PNG GAS DEVELOPMENT CONFERENCE

CAIRNS 15 & 16 JUNE 2011

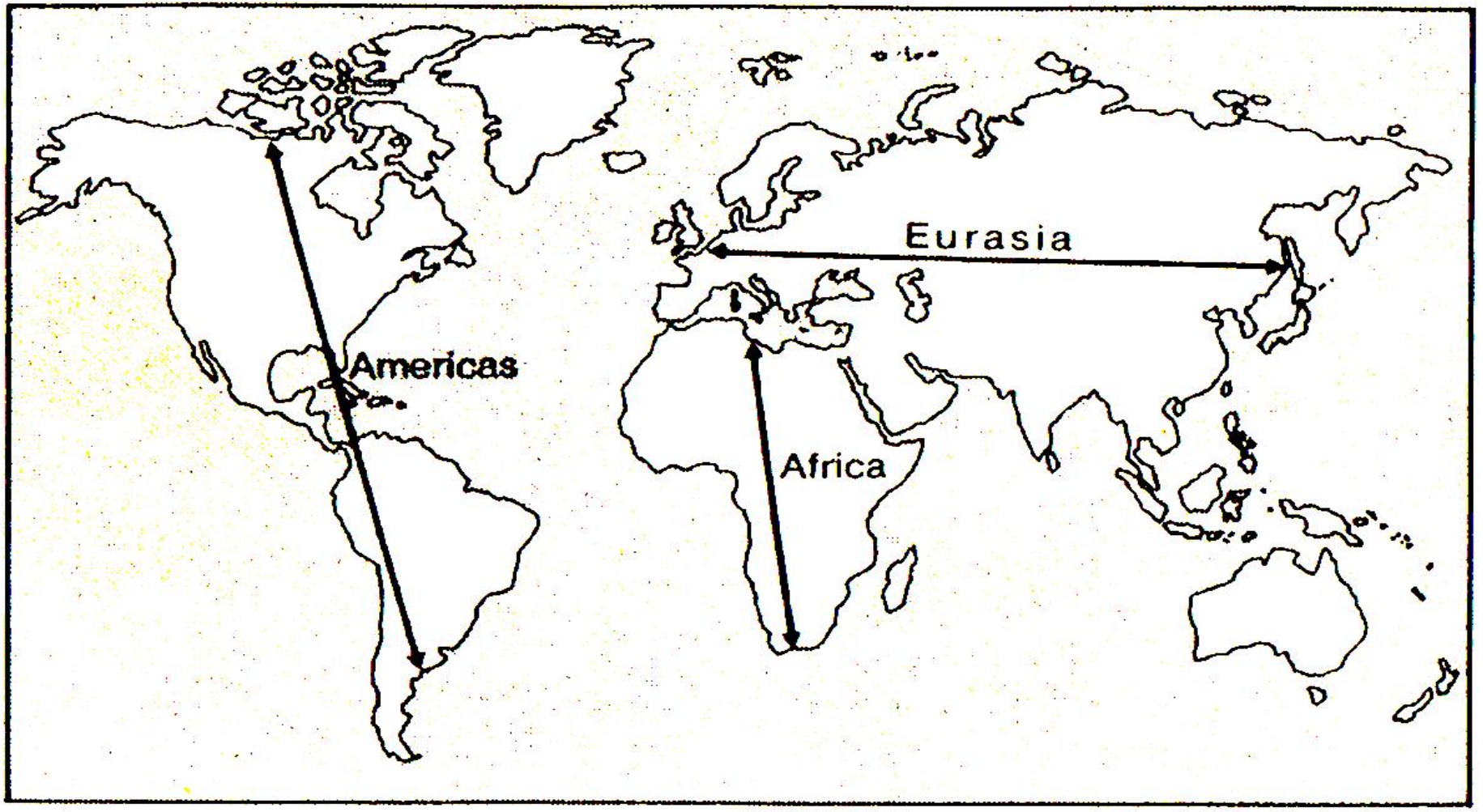
"RELATIONS BETWEEN AUSTRALIA & PAPUA NEW GUINEA IN AN AGE OF OPPORTUNITY"

ADDRESS BY W.S (BILL) CUMMINGS | CUMMINGS ECONOMICS, CAIRNS

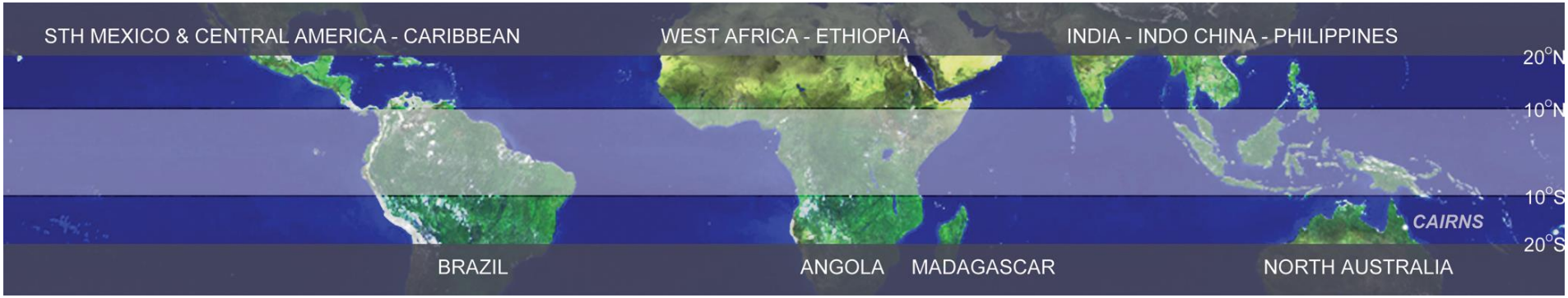
YALI'S QUESTION?

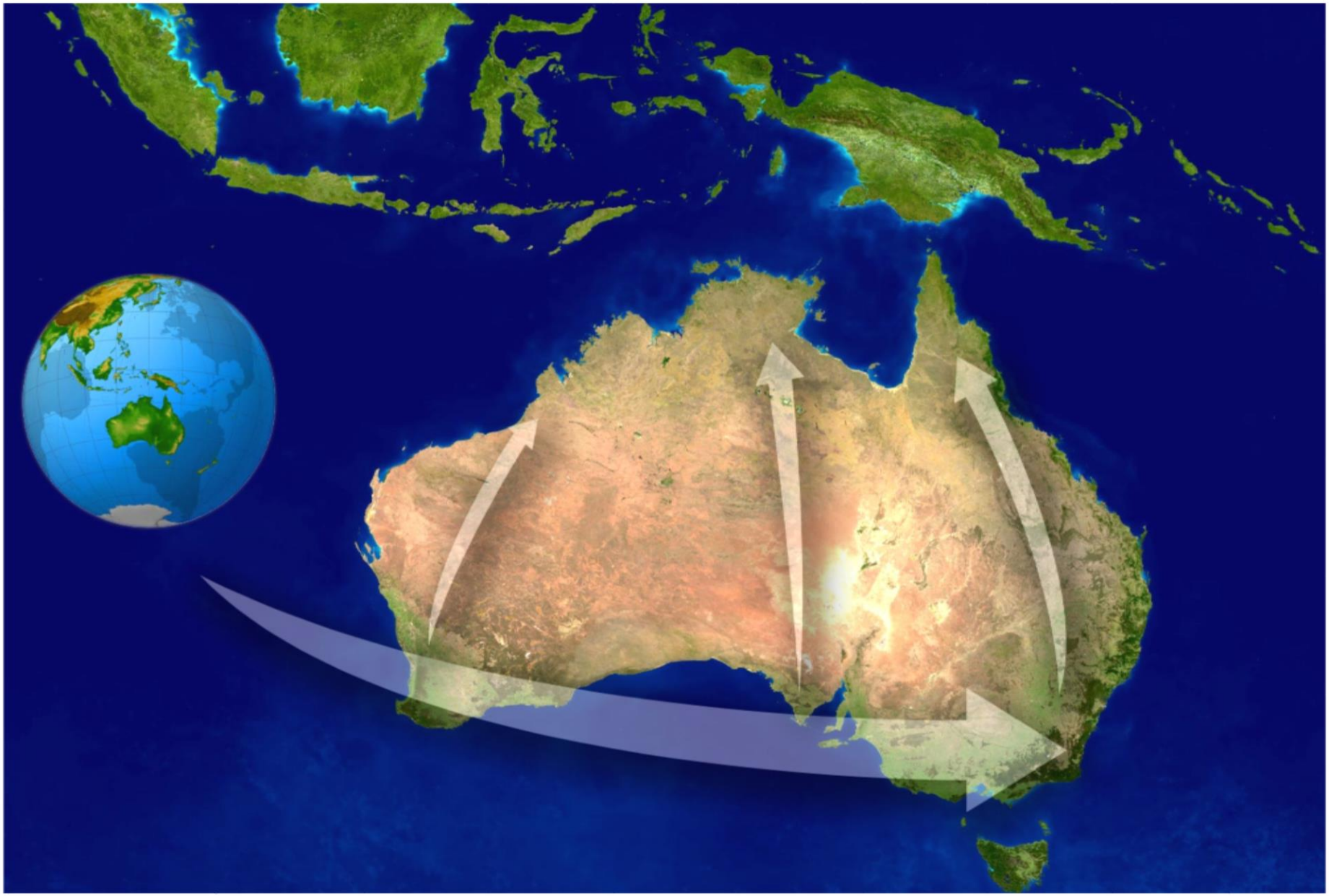
"Why is that you white people developed so much cargo & brought it to New Guinea, but we black people had little cargo of our own?"

Quote from "Guns, Germs & Steel" - A Short History of the Last 13,000 Years - Jared Diamond, Vintage Press 1997


Eurasia
Americas
Africa

TROPICAL ZONES





PART OF THE TROPICAL LAG

PAPUA NEW GUINEA	SUBSTANTIAL POPULATION (6.7 million)
	LOW INCOMES
TROPICAL AUSTRALIA	HIGH INCOMES
	FEW PEOPLE (1.2 million)

SMALL FRAGMENTED ECONOMIES WITH STRONGER LINKS TO SOUTHERN METROPOLITAN CENTRES THAN BETWEEN THEMSELVES.

FRAGMENTATION OF AREA OF NORTHERN AUSTRALIA AND NEARBY AREAS TO THE NORTH

- **6 DIFFERENT NATIONAL ADMINISTRATIONS**

AUSTRALIA, INDONESIA, EAST TIMOR, PAPUA NEW GUINEA, SOLOMON ISLANDS, FEDERATED STATES OF MICRONESIA

A CHANGING WORLD, A NEW PERIOD OF INDUSTRIALISATION

EQUIVALENT TO INDUSTRIALISATION OF EUROPE & NORTH AMERICA
LATE 1800'S / EARLY 1900'S

THAT SET OFF EUROPEAN SETTLEMENT IN NORTHERN AUSTRALIA
AND
MISSIONARY ACTIVITY AND COLONIAL ADMINISTRATION IN PNG.

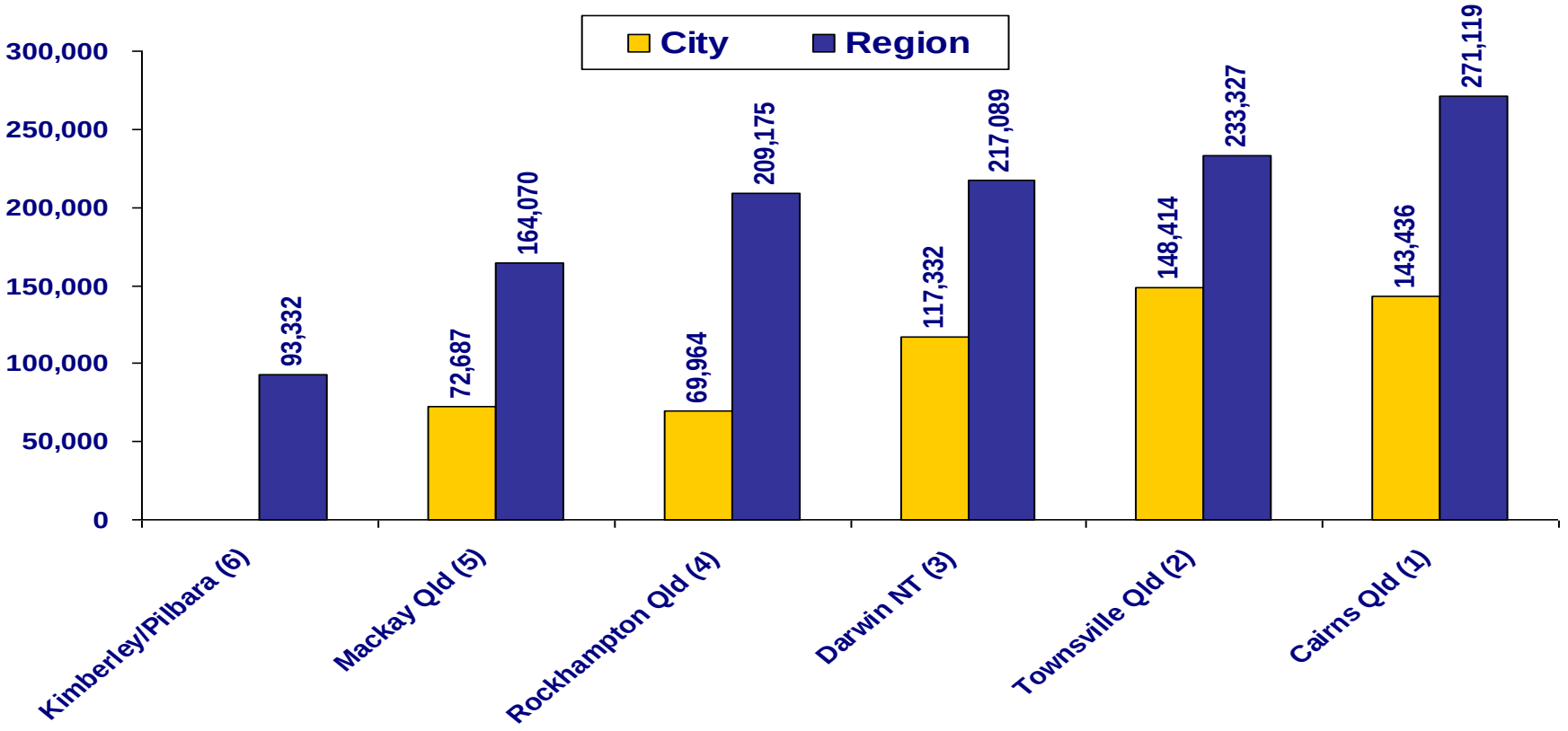
A MASSIVE CATCH UP EXTENDING WHAT OCCURRED IN

JAPAN, KOREA & TAIWAN TO CHINA & INDIA

COMING AT A TIME WHEN TRANSPORT AND COMMUNICATION ADVANCES HAVE BROKEN DOWN OLD BARRIERS OF REMOTENESS.

A TIME OF A DIMINISHING LAG IN TECHNOLOGY SUITED TO THE TROPICS.

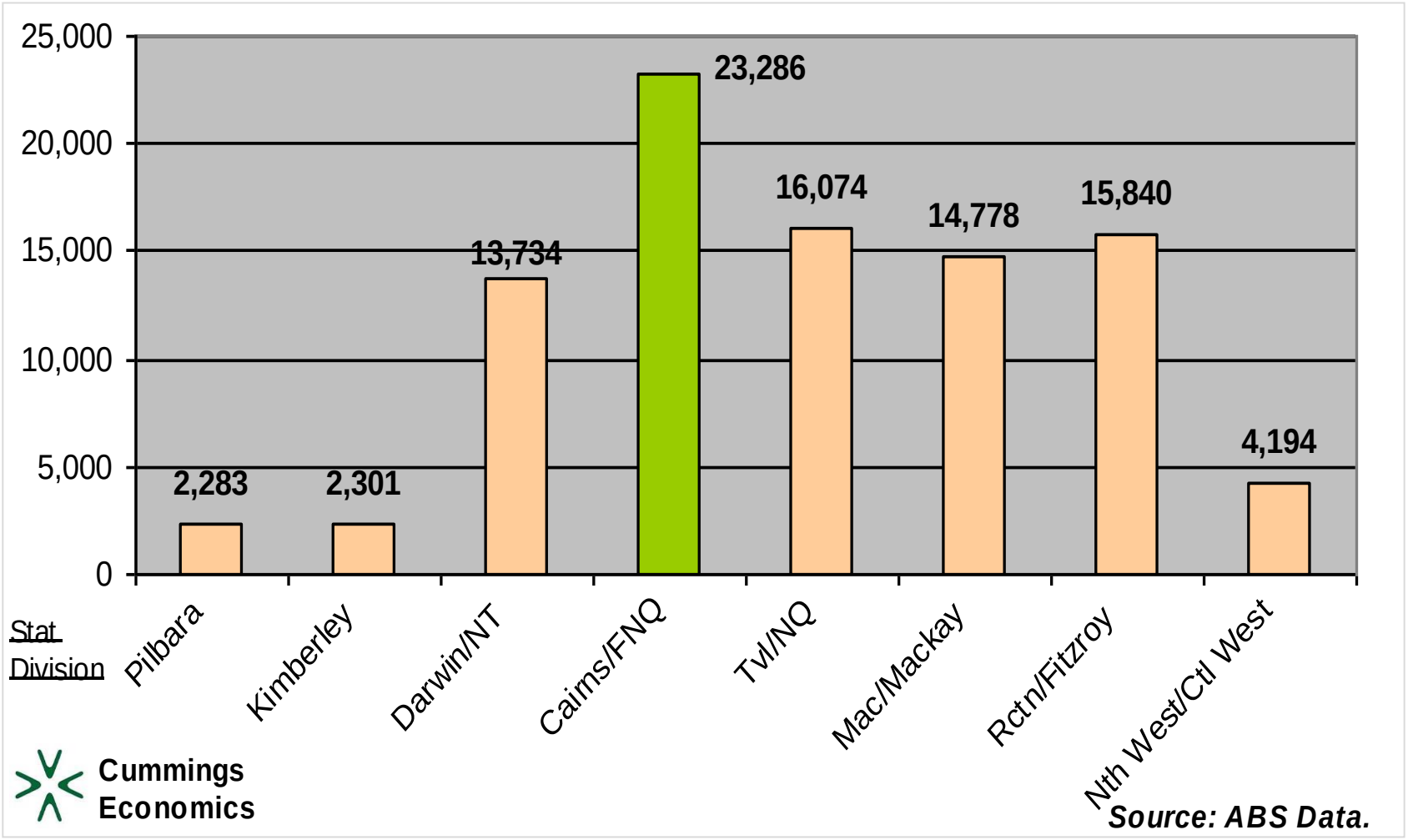
COMPARATIVE CENSUS COUNT POPULATIONS ACROSS NORTHERN AUSTRALIA



Scope: Cities defined by relevant ABS City Statistical Sub Divisions.
Note (1): Cairns Region defined as Far North Q'ld Statistical Division plus Gulf Shire areas of Carpentaria, Burke and Mornington of North West Statistical Division.
Note (2): Townsville Region defined as Northern Qld Statistical Division plus Hughenden to Mt Isa area of North West Statistical Division.
Note (3): Darwin Region defined as the whole of the Northern Territory.
Note (4): Rockhampton Region defined as the Fitzroy Statistical Division plus the Central West Statistical Division based on Longreach.
Note (5): Mackay Region defined as the Mackay Statistical Division alone.
Note (6): Kimberley and Pilbara Statistical Divisions.
Source: Cummings Economics from ABS Census data.

DARWIN REGION	DEFENCE, MINING, TOURISM, PRIMARY INDUSTRIES
CAIRNS REGION	TOURISM, PRIMARY INDUSTRIES, DEFENCE, MINING
TOWNSVILLE REGION	DEFENCE, MINING, PRIMARY INDUSTRIES, TOURISM
MACKAY REGION	MINING, TOURISM, PRIMARY INDUSTRIES
ROCKHAMPTON REGION	MINING, PRIMARY INDUSTRIES, TOURISM

TROPICAL AUSTRALIA COUNTS OF AUSTRALIAN BUSINESSES, JUNE 2007



TONNAGES SHIPPED THROUGH PORTS, 2009/10

	Million Tones
DARWIN REGION	21
CAIRNS REGION	22
TOWNSVILLE REGION	10
MACKAY REGION	99
ROCKHAMPTON REGION	79

AVIATION SECTOR - NORTHERN CITIES COMPARATIVE PASSENGER STATISTICS, 2009/10

	Domestic	International	Regional	Total
Cairns	**2,795,344**	**427,380**	**327,104**	**3,549,828**
Darwin	1,191,208	207,825	169,974	1,569,007
Townsville	1,281,367	Nil	237,002	1,518,369
Rockhampton	510,435	Nil	246,969	757,404
Mackay	720,946	Nil	196,292	917,238

Source: Cummings Economics from Department of Transport & Regional Services data.

GEOGRAPHICAL BACKGROUND

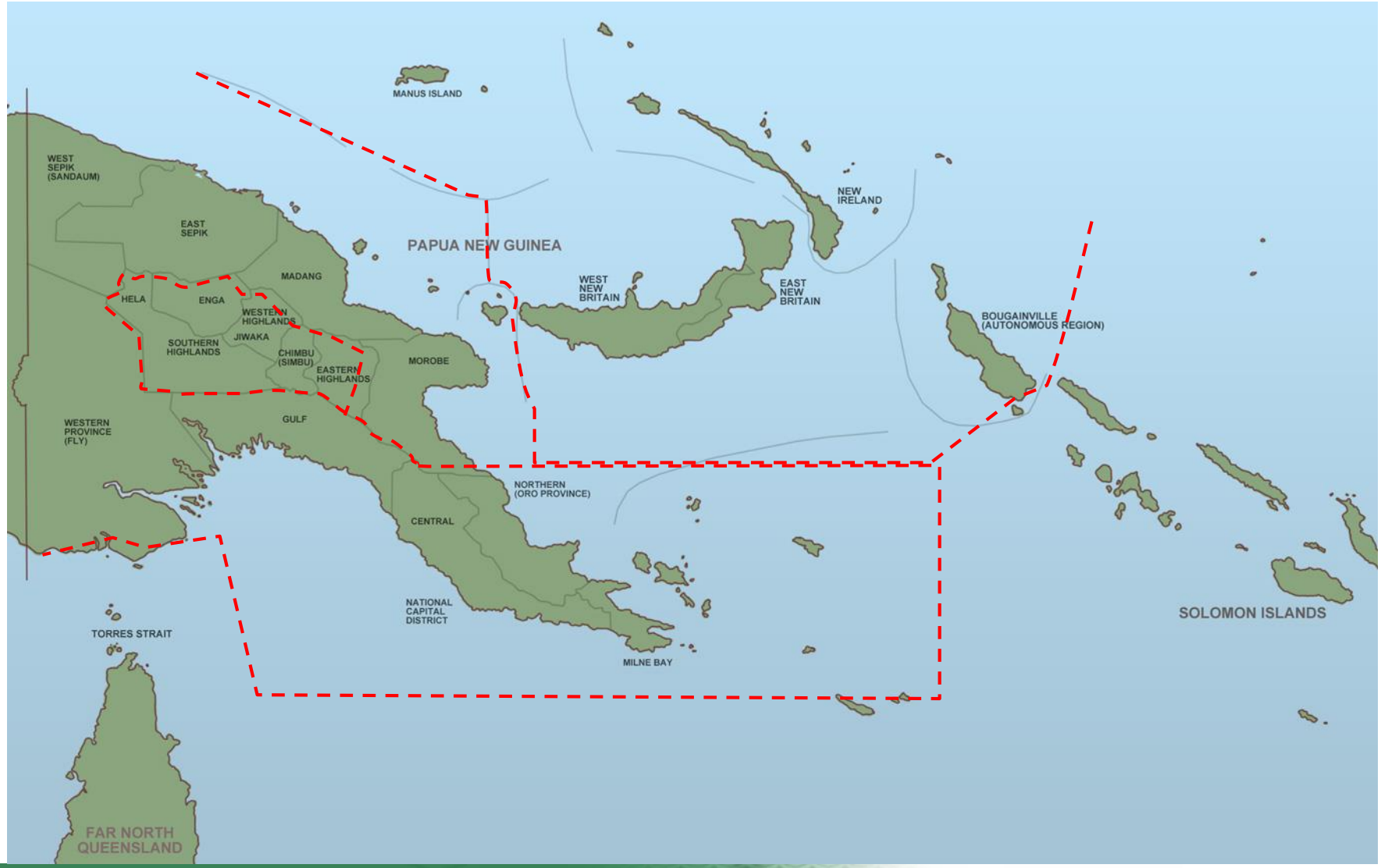
BRITISH ISLES
314,000 sq km

CALIFORNIA
411,000 sq km

CAIRNS REGION
389,000 sq km

PAPUA NEW GUNIEA
462,000 sq km

REGIONAL STRUCTURE OF PNG



LAE LEADS	**MANUFACTURING & PORT MOVEMENTS**
PORT MORESBY LEADS	**GOVERNMENT SERVICES & AIR LINKS**

PNG ECONOMY

THE ECONOMY OF PNG –KEY STATISTICS	
Population	6.6 m
Area	463,000 sq km
Gross Domestic Product – 2010	US$8.8 bn
GDP per capita	US$1,345
Source: Aust DFAT fact sheet.	

GDP BY INDUSTRY SECTOR, 2008	
Agriculture, forestry & fisheries	K7,500 m
Petroleum, mining & quarrying	K5,414 m
Construction	K2,240 m
Community, special & personal services	K1,804 m
Wholesale/retail trade	K1,368 m
Manufacturing	K1,278 m
Finance real estate & business services	K648 m
Transport, storage & communications	K440 m
Electricity, gas & water	K361 m
Other	K500 m
Source: PNG National Statistical Office & Department of Treasury.	

RECENT GROWTH: 2007 6.5%, 2008 7.2%, 2009 6.2%

MONETARY ECONOMY

- **PNG MONETARY GDP ABOUT $10 bn for 6.7 m PEOPLE**
- **(cf) CAIRNS REGION GDP $12 bn for 300,000 PEOPLE.**
- **(cf) AUSTRALIA GDP ABOUT $400 bn for 6.7 m PEOPLE.**

PNG ECONOMY

INTERNATIONAL TRADE SECTOR

- RATIO TO GDP – EXPORTS 83%, IMPORTS 62%
- LARGE IMPORT OF SERVICES
- AUSTRALIA - 47% EXPORTS, 43% IMPORTS
- OIL, COPPER & GOLD - ABOUT 60% OF EXPORTS

FINANCES & DEBT - RELATIVELY SOUND:

- BANK OF PNG RESERVE ROLE
- AUSTRALIAN BANKS ACTIVE
- GOVERNMENT DEBT - 30% OF GDP
- EXTERNAL DEBT – 26% OF GDP
- TOTAL EXTERNAL EXPOSURE (DEBT & EQUITY) – 47%
- DEBT SERVICE TO GDP – 12%

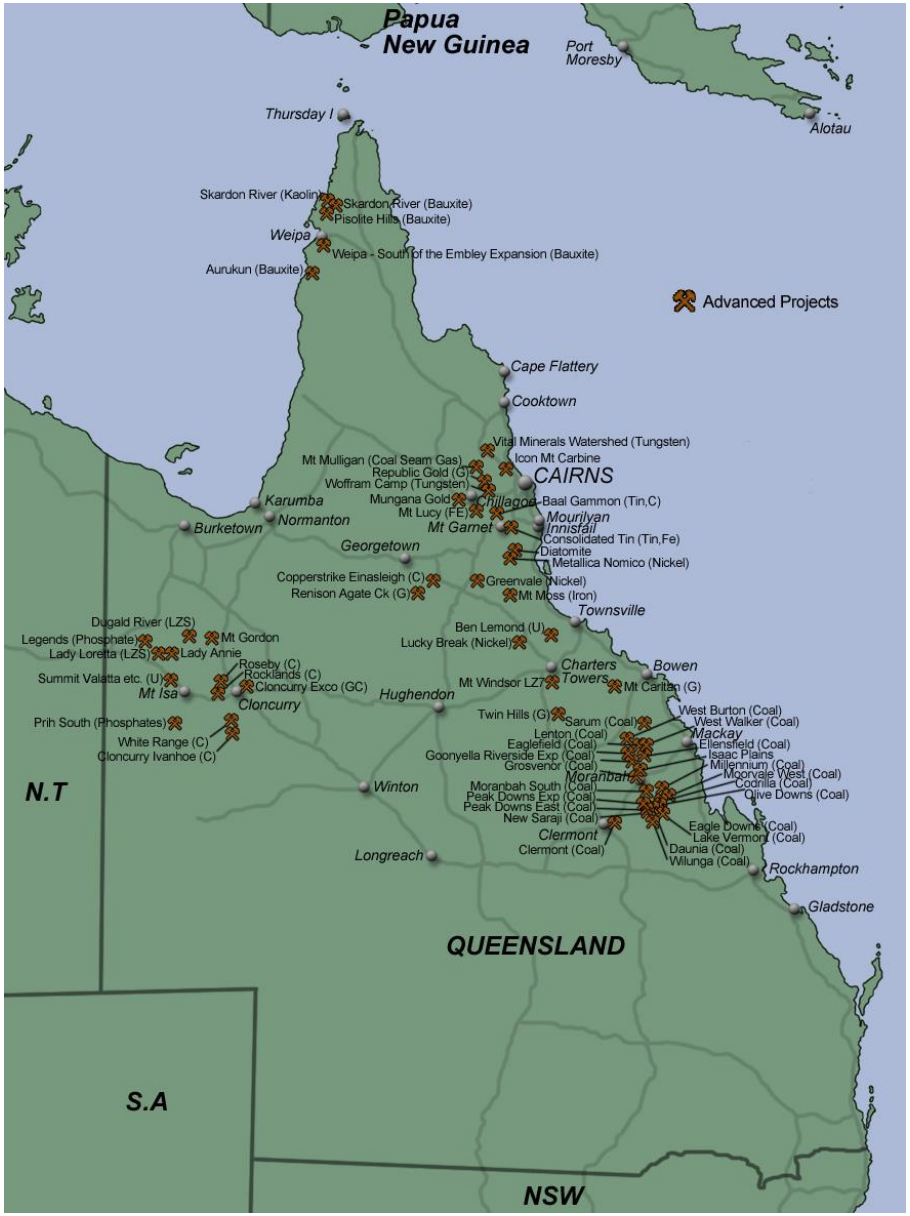
LOCATION OF MINERAL DEVELOPMENTS IDENTIFIED EARLY 2010.

LOCATION OF EXISTING MINERAL OPERATIONS NORTHERN QLD AS AT EARLY 2010

VALUE OF MINERAL PRODUCTION

TROPICAL QLD	$30bn
NT	$4bn
PNG	$11bn
FREEPORT	$7bn
Total	**$52bn**
cf WA	$92bn

PNG MAJOR NEW MINING DEVELOPMENTS



ADVANCED MINERAL PROJECTS NORTHERN QLD AS IDENTIFIED EARLY 2010

SECOND WAVE

FOOD, FIBRE

THIRD WAVE

TOURISM

WE CAN EXPECT MAJOR GROWTH THROUGHOUT THE AREA OVER THE NEXT DECADE

FIRST POINT

ALTHOUGH GAS & MINING WILL BRING A MAJOR BOOST IN GOVERNMENT FINANCES

NEED ASSISTANCE FROM AUSTRALIA & OTHER INTERNATIONAL AGENCIES

FUTURE TASKS

EDUCATION: ONE THIRD OF POPULATION OF SCHOOL AGE

	Male	Female
PRIMARY SCHOOL ENROLMENT	59%	50%
(cf 1990)	(71%)	(59%)
REACHING GRADE 5	60%	

- HALF A MILLION CHILDREN 6 – 12 YEARS NOT ATTENDING SCHOOL
- DROP OUT RATES HIGH.
- GRADE 8 EXAM RESULTS:
  - LITERACY – 40%
  - NUMERACY – 39%

HEALTH SYSTEM

- PROVIDERS – GOVERNMENT, CHURCHES, MINES & SMALL OTHER PRIVATE - CHURCHES 60% RURAL AREAS - FREE OR SMALL CHARGE FOR OUTPATIENT VISITS.
- CURRENT PLAN A “BACK TO BASICS” APPROACH

  - AID POSTS BECOME COMMUNITY HEALTH POSTS
  - HEALTH CENTRES
  - DISTRICT HOSPITALS DOCTOR
  - PROVINCIAL PUBLIC HOSPITALS
  - SPECIALIST REGIONAL HOSPITALS
  - PACIFIC MEDICAL CENTRE (TERTIARY – FULL TEACHING)

DISEASES

- PNEUMONIA, MALARIA, TB, DIHORREA, MENINGITIS.
- HIV/AIDS INCREASING (34,000).
- RECENT CHOLERA OUTBREAK
- ORAL CANCER (BETEL NUT CHEWING)
- PREVENTATIVE ACTION HYGIENE, EDUCATION.

PNG ROAD SYSTEM

SECOND POINT

EXPLOITING NEW OPPORTUNITIES WILL LEAD TO PNG STRENGTHENING RELATIONS WITH MAJOR TRADING PARTNERS OTHER THAN AUSTRALIA

BUT

SAME UNDERLYING FORCES IMPACTING ON NORTHERN AUSTRALIA.

GROWTH RELATIONS BETWEEN NORTHERN REGIONS & PAPUA NEW GUINEA WILL SUPPLEMENT, EXPAND & DEEPEN THE STRONG LONG-TERM RELATIONS BETWEEN AUSTRALIA & PNG.

CLOSER INTEGRATION OF REGIONAL ECONOMIES VERY IMPORTANT FOR DEVELOPING HIGHER LEVEL MANUFACTURING & SERVICE INDUSTRIES.

INCREASED AIR SERVICES

INCREASES IN SHIPPING LINKS

PNG OPPORTUNITIES IN NORTHERN REGIONS

- TIMBER, COPRA & PALM OIL KERNEL STOCKFEEDS
- PNG'S MANUFACTURING BASED ON LARGE POPULATION & LOWER WAGES
- MINERAL TO PROCESS IN NORTHERN QUEENSLAND
- GAS
- ELECTRICITY

WHERE NORTHERN REGIONS CAN HELP

- SKILLED WORKFORCE
- HEALTH
- EDUCATION & TRAINING
- RESEARCH
- SPORTS
- TOURISM

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