

Telecommunications companies' marketing activities in PNG involve regular forays into remoter communities.

## PNG's ICT evolution

Information and communications technology (ICT) reform in PNG is not only delivering cheaper prices and stronger competition: it is also helping businesses devise a new generation of innovative services.

As most companies that do business there will tell you, while it can be very rewarding, Papua New Guinea is a demanding environment in which to do business. One of the reasons for this is undoubtedly its infrastructure, which has struggled to keep pace with the country's needs in recent years.

In the past five years, however, one area of infrastructure in particular has made significant progress—information and communications technology (ICT).

From 2007, when Irish-owned Digicel aggressively entered the local mobile market, the sector has experienced the benefits of increased competition. Prices have fallen for mobile calls, reliability has improved markedly and the mobile networks themselves have expanded to cover over 75% of the country's population—quite some feat in a country with a population as widely distributed as PNG's.

Some estimates suggest that more than 1.5 million Papua New Guineans—perhaps 25% of the population—now have mobile phones, compared to just 65,000 fixed line subscribers.

### Opening up the sector

The latest stage of the ICT reform process occurred in 2010, with the passing of a new ICT Act, the creation of a new industry regulator (NICTA—the National Information and Communication Technology Authority) and the commencement of a new regulatory regime on 1 November 2010.

The new regime is designed to remove Telkom PNG's remaining monopolies in fixed line and broadband services and encourage greater competition, as Paul Tevlone, Acting Chief Executive Officer at Telkom PNG, tells *Business Advantage*:

'The major change in the policy is that the retail market will be deregulated and opened up, and the market itself will dictate pricing.'

John Mangos, Chief Executive Officer of Digicel (PNG) Limited, explains what this means for Telkom's competitors:

'It effectively means that someone like Digicel will migrate our licence from a mobile-only licence to looking at all telecommunication services. It has created a broader, more level playing-field, not just for ourselves but for anybody coming into the market.'

Digicel has already made its first move to broaden its offering by acquiring specialist telecommunications systems integrator and internet service provider Data Nets Limited, which has operations in PNG and Fiji.

### Rising to the PNG challenge

For ICT companies, PNG presents several challenges for service delivery.

'From our standpoint logistics are an enormous challenge,' notes Stuart Kelly, Chief Executive Officer of Bemobile. 'The cost of internal travel is high, so if you're sending people goods—in our case handsets or cards—that is quite significant. Power is still a challenge, but it's getting a lot better and the remoteness and topography of the land are also a challenge.'

Not that they can't be overcome. In fact, the very nature of PNG's exacting environment has driven innovation.

'If you throw in the technology, which is going in leaps and bounds, it is the player who takes the initiative to look at new, innovative strategies and ideas who will obviously have the advantage,' asserts Telkom's Paul Tevlone.

The services initially deployed by the telcos themselves to keep their own customer service operations cost-effective in such a demanding environment—mobile credit and balance checking, for example—are now being offered to external parties in a range of sectors.

Retail customers of state utility PNG Power, for instance, can now pay for their electricity by mobile phone when their electricity metre runs out in the middle of the night (all power in PNG is prepaid). Members of the country's main superannuation funds, NASFUND and Namabawan Super, and of the Teachers Savings and Loan Society credit union can now check their balances by SMS. Mobile banking is one development currently under way, with the country's largest bank, BSP, expecting to launch a mobile 'e-account' in mid-2011, to complement its rural banking initiative (see box on opposite page), and a new internet banking service. Mobile technology could well deliver new services in the insurance sector too.

## BANKING SERVICES REACH PNG'S RURAL POPULATION



*BSP's Ian Clyne holds a new breed of EFTPOS terminal which will be deployed by BSP on an exclusive basis across the Pacific.*

**PNG-based Bank South Pacific's (BSP) new rural banking initiative is a fine example of how better IT and telecommunications infrastructure is enabling innovation in product and services delivery in PNG.**

The initiative, which is being rolled out progressively through 2011, is aimed at delivering banking services to the 'unbanked' of PNG's rural areas through a combination of wireless-enabled branches and phone banking. It aims to create at least 200,000 new BSP customers over the next three years.

'[The aim] is really to get the money out from under the mattress,' says BSP's Head of Rural Banking Paul Thornton, citing Bank of PNG

statistics that some K900 million in cash is in circulation around the countryside, but only about K200 million of that is in banks. 'Once people have a bank account, you start building a financial history. Banks like information and in the absence of any information it is hard to make valid credit decisions. We think by placing these branches in the districts, money will circulate within the local areas and that will help develop small and micro-business opportunities for people.'

The project has the financial support of the International Finance Corporation, also an investor in BSP.

The branch network will be extended by a range of phone banking services delivered via the network of telecommunications company Digicel.

'To provide all these services manually is not economical,' observes Ian Clyne, BSP's Chief Executive Officer. 'Modern technology is enabling BSP to take it to the people.'

### Rising data usage

Such services are easy for the consumer to access using a basic handset and cost-effective to deliver—critical factors in PNG's operating environment. All three telcos have business development teams working hard with the business community to further proliferate mobile-delivered services.

'When you talk to corporate customers, they're not talking voice services anymore, they're talking data services,' says Paul Tevlone.

One measure of just how much Papua New Guineans have embraced this new way of conducting their daily transactions is to consider the dramatic rise in data usage.

'We've doubled our data usage in the last three months and that's purely because it's available to everyone,' Bemobile's Stuart Kelly told Business Advantage in February 2011. My view of the internet in PNG is that it'll be successful through mobile phones.'

### A national broadband network

Notwithstanding the popularity among consumers of handset-delivered data services, business is crying out for faster, more reliable and cheaper broadband internet.

The PNG Government has announced its intention to buy into the high-speed fibreoptic cable network being created to support the ExxonMobil-led PNG LNG gas project, creating in the process a national broadband network. The Government's US\$60 million investment through the Independent Public Business Corporation (which manages PNG's state-owned enterprises) is likely to see the PNG LNG network integrated with existing broadband infrastructure run by Telikom PNG and PNG Power, together with the laying of new fibreoptic cable.

'The ability to piggy back on the PNG LNG project has provided this country with an ideal opportunity to implement a national broadband strategy at a substantially lower cost than would otherwise be possible,' announced State Enterprises Minister Arthur Somare in December 2010.

If all goes according to plan, the new network could be delivering high-speed internet services as early as the end of 2012.

### Increased demand for IT services

The rise in demand for data services in PNG has been accompanied by a parallel demand for greater reliability and quality in IT services, driven in no small part by the major resource projects currently under way in the country. Companies like Remington, Datec and Daltron are all IT service providers with offerings that range from computer hardware through to complex IT services and training.

'There was a bit of a lag, but we started to see opportunities arising from the [ExxonMobil-led] PNG LNG Project from the last quarter of 2010 onwards,' says David Macindoe, Commercial Manager with Steamships Trading Company, which owns Datec, also the country's largest internet service provider. 'There are now expectations for serious service delivery, with more systems analysts and systems engineers needed.'

With IT services companies such as Australia's MCR and Alloom PNG entering the market in recent years, Macindoe is anticipating a more competitive sector in future.

In addition to IT services, Remington also supplies satellite phone technology—a essential service for mining companies working in remote areas.

'Mining companies need to be able to set up communications wherever they are. Increasingly, we're dealing with small companies in isolated areas which are not serviced by Telikom,' notes Ken Harvey, Managing Director of the LBJ Group of Companies, which owns Remington. Over the whole business, Harvey reports growth of between 15% and 25% per annum over the past three years.

'As more people are pressing buttons, we're doing better,' he says with a smile.

### Open to all comers

While one might characterise what is happening in PNG's ICT sector as an evolution rather than a revolution, there is no doubt that the market is growing strongly, and is likely to continue to do so as PNG's economy expands.

'The market's open ... more and more people are going to be looking at PNG and asking "How do I get involved in the marketplace? What can we deliver?'," says John Mangos. 'I think you will see a lot more people deciding to compete in the market.'

## CASE STUDY: BEMOBILE

Initially a wholly owned subsidiary of Telikom PNG, mobile phone operator Bemobile was put on a new footing in 2008 when half the company was acquired by Capital Way, a private sector consortium consisting of Hong-Kong-based private equity fund General Enterprise Management Services, telecommunications company Trilogy International Partners, and PNG investors NASFUND, Nambawan Super and PNG Sustainable Development Program Ltd capital.

While this level of private sector investment in a state-owned enterprise was a first in PNG, the capital injection that came with it was essential to enable Bemobile to compete with Digicel, the Caribbean-based mobile phone company which entered the PNG market in 2007 with all guns blazing and rapidly acquired market share.

After a rebranding and the appointment of new management team with a strong experience in developing markets, Bemobile is starting to make some inroads.

'We were always perceived as a cheap alternative, to be perfectly honest,' says Chief Executive Officer Stuart Kelly. 'Over the last year we've changed that dramatically. We're now seen as the best value offering and there's a big difference between best value and being cheap.'

Better handsets, more data services, better availability of top-up cards in the marketplace and competitive pricing have all helped

Bemobile expands its customer base.

'We've grown our active subscriber base by roughly 50% in the last ten months and they're pretty impressive numbers for anyone working in a market like this,' says Kelly.

Kelly adds that the company has also had particular success offering closed user groups to business, where perhaps 500 employees can be provided with centrally-managed handsets on a single bill and with free internal calls.

Bemobile is expanding outside PNG too. In late 2009, it was granted the second mobile operator licence in the neighbouring Solomon Islands and, after a slow start, is now the market leader there.



Bemobile's Stuart Kelly

Finally, Kelly is bullish about the newly deregulated environment in telecommunications: 'The future long term plan of this company is to expand beyond traditional mobile telephone services and see what else we can do.'



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