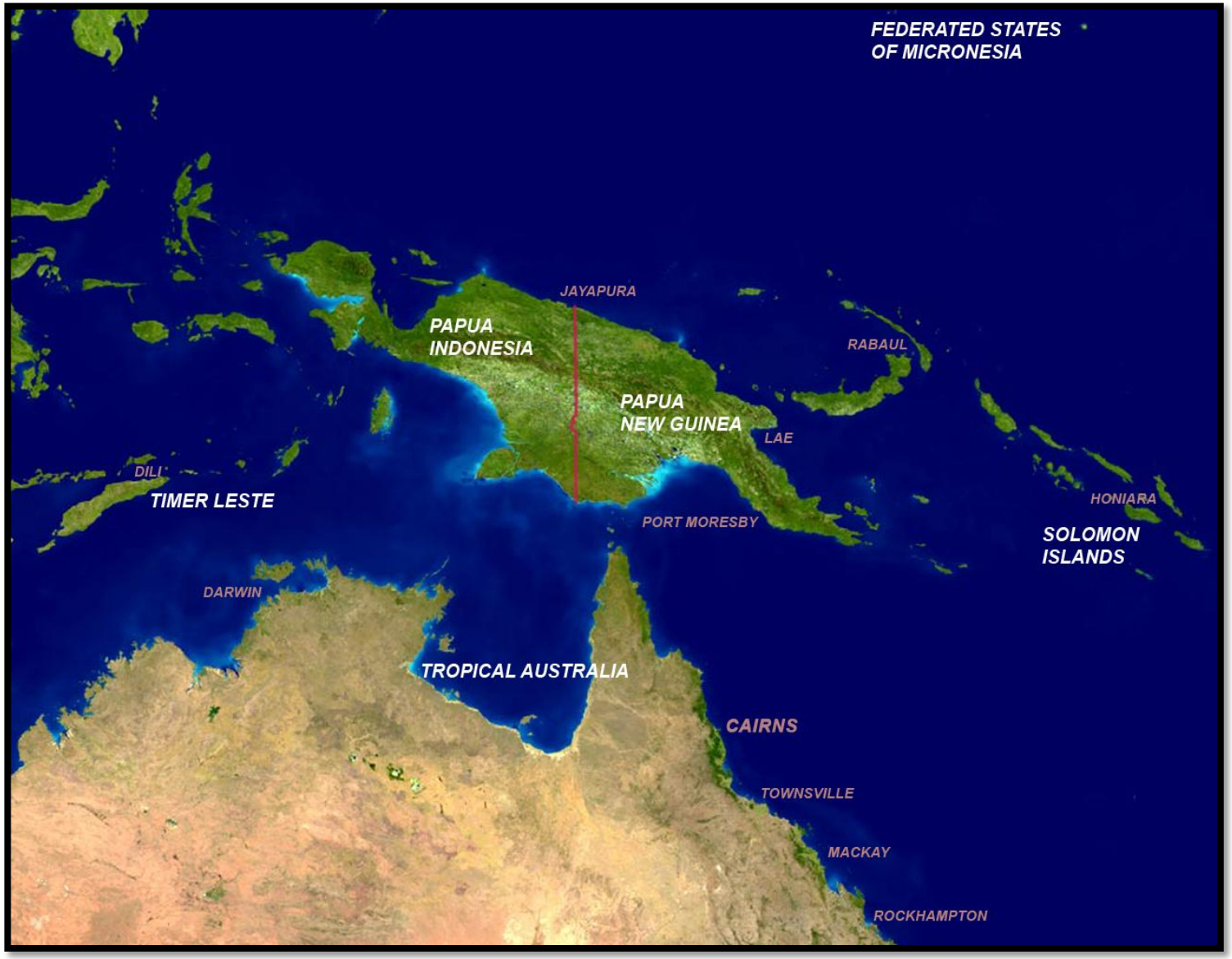
PNG GAS DEVELOPMENTS CONFERENCE

CAIRNS 31st July & 1st August 2012

"THE TROPICAL SOUTH WEST PACIFIC ECONOMIC OPPORTUNITIES & CHALLENGES"

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


FEDERATED STATES
OF MICRONESIA
JAYAPURA
PAPUA
INDONESIA
RABAUL
PAPUA
NEW GUINEA
LAE
DILI
TIMER LESTE
HONIARA
PORT MORESBY
SOLOMON
ISLANDS
DARWIN
TROPICAL AUSTRALIA
CAIRNS
TOWNSVILLE
MACKAY
ROCKHAMPTON

"….if one marks off a belt of a couple of thousand miles in width encircling the earth at the equator, one finds within it "no" developed countries. The industry such as there is, is extractive - tributary to the economies further North or South. The agriculture, excepting a substantial amount of plantation agriculture, is also primitive. Everywhere the standard of living is low and the span of human life is short. Surely all this is not an accident."

US Economist & Ambassador to India, Kenneth Galbraith

TROPICAL AUSTRALIA

INCOMES HIGH AUSTRALIAN COMMON MARKET

BUT

40% OF **AREA** OF **AUSTRALIA**

OVER **60%** OF **WATER RUNOFF**

&

1960'S **ONLY 4% OF AUSTRALIAN POPULATION**

TODAY **ABOUT 6%, 1.2 MILLION**

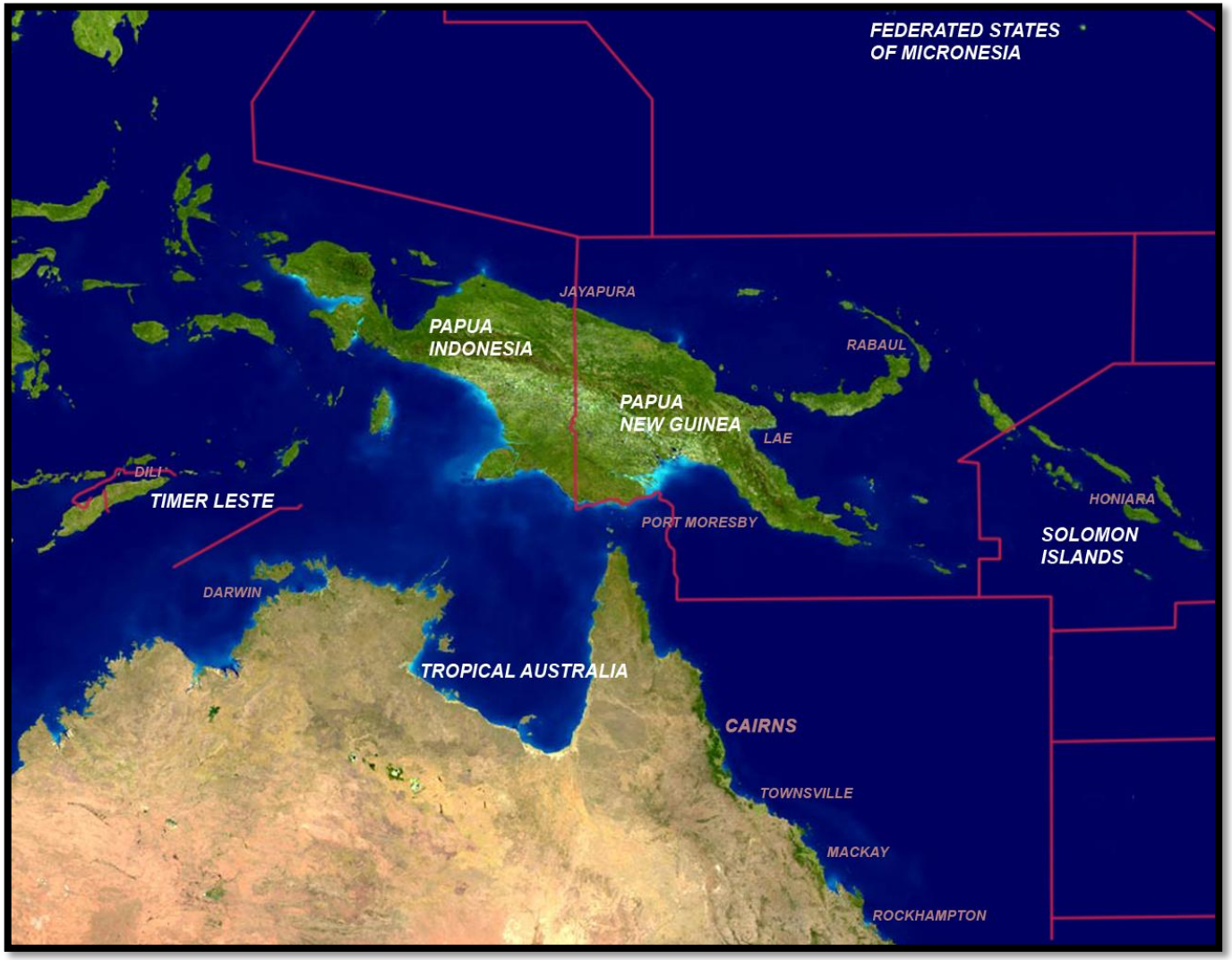
LACK OF ACCUMULATED INVESTMENT IN PHYSICAL INFRASTRUCTURE

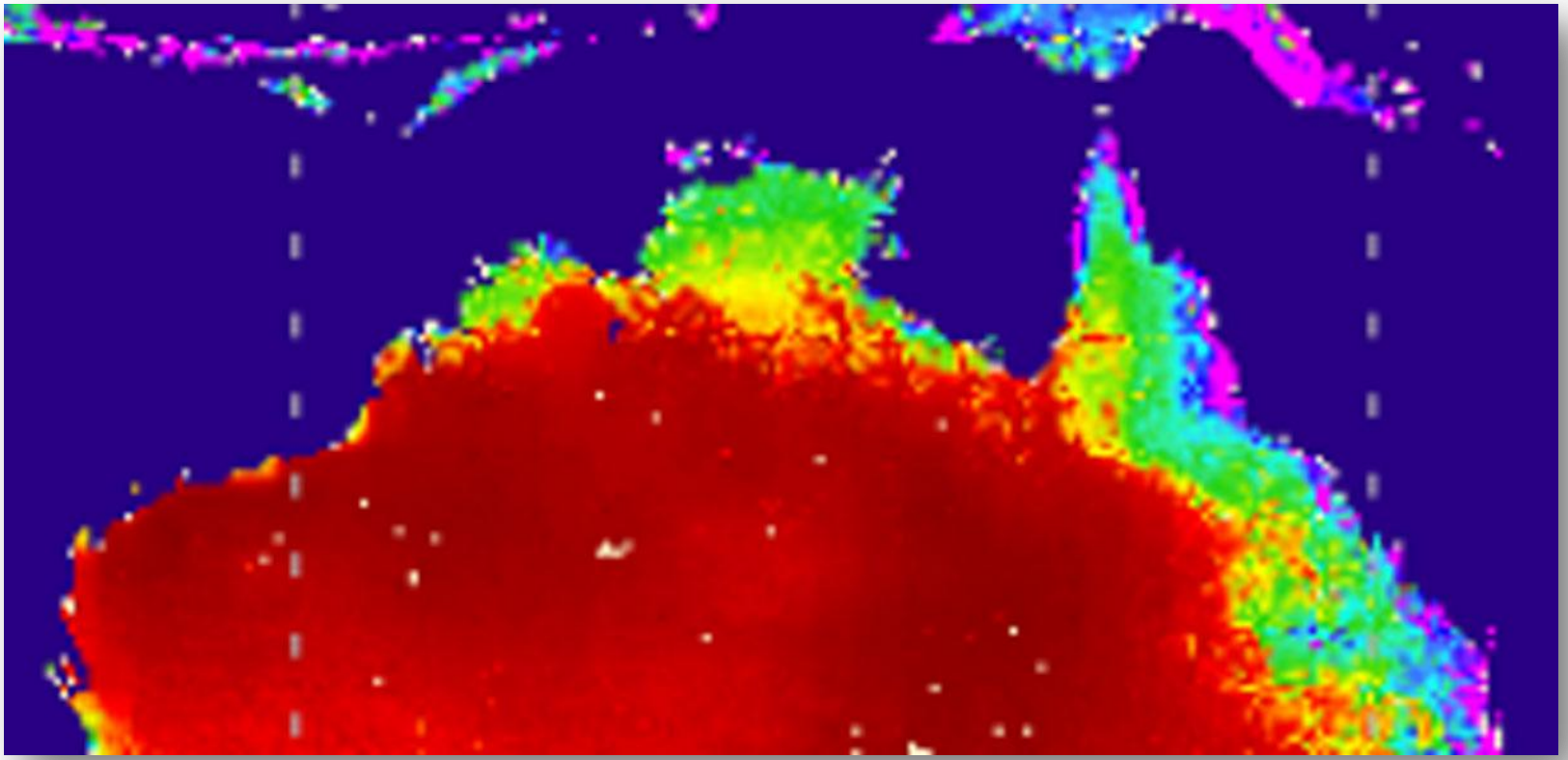
TROPICAL AUSTRALIA : ISLAND AREAS

ISLAND AREA : LACK OF ACCUMULATED INVESTMENT IN “HUMAN & SOCIAL” CAPITAL

- EDUCATION SERVICES
- HEALTH SERVICES
- SECURITY

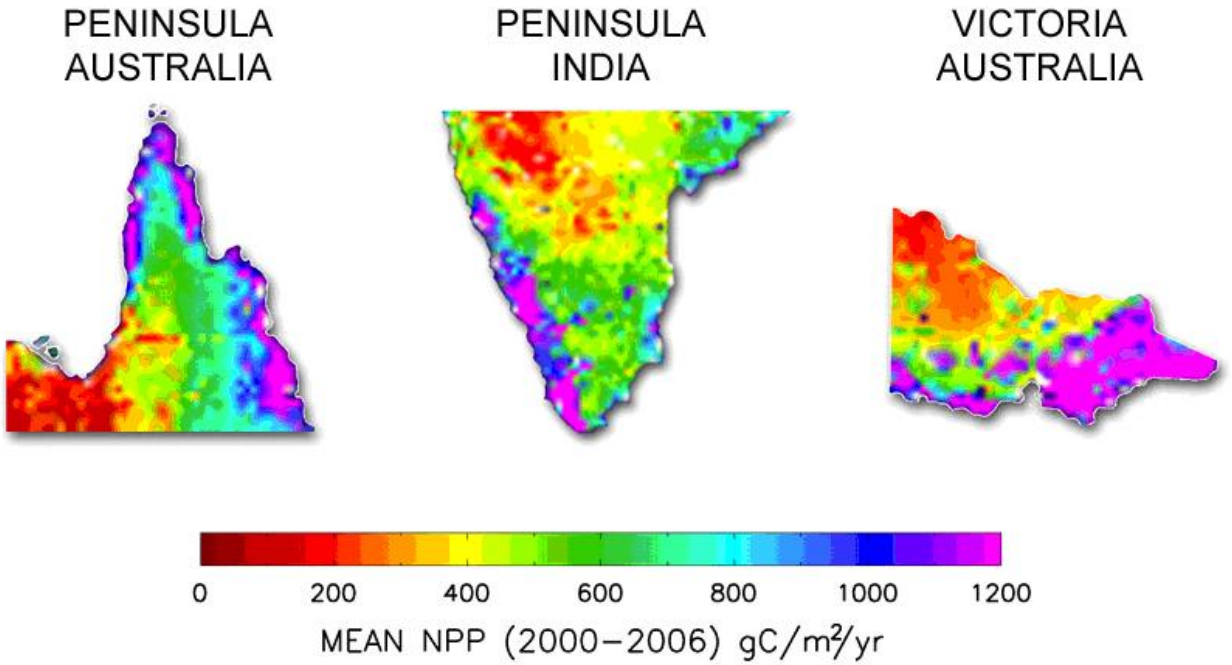
FRAGMENTED : CULTURAL, POLITICAL & ECONOMIC





MAP OF NETT PRIMARY PRODUCTIVITY (ABSORPTION OF CARBON BY PLANTS)

Source: NTGC University of Montana from Modis Satellite Data.



Source: NTGC University of Montana from Modis Satellite Data.

VALUE OF AGRICULTURAL PRODUCTION (FARM GATE)

FAR NORTH	$1.2bn
VICTORIA	$10.3bn
SE & SW QLD	$4.4bn

NO LACK OF UNDERLYING NATURAL RESOURCES

- MARINE
- MINERAL
- TOURISM

FOUR UNDERLYING FACTORS

GROWTH IN GLOBAL ECONOMY

REACHING OUT FOR PREVIOUSLY MARGINAL RESOURCES

- SOUTHERN AUSTRALIA
- ASIA, JAPAN, KOREA, TAIWAN, SINGAPORE, MALAYSIA
- NOW CHINA & INDIA

TRANSPORT DEVELOPMENTS

BREAK DOWN BARRIERS OF REMOTENESS

- BULK CARRIERS
- ROAD TRANSPORT
- AIRCRAFT
- SATELLITES & TELECOMMUNICATIONS

TRANSPORT & COMMUNICATION DEVELOPMENT

DARK SIDE

TECHNOLOGY SUITED TO THE TROPICS

- PLANTS & ANIMAL BREEDS
- TOURISM TECHNOLOGY
- EVERYDAY LIVING

SUCCESS BREEDS SUCCESS

Cairns' Position on List of Australia's Main Cities

City Stat Sub Divisions		**Estimated Residential Population, 2010**
15	DARWIN	127,532
14	CAIRNS	150,920
13	TOWNSVILLE	172,316
12	GEELONG	178,650
11	HOBART	214,705
		Census Count (Total including visitors), 2006
15	DARWIN	117,332
14	CAIRNS	143,436
13	TOWNSVILLE	148,414
12	GEELONG	159,254
11	HOBART	198,945
		cf. Population (Estimated Residential), 1976
Cairns		49,590
Rockhampton		53,660 *
Bendigo		55,152 *
Orange/Bathurst		55,933 *
Albury Wodonga		63,409 *
Ballarat		68,450 *
Toowoomba		69,390 *
Launceston		81,636 *
Townsville		90,540

** Cities then larger than Cairns in population now with less population than Cairns.*
Source: Cummings Economics from ABS data.

POPULATION GROWTH : PNG CITIES

	Port Moresby	Lae
1980	123,624	61,617
1990	195,570	88,172
2000	254,158	123,398
2009	307,643	na
Av Annual growth rate	+3.2% pa	+3.5% pa (1980 – 2000)

- DUTCH NEW GUINEA ➔ IRIAN JAYA ➔ PAPUA INDONESIA/PAPUA BARAT

FREEPORT MCMORAN	
OUTPUT $5.3 BILLION PA	
TANGGUH GAS FIELD	
OUTPUT 7.6 MILLION TONNES PA	

- PORTUGUESE TIMOR : INDONESIA : TIMOR LESTE : OFFSHORE GASFIELDS
- SOLOMON ISLANDS GOLD RIDGE MINE - INDEPENDENT STATE
- FEDERATED STATES OF MICRONESIA - INDEPENDENT STATE

POPULATIONS

	Number	Percent
Papua New Guinea 2011	7,060,000	51%
Papua Indonesia/Papua Barat 2010	3,590,000	26%
Tropical Australia	1,284,000	9%
Timor Leste 2011	1,090,000	8%
Solomon Islands 2011	540,000	4%
Vanuatu 2011	240,000	2%
Federated States of Micronesia 2011	100,000	1%
TOTAL	13,904,000	100%

AVERAGE ANNUAL GROWTH RATE : 2009 - 2011

Papua New Guinea	2.2%
Solomon Islands	2.3%
Timor Leste	2.4%

COMPARATIVE AREAS

PAPUA NEW GUNIEA
462,000 sq km

CAIRNS REGION
389,000 sq km

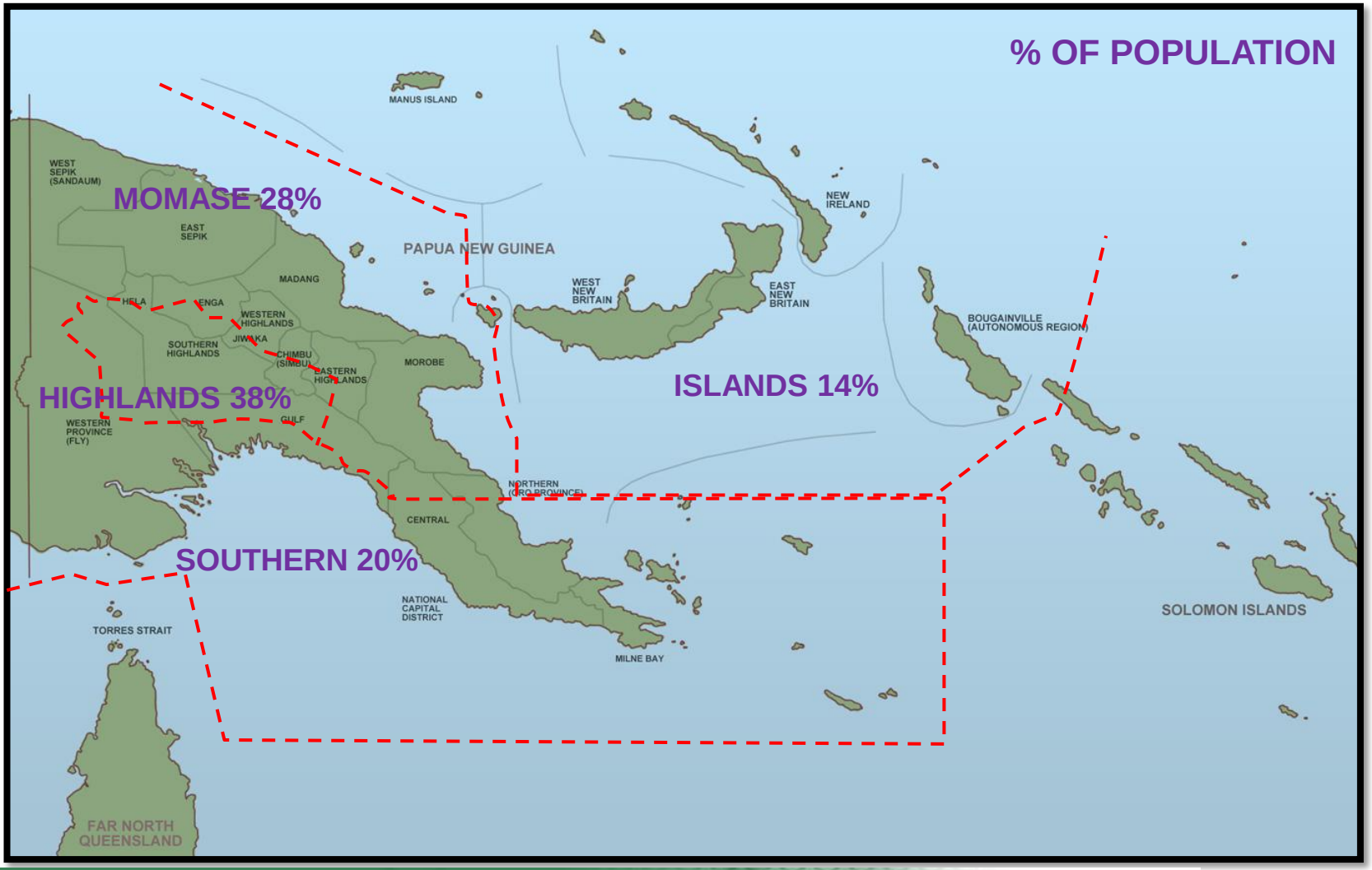
BRITISH ISLES
314,000 sq km

CALIFORNIA
411,000 sq km

REGIONAL RESIDENTIAL POPULATION SERVICED BY NORTHERN CITIES

CITY	SERVICE AREA	2011 EST RESIDENTIAL POPULATION
Cairns	Far North Statistical Division plus Gulf	**283,326**
Townsville	Northern Statistical Division plus Mt Isa/North West Statistical Division excluding Gulf	264,286
Mackay	Mackay Statistical Division	169,093
Rockhampton	Fitzroy Statistical Division plus Central West Statistical Division	239,906
Darwin	Northern Territory	230,369

REGIONAL STRUCTURE OF PNG



COMPARATIVE GROSS DOMESTIC PRODUCTS 2010/11

	Total $ Aust	(%)	Per Capita $ Aust
Tropical Australia (estimate)	**$56.3 bn**	**(58%)**	**$44,000**
Papua New Guinea	$9.6 bn	(10%)	$1,370
Papua Indonesia/Papua Barat	$13.5 bn	(14%)	$3,760
Timor Leste	$2.5 bn	(3%)	$2,300
Solomon Islands	$5.8 bn	(6%)	$1,080
Vanuatu	$6.7 bn	(7%)	$2,780
Federated States of Micronesia	$2.9 bn	(3%)	$2,900
Total	$97.3 bn	(100%)	

RATIO EXPORTS / OUTSIDE EARNINGS TO GDP

Papua New Guinea (exports)	83%
Cairns Far North Region (outside earnings)	(est) 50%
Australia (exports)	18%

APPROXIMATE INDUSTRY STRUCTURE OF GDP

	PNG	Cairns/ Far North Region
Agriculture, Forestry & Fisheries	31%	6%
Mining	22%	6%
Construction	13%	12%
Manufacturing	6%	10%
Transport & Storage & Communications	3%	9%
Other Services	25%	57%
Total	100%	100%

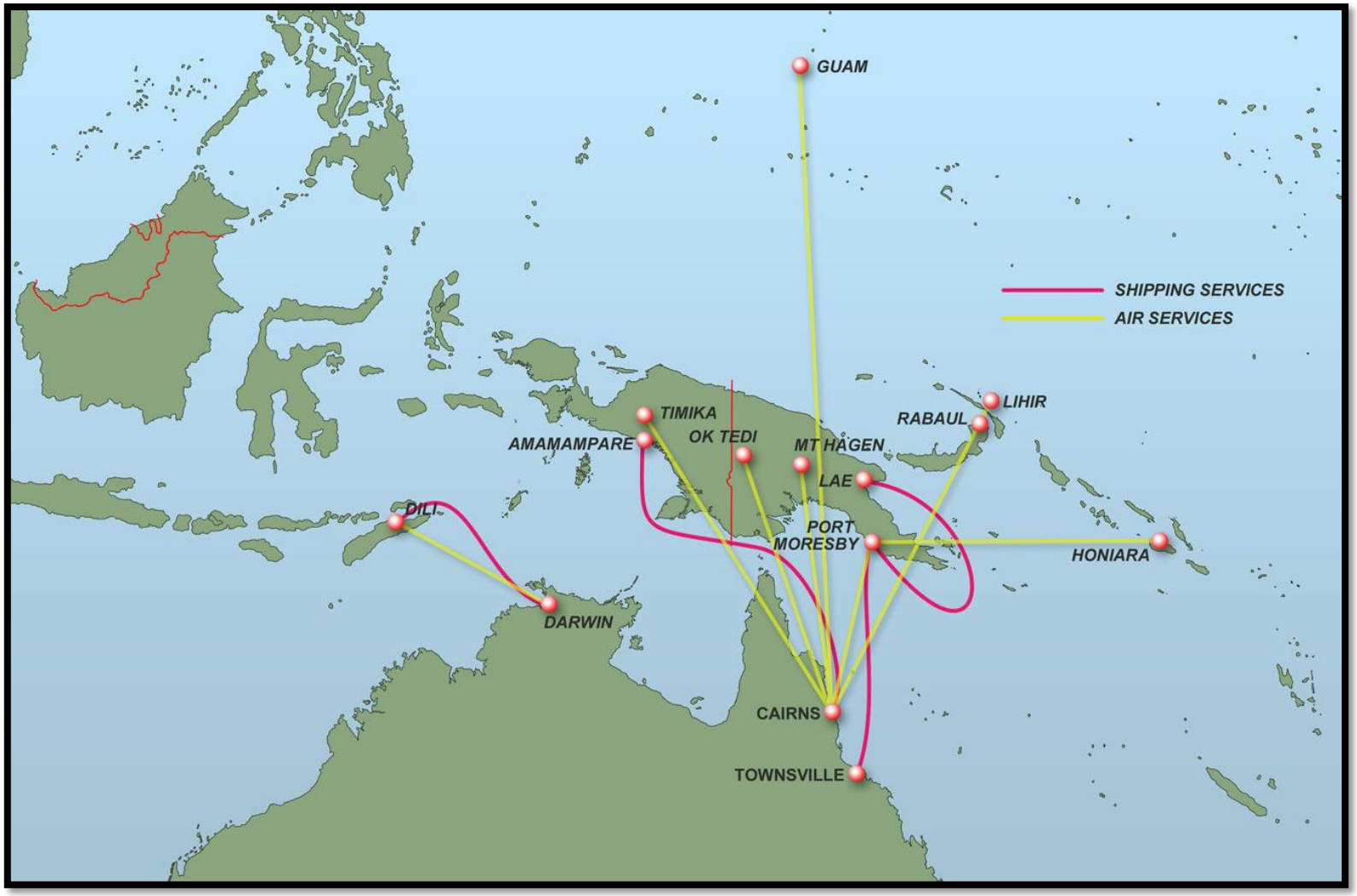
(Source: ADB & North Australia Research Group.)

WHILE STRONG PROGRESS

FUNDAMENTALS STILL THE SAME

- TROPICAL AUSTRALIA POPULATION ONLY 6% OF AUSTRALIAN TOTAL
- ISLAND AREAS STILL WAY DOWN LIST IN PER CAPITA INCOMES

CURRENT TRANSPORT : INTER-LINKAGES



CHINA & INDIA DEMAND

PHASES

- MINERALS & ENERGY
- BASIC PRIMARY INDUSTRY PRODUCTS
- HIGHER VALUE / PROTEIN PRIMARY PRODUCTS
- TOURISM

NORTHERN DEVELOPMENT PARADOX

ECONOMIES TOO DEPENDENT ON RESOURCE BASED INDUSTRIES

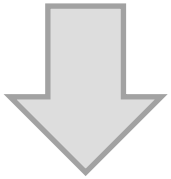
NOT BECAUSE HADN'T DEVELOPED HIGHER ORDER MANUFACTURING & SERVICE INDUSTRIES

BUT BECAUSE HADN'T DEVELOPED ENOUGH BASIC RESOURCE BASED INDUSTRIES UPON WHICH TO BUILD HIGHER ORDER MANUFACTURING & SERVICE INDUSTRIES

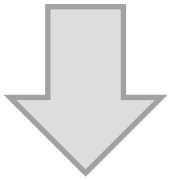
FOUNDATIONS OF ECONOMIC PROGRESS

ABILITY TO DEVELOP WIDER RESOURCES BASED POTENTIAL

- MINING & ENERGY



- PRIMARY INDUSTRIES



- TOURISM

HOWEVER : IF PROGRESS BEYOND THAT

ISLAND AREAS NEED TO DEVELOP

HUMAN AND SOCIAL CAPITAL

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

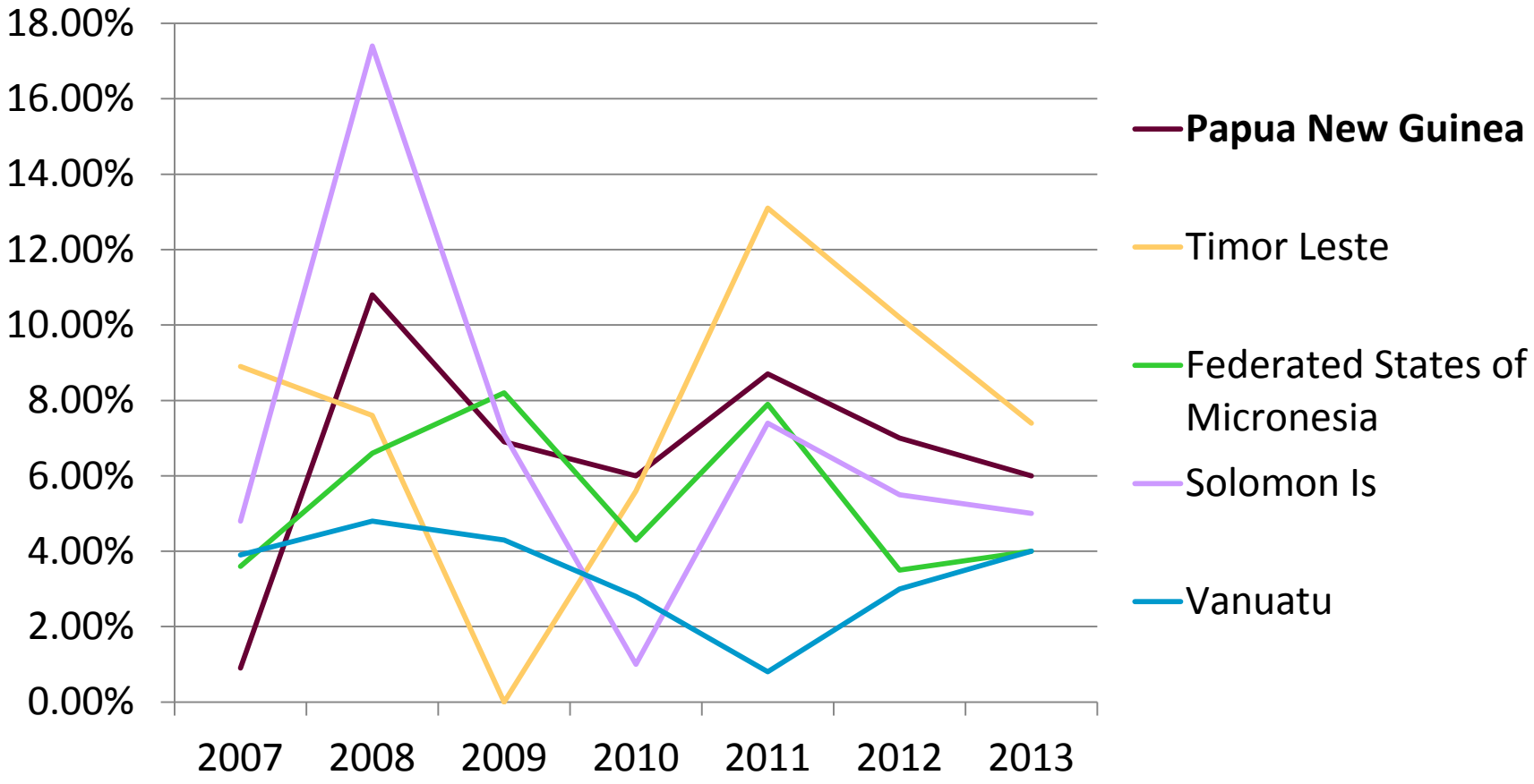
- PNEUMONIA, MALARIA, TB, DIHORREA, MENINGITIS.
- HIV/AIDS INCREASING (34,000).
- RECENT CHOLERA OUTBREAK
- ORAL CANCER (BETEL NUT CHEWING)
- PREVENTATIVE ACTION HYGIENE, EDUCATION.

NEED TO INVEST IN PHYSICAL INFRASTRUCTURE

IF HIGHER ORDER MANUFACTURING & SERVICES ARE TO BE DEVELOPED

NEED FOR FRAGMENTATION BARRIERS TO BE KEPT DOWN

INFLATION RATES



EXCHANGE RATES

POST PROJECT LET DOWN THREAT UNLESS OTHERS COME ON STREAM

PNG GAS DEVELOPMENTS CONFERENCE

CAIRNS 31st July & 1st August 2012

"THE TROPICAL SOUTH WEST PACIFIC ECONOMIC OPPORTUNITIES & CHALLENGES"

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

www.cummings.net.au