



Credit: Annie's Pottery



Credit: Pipemakers



Credit: Beyond Art

MANUFACTURING

The range of products manufactured in Papua New Guinea is growing all the time.

The range of goods made in PNG is quite impressive. Much of PNG's manufactured produce is aimed at a domestic consumer market that is growing so rapidly—albeit from a low base—that many local manufacturers are struggling to meet demand. Many producers also cater to the business-to-business market, especially the booming mining, petroleum and construction sectors.

Given PNG's wealth of natural resources, it is little surprise that downstream processing plays an important role in the manufacturing sector. Examples

include the loining and canning of fish, converting local timber into plywood, roasting coffee and even the refining of gold. At the same time, the potential exists to significantly expand the scale and scope of downstream processing.

In global terms, PNG's manufacturing sector is small and has a high cost of production. Naturally, this acts as a barrier to exporting, and yet local producers are increasingly finding new markets, particularly in the neighbouring Solomon Islands and other Pacific Islands, but even in Australia and New Zealand (see page 14 for more on PNG exports).

‘There is certainly no doubting the ability of PNG to produce high quality goods’

Asserting PNG quality

There is certainly no doubting the ability of PNG to produce high quality goods, be it S P Lager (that has penetrated the fiercely-competitive Australian market), industrial products from K K Kingston (see page 16) or the stylish furniture produced by Cloudy Bay Sustainable Forestry (see page 44). Multinationals such as Nestlé (see page 24), Coca-Cola Amatil (see box on page 13) and Dulux (see box on page 20) manufacture their renowned brands in PNG, while

local manufacturers Paradise Foods has gained international acknowledgment for its model operation.

Important contribution

PNG's manufacturing sector reportedly employs around a quarter of the formal workforce, while its contribution to GDP is estimated at between six and 11.5%. Much of PNG's existing manufacturing sector is centred around Lae and, to a lesser extent, Port Moresby.

In a recent survey of its members, the Manufacturers Council of PNG discovered that more than 75% were planning greater investment into the future than over the previous three years.

PAPUA NEW GUINEA'S NON-MINERAL EXPORTS

Commodity	million kina
Palm oil	1477
Coffee	927
Forest products	768
Cocoa	320
Marine products	260
Copra oil	174
Copra	71
Rubber	41
Tea	14.2
Other	291

Source: Bank of PNG (2011 figures)

The PNG Government is seeking to encourage local production by offering incentives and concessions to manufacturing enterprises. Incentives include export sales exemptions and wage subsidies (see box on page 21). The government is also attempting to address the factors limiting growth of this sector, particularly infrastructure problems such as road maintenance and upgrading around Lae (see page 45).

THE RANGE OF GOODS PRODUCED IN PNG

- Beverages: beer, soft drinks, vodka
- Building: pre-fabricated building (wood/steel), roofing materials, cement, plywood
- Food: biscuits, snacks, noodles, baking products, canned meat/ fish, smallgoods
- Handicrafts: pottery, embroidery
- Household items: furniture, beds, mattresses, cooking utensils
- Industrial products: chemicals, water tanks
- Packaging: aluminium cans, corrugated cardboard
- Paints and coatings
- Personal care products
- Printing: offset and digital
- Refined petroleum
- Textiles: footwear, school uniforms

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PRODUCER PROFILE

DuluxGroup (PNG)

DuluxGroup's PNG headquarters are in Lae, where it has manufactured paint and chemicals for over 40 years. It employs about 100 people between Lae and Port Moresby, and has trade depots in Kimbe, Kokopo and Madang.

Today, its activities involve the production of surface coating, preparation and chemical products and related services. It supplies industrial chemicals to the mining, oil and gas, agriculture, food and beverage and water treatment sectors. Seventy per cent of its coatings products are produced locally.

Best of both worlds

The PNG operation enjoys the best of both worlds with its local manufacturing and distribution presence able to draw upon the substantial resources of its Australian parent company, which is listed on the Australian Stock Exchange with a market capitalisation of around AUD\$1 billion.

Revenues from PNG grew in 2011, spurred on by the resources boom, and the company plans to continue to invest in

consolidating its position with mining, construction and industrial customers, with particular focus on the increased commercial activity created by the ExxonMobil-led LNG project.

Investing time and funds

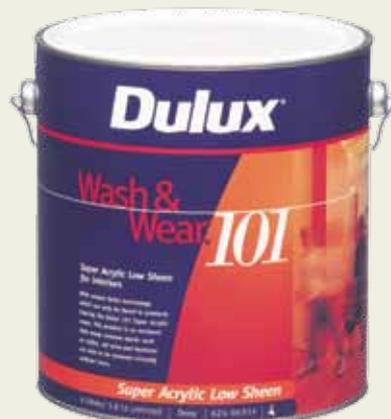
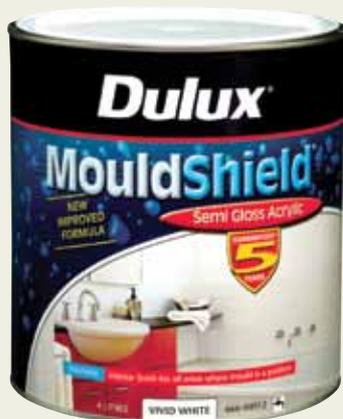
'We invest considerable funds and time in product innovation, to ensure we keep pace with PNG's current construction boom and broader social trends', says Andrew Gunn, General Manager of DuluxGroup (PNG). 'This includes an increased focus on environmentally-friendly products.'

It also has a strong focus on product knowledge training, through the Dulux Academy, and organises the 'Architctures and Builders Expo' annually to strengthen the network of architects, builders, specifiers, contractors and resellers.

The company's other notable recent achievements in PNG include the relaunching of the Selleys brand to major reseller customers and an agreement to sponsor restoration work at the Port Moresby Botanical Gardens.

'We invest considerable funds and time in product innovation, to ensure we keep pace with PNG's current construction boom and broader social trends.'

Seventy per cent of DuluxGroup's coatings products are made in PNG.



Incentives for manufacturers

The PNG Government offers a number of incentives to help develop the local manufacturing sector. For example:

- Industrial plants not previously used in PNG are eligible for increased depreciation up to 100% of cost.
- The initial year accelerated depreciation allows faster writing down of the capital cost of certain new assets.
- Double-deduction for export market development costs for goods made in PNG, or where PNG labour cost exceeds 10% of the sale price of the product.
- Profit made from export sales of certain PNG-made goods qualify for company income tax exemptions for the first three years. A different formula applies for exemptions for the next four years.
- A duty drawback rebate paid to exporting manufacturers when they export goods of the same value as the amount of duty already paid on the raw material.
- Companies manufacturing new products may receive a subsidy payment of 10-40% for up to five years based on a percentage of the relevant minimum wage for each full-time local employee.



Source: PNG Investment Promotion Authority

Credit: Nestlé



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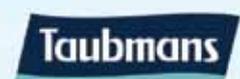




Mill sterilisers for the processing of palm oil. Credit: NBPOL



AkzoNobel
Tomorrow's Answers Today





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AkzoNobel has a long history in Papua New Guinea and is recognized as the leading paint and coatings manufacturer in this country.

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• Koki Sea Wall - coloured by Taubmans

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PRODUCER PROFILE

AkzoNobel

If you have spent much time in PNG you may not necessarily have heard of AkzoNobel, but you'll almost certainly be familiar with its Taubmans and International brands of paint. In fact, AkzoNobel is the world's largest paints and coatings company and employs more than 55,000 people worldwide.

AkzoNobel entered the PNG market in 1998 through the acquisition of Courtaulds Group, and its present product range includes not only Taubmans Decorative Coatings, but also International Marine and Protective Coatings and car refinish through its Lesonal brand.

AkzoNobel has an extensive distribution network throughout PNG, with four branches in Port Moresby, Lae, Mt Hagen and Kokopo and many resellers throughout the country.

'We can provide solutions on demand for major projects,' says Managing Director Mikael Ruben. 'Clients such as mines, subcontractors to the PNG LNG Project or dockyards require products to be made to order at short notice and we have a supply chain to cope with these demands.'

AkzoNobel's decorative coating sector is the most dominant, and the company works closely with architects and builders, arranging annually the prestigious PNGIA/Taubmans Design Award in partnership with the PNG Institute of Architects.

AkzoNobel recognises that its greatest asset is its people, and the company continually endeavours to develop its human capital by training and upskilling. One example of this is the participation of its technical staff in the National Association of Corrosion Engineers (NACE) coatings inspector programme.

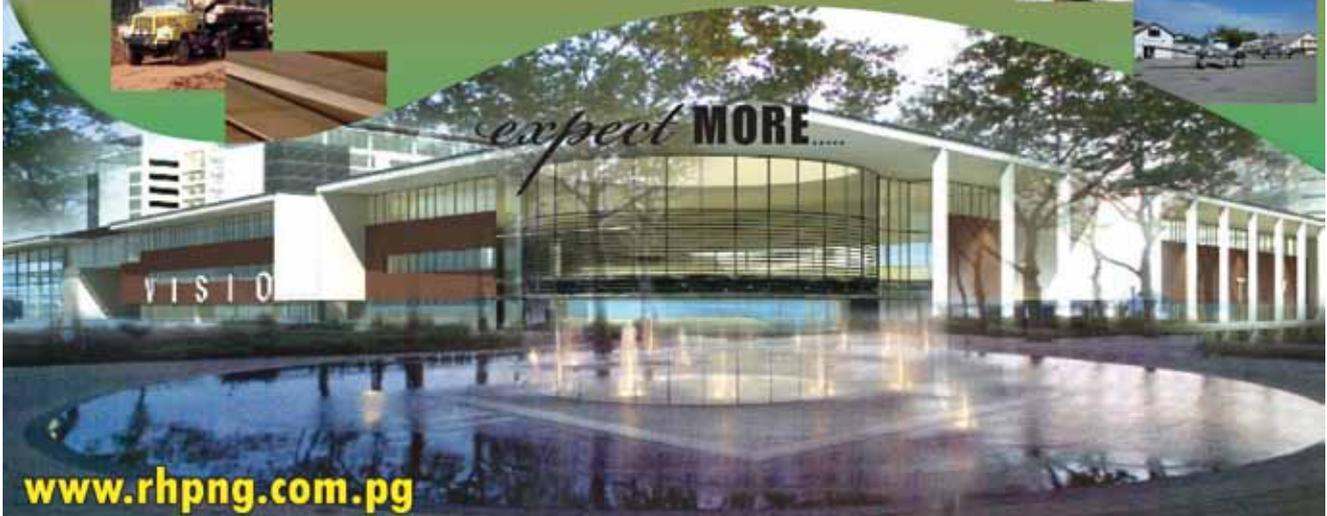
The company is particularly proud of its waste management programme which is part of its overall sustainability road map with the objective to reducing waste, water and energy consumption over the coming years. It is also the first industrial company in PNG to export waste for recycling in Australia.



AkzoNobel provides anti-corrosive paint to PNG's Dockyard. Credit: AkzoNobel



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