

Ports to prop GDP growth, lower costs

Papua New Guinea's Gross Domestic Product will be positively impacted and the prices for goods and services lowered as a direct result of efficiencies delivered by the new ports of Lae and Motukea.

This was the message delivered by Chairman of PNG Ports Corporation (PNG Ports), Sir Nathaniel Poya at Port Moresby Motukea Port International Facility opening last Friday.

Such efficiencies would not only come from the new and bigger ports but from efficient operations brought about by world class port operators like the Philippines based International Container Terminal Services Inc (ICTSI) and active government support, he said.

Said Sir Nathaniel: "The key drivers for economic benefits from the new terminal arrangements are productivity improvements in the operation of the international container terminals that lead to increased economic activity throughout the economy."

"The improved efficiencies will bring down the prices of key imported commodities. It is a fact that about 80-90 per cent of the items in the basket of commodities in the Consumer Price Index are shipped through the sea ports. These improved port efficiencies have the potential to significantly benefit exporters and importers using the Motukea and Lae terminals."

Results from an independent economic modelling undertaken indicate productivity improvements from the terminal operations will increase real GDP growth by 0.1 per cent (K199.8 million) in 2019, increasing to 0.62 per cent by 2023 and reaching 2.69 per cent (K3,880 million) by 2027.

Sir Nathaniel said: "This growth performance is impressive and driven by improvements in the export competitiveness of exporters arising from their reduced operational costs due."

"The productivity enhancements will also have downward pressure on the market prices of goods and services. As a result, consumers will benefit from lower final costs for imports that are shipped through the international terminals. Given that there will be improvements in port productivity levels as well as ship and truck turnaround times, cost reductions in the transport of imports should be available to be passed on to the end consumers through the logistics chain."

As an island country, Papua New Guinea's economic growth and prosperity is highly dependent on the efficient flow of goods through our wharves.

In 2017, Port Moresby Port facilitated more than 122,000 containers and close to two million tonnes of cargo representing 20% of total trade in PNG.

Lae, the biggest port, facilitates 40% of total trade and the rest of the 13 ports account for the balance.

Indeed this new facility was not only built to free up down town Port Moresby but more importantly to facilitate current and future growth in throughput to support our growing city and country.

Investment in our two biggest port facilities in Lae and Motukea are also indirect investments in the rest of our regional ports under the current cross subsidy arrangements.

More than K2.0 billion has been spent on acquiring and developing the ports of Lae and Motukea.

Chairman Poya said the Government should "rightfully expect these assets to be utilised in the most efficient manner possible to facilitate trade for the benefit of our country."

And in order to maximise the value to the nation of the investment in the new port infrastructure at Lae and Motukea, the government determined that the new ports should be operated by a global terminal operator, with credentials in operating and developing container terminals of a similar scale to Lae and Motukea.

That company was found in ICTSI which is listed on the Philippines stock exchange and has market capitalization of US\$3.2 billion. It owns and operates 30 ports in 20 countries ranging from Australia to the Republic of Congo and now PNG. It commenced operations at the Lae Tidal Basin on February 28, 2018 and at Motukea on May 25, 2018.

Motukea Port opening



Aerial view of the new Port Moresby Motukea Port.

Prime Minister Peter O'Neill ended a one hundred year history last Friday, June 15 when he opened the new Port Moresby Motukea Port International Facility.

That officially concluded the transfer of Port Moresby port administrations and operations from its colonial site at Port Moresby near the Central Business District across the bay to Motukea Island. More importantly, he opened the next century of shipping business, launching Papua New Guinea into the Asian century.

The K1 billion port and the Lae Port Tidal Basin are now on par with the best ports in the region in terms of size and efficiency and able to take alongside major cruises ships and other bulk cargo carriers.

On Friday the Prime Minister also launched the international port terminal operations in both Port Moresby and Lae.

PNG Ports Corporation (PNG Ports) Chairman Sir Nathaniel Poya declared the new port was "designed and constructed to last the next 100 years and beyond" to serve the maritime transportation needs of Papua New Guinea.

State Enterprises Minister William Duma said the port was the "penultimate expression of this government's desire to open up the waterways, the highways, and the airways of this country to connect our diverse communities to each other and to the world".

He said the Government has already spent K15 billion on transport infrastructure in the last seven years.

Prime Minister Peter O'Neill said development was about injecting money into the economy through infrastructure

projects which would in turn bring about better delivery of goods and services to the people.

President and Chairman of International Container Terminal Services Inc (ICTSI), Mr Enrique Razon congratulated the government of PNG and PNG Ports and said what had been accomplished in Lae and Port Moresby was something few governments or corporations could accomplish. The Philippines based multinational port operator has been engaged to operate the Lae and Port Moresby International port facilities.

As an example of the efficiencies the new operator is bringing to bear on the two biggest ports in the country, Mr Razon revealed that the vessel Siangtan had been turned around in Lae in just 12 hours, down from the usual time of 48 hours for a ship of its size, in order for it to be at Motukea port for the opening last Friday.

The relocation of the Port Moresby had been talked about for many years but it was only in September 2014, that Kumul Consolidated Holdings, then as Independent Public Business Corporation, and PNG Ports signed a letter of intent to buy land which forms part of Motukea Island from the owners, Curtin Brothers and Ballimore No.39 Limited. On July 2015, agreement was signed sealing the purchase for a little over K700 million.

In August 2015 all wharf users were informed to prepare to transfer all coastal shipping operations to Motukea, leaving only international shipping at Port

Moresby and by September all coastal port and shipping operations had been relocated to Motukea.

In March 2016 the government approved a K300 million loan from the Bank South Pacific to commence building the international wharf.

This phase required the reclamation of 60 hectares of underwater lease, the construction of the planned 250 metres quay face and mounted tracks at the storage facilities for the international port and shipping operations.

On the eve of Papua New Guinea's 41st Independence anniversary, the country's premier maritime port services provider, PNG Ports, closed its second biggest port office after almost 30 years of business along the Stanley Esplanade in downtown Port Moresby.

This completed the relocation part of the coastal port administration and operations to Motukea whilst construction works on the new international port facility and terminal was in progress.

In October 2017, PNG Ports sought world-wide for a port operator for Port

Moresby and Lae ports and engaged Philippines multinational port operator, International container Terminal Services Inc (ICTSI).

The new 250 meter International Port at Motukea will now take over the international container traffic of 65,000 twenty-foot equivalent units (TEUs) per year plus 175,000 ftr of general cargo. Lae Port handles 140,000 TEUs with an additional 365,000 ftr of general cargo on container vessels.

Motukea port is also ready to facilitate the berthing of one 256 metres cruise ship for the APEC 2018 leaders meeting.

An important aspect of the new terminal operator services arrangements at Motukea is the transition of the local affected communities into equity ownership positions in the terminal operating companies alongside ICTSI.



Above: Prime Minister Peter O'Neill, State Enterprises Minister William Duma, Works Minister Michael Nali and PNG Ports Board Members at Port Moresby Motukea International Port.

Prime Minister Peter O'Neill unveiling and reading the plaque commemorating the port opening.

Inset: President and Chairman of International Container Terminal Services Inc (ICTSI), Mr Enrique Razon.

Below: The Prime Minister escorted by Minister Duma (rt), greets dancers.



Infrastructure is key to economy: Prime Minister

Infrastructure development is key to economic development, Prime Minister Peter O'Neill said during the opening of the new Port Moresby Motukea Port International Facility last Friday.

Mr O'Neill who described the occasion as "bittersweet" because of the arson and hooliganism in his home province of Southern Highlands said: "How do we rebuild the economy...we have to rebuild by building infrastructure. We are now

building airports. We are building wharfs, we are building roads right across the country.

"We are going to build the highlands highway... in September we are going to award the contracts to rebuild the entire road networks in the country. This is important for development of our economy and making sure we continue build the infrastructures that our people will deserve and make sure they enjoy a better standard of living.

"Our infrastructure is very important, that's what my message here today is: We must continue to build. We cannot afford to lack behind when our population is growing at 3% per annum, when our people are demanding services every day. We must continue to build infrastructure, there is no other option.

"Only when you grow the economy will there be jobs for everybody. Government alone cannot employ

everybody, welfare cannot be able to feed everybody in this country. We must grow business, we must grow the economy, we must grow jobs. And that can only come about because of the infrastructure that we built."

He said ports are very important to the economy of any country and building infrastructure was in line with his government's Alotau Accord.

"Every port that we build, every

airport that we build, every road that we build is done to international standards" adding that these infrastructures will serve many generations to come.

Mr O'Neill also announced the government's plan to develop the old Port Moresby Port site to a world class facility.

"I know that this port is going to serve PNG for another 100 years and I can guarantee you that the old port is going to be developed into a world class facility for our residents in the city and our country."