 billion) to significantly expand its Kainantu gold mine following the extension of its mining lease for 10 years to June 2034 (see page 30 for our interview with CEO John Lewins).

South Africa-based Harmony Gold also plans to expand its Hidden Valley gold mine after receiving an extension to its mine lease to 2030.

## Exploration

In an attempt to turbocharge low levels of mining exploration, Managing Director Jerry Garry tells *Business Advantage PNG* the MRA plans to invest K100 million on new geophysical and geochemical data that will make it easier to attract junior explorers (see page 32).

## Regulatory reform

It's understood that the PNG Government expects key amendments to the *Mining Act* to coincide with the country's 50th anniversary of independence in 2025. Changes to PNG's *Mining Act* are expected to accommodate a greater share of mine benefits for PNG interests and improved reporting from the country's mine operators. ♦





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In its commitment to assist the provision of health services in Papua New Guinea Kumul Petroleum has provided K15 million to support cancer services at Angau Memorial Hospital, K1 million for dialysis facilities in Mendi, K10 million for the PMGH Cancer Centre and K50 million to the Port Moresby General Hospital National Heart Centre – opened by HRH Princess Anne in April 2022 and renamed the Kumul Petroleum National Heart Centre.

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**Kumul Petroleum Holdings Ltd**

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# Economic map of PAPUA NEW GUINEA



## Infrastructure

- Airport
- Port
- Manufacturing
- Special Economic Zones (planned)
- Thermal power station
- Hydro power station
- Power zone substation
- Transmission lines

## Mining projects

- Operating mine
- Mine under development
- Possible mine

## Petroleum projects

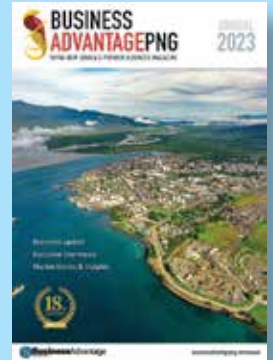
- Oil project
- Possible oil or gas project
- Gas project
- Oil export pipeline
- Gas export pipeline

## 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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# Kainantu mine strives for Tier-1 status

CREDIT: K92

With a 10-year extension to its mining lease secured, K92 Mining is moving to the next phase of its project to transform the Kainantu mine into PNG's next world-class gold mine. *Business Advantage PNG* spoke with CEO John Lewins to learn more.

In December 2022, Canadian gold producer K92 Mining, operator of the Kainantu gold mine, was granted a mining lease extension out to June 2034.

The ten-year extension is encouraging the miner to forge ahead with two further stages of mine expansion, which will dramatically increase production at the gold mine in Eastern Highlands Province.

Stage 3, now under way, will increase annual processing throughput by 140 per cent, up to 1.2 million tonnes per annum (mtpa). Stage 4, which will be complete by 2026, will increase it by 240 per cent (to 1.7 mtpa).

While the mine-life at Kainantu remains unclear, K92 Mining's CEO John Lewins advises that it could easily exceed 30-plus years.

'Kainantu is expected to hit peak production of 500,192 oz gold equivalent in 2027, at a low life-of-mine average all-in sustaining cost of US\$687 per ounce,' he says.

## PNG success story

Through hard work and a lot of drilling in the mine lease area, K92 has taken an unproductive mine that Barrick Gold was keen to offload in 2015, and transformed it into the country's most prospective gold mine.

Including Stages 3 and 4, it has invested around K1 billion in refurbishment and expansions since acquiring Kainantu. Over the last six years, it has more than tripled mine capacity.

PNG Chamber of Mines and



PNG HAS THE POTENTIAL TO HOST AT LEAST ANOTHER SIX NEW MINES WITH WORLD-CLASS COPPER-GOLD DEPOSITS

Petroleum President Anthony Smare has hailed Kainantu as 'one of the great stories in our industry.'

## High grade, low cost

In addition to having the world's third-highest grade deposits (9.5 grammes of gold per tonne), Lewins attributes the company's low-cost production/expansion to encouraging topography, climate and infrastructure.

'In our business, grade is king and, sitting in the Markham Valley, which is 20 km wide, we have all the real estate to build whatever we need in terms of infrastructure,' Lewins says.

'Add to this grid power 20 km away, a sealed highway, an existing airstrip, plus a tailings dam and a port, and we have some powerful dynamics working for us.'

## Benefits of future investment

As well as the multiple joint venture business opportunities already created, including catering and camp management, security and road transport, the miner is also currently

working with PNG Power to upgrade the distribution and reliability of the Yonki Hydroelectric Dam.

Having grown its workforce from 100 in 2015 to 1500 in 2022, K92 plans headcount to grow to 2000 by 2024 and 2500 by 2026.

## Kainantu emerges as Tier-1 mine

Ultimately, the goal is to transform Kainantu into a Tier-1 mine: large, long-life and low-cost.

'While K92 has contributed K740 million to the PNG economy to date, expansions are expected to deliver over K3.3 billion to local communities over the next 10 years,' says Lewins.

K92 expects to self-fund Kainantu's planned expansion from the mine's own cash flow and to substantially increase exploration for further deposits.

It spent K65 million on exploration in 2022 and is focused on the discovery of new vein and porphyry deposits, which Lewins believes could lead to the development of new major mines.

'The big deposits are porphyries, and this is porphyry country,' he observes.

'PNG has the potential to host at least another six new mines with world-class copper-gold deposits, plus other opportunities.' ♦








# PNG LNG Revenues to the Government and People of PNG

This infographic shows the amount of revenues paid by the PNG LNG Project to the Government and people of PNG since LNG production started in 2014. All of the figures shown are for payments made through the end of October 2022.

The PNG LNG Project generates five primary revenue streams. These include equity distributions paid to Kumul Petroleum Holdings Limited (KPHL) and MRDC, which is based on the amount of equity in the PNG LNG Project held by each (KPHL – 16.8% and MRDC – 2.8%). Different types of tax including company tax are paid to the Internal Revenue Commission. Development Levy and Royalties are paid to the Department of Petroleum and Energy in line with the Oil and Gas Act for the benefit of respective Project area provincial and local level governments plus landowner beneficiaries.

## PNG LNG REVENUES TO THE STATE

Category	Amount since 2014 <i>(Start of Production through October 2022)</i>
 Distributions to Kumul Petroleum	PGK 7.7 Billion
 Distributions to MRDC (Landowners)	PGK 1.4 Billion
 Royalty	PGK 0.9 Billion
 Development Levy	PGK 0.7 Billion
 Tax*	PGK 7.3 Billion
<b>Total</b>	<b>PGK 18 Billion</b>

*\*Includes 3.8 Billion kina tax paid from January to October 2022*

## THE INSIDE VIEW: JERRY GARRY, MANAGING DIRECTOR, MINERAL RESOURCES AUTHORITY

Papua New Guinea lies in what's referred to in mining circles as "elephant country," where meaningful discoveries of gold are found. It has nine world-class deposits greater than five million ounces.

As a regulator, major projects of interest to the Mineral Resources Authority (MRA), in order of priority, are the reopening of the Porgera gold mine, the conclusion of negotiations with Wafi-Golpu's development partners and moves to complete Frieda River's permitting.

While all these projects are exciting in their own right, unless we can encourage a new wave of mining juniors, the economic benefits PNG enjoys from mining will dry up along with existing projects by 2053.

To encourage exploration, recent changes to the *Mining Act* provide for an extension of the exploration lease period from two to five years.

The MRA is also playing its part by investing K100 million on geophysical and geochemical surveys to vastly improve major gaps in geophysical data sets.



The MRA's Jerry Garry (centre), with his data team. The MRA can now monitor mine production across the country in real time.

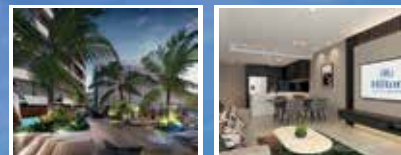
Another effort is the testing for deep porphyry bodies through a seismic reflection survey, which we are trialling in Morobe Province. Assuming it can detect porphyry bodies at depth, it would mean no ore body is too deep to be exploited economically anymore.

CREDIT: BAI

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There's been steady improvement in the efficiency of Motukea and Lae ports since operator ICTSI inked a 25-year contract with PNG Ports Limited in 2017.

CREDIT: ICTSI

THE OUTLOOK IS GOOD. WE'RE READY TO ACCOMMODATE THE GROWTH EXPECTED FROM THE PAPUA LNG PROJECT AND BEYOND

# More capacity, more efficiency

Freight volumes into PNG's two major international ports, Motukea and Lae, were up substantially in 2022. New resources projects and transformative investments look set to drive further expansion.

'Motukea was up 18 per cent year-on-year, while Lae was up seven per cent,' says Robert Maxwell, CEO of International Container Terminals Services (ICTSI) South Pacific, speaking of freight volumes at PNG's two major international ports in 2022.

While this indicates more economic activity, it's also a symptom of improved efficiencies.

According to data from government agency PNG Ports, vessel wait times have fallen by 45 per cent in Lae and 43 per cent at Motukea since 2017, while the movement of containers per hour has increased in both ports, by 23 per cent and 36 per cent respectively.

At Lae, which handles about half of all the country's sea freight, ICTSI is introducing two new cranes and three rubber-tyred gantries this year, which will further speed up the unloading of vessels. It is also working with PNG Customs to digitise the customs

clearance process in both ports.

## Biggest single investment

Over the longer-term, Lae will be the beneficiary of US\$134 million (K472 million) in new funding to develop its Tidal Basin into a deep-water port – part of the US\$435 million (K1.53 billion) package provided by the Australian Infrastructure Finance Facility for the Pacific (AIFFP) to support PNG Ports' 30-year infrastructure development plan.

'It's the biggest single investment Australia has made in any sector in PNG,' enthuses Maxwell. 'It will enable a new two-to-three vessel berth in Lae, set to be complete in early 2027.'

He expects this to have a multiplier effect on commerce in Lae and set PNG's second city up to become a trans-shipment hub for the Pacific region.

## Shared benefits

Lae won't be the only port to benefit from the new AIFFP funding: the remainder will be shared between the regional ports of Kavieng, Oro Bay, Vanimo, Lorengau and Wewak. To take some of the pressure off Lae, PNG Ports is also looking at an inland freight hub at Umi, in the Markham Valley, some 140 km up the Highlands Highway.

## Double-digit growth

Meanwhile, PNG's largest local shipping and logistics provider, Steamships Logistics, is also preparing for growth.

'We're making longer term investments in our liner shipping and harbour towage businesses,' says Chief Operating Officer Thomas Bellamy.

'We've invested K100 million on assets for the division overall in 2022 and that will double to K200 million in 2023.'

He expects double-digit growth at least for 2024 and 2025 – with capacity for shipping and trucking up by 20 per cent in 2023.

'Papua LNG is definitely the project generating the most interest right now,' he notes. 'But it's important we don't take our eye off business as usual.'

Maxwell is confident that there is plenty of capacity as PNG's ports prepare for a decade of increased economic activity. Only 34 per cent of Motukea is currently utilised, he notes, while the AIFFP-funded expansion of Lae is timely.

'The outlook is good. We're ready to accommodate the growth expected from the Papua LNG project and beyond,' he says. ♦



# Roads program gets boost

With its funding now legislated, we ask David Werek, Secretary of the Department of Works and Highways, what's next for the ambitious 20-year Connect PNG road-building program.

Papua New Guinea's under-maintained and incomplete road network has long been considered a brake on the country's economic development, especially in the populous Highlands region, where the poor state of roads has a negative impact on farmers' ability to get produce to market.

While PNG has a 20-year program – Connect PNG – to renovate and expand its 30,000 km road network, the 2023 National Budget guarantees its funding for the first time.

'The *Connect PNG (Implementation and Funding) Act 2021* comes into effect this year, which protects the funding going forward,' says Werek – the man tasked with implementing

Connect PNG. 'With the law and the Prime Minister and government's commitment, we're now seeing improvements in funds.'

From now on, the government will

allocate 5.6 per cent of its annual budget toward the program, 50 per cent of which will come from government revenues and 50 per cent from external loans and grants.

## PHASE 1: PRIORITY ROADS BETWEEN 2022 & 2027







# BEYOND TRADE TRANSFORMATION

ICTSI South Pacific terminals are at the forefront in Papua New Guinea's expanding global trade.

South Pacific International Container Terminal has redeveloped the Port of Lae to support flourishing trade and the Province of Morobe's industrial base. In 2022, SPICT received two state-of-the-art quay cranes, a first in PNG. The QCs will accommodate bigger vessels and significantly improve terminal productivity with faster and safer movement of cargo, which will benefit PNG's supply chain.

With ICTSI South Pacific's long-term commitment towards sustainable development, SPICT is shaping the Port of Lae to be future ready, geared up for transformative growth.



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‘We have a budget of K20 billion up to 2040, and around K1.6 billion for 2023 alone,’ says Wereh. ‘This is the biggest budget allocation ever,’ he says.

## Priorities

In the first phase of the Connect PNG project, up to 2027, about K1.2 billion will be spent each year to bring around 400 km of roads to standard condition.

A key priority will be to ensure around 4300 km of PNG’s priority highways are up to standard.

‘The priority of government is all the way from Vanimo down to the tip of Alotau. That’s the national network that the government is focusing on this first five years,’ says Wereh.

The 700 km Highlands Highway, which services around 70 per cent of PNG’s population, will be part of this: by 2027, all the Highlands Highway, from Lae to Komo, will be brought into good condition. It will also be extended to reach the remote community of Telefomin in Sandaun Province.

## BUSINESS OPPORTUNITIES IN ROAD CONSTRUCTION

**To be successful, Connect PNG is going to require more road builders, engineers and consultants than the country currently possesses.**

CREDIT: ADB



‘As part of local content provisions, we’re already building up a lot of the local contractors to take advantage of this big opportunity,’ says David Wereh. ‘We’re also extending invitations to others externally – from Australia, from China. There are many other contractors coming in, as well as experts in climate change, road and bridge design, project

management and financing.’

Wereh says maintenance is key, with long-term maintenance contracts going out for tender as roads are completed.

The

tenders will be issued through PNG’s National Procurement Commission.

A key objective is integrating PNG’s road network with its seaports, allowing for the cost-effective movement of produce to export markets.

‘Removing the reliance on air freight will have a major economic impact,’ he notes.

## Missing links

Another priority will be to build key missing road links in order to complete PNG’s existing road network. This will enable the completion of the Trans Island Highway, provide a sealed road between Port Moresby and Lae for the first time, while also connecting the Highlands to PNG’s Southern region, and completing the coastal highway that links Sandaun, East Sepik and Madang provinces. Smaller projects will also take place in the Islands region, including on Manus and Bougainville.

‘The PNG Government wants to connect the Highlands and Momase regions into Port Moresby, which is amazing given that we’re pushing holes through green-field areas that resemble wetlands,’ says Wereh.

‘There’s about one million people here to be reached in PNG. It’s all about leaving no one behind. In the next five years, we want to connect those remote villages that have been left out since Independence.’ ♦



# New players driving expansion & competition

The recent arrival of two major international players into PNG's telecommunications sector has provided it with a timely boost – and a platform for much-needed growth.

**By Paul Chai**

Papua New Guinea appears finally on the cusp of its long-anticipated digital revolution, with new telecommunications companies – Australia's Telstra and Fiji-owned Vodafone – entering the market to bring better coverage and services to more of the country's population.

## Vodafone launches

After some COVID-enforced delays, Vodafone PNG, owned by Fiji's Amalgamated Telecom Holdings, finally launched as a full-service telco in PNG in April 2022. The K3 billion investment in its PNG network is assisted by a US\$25 million equity investment from the Asian Development Bank, which also provided technical assistance.

Nirmal Singh led the rollout in PNG as the new company's first CEO. He believes the move into PNG was a logical extension of the company's presence in Fiji, Kiribati, Cook Islands, American Samoa, Samoa and Vanuatu.

'PNG has a young population with huge mobile and social potential and the Vodafone rollout is on track,' he tells *Business Advantage PNG*. Since launching, Vodafone has onboarded over 100,000 subscribers to its new 4G network.

'We are on target to cover all of PNG's provinces by June 2023 with our own tower network.'

Having already covered 12 out of 22 provinces and currently expanding into the New Guinea Islands region, Singh says Vodafone PNG expects to have 80 per cent of the population covered by the end of 2023 and has its eyes on an eventual 30 to 35 per cent market share.

## Prices fall

'Since our launch, the price [for services to consumers] has moved down 30 to 40 per cent in the market, so there is definitely more competition out there and more promotions

these days, which is good for the consumer,' Singh says.

However, he suspects further price falls will depend on factors currently outside the control of PNG's telcos: greater access to electricity in rural areas and the introduction of another international fibre-optic gateway to provide redundancy for the Coral Sea Cable System launched in 2019. (The government is looking at the Hawaiki Nui Cable, set to be laid adjacent to the Gulf of Papua by 2025.)

'There's definitely need for another high-capacity fibre connection. I don't see prices moving any further next year but, once we get a second gateway, then you will see some movement in prices.'

## Telstra's big deal

Meanwhile, Australian telecommunications giant Telstra's US\$1.6 billion (K5.351 billion) deal to acquire PNG's (and the Pacific's) largest telco, Digicel Pacific, was finally completed in July 2022. To enable the arrangement, the Australian Government's Export Finance Australia agreed to finance the bulk of the purchase price – US\$1.33 billion (K4.66 billion) – while Telstra also received other protections, such as on currency risk.

While Digicel is now part of Telstra International, local management and strategy remains largely unchanged.

'Digicel Pacific stays a stand-alone operating entity,' says Colin Stone, CEO of Digicel PNG. In practice, this means investment in its network will continue as planned.

'We upgraded our 4G network from 27 per cent population coverage to now 71 per cent, which was a huge investment across the network to be able to bring first world



Vodafone PNG launched as a full-service telco in April 2022, making it PNG's third telco. Credit: Vodafone PNG

technology,' says Stone.

'If we don't build telecommunications and give people access to world-leading technology in rural PNG, they'll never use world-leading technology to make themselves efficient.'

The spread of telecoms infrastructure and the accompanying uptake of digital services such as internet banking, online tax lodgement and other e-commerce applications, increases the risk of cyber-crime. But Stone is quick to point out the major security benefits arising from the Telstra relationship.

'The integration of Telstra's world class cybersecurity capabilities into our services will not only help protect ourselves but the network and our customers,' he tells *Business Advantage PNG*.

## More change?

The arrival of Telstra and Vodafone has caused the government to approach PNG's institutional investors with the aim of attracting new investment into its own telco, Telikom PNG.

‘That’s a conversation that’s currently a work in progress,’ observes Ian Tarutia, who sits on the board of Kumul Consolidated Holdings, the holding company for PNG’s state-owned enterprises, and was CEO of the Nasfund superannuation fund until this year.

### Ecosystem

While movements in the telco market are positive, Paul Komboi, Chief Executive Officer of PNG DataCo (see box, right), flags the need for greater technical skills. While he identifies various initiatives across the industry to close skill gaps, he believes a greater collaborative approach between government, the educational sector and business is required.

Like Komboi, Digicel PNG’s Colin Stone believes that addressing these issues will take time.

While most homes in developed nations like New Zealand or Australia have a laptop they can use to sign up to digital services, by comparison Stone says, most Papua New Guineans outside the main centres still operate on a one-band, 2G phone.

What’s needed, he says, is an understanding of digital strategy evolution.

‘You can’t just say, tomorrow, everything has to be in a digital form,’ notes Stone. ‘It has to be balanced with the capability of the end user. We have done some work with the ICT ministry on their digital strategy, and you can’t have a digital strategy without a digital ecosystem.’ ♦

### THE INSIDE VIEW: PAUL KOMBOI GCL, OBE, CEO OF PNG DATACO



While most corporates in PNG are now embracing cloud computing and hosting their services offshore, due to limited infrastructure and expertise in country, it’s important to ensure some key elements remain onshore.

A recent major disruption to PNG’s international connectivity due to an earthquake really affected corporates accessing their data offshore.

PNG DataCo has decided to focus on a new form of local hosting that improves a business’s safety and security. By hosting their data with PNG DataCo locally, companies can avoid the potential business interruption and financial risks associated with having to access their data offshore.

The government sector is already moving into data localisation, meaning domesticating our data in PNG, making it mandatory. That’s happening already, so that will create demand as well for local data centres and cloud services. ♡

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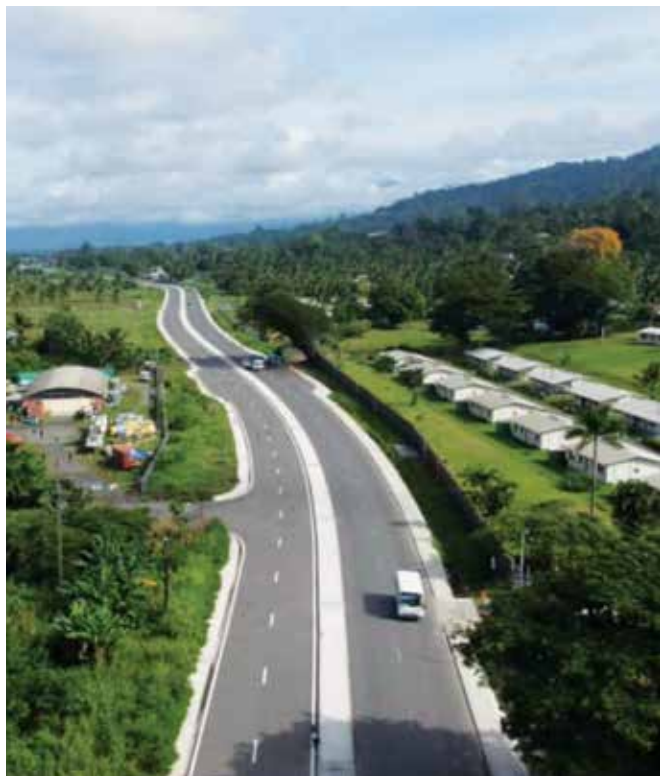
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**The Department of Works & Highways (DOW) is the Papua New Guinea government's implementing agency for infrastructure in the country.**

It is responsible for Connect PNG 2020-2040, a 20-year transport infrastructure development strategy.

The aim of Connect PNG is to maintain, rehabilitate and construct a strategic national road network that will provide the following benefits:

- Promote agricultural and other rural-based economic activities, through improved market access.
- Reduce the cost of travel through increased national access to safe and reliable road transport and reduce high reliance on aviation and maritime transport.



## CONTACT

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# Crossing the

From digital banking to e-government, business leaders talk to us about how digital services are starting to transform the economy

## By Mark Story

The advent in 2019/20 of the international Coral Sea Cable System and domestic Kumul Submarine Cable Network has helped to reduce the cost of data in Papua New Guinea and made it easier for its people to access the internet.

Meanwhile, the expansion of telco networks to over 80 per cent of the population (see page 37) – plus the network redundancy provided by satellite providers – is encouraging more investment in digital services.

‘Connecting PNG by data infrastructure is critical and there’s investment in that sector, which is encouraging,’ says Westpac PNG Chief Executive, Brett Hooker, who tells *Business Advantage PNG* Westpac has successfully moved 85 per cent of its clients to online services. Greater adoption of smartphones, currently only around 12 per cent of the market, is only likely to drive further growth.

‘Digital is at the core of our strategy,’ notes Kina Bank’s CEO, Greg Pawson. ‘We’ve launched a number of new channels, including WhatsApp banking, the take-up of which has been phenomenal.’

Kina Bank plans to accelerate the move to chequeless banking by the end of 2023 through the launch of Pay Better, which allows the prepayment of phone and utility bills.

## The bank will come to you

Danny Robinson, CEO of Credit Corporation PNG, agrees that easier and cheaper internet access for people in remote regions underpins increased migration toward branchless banking.

The good news for Papua New Guineans in remote regions, adds Robinson, is greater opportunity to open accounts electronically.



New investment by the country's telcos is aimed at increasing network access to 80 per cent of PNG's population – and beyond.

‘Setting up marquees in carparks in remote areas is a way to enable the account opening process, and deliver PIN numbers/cards to customers, without having a physical presence in these locations,’ says Robinson.

Many of PNG’s retailers have also invested in online ordering, while online-only players such as Shopsmart PNG have emerged, even if goods delivery in PNG is still sometimes a challenge. Improved connectivity has also seen the introduction ODESH, PNG’s answer to Uber.

‘Ultimately,’ observes Robinson, ‘allowing people to transfer money, pay bills and buy products and services

online will eliminate the reliance on both cheques and branch networks.’

## E-government

With connectivity continuing to improve across PNG, it’s also becoming easier for Papua New Guineans to engage with their government online.

Recent examples of e-government initiatives include the Immigration and Citizenship Authority’s visa platform, the Investment Promotion Authority’s online business registration system and the Department of Lands and Physical Planning’s eLands platform.

‘Motor Vehicles Insurance Ltd



# digital frontier

(MVIL) is the latest government agency to be making a massive investment in its online systems, with a new payment gateway for online payment of premiums and registrations expected in the second quarter of 2023,' says Michael Makap, CEO of MVIL.

'Future plans include the rollout of a decentralised claims system – because accidents happen all over the country. We are also currently investing in our financial reporting, claims and vehicle registrations systems, and have implemented a smart queue management system (Qmatic) to reduce wait times in branches.'

Meanwhile, PNG Customs is working closely with port operator ICTSI to develop an automated clearance system at the country's two major ports.

**MVIL IS THE LATEST GOVERNMENT AGENCY TO BE MAKING A MASSIVE INVESTMENT IN ITS ONLINE SYSTEMS, WITH A NEW PAYMENT GATEWAY FOR ONLINE PAYMENT OF PREMIUMS AND REGISTRATIONS**

Michael Makap, CEO of Motor Vehicles Insurance Ltd

## Just the start

James Inglis, CEO of fintech company Niupay, which has been directly involved in the development of the public sector's digital platform since 2020, expects other key government departments to make the next digital leap over the next three years.

'The last 12 months have been really exciting for us and we've had some significant feature enhancements with our three main clients here in PNG right now, including Immigration, the Department of Lands and the Internal Revenue Commission (IRC),' he says.

'At the end of 2021, we went live with an account payment ecosystem for the IRC and are currently in our soft launch for digital (e-tax) lodgements.' ♦

## THE INSIDE VIEW: STEVEN MATAINAH, SECRETARY OF THE DEPARTMENT OF INFORMATION AND COMMUNICATIONS TECHNOLOGY

Quick wins for e-government over the next 12 to 24 months will include the Cloud First policy, with any department having access to the cloud.

It will be up to individual government departments to choose from several accredited cloud providers, as outlined in the *Digital Government Act*.

At the click of a few buttons, citizens will have access to government services at their fingertips.

We can now digitise social-related interactions, like the National Identification card registration process, drivers' licences, police clearances, and people can also register online when visiting a clinic. ●



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# Competition is driving banking sector growth



“WE NEED MORE BANKS BECAUSE, WITHOUT A SHADOW OF DOUBT, COMPETITION IS GOOD

IAN TARUTIA,  
CEO NASFUND

There is broad agreement that Papua New Guinea needs more competition in its banking sector, and several finance companies have signalled their desire to acquire banking licences. What happens next, however, is likely to depend on government action.

Consolidation has been the theme in PNG's banking sector in recent years. Of the four licensed banks, Australia's ANZ sold its retail division to local Kina Bank in 2019, retaining its institutional business, while Westpac PNG attempted to sell its PNG assets to Kina Bank in 2021 – a move ruled out by PNG's Independent Consumer and Competition Commission (ICCC).

While the ICCC's decision was based on the move being anti-competitive, its decision left PNG's largest bank, BSP Financial Group, as the dominant player in the market.

However, several smaller financial institutions are now showing interest in becoming banks.

## Likely candidates

In early 2023, the Bank of Papua New Guinea, PNG's central bank, granted Credit Corporation PNG an

approval in principle for a banking licence for 12 months.

CEO Danny Robinson says being able to convert its existing loan customers to full banking customers with a superior customer experience will drive greater competition. With 75 per cent of the population currently unbanked, he says, more banking licences have the potential to grow PNG's banking sector, provided it is through a digital delivery platform.

Meanwhile, Teachers Savings and Loan Society is also closer to becoming a fully-fledged bank, after receiving its provisional licence in 2022.

## Timing is right

The Nasfund Contributors Savings and Loans Society, which has over 140,000 members, is another institution currently looking to become a bank.

‘I think the economy and the size of PNG is right for other banking players to enter the market,’ says Ian Tarutia, who is stepping down as CEO of superannuation fund Nasfund after 15 years. ‘We need more banks because, without a shadow of doubt, competition is good.’

Brett Hooker, Chief Executive at Westpac PNG, agrees there is room for more players, noting that Fiji has seven commercial banks despite its much

smaller population.

‘One of the challenges is to develop a lending framework that works in PNG, where it's very hard to have the assets needed as collateral against loans,’ he observes.

Hooker also flags rural electrification and further rollout of reliable telecommunications as roadblocks to greater competition within PNG's banking sector.

‘One of the challenges in PNG banking is there's still significant usage of cash and cheques.’

## Lending experience

Given that they already have a proven lending model, PNG's existing finance companies appear to have an advantage.

People's Microbank Limited, a subsidiary of the government-owned National Development Bank (which has a focus on rural and SME lending) is another candidate for a banking licence. The long-term vision, according to State Enterprises Minister William Duma, is to privatise 51 per cent of the microbank after it is issued with a licence, to create a new entity: the National Banking Corporation of PNG.

Meanwhile, Aho Baliki, CEO of Heduru Moni Ltd (which trades as Moni Plus), tells *Business Advantage PNG* that, after an initial public offering (IPO) on PNGX planned for 2024, the lender will move to apply for a commercial banking licence to provide a platform for its further expansion.

Assuming the Bank of China accepts a recent government invitation, it will also become the first international bank to enter PNG since Malaysia's Maybank exited in 2015.

## Discouraging tax hit

Government policy could affect the outcomes of these plans, however. In the 2023 National Budget, the tax on bank profits increased to 45 per cent from 30 per cent, following the introduction of a similar tax solely on BSP the previous year.

It's unclear yet if this decision will quash interest. However, in response, Kina Bank CEO Greg Pawson announced plans to cancel ongoing expansion of its branches nationwide. He believes the tax hike will be detrimental to competition. ♦



## Reforms to encourage more capital raising

**PNG's capital markets are being transformed. The foundations have been laid for the country's first corporate bond market, while expected reforms will introduce several new classes of investment.**

Part of Asian Development Bank-supported market reforms, PNG's *Capital Markets Modernisation Act 2023*, once implemented, will pave the way for the establishment of new investment options in PNG, such as a small offers market, unit trusts, peer-to-peer lending and equity crowdfunding.

It also aims to strengthen governance at regulator the Securities Commission of PNG (SCPNG) and at PNGX, PNG's stock exchange.



The reforms follow the SCPNG's landmark approval in 2022 of new rules to allow companies to issue corporate bonds and list them on PNGX.

'It is part of our ongoing commitment to develop the PNGX capital markets, provide companies

with new ways of raising funding and provide investors with new investment opportunities,' says PNGX Chairman David Lawrence, who tells *Business Advantage*

PNG the new bond market will initially be limited to institutional investors.

### New listings?

Australia's Santos was the last new listing on PNGX, at the end of 2021. While Lars Mortensen,

Managing Director of stockbroker JMP Securities, doesn't expect any new Initial Public Offerings (IPOs) short term, he expects a significant portfolio of real estate assets to be amongst the next wave of listings.

Meanwhile, local lender Heduru Moni Ltd has made no secret of its desire to list.

With several larger privately-owned PNG companies approaching generational change at the top, David Lawrence also expects some of these to look for an IPO exit. He also hopes to see greater activity between PNGX and Kumul Consolidated Holdings - the manager of PNG's state-owned enterprises (SOEs) - following the latter receiving a capital market licence.

'The opportunity for privatisation of SOEs and development of its commercial assets is quite substantial,' he says.



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# SP Brewery toasts a brighter outlook

While higher costs, supply chain glitches and restricted trading have underpinned a tough two years, the head of Heineken-owned SP Brewery foresees better times ahead.

**By Paul Chai**

According to Managing Director Ed Weggemans, Papua New Guinea's largest brewer, SP Brewery, witnessed a notable pick-up in 2022, with production volumes up 16 per cent and revenues rising even higher.

As well as consumers having more money in their pockets to spend, courtesy of higher global prices for agricultural commodities like coffee, vanilla and palm oil, Weggemans also attributes heightened demand to the 2022 national elections.

He expects the market to remain

buoyant in 2023 but, in the absence of major upcoming events, he expects recent growth to cool somewhat.

'Inflation is there, and global pricing is coming down, so we expect to be back on 2019 levels on a monthly basis early this year,' he tells *Business Advantage PNG*.

Meanwhile, Weggemans expects increased costs entrenched within international supply chains, due to higher freight costs and the inflated costs of raw ingredients, to start trending downward over the next 12 months.

## Economy brands

Weggemans attributes the lion's share of growth to the success of brewer's mainstream brand, SP Lager, which has benefited from activities around the brand's 70th anniversary and an upswing from the elections.

On the other hand, premium brands

SP's mainstream brand, SP Lager, celebrates 70 years in PNG this year. The brewer employs 450 staff and has two breweries, one in Lae and the other in Port Moresby (pictured).

such as South Pacific Export lager were more directly impacted by lingering pandemic-era trading restrictions and liquor bans.

To celebrate the 70th anniversary of the company's mainstream beer, SP Lager, in 2023, SP Brewery expects to put a lot of effort into promoting the brand this year.

While recent marketing initiatives have pushed SP Lager's growth higher, Weggemans notes this is the brand

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people favour when money is less tight. Volumes are also up for the economy brand, Kundu Lager.

## Brand power

Meanwhile, there are plans to introduce a new flavour to SP's Chiller range of fruit-based beers. To offer consumers also a non alcoholic beer choice, SP Brewery has also launched Heineken 0.0 into the PNG market.

'From [parent company] Heineken's side, it is important to keep investing, so we are encouraged to keep investing in the brand image and the brand quality and will be increasing our market presence through ads and promotions,' Weggemans says.

While SP continues to support the PNG Golf Open and the PNG Olympic Committee, it is directing more advertising spend to sports that appeal to its target market, notably rugby league. It recently recommitted to naming rights sponsorship of the PNG Hunters, which play in the Queensland Rugby League competition in Australia, and will continue to sponsor PNG's national competition. ♦



**Ed Weggemans was appointed Managing Director of SP Brewery in 2019.**

CREDIT: RAI

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# Bumper cocoa crop to define 2023, says key exporter

There are expectations of a bumper cocoa crop in 2023, according to the new CEO of Papua New Guinea's largest cocoa exporter, NGIP Agmark. However, Steven Nightingale tells *Business Advantage PNG* that profitability will depend on tighter control of rising costs.

## By Mark Story

Despite experiencing bush fires, drought, mounting inflation and wage pressures, as well as pest-related crop damage, agricultural exporter NGIP Agmark still managed to end 2022 in profit, with returns from its logistics, engineering and equipment supply operations offsetting disappointing returns from cocoa and coffee exports.

Its newly appointed CEO, Steven Nightingale, tells *Business Advantage PNG* that 2023 is looking much stronger: the company is gearing up for a bumper crop, up between 25 and 50 per cent on last year's.

Given that local farmers, courtesy of having the shortest supply chains, receive 90 per cent of the cocoa market price, NGIP Agmark has to work hard to maintain its fairly modest margins.

## Containing costs

Nightingale fears that profitability, regardless of the cocoa price, risks being offset by rising costs.

'In 2023, we are bracing ourselves for an increase in costs, with fuel being a core driver of higher goods and services and this is also adding to existing wage pressures,' says Nightingale, who succeeded his father, the late John Nightingale, as CEO in December 2022.

'While we could pass on those costs, we would pay less per bag, and we need to get a gross margin of 10 per cent-plus to be profitable.'

Nightingale tells *Business Advantage PNG* that the two key priorities in 2023 are ensuring export contracts are



WE ARE BRACING OURSELVES FOR AN INCREASE IN COSTS, WITH FUEL BEING A CORE DRIVER OF HIGHER GOODS AND SERVICES

According to the Pacific Community, PNG was the 12th largest producer of cocoa beans in 2019, producing about 46,000 tonnes.

explains Nightingale.

'We knew that any turnaround would be based on two key drivers: cost cutting/containment and a pushing down on managers to share greater responsibility for outcomes.'

## Green shoots

While PNG's annual cocoa production remains around half the 60,000 tonnes reached before the cocoa pod borer started affecting crops in 2006, Nightingale is confident the recent drought will help to reduce the crop's exposure to the pest in 2023.

Meantime, Nightingale expects soon to be able to announce new developments currently in the pipeline, including ongoing collaboration with the business arm of East New Britain Province – which owns 12 per cent of the company – on further transport and logistics synergies.

'In 2023, I expect the company to continue reaping the benefits from the tough decisions and recovery strategies we've embarked on over the last few years.' ♦

in place for the first six months of the year, and that all its vessels are up and running with no breakdowns.

## Finding efficiencies

The PNGX-listed company has been able to maintain a shareholder dividend for the past consecutive three years. Nightingale attributes this to the disciplines implemented during COVID, which also coincided with his appointment to Chief Operating Officer in 2020.

With the company at breaking point in 2019, Nightingale worked closely with Chief Financial Officer Warwick Lung to find efficiencies that would ensure the company's survival.

'COVID demanded a different management approach, and both Warwick and I shared similar views on how the company needed to be run,'

# Hitting coffee's sweet spot

Good things are on the brew in PNG, with local farmers working toward improving quality and a new Minister for Coffee ready to take the country's coffee to the world.

**By Mary O'Brian**

PNG coffee is ranked among the best in the world and often scores at the top end of specialty coffee grades, says coffee exporter Elijah Harro. 'People say our coffee has got a very nice taste – it's balanced, clean and sweet,' he explains.

Harro founded Alpha Coffee, a collective of small farmers from the Eastern Highlands, about seven years ago. About 400 farmers supply beans to the collective.

'We represent our small-holder growers, and we want to assist our growers to find a market in Australia,' he says.

Coffee is grown in 18 of PNG's 22 provinces and it's the second-most important agricultural commodity, according to World Coffee Research.

Alpha Coffee focuses on single-origin arabica, a mix of the arusha, typica and PNG blue mountain varieties. These typically score highly, between 85 and 89 points on the international Q grading system for coffee.

Almost all PNG coffee is organic by



THE FUTURE IS BRIGHT IF PNG GROWERS CAN FOCUS ON QUALITY AND INCREASING VOLUME OVER TIME

While the country supplies less than one per cent of the world's coffee exports, it's the second-largest producer of washed arabica in Asia. In 2019, about 752,000 bags of coffee were produced. The Eastern Highlands is the second-largest coffee-growing area after the Western Highlands.

default because farmers use traditional methods and cannot afford pesticides or fertilisers. Unfortunately for PNG growers, it's often too expensive to go through the organic certification process, which takes years.

Quality is essential as small roasters are searching for high-grade coffee beans. There is a strong demand in Australia, the US, Germany and Japan for quality PNG coffee.

As Australia is the closest market, it is the most attractive one. Coffee is shipped and arrives within one to two weeks, and this means farmers are paid quickly.

'The future is bright if PNG growers can focus on quality and increasing volume over time,' says Jeremy Grennell, General Manager of exports at regional trade promotion agency Pacific Trade Invest.

As coffee prices are rising globally, Grennell says PNG farmers are in a sweet spot. To better support the coffee sector, in 2022 the Marape government appointed its first Minister for Coffee, Joe Kuli – thought to be the first coffee minister in the world – and significantly increased support for the Coffee Industry Corporation in the 2023 National Budget. ♦



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# Green shoots emerge for the tourism sector

While Papua New Guinea's tourism sector is still rebounding from COVID-19, a new strategy for the sector, plus key infrastructure investments, look set to support future growth.

## By Robert Upe

PNG received over 210,000 visitors in 2019, on the back of several years of steady growth. That momentum was lost during COVID, and the key to it being regained lies in PNG successfully re-engaging with the international market.

There's also the challenge of addressing the social disruption caused by the large job losses in the industry in 2020.

'We understand the challenge that the sector has faced with COVID, and we understand that there are challenges that we will face coming back,' Eric Mossman Uvovo, CEO of the PNG Tourism Promotion Authority (TPA), tells *Business Advantage PNG*. '2023 is a year we expect going into full swing, especially promoting and marketing.'

As well as rebranding and launching a new online booking platform in 2023, Uvovo says the TPA is focused on product development – working with industry to create travel products that are easier to promote, sell and deliver.

These will be around some of PNG's most attractive niche tourism offerings: cultural festivals, historical tourism, as well as diving, surfing and birdwatching.

Another initiative, with national airline Air Niugini, has seen the TPA commit K500,000 to subsidise domestic tour packages sold through the airline and promote inbound tourism from Australia.

## Cruise ships return

Due to strong pent-up demand, cruise ship visits to PNG are expected to



reach or exceed pre-pandemic levels in 2023, after a gradual return in 2022.

'In 2019, we had about 54,000 cruise passengers. From the confirmed calls that the agents have given us, we are expecting about 84,000 cruise passengers this year. That is a significant leap for the cruise tourism industry,' says Uvovo.

Mindful of the need to increase the economic benefits of cruise visits, Uvovo says the TPA is focused on building more capacity and facilities at key locations such as Rabaul and Milne Bay, helping to train operators and develop more local tourism products.

'We are also expanding the ports of arrival to include Vanimo and Wewak, and looking at how we can connect flights to complement the arrival of the cruise ships,' he says.

## Kokoda returns

Also reopening from April 2023 will be a long-term staple of PNG's tourism industry: the iconic Kokoda Trail.

Around 3500 people normally walk the demanding 96 km track annually.

While even a partial return will be welcomed, there is work to be done to get the trail back to its best.

'There's pent-up demand, but the state of the trail will limit its potential,' says veteran guide Charlie Lynn, who's trekked the trail 100 times as operator of Adventure Kokoda. Major upgrades are needed after several quiet years, he observes.

The TPA's Uvovo agrees.

'We want to focus on Kokoda and assist in ensuring that we have those basic soft infrastructures built in Kokoda to enhance the product. By that, I mean building proper toilets and seller facilities along the track,' he says.

The TPA is working in partnership with the Kokoda Initiative, a joint PNG–Australia program focused on sustainable development in the trail region, and the Kokoda Track Authority, which administers the track itself.

## Improved infrastructure

For those travelling by air, a major upgrade of airports is under way by the National Airports Corporation under





Opposite: Now that most parts of the world have lifted COVID-19-related restrictions, the expectation is for cruise tourism to grow: PNG is expecting 84,000 cruise passengers in 2023.  
Above: The sweeping vista from Airways Hotel's Health and Fitness Centre.

## AIR NIUGINI FOCUSES ON MODERNISATION IN ANNIVERSARY YEAR

While domestic aviation services in PNG were largely maintained during the COVID-19 pandemic, international passengers only started to return in numbers during 2022.

The return has been swift, however: by the end of 2022, national carrier Air Niugini was reporting total passenger volumes were actually higher than pre-COVID levels.

Air Niugini is celebrating its 50th birthday in 2023. A key focus in its anniversary year will be a major refueling exercise, which will see the airline upgrading its fleet with more modern, comfortable and fuel-efficient aircraft. The airline is also continuing to re-establish its codeshare and interline relationships with other international airlines.



CREDIT: AIR NIUGINI

the Asian Development Bank-funded Civil Aviation Development Investment Program.

This is seeing major improvements, including runway extensions, terminal upgrades and improved safety facilities. A new terminal at Kavieng Airport opened in late 2022, while a state-of-the-art terminal will open in Lae in mid-2023. To follow are upgrades at Gurney (Milne Bay), Kiunga (Western Province), Aropa (Bougainville), Wewak (East Sepik), Hoskins (West New Britain) and Port Moresby's International Airport.

Longer term, the PNG Government has flagged its desire to create some Tourism Special Economic Zones to encourage investment in the sector, starting with Rabaul in East New Britain. This looks set to see further investment in Tokua Airport and its environs, with investment incentives also likely to be available. ♦

Robert Upe is the Editor of *Paradise*, the in-flight magazine of Air Niugini.

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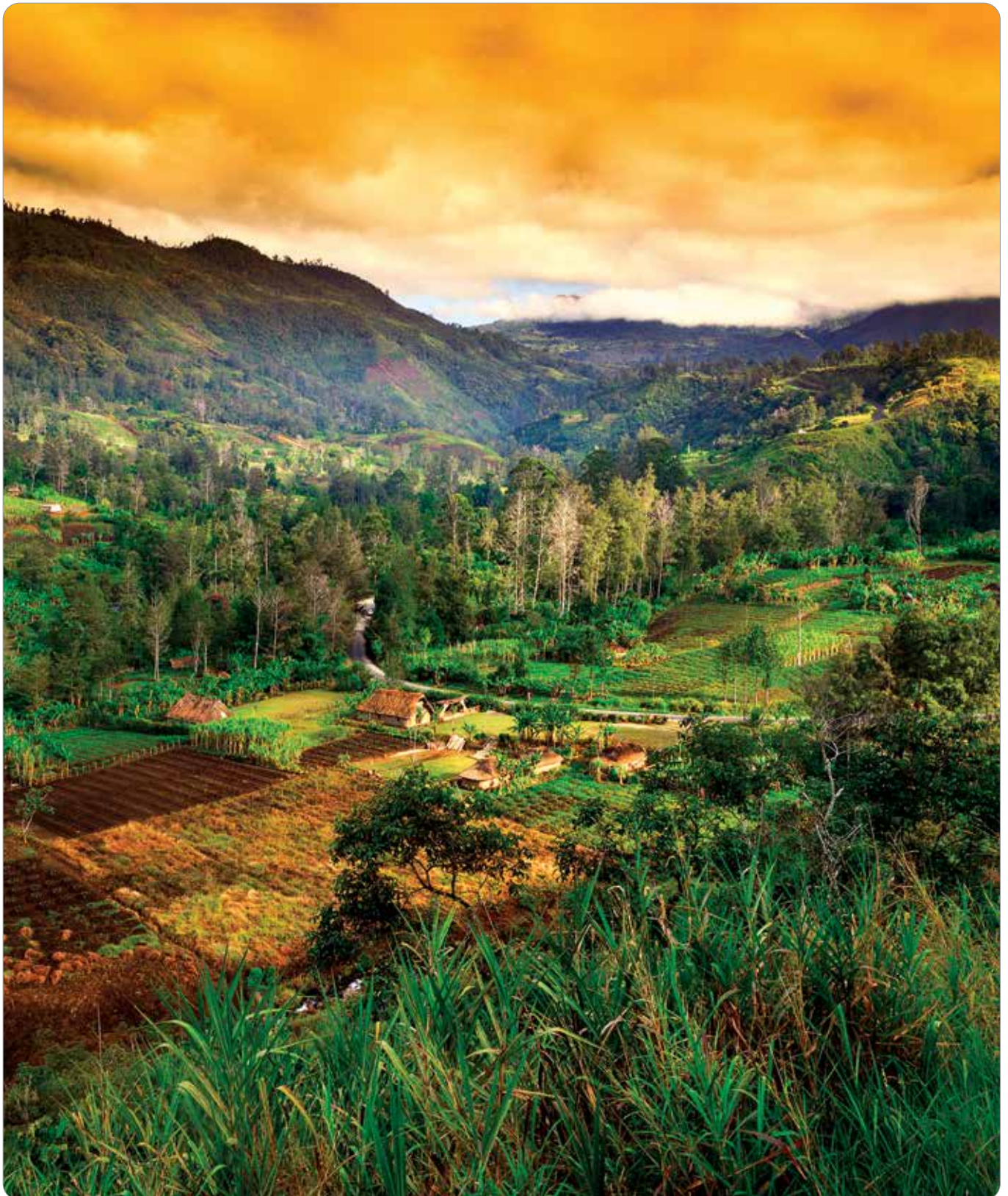
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CREDIT: DAVID KIRKLAND, PNGTPA

Rural setting near Mt Hagen, Western Highlands Province.



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Knowledge transfer from skilled expats to locals will drive the upskilling of PNG workers over the next 10 years.

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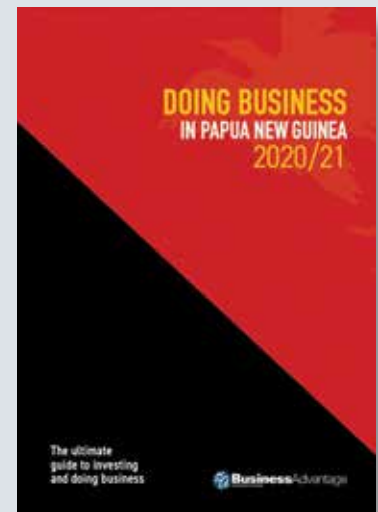
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