Steamships' logistics division employs more than 2000 staff

Steamships

Growing logistics in PNG

With major energy projects taking off, Papua New Guinea is gearing up for an increase in logistical activity to support these important developments

Papua New Guinea, a developing country, has limited but steadily improving transport infrastructure. A mountainous and multi-island nation with no rail system and a restricted road network, PNG is heavily reliant on shipping. While the country has an extensive network of airports, most of these are only suitable for small aircraft, and airfreight is particularly expensive.

The government has introduced two significant initiatives to improve PNG's transport infrastructure. Already underway, the National Roadwork Strategy is seeing new roads built (currently several major roads do not connect and there is no road linking the country's two biggest cities of Lae on the north coast and the capital, Port Moresby, on the south coast). The strategy is also seeing significant road upgrades and maintenance.

The National Roadwork Strategy is aligned with the government's broader Connect PNG Program, which is focusing on renovating ports, airports, roads, and other transport infrastructure.

A recent notable development is the 94-kilometre Agiru Highway linking the port township of Kikori in Gulf Province to the Highlands Highway at Kinsenpoi Junction in Southern Highlands Province.

PNG PORTS

PNG's network of ports includes the two major international ports at its most populous cities. Despite being the smaller of the two cities, Lae is PNG's industrial hub and it has the largest and busiest port. Port Moresby, the nation's capital and commercial centre, has smaller but modern and well-equipped port facilities.

Both ports will provide significant and critical logistical support to the progression of the country's next major LNG development: TotalEnergies' US$13 billion Papua LNG project – PNG's second major gas project.

The upstream facilities for the Papua LNG project will be constructed in mountainous and remote terrain primarily accessible by river; whereas the downstream part (two LNG trains) will be integrated in to the existing PNG LNG Plant, approximately one hour's drive west of Port Moresby.

LNG'S ECONOMIC SIGNIFICANCE

PNG's economy is reliant on the resources sector. The delayed start of several major resource developments, as well as the three-year temporary closure of the Porgera gold mine has dealt PNG an economic blow.

PNG saw double-digit GDP growth from the initial PNG LNG construction phase which took place between 2009 and 2014. Thus, the business community is understandably buoyed by the apparent progression of the new Papua LNG project, as well as the expanding P'nyang LNG (led by ExxonMobil) project which will follow. Together, these mammoth projects will take seven to eight years and collectively represent PNG's largest investment in energy infrastructure in history.

It is understood that tenders are out for the major engineering procurement and construction contractors and that these will potentially have been awarded by the time this story goes to print. It seems increasingly likely that there will be boots on the ground in the second half of 2023.

Many businesses in PNG are jostling for position – all hoping to win contracts either directly with the LNG project developers, or major contractors in their supply chains. Shipping, transport, and logistics companies are very much part of this pack.

LOGISTICAL SUPPORT FOR NEW LNG PROJECTS

The site for the upstream component of the TotalEnergies-led Papua LNG project lies south of the Bismarck range mountains in Gulf Province and is approximately 120 kilometres inland from the township of Kerema and 360 kilometres northwest from Port Moresby.

The newly developed Portside Business Park in Port Moresby's shipping and logistics precinct

It is fair to say that the project's upstream and pipeline facilities, together with the onsite infrastructure and facilities needed to build them (camp complexes to accommodate thousands of construction workers and technical experts) will be built in the middle of mountain jungle.

The second long-anticipated LNG project, an extension of the original PNG LNG project – the nation's first LNG project – is situated in neighbouring Western Province (which also borders Irian Jaya). Western Province is PNG's largest province, as well as its most lightly populated, and is home to the Ok Tedi gold and copper mine.

The Gulf of Papua forms the southern borders of both Gulf and Western provinces. Its deltas and rivers will provide the primary logistical access to both LNG projects. Access to the Papua LNG project will be via the Purari Delta and river; whereas access to the P'nyang project is through the Kikori Delta and river. The Fly River, PNG's third largest river which also empties into the Gulf of Papua, is the key logistics route for the Ok Tedi mine.

Most supplies required for both LNG projects will be sourced from overseas and arrive at one of the country's two international ports, Lae and Port Moresby. Although Lae is the country's main international port and PNG's manufacturing hub, it is located in the country's north. As such, any goods destined for the LNG construction project will need to make their way via coastal shipping services around nearly a third of PNG's entire mainland coastline before they reach Port Moresby in PNG's south – this is a distance of nearly 800 nautical miles – let alone their final destination. Port Moresby, which is in National Capital District to the immediate east of Gulf Province, is the preferred international (and domestic) port for both LNG projects.

From Port Moresby, LNG project cargo can be loaded on to shallow-draft charter vessels (typically operated under long-term lease) in order to make their way to site. Shallow-draft vessels (often requiring tugboat assistance) are essential given the Gulf of Papua deltas through which they first must travel; and then the narrow, winding, and decreasing depths of the Purari and Kikori river systems they must navigate. After arriving at small ports purpose built for the LNG projects (there is already one at Kikori Village – the Santos owned and operated Kopi Shore Base), cargo will eventually make its way to site along stretches of twisting roads, also built by the LNG developers.

PORT MORESBY PROJECT STAGING

In addition to Port Moresby offering port facilities to support the LNG projects, it also houses logistics companies. Moreover, it offers the space, infrastructure, and services that businesses servicing the LNG projects require for project staging (the preparation, prefabrication, and storage of as many construction components, and other types of project cargo as possible) away from the remote and challenging LNG development sites.

Port Moresby has the space for fabrication and manufacturing, as well as for storage, the available labour (including technical expertise), cheaper and much more readily available electricity, internet, and fuel, as well as ample accommodation.

PORTSIDE BUSINESS PARK

The Portside Business Park is a purpose built 40-hectare facility in Port Moresby's Motukea shipping and logistics precinct. It is next door to the city's international and domestic ports.

Portside is designed to cater for businesses wanting to set up an operational base from which they can access other parts of the country, such as those about to be awarded major EPC contracts in the Papua LNG project.

The business park's location is a key drawcard – not only is it within a shipping and logistics precinct, it is a 15-minute drive from downtown Port Moresby and 20 minutes from the capital's airport.

Portside comprises 40 hectares of flat land with space for tenants' facilities, as well as for laydown and storage. There are no other similar portions of industry-zoned land available in Port Moresby.

Steamships

All transport and logistics services required to move any type of cargo anywhere around the country (or overseas) are already located at Portside. Modern, multi-million-dollar fleets of trucking assets and specialised machinery and equipment such as reach stackers, cranes, straddle carriers and forklifts are all on site.

The business park has its own wharf, as well as a fully integrated handling service and transport link facilitating efficient project logistics and shore-based operations.

The first quarter of 2023 has already seen three major contractors commit to a Portside tenancy, with several others anticipated to follow in quick succession once EPC contracts for the Papua LNG project are awarded.

Owned by the Steamships Trading Company, Portside is home to three of the company's logistics division's operating companies – Consort Express Lines (coastal shipping and vessel charter), Pacific Towing (marine towage and marine services), JV Port Services (stevedoring and plant hire) and road transport company EastWest Transport is housed in an adjacent two-hectare facility.

STEAMSHIPS TRADING COMPANY

Steamships is a business group with more than 100 years of operation in PNG. The company has a long history of helping to drive PNG's development.

The group has diverse commercial interests and is jointly listed on the Australian Securities Exchange and the Papua New Guinea Stock Exchange. Steamships' major shareholders are global entity John Swire & Sons, and PNG's largest private-sector superannuation fund, Nasfund.

Steamships employs more than 3200 staff across numerous businesses throughout PNG, and services multiple sectors. Its logistics division is central to the array of services it has long provided to the mining and oil and gas sectors.

PNG'S LARGEST LOGISTICS OPERATOR

Steamships' logistics division is PNG's largest operator of transport and logistics. It has a wider service network and a more expansive breadth of services than any other logistics provider in the country. The division comprises four individual trading entities (Consort Express Lines, East West Transport, JV Port Services, and Pacific Towing) and operates 16 offices and agencies across the country.

Collectively, the logistics division employs more than 2000 staff (98% of whom are PNG citizens), has a diverse fleet of nearly 30 ships, tugs and barges, more than 200 trucking assets, as well as an expanse of machinery and equipment.

The reach of Steamships' logistics division extends internationally, connecting PNG to the Pacific through its network of regional offices, as well as connecting the Pacific to the world, via its third-party agents.

LOGISTICS SERVICES

Recently restructured, Steamships' logistics division has developed, implemented, and supported comprehensive and intermodal end-to-end logistics solutions in direct response to market demand.

The division's four operating companies work in partnership – often with international shipping partners such as Swire Shipping and Swire Bulk – to provide clients, no matter their location, with a full suite of logistics services (such as container packing, stevedoring, customs clearance, warehousing, storage and laydown facilities, depot to wharf transport, etcetera).

Steamships' logistics division COO Thomas Bellamy said the company is in the service business.

"We must give our customers what they need to continue to earn our right to operate; and what our customers need – especially our project customers in mining and oil and gas – is joined-up logistics solutions," he said.

SWIRE SHIPPING INTRODUCES SERVICE TO PNG AND PACIFIC ISLANDS

Swire Shipping in early February introduced the Pacific Weekly Express (PWX) service.

The company said it is a new fixed-day weekly service that connects South-East Asia, Europe, India and the Middle East with Papua New Guinea and the Pacific Islands.

The new service operates on a seven-day frequency to Papua New Guinea, Solomon Islands, New Caledonia and Fiji, with connections in Fiji and Nouméa to the Pacific Islands of Tonga, Vanuatu, Samoa, American Samoa and Tahiti.

PWX combines and expands two existing services. It supersedes the existing Southeast Asia (SEA) and East Southeast Asia (ESEA) services.

Swire Shipping chief operating officer Ben Pike said the new service would bring value to Swire's customers and help to support communities and trade in the region.

"We believe it is our duty to support our customers' supply chains with best-in-class liner services," he said.

"With this in mind, we are pleased to introduce a significant upgrade to our network by including more fixed-day weekly and fixed-day fortnightly products in our key markets."

Swire Shipping said the introduction of the PWX service would enable it to upgrade its Papua New Guinea (PNG) Service (serving Australia to Papua New Guinea and Solomon Islands) to a fixed-day fortnightly service.

Swire Shipping's *Rabaul Chief*

Swire Shipping

Steamships has invested in initiatives to employ, develop, and promote a diverse workforce

PROJECT CARGO SPECIALISTS

A significant portion of the cargo which will be shipped up to the Papua LNG site (as well as later to the P'nyang LNG site) will be in the form of project cargo.

Steamships' logistics division is a regional project cargo specialist and has several vessels (such as conventional container vessels, landing craft and tug and barge sets) available for both domestic and international charter.

Its shipping and vessel charter business, Consort Express Lines, has experience with all categories of project cargo.

Steamships also has in-house stevedoring and handling capabilities with JV Port Services well-placed to load and discharge all types of vessels in Port Moresby and across the country, as well as having the machinery required for laydown and depot services.

IN-COUNTRY TECHNICAL CAPABILITIES

Steamships' logistics division has in-house engineering and workshop capabilities in Port Moresby and Lae. A team of technical staff keeps the division's diverse fleets of vessels, trucks, and machinery running.

Facilities, such as the division's dedicated tug base in Port Moresby and shipping and logistics complex in Lae, have excellent technical support facilities – including fully equipped marine engineering and fabrication workshops. These in-country skill sets enable Steamships to keep its own fleets running despite the challenging operating conditions in PNG.

SAFETY FIRST

All businesses in the logistics division have internationally recognised safety certifications. Consort Express Lines is compliant with the International Safety Management (ISM) code and accredited by Lloyd's Register, whereas Pacific Towing is ISO (45001, 9001, and 14001) certified and has a HACCP certified camp.

Mr Bellamy said the "division's approach to safety management incorporates just culture and felt leadership, and we really do mean it when we say, 'safety comes first'. If this means we must stop work, then that is what we do."

Steamships' safety management systems and processes align with those of its oil and gas, as well as its mining clients.

Pacific Towing general manager Neil Papenfus said, "Steamships' logistics division doesn't just work safely".

"We are actually in the safety business in that we provide safety services such as emergency and spill response, as well as life raft sales and servicing. We're also Melanesia's only full member of the International Salvage Union and the International Spill Control Organization and play a significant role in PNG's National Oil Spill Response Exercise, an annual initiative of the National Maritime Safety Authority."

Steamships is experiencing its safest sustained period of operations with LTIs and other safety statistics lower than any point in its 105-year history.

Steamships managing director Rupert Bray said, "this is testament to the whole team, but reflects more than anything, our determination to put the safety of our people before anything else, profits included".

"We do this because history tells us that a safe organisation is ultimately one customers want to do business with and with whom staff want to work."

Ninety-eight percent of the logistics division's workforce are PNG citizens. The division also has specific programs and initiatives in place to maximise the employment and promotion of PNG women.

Mr Bellamy said Steamships has ample capacity to meet PNG's growing logistics needs.

"We have the largest service network and the most expansive breadth of services," he said.

"In combination with the assets in our road transport and stevedoring businesses, together with the land and infrastructure that Steamships owns at its Portside Business Park, we're also able to provide more sophisticated and bespoke project solutions in addition to our more 'off the shelf' services like liner shipping and container transport."

Fluvial transport is an important part of the logistics puzzle in PNG. For example, with the exception of very small freight items which can be brought in by air to TotalEnergies' base camp Herd Base, everything else can only get to site by sea and then river.

Consort Express Lines is a major player in PNG's coastal shipping market and specialises in vessel charters. It has considerable experience with riverine shipping, including a long history of navigating the deltas and rivers of the Gulf Province for its resource sector clients.

The logistics division's fleet of nearly 30 vessels – bulk carriers, tankers, landing craft, tugs (with both push and pull capacity), and barges – includes several dedicated project charter vessels fitted with cranes and specifically designed for shallow water and river passages. ■

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