



Expert sees social, economic challenges at work

David Sexton

PAPUA New Guinea presents the maritime sector with many opportunities but also challenges.

That is the view of Peter van Duyn, a logistics expert at the Institute for Supply Chain and Logistics, Victoria University in Melbourne.

Mr van Duyn recently worked with PNG Ports Corporation in Port Moresby for two months as part of an assignment with Australian Business Volunteers.

In terms of opportunities, he notes the growth of important resources exports.

Of course minerals exports have been a huge component of the PNG economy for some time.

New developments, however, are exciting.

Apart from the expansion of LNG (see preceding pages) and related shipping logistics, there is growth in such areas as gold and nickel.

"LNG is the big thing in town so to speak and there's also the Exxon oil search which plays a big role," he said.

"But PNG is so rich in terms of resources that they are now even talking about some un-

derwater exploration."

An interesting part of the story of resources is the island of Bougainville.

Once home to a brutal and tragic civil war, the island has in more recent times settled down.

"The old Ok Tedi [copper] mine is on its way out, but they are looking at extracting some more and extending its life," he said.

"The mining boom, if it's well directed, is promising to improve the standard of living to the PNG people dramatically."

Trade in agricultural commodities has played a part in PNG, both in terms of exports and imports.

An vital foodstuff was Australian rice.

That supply was threatened a few years ago when Australian growers were hit with severe drought.

This has in turn led to greater efforts to develop a domestic rice-growing sector, albeit under the auspices of Indonesian business interests.

Malaysian businesses have also established palm oil

plantations.

Asian banks have invested money for development, often with so-called 'soft' (low interest) loans.

"Then there's Chinese, Japanese and Korean interests," he notes.

"Some of the conditions could be 'we'll give you this loan from the Chinese government but you have to use Chinese companies to do the construction'."

While there has been a shift from Australian/European investment to Asia, Australia is still a key aid provider.

"Australia still does provide a lot of aid ... but they are tending more towards their other close neighbours.

"In Indonesia there is a big debate going on ... they want to set up massive rice plantations (in PNG) because at the moment PNG still imports a lot of rice."

Lae is the main port for the import of key goods and handles about 60% of the national cargo throughput.

Imported items includes rice (containerised and in bulk), new cars, building materials,

and break-bulk goods.

Coffee beans are the principal export.

Lae has just three wharves which can lead to congestion, with waiting times of three to five days.

Annually the port handles about 150,000-200,000teu.

Ports PNG has bought three mobile harbour cranes and five rubber-tired gantries in order to improve throughput.

Meanwhile a tidal basin development on the Markham river flats (west of Lae port) recently had been approved.

This is expected to add 120ha of port logistics area and is mainly bankrolled by Chinese interests.

"Because of the construction, there are significant port delays at Lae so that adds to the cost of importing, with ships having to wait three to five days before they can actually come alongside," he said.

"Consequently the importer pays the cost of that."

Port Moresby is the national capital but the port itself typically handles smaller volumes



than Lae, with an annual throughput of around 100,000 teu across its three wharves.

Curtain Brothers is a key port operator which includes a private ship repair facility.

Traded through the port are key imports such as second-hand cars, foodstuffs and building materials.

In recent times, small and medium cruise ships have started calling.

A private berth also is being built about 20 nautical miles north of the port specifically for the export liquefied natural gas.

As with most parts of the world, containers have changed the way trade occurs.

"I think there is a tendency, as there is in Australia, to try and containerise as much as you can."

He notes growth in container movements (primarily imports) of about 5% a year. This can create imbalances, with large numbers of empty containers.

PNG remains deeply affected by its geography. The Owen Stanley mountain range runs down the middle of the county like a spine, making overland transport impossible between the major ports of Port Moresby on the southern coast and Lae in the north-east.

It is only through coastal shipping and to a lesser extent air freight, that this gap can be bridged.

"There is quite a significant amount of coastal shipping, such as small vessels with customised small containers, they use quite a lot of that in the coastal shipping."

Landing barges are widely deployed as a way of getting goods to small villages with limited infrastructure, especially on the outlying islands.

Tropical weather and limited maintenance has taken a toll on some key infrastructure.

Torrential rain and resultant landslides can block access

to ports and may take several days to be cleared, affecting the entire supply chain.

While there are private ports for mining and gas projects, the key major commercial port operator is the government-owned PNG Ports Corporation. It operates mainly as a landlord, although that could be changing with the purchase of some mobile harbour cranes and gantries.

"The idea is PNG Ports Corp will drive them – that was part of their training and then the stevedores ... will actually hire that equipment plus the driver from PNG Ports," Mr van Duyn explains.

"At the moment, the stevedore does everything.

"They use ships' gear, they discharge the loader containers and PNG Ports personnel do the receiver delivery in and out of the gate."

Aside from Port Moresby and Lae, other important public ports are Rabaul, Kimbe and

Madang, with all set up for both international and coastal shipping operations.

Although PNG has well-documented security issues, a steady flow of tourists has begun arriving on cruise ships.

"They organise tours to some of those traditional villages and out into the country ... and the theatre of the Second World War like in Rabaul there's a big war cemetery and they go to visit the volcano.

"But the biggest drawback is that it is still expensive."

PNG remains a third world country with a poor population.

Peter van Duyn is optimistic, however.

He notes progress in overcoming graft and corruption.

Then there is the anticipated growth in GDP, with the PNG government expecting it to double in 2014 and again in 2016.



NORTHERN HUB: Lae on the north-east coast of Papua New Guinea is the largest general purpose port in the country.



TOURISM POTENTIAL: Cruise vessel moored at Port Moresby is evidence of improving security in PNG, bringing a new source of income into the economy.