

Speech to the Australia-PNG Business Forum – 25 May

Good afternoon from Lae, Morobe Province.

In the last year, the Australian Government has committed to elevating our economic relationship with Papua New Guinea, through the Comprehensive Strategic and Economic Partnership (the CSEP) agreed by our two Prime Ministers in August 2020.

The CSEP prioritises free and open trade and stable investment regimes to grow our shared prosperity, and acknowledges the private sector is key to driving economic cooperation and development.

With this mind, engaging with the business community in Lae, the wider Morobe Province and surrounding regions is one of the most rewarding and high-impact aspects of my role as Consul-General.

So, my focus today is on the opportunities for business in Morobe. Central to this question are the investments being made in Morobe in important infrastructure, agricultural productivity, manufacturing, and education for the skills needed for future growth.

Yet we cannot ignore the challenges, which are well-known.

From 2003 to 2015, PNG experienced relatively strong economic growth, assisted by high commodity prices for PNG's exports, supportive macroeconomic policy settings, and developments in the resources sector. This included the construction of the PNG LNG Project and the first gas exports in 2014.

However, growth has flagged in recent times, compounded by natural disasters, lower commodity prices and the impact of COVID-19.

Around 80 to 85 per cent of Papua New Guineans continue to reside in traditional rural communities, and the majority secure their livelihoods from subsistence gardens and small-scale cash cropping.

As PNG's most populous province¹, and with more districts than any other province (nine), Morobe is well aware of the challenges of modernising and diversifying its economy.

But, if done right, Morobe Province has an incredible platform from which to grow. The right combination of investment and education could lead to exciting prospects for business in Morobe.

Morobe is a province of immense, future opportunity. The province is rich in untapped natural resources and potential human capital.

¹ Population estimated at 970,000 in 2018 by the Provincial Government

The capital, Lae, is the second largest city after Port Moresby and the manufacturing, agribusiness and logistics hub of the country.

Historically, Japan, the United States and Australia all recognised Lae's significance for sustaining logistic lines of supply in the South West Pacific theatre of World War II.

This strategic value has endured in modern times and is reflected in the economic opportunities the city holds as a gateway for trade and investment in the Indo-Pacific.

Today, PNG's main road networks (the Highlands, Ramu and Wau Highways) merge near Lae and the city sits at the centre of the Pacific Islands' largest contiguous economic zone outside of Australia and New Zealand.

Industries in the province include mining, manufacturing, food processing, coffee, cocoa, livestock, poultry, plantation forestry, oil palm and fisheries.

Many manufacturing companies have factories established in Lae, including KK Kingston, Coca-Cola, Nestle, Prima Smallgoods, Majestic Seafood, Lae Biscuits, Paradise Foods, SP Brewery, and Frabelle tuna canners, to name a few.

Trukai Industries Ltd (a subsidiary of Australian company Sunrice) operates its major PNG rice importing, blending and enriching operations in Lae, and runs a major farm in Erap in Morobe's Markham Valley.

The Hidden Valley gold mine and the prospective Wafi-Golpu Copper-Gold Project (a 50-50 joint venture between Australia's Newcrest Mining Ltd and Harmony Gold) are also both located in Morobe Province.

As a growing centre of economic activity, Morobe Province is the site of a number of key investments, which aim to boost connectivity, the ease of doing business, and productivity in the province.

For businesses looking for access to the north of PNG, Lae is the logical entry point.

Morobe Province is home to PNG's largest and busiest port, and to logistics companies servicing all of PNG's highlands provinces, connecting them to PNG as well to external markets.

The Port of Lae is one of only three profitable ports in PNG, the others being Port Moresby and Kimbe².

² The ports of Madang and Rabaul are breakeven. The remaining eleven ports are loss-making and are cross-subsidised from the three profitable operations. Diagnostic Report on Competitiveness and Overall Market Structure of Port Industry in Papua New Guinea, March 2017, APEC Economic Committee.

A 2017 APEC report noted that the PNG Ports Corporation Port of Lae handled some 193,000 containers in 2015, compared to 79,000 in Port Moresby. More recently, on 19 April, a Business Advantage PNG article (titled *Papua New Guinea's Lae set to become Pacific hub*) it was quoted that at least 200 to 300 containers a month are transhipped in Lae, with an aim to increase that up to 3,000 to 4,000 a month.

In addition, Prime Minister Marape announced in August last year a 692 million Kina redevelopment of Nadzab Airport in Lae in order to expand transport capacity as the second busiest domestic airport and to be the nation's second international airport (offering short to medium-haul flights up to B737 capacity). This is a co-funded project with the Japan International Cooperation Agency and is scheduled to be completed by 2022.

With an increased capacity to handle goods through air entry, Morobe is likely to see increased transport efficiencies. This should provide downwards pressure on fees to facilitate products through Morobe.

Australia is also making substantial investments in Morobe Province.

We recognise that Morobe will continue to need the combination of investment and education to reach its full potential.

Our investments in transport, education and agricultural productivity, strongly supports the Comprehensive Strategic and Economic Partnership that I mentioned earlier.

Australia is investing in ongoing road maintenance activities with the intention of making it easier and cheaper to transport products.

For example, we funded:

- Multiple ongoing minor contracts on a 111 km stretch of the Wau Highway.
- Ongoing minor contracts on an 18 km stretch of the Highlands Highway approaching Nadzab Airport.
- On the Ramu Highway, a 31 km stretch in the Morobe section has had a Fixed Term Maintenance Contract awarded. On completion (June 2021) we will continue with multiple minor works contracts.
- And a significant, long-term Maintenance Contract (five years) is planned to start in the province Q3 2021.

Australia has also partnered with PNG on the redevelopment of ANGAU Hospital and for health service delivery in Morobe Province. The ANGAU Hospital redevelopment is the largest Australian infrastructure project in Papua New Guinea since independence and will position the hospital as a leading specialist healthcare provider for the country, serving a catchment area of almost two million people.

Lae is also the gateway to the fertile Markham Valley. As one of the most important regions for agriculture in PNG, we recognise the importance of creating efficiencies in this sector.

For example, Australia funds the Grow PNG project, an offshoot of the World Economic Forum's Grow Asia, providing 3million Australian dollars over three years until 2022.

This program brings together business leaders, policy makers, civil society and farmers to unlock growth in the agriculture sector, starting in the Markham Valley and aiming to increase smallholder household incomes by 20% within eight years.

At the same time, Morobe businesses located along the length of the production chain are benefiting from import substitution and from growing populations in the Momase and Highlands regions.

Australia also recognises the important role that education will play in Morobe's economic future.

This development of human capital will lead to increased skills in the region over time, with the proper education.

For example, as a priority of the Marape Government, Australia has agreed to expand support for Technical Vocational Education and Training (TVET) in PNG. Worth up to 45m Australian dollars over six years (2020-2026), the program will strengthen TVET provision in subnational locations and increase the number of skilled graduates with qualifications that respond to industry and the economy.

Australia has also expanded the regional Australia Pacific Training Coalition program for formal TVET skills provision beyond Port Moresby, partnering initially with Mt Hagen Technical College, Highlands Agricultural College, and Bougainville Technical College.

Given its immense potential, Morobe (and Lae more generally) will no doubt garner consideration as a future TVET partner institution location. This will see a scale up of formal TVET skills in priority provincial growth sectors including construction, infrastructure, agriculture, mining, and hospitality to address the shortage of qualified workers and decrease the number of foreign workers.

Programs such as these aim to develop the skills base in Morobe Province so that future industries can source the skills needed to expand and grow the private sector.

In a forum such as this, and in considering future investments into Morobe Province, it is important to highlight that Australia tenders development projects openly, and businesses are encouraged to keep an eye on the AusTender web-site and local media for upcoming opportunities.

One area which can support Morobe's economic corridor is the improvement of digital connectivity.

Across PNG, access to digital infrastructure remains low. Approximately 65% of Papua New Guineans have access to mobile phone coverage (2G) and just 12% of the population is online.

While the foundations for a digital future have been laid – including through the Coral Sea Cable and Kumul Domestic Cable - PNG's Telecommunications Infrastructure remains underdeveloped and expensive to access.

Morobe's development will, in part, depend on its advancement towards a digital future, helping to connect Lae and other Indo-Pacific trade and investment centres where air or sea infrastructure links do not yet exist.

Lae, as home to PNG's University of Technology, could also emerge as a potential site for a digital innovation hub, and another data centre for PNG. If pursued, these could be important future developments for Morobe, but as we know digital investment takes time to mature.

Ladies and gentlemen, I today have outlined the enormous opportunities that lie waiting in Morobe Province.

The Australian Government recognises the huge potential in this area of PNG, and continues to prioritise investments in infrastructure, education, skills, agriculture and human development, to ensure that Morobe can maximise its natural bounty.

It is, after all, why the Australian Government selected Morobe's capital, Lae, as the location for a new diplomatic mission, opened only four years ago. Few other locations in PNG bring together all the elements of Australian interest in the way that Lae does.

In closing, we encourage businesses to see this potential as well. The right combination of investments and education will ensure a prosperous entrepreneurial future in Morobe Province, led by its capital in Lae.

Thank you.

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