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*for a sustainable future*

## OCCASION

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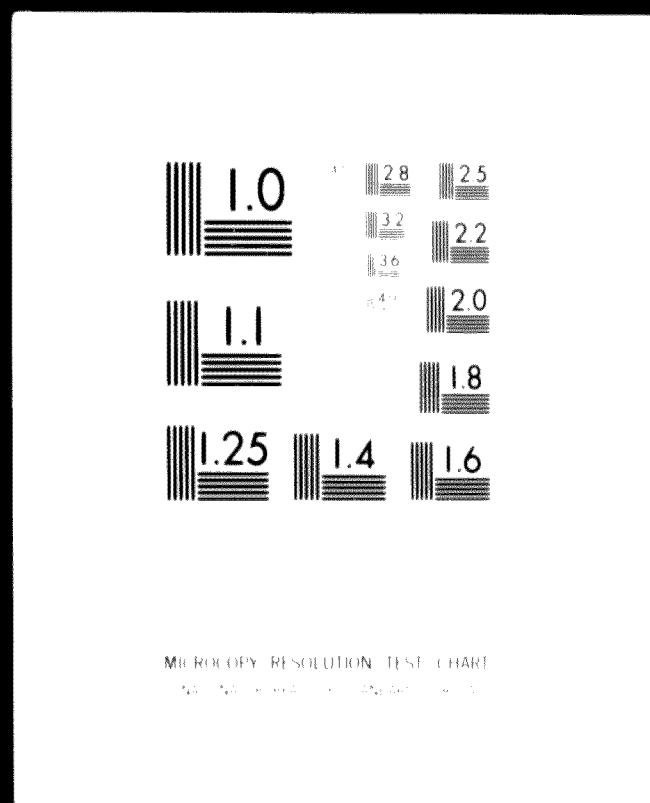
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United Nations Industrial Development Organization

PROJECT INFORMATION SHEET

PAP-02-71

SECOND ASIAN MEETING TO  
PROMOTE INDUSTRIAL PROJECTS<sup>1/</sup>

SINGAPORE, 3-11 November 1971



METAL PIPING

COUNTRY	Papua/New Guinea
PROJECT	Manufacture of continuous welded metal piping Total Investment : US\$ 800,000
FOREIGN CONTRIBUTION REQUIRED	To be discussed

<sup>1/</sup> Sponsored by : The Economic Commission for Asia and the Far East (ECAFE),  
The United Nations Industrial Development Organization (UNIDO).

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IMPORTANT NOTICE

The basic purpose of this meeting is to provide an Exchange or Market Place for the initiation of contacts on specific industrial projects between their proponents from the Asian countries and potential suppliers of capital, finance, equipment or know-how, as the case may be, from the industrialized countries.

This Project Information Sheet has been prepared as a basis for such contacts. Its purpose is not to present detailed information about the project but to provide the recipient with an outline sufficient to determine tentative interest in principle. Any further available information on the project will be furnished on request to interested parties at the Meeting.

Experience has shown that industrialists frequently prefer to carry out their own further investigations in detail into projects in which they are interested, but assistance from UNIDO in these matters can be rendered to the Asian country concerned on request.

This Information Sheet contains only the information supplied to UNIDO by the proponent of the Project. UNIDO can therefore take no responsibility for its accuracy.

METAL PIPING

Promoting Agency

Department of Trade and Industry, Port Moresby, Papua New Guinea through the Department of External Territories, Commonwealth of Australia, Canberra.

Purpose of project

Basic information on markets, likely costs of establishment of industry, source of supply of raw materials, likely profitability, incentives, etc. are set out so that potential investors may form a preliminary estimate of advantages in establishing the industry in Papua New Guinea.

Background Information

Location - Port Moresby or Lae.

Territory imports of continuous weld piping both round and rectangular in section, and fittings are currently in the region of \$1,000,000 F.O.B. As the economy develops, this market will expand.

Imports of seamed tubes and pipes, welded, clinched or riveted

	1969/70 \$A (FOB)	July 70/Jan 71 \$A (FOB)
<b>Stainless seamed</b>		
under 3" internal diam.	22,852	9,800
over 3"       "       "	10,131	6,332
<b>Black seamed</b>		
under 3" internal diam.	20,558	21,142
3" - 9"       "       "	17,727	17,251
over 9"       "       "	171,402	484
<b>Galvanised seamed</b>		
under 3" internal diam.	147,065	89,583
3" - 9"       "       "	86,458	83,273
over 9"       "       "	221,995	34,371
<b>Other seamed</b>		
under 3" internal diam.	8,100	838
3" - 9"       "       "	303	36,402
over 9"       "       "	67,854	102,415
Total	774,445	401,891
Tube and pipe fittings*	574,587	229,292

\* / Imports of tube and pipe fittings include fittings for tubes and pipes other than seamed pipes and tubes.

To establish an industry, initial capital investment of approximately \$800,000 would be required for land, buildings and equipment. The industry would require a galvanising plant as a necessary adjunct. Working capital would need to be quite large as the plant would have to carry stocks of coiled metal strip.

There would be some likelihood of export markets in the South Pacific, Indonesia, Micronesia and possibly Northern Australia. This would need to be investigated and assistance in this respect would be available.

All raw materials would have to be imported from overseas - mainly Australia and Japan.

The industry would probably employ about 15 men in the first instance, 3 of whom would probably need to be overseas specialists. Training schemes would reduce need for foreign skills in due course.

#### Other relevant information

Benefits to investors would include five full years company tax exemption as a pioneer industry and a preferential position in a rapidly expanding market as direct result of pioneer status with no restrictions on the repatriation of capital and profit.

Future benefits could include an export incentives scheme or other schemes of assistance.

The plant could expect to contribute to Papua New Guinea's economy by providing valuable import replacement and the possibility of export earnings.

A N N E X A

GENERAL INFORMATION FOR PROSPECTIVE INVESTORS

Shipping Rates - General Freight

Australia - Papua New Guinea           \$ 30 / shipping ton  
Japan - Papua New Guinea           \$ 35.32 / shipping ton  
Europe - Papua New Guinea           \$ 63.89 / shipping ton  
Coastal shipping - main ports       \$ 15.70 / shipping ton  
with possibility of increase in near future.

Lower rates may be negotiated on a contract basis.

Land

Freehold Land

Very occasionally available by private sale. Prices would be high and variable.

Leashold Land

99 year Government leases at annual rental of 5% of unimproved capital value which ranges between \$ 3,000 to \$ 6,000 per acre. Leases subject to tender but direct application may be considered in certain circumstances. Leases generally available in main urban centres.

Cost of building residential and industrial premises

Houses - approximately \$ 1,000.-/100 square feet excluding land costs.  
Factories - \$ 600.-/100 square feet - base cost. Up to \$ 900.-/100 square feet for inclusion of storage, parking and amenities.

Cost of renting and purchasing residential premises

Rental - unfurnished flats, 1 bedroom - \$ 20.-/week  
          unfurnished flats, 2 bedroom - \$ 30.-/week  
Houses                   3 bedroom - \$ 50.- to \$ 70.-/week  
Purchase - (Town area) House 3 bedroom- \$ 23,000.- to \$ 35,000.-  
          (Suburbs)   House 3 bedroom- \$ 12,000.- to \$ 25,000.-

Labour Rates (Urban)

Unskilled indigenou	\$ 30.- /month
Semi-skilled indigenou	\$ 45.- to 60.- /month
Skilled indigenou	\$ 50.- to 150.- /month

The above rates are approximate only.

Skilled overseas \$400.- to 600.- /month with varying side benefits, e.g. leave fares, housing subsidy, etc.

Water Supply

Most small towns are supplied from wells and rainwater storage. Port Moresby and Popondetta have chlorinated, reticulated water supplies while limited reticulated supplies are available in Rabaul, Lae, Goroka and Lorengau.

Electricity Rates

(cents/kWh)	Zone <u>1</u>	Zone <u>2</u>	Zone <u>3</u>	Zone <u>4</u>	Zone <u>5</u>	Zone <u>6</u>
First 50 kWh/month	13.0	13.0	13.0	13.0	14.0	14.0
Next 200 kWh/month	7.0	7.0	8.0	8.0	9.0	9.0
Next 400 kWh/month	5.3	5.6	6.3	7.5	8.2	9.1
Next 4000kWh/month	3.2	4.3	5.2	6.0	6.7	7.6
Balance	3.2	3.5	3.9	4.7	5.5	6.3

Maximum demand rate:

Zone 1 only - made up of a two-part charge:

- (1) A charge of \$ 550.-/installation/month and a charge of \$ 5.50/kilowatt that the recorded maximum demand of the installation exceeds 100 kilowatts.
- (2) An energy charge of 1.5 ¢ /kWh

- Zones:
- 1 Port Moresby
  - 2 Lae, Madang, Goroka, Rabaul
  - 3 Samarai, Wewak, Mavieng
  - 4 )
  - 5 ) none at present
  - 6 )

Taxation

(a) Company tax

Currently, a flat rate of 25 ¢ operates on both private and public companies. Distribution of dividends is not required. Pioneer industry concessions give exemption from company tax for five full financial years after commencement of commercial production. Any losses may be recouped



from subsequent profits up to seven years after such losses have been incurred.

(b) Income tax

Income tax is currently quite low on taxable income, which is arrived at after generous concessions for dependents and allowable expenditures.

For example:	<u>Taxable income</u>	<u>Tax payable</u> (single taxpayer)
	A\$ 4,800	A\$ 544.20
	6,000	814.20
	8,000	1,334.20
	10,000	1,914.20
	16,000	3,854.20

Communications

Communication by road is still restricted due to the terrain of Papua New Guinea. With the exception of the Lae to Highlands and New Ireland areas, and the immediate hinterland of Port Moresby and Rabaul, virtually all transport is by air or sea.

Air routes are well serviced by several companies. In addition, several charter organizations operate throughout the Territory.

The coastal shipping routes are well serviced by medium/small freighters.

Banking

Four Australian Banks operate trading and saving facilities in Papua New Guinea and all provide full internal and international banking services.

Proceeds of foreign transactions are dealt with through the Reserve Bank of Australia which has a branch in Port Moresby.

Company Registration

Company registration is controlled under the Papua New Guinea Companies Ordinance 1963-66 and is relatively easy to accomplish. Details of fees and procedure are available on request.

Immigration

Approval may be given for the temporary entry of certain key professional workers and technicians in limited numbers for up to two years for essential purposes subject to certain conditions.

Climate

Generally hot and humid in the wet season which lasts from November - April. The remainder of the year tends to be slightly cooler and drier, with relatively constant monsoonal winds. Nights are cooler during this season.

Port Moresby rainfall is approximately 46 inches per year. Falls throughout Papua New Guinea are generally higher than in Port Moresby and in other main centres would range from 80 - 180 inches.

Health

Normal health services are available at all main centres.

Anti-malarial suppressives are recommended throughout.

Postal Services

Daily service to Australia and overseas.

Telegrams via OTC network. Radio telephone operates connecting most centres.

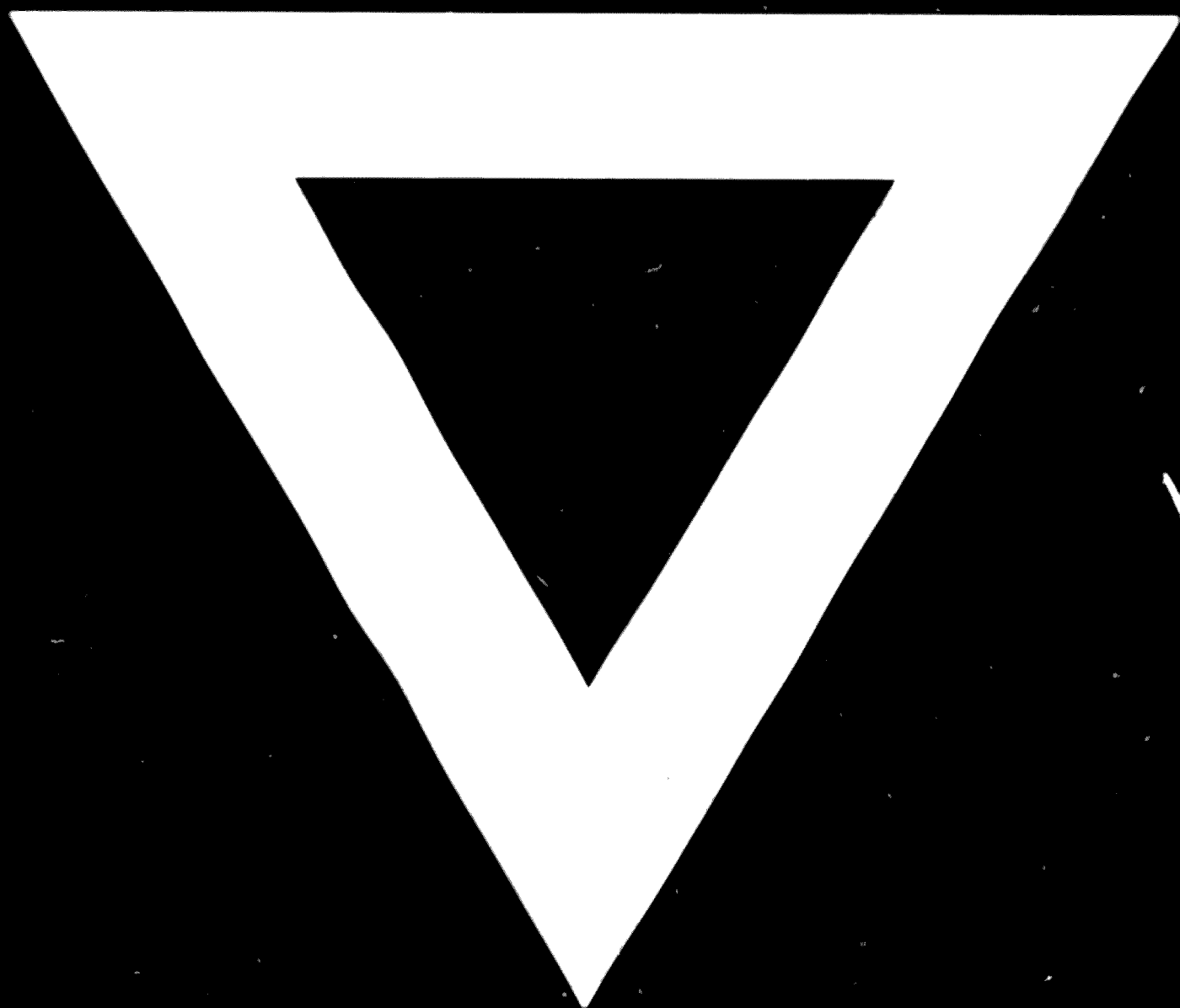
Co-axial cable connects the main towns for telephone link.

VHF telephone installations are being constructed throughout Papua New Guinea.

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