

# **Queensland Government Trade Mission**

## **Papua New Guinea**

**16 and 17 March 2010**

The Honorable Andrew Fraser MP

Treasurer

Minister for Employment and Economic Development

## Queensland Government Trade Mission

### Papua New Guinea

#### Report by the Honorable Andrew Fraser MP, Treasurer, Minister for Employment and Economic Development

##### Overview

On 16 and 17 March 2010 I lead a trade delegation of Queensland business leaders to Papua New Guinea (PNG).

The delegation comprised Mr Ross Contarino, CEO Advanced Cairns, Mr Jeremy Blockey, Consultant Advanced Cairns and Chamber of Commerce and Industry, Mr Rob Leeds, Executive Advisor Cairns City Council, Katrina Paterson Economic Development Officer Cairns City Council, Chris Sunsamy, Director CBC Staff Selection, Janette Clonan, Clonan Connection, Christine Scott, Managing Director, Codice, Gordon Taylor, Information Technology Manager Cordice, Mike Zofek, Sales Representative Custom Fluidpower, Chris Fahlstrom, CEO Fahlstrom Scaffolding, Kisten Bodkin, Manager Fahlstrom Scaffolding, Kevin Voss, Manager FSP Australia Pty Ltd, Steve Hewitt, Managing Director FSP Australia Pty Ltd, Chris Martin, Global Supply Chain Manager ICN Qld, Mark Flynn, Managing Director Infratech Management Consultants, Timothy Ashton, General Manager International Water Projects, David Hawke International Business Manager International Water Projects, Wayne O'Hanlon Operations Manager I-Power Solutions Pty Ltd, Paul Steene, Sales Manager I-Power Solutions Pty Ltd, Joshua Jennedy-White, Strategic Development Executive Lang O'Rourke Australia, Tony Larkin, Heavy Lift and Infrastructure Manager LCR Lindores Group, Ian McLeod, Director McLeod Training Organisation, Warren Purdom, Director McLeod Training Organisation, Ashley Finn, Managing Director Pacific Islands International, Clare Ryan Port of Townsville Limited, Steve Hillyard, General Manager of Queensland, Northern Territory and Papua New Guinea Pronto Software, John Woolfield, Territory Manager Papua New Guinea Pronto Software, Tom Mosby Executive Manager – Indigenous Research Projects State Library of Queensland, Matthew O'Shannessy, Training Manager SWQ Training, Hurriyet Babacan, Foundation Manager The Cairns Institute James Cook University, Carole Dooley, Produce Manager Tong Sing Pty Ltd, Richard Packer, Engineering Manager, Townsville Engineering Industries, Joann Pyne, Institute Director Tropical North Queensland Institute of TAFE, Graham Poon, CEO Troplinks, Chris Gillis, Project Manager Visual Obsession and Harleys Educational, Kevin Byrne, Queensland Government Special Trade Representative to PNG, Travis Dawson, Policy Advisor Office of the Treasurer, Tammy Bacon, Principal Trade Officer Trade Queensland and Deborah Maguire, Senior Regional Development Officer Department of Employment, Economic Development and Innovation.

This trade mission was one of the largest ever conducted by Trade Queensland reflecting the importance placed on maintaining positive relations between PNG and Australia as well as the strong trade ties which already exist between Queensland and PNG.

Whilst absent the Premier acted as Treasurer and Minister for Employment and Economic Development.

Australia's bilateral relationship with PNG extends to before its declaration of independence in 1975. PNG's geographic location and strong historic links with Australia have ensured that a robust, active and dynamic partnership has developed between the two countries.

North Queensland has been integral to the development of close business and personal links between Queensland and PNG, due in part to its proximity as the closest Australian region to PNG and in part to its natural connections with the nation through the Torres Strait.

With Cairns the closest major Australia international airport to Port Moresby, dynamic connections have been established between the two centers and the relationship has developed to the point where PNG residents are willing to claim Cairns as an outpost of PNG. The connection between Far North Queensland and PNG continue to grow through increased migration flows between the two countries.

The focus of the mission was to cement PNG as Queensland's second highest destination for knowledge intensive exports, second only to India, and explore opportunities to expand the already healthy trade flows which see PNG as the fourth largest source of imports to Queensland, behind China, the US and Japan.

PNG is a developing neighbour that faces significant opportunities into the future as it manages its rapid economic growth. It achieved remarkable economic growth through the global recession and is projected to grow at over 8% this financial year. Such remarkable economic growth provides significant opportunities to further deepen trade flows and further increase technology, capital and cultural flows between PNG and Queensland..

### **Summary of meetings**

As part of the program I was able to conduct meetings relevant to both the trade mission and my ministerial responsibilities as Treasurer and Minister for Employment and Economic Development.

I met with the Treasurer, the Honorable Patrick Pruaitch MP, regarding budgetary and fiscal priorities and broader macro-economic policy settings of the PNG Government. I also met with the Governor of the Central Bank, Governor Loi Bakani, where we discussed the challenges of conduction of monetary policy when faced with significant economic growth being projected in the budget.

I met with the Minister for National Planning and District Development, the Honorable Paul Tiensten MP, where I was briefed on the PNG Development Strategy 2010 – 2030, which was tabled in Parliament by the Prime Minister, the Honorable Sir Michael Somare, whilst the trade mission was in PNG. This document is PNG's 20 year economic plan

that seeks to transition the country from a low income to middle income country. The opportunity to discuss the broader economic development objectives of the government and overarching social development strategy of the government is important in gauging the ability the guide our relationship with PNG.

Also discussed with the Treasurer, Minister Tiensten, and Governor Bakani were the current plans by the PNG Government to establish a sovereign wealth fund from resource revenues, particularly those expected to be derived from LNG. Australian Treasury officials are already stationed in PNG as part of our enduring cooperation between the nations.

### **Program in detail – Tuesday 16 March**

A copy of the travel itinerary is attached.

Upon arrival in Port Moresby on 16 March 2010, I met with Australian High Commissioner His Excellency Mr Ian Kemish AM, and was able to introduce Kevin Byrne as the Queensland Government's newly appointed Special Trade Representative to PNG. The High Commissioner provided a briefing on the activities of the High Commission and AusAid currently underway in PNG. I was also introduced to Kevan Dacey who has been recently appointed as Senior Trade Commissioner for Austrade to be based in Port Moresby.

I was then received by the Treasurer, the Honourable Patrick Pruaitch, followed by the Minister for National Planning and District Development. These two meetings focused on the broad macroeconomic, fiscal and developmental opportunities for PNG in the medium term.

Following these meetings I was briefed by ExxonMobil on the substantial training programs that are being implemented to provide local workers with the necessary skills to staff the \$12 billion Liquefied Natural Gas (LNG) project planned for PNG. Construction of the LNG project is expected to require 83 million labour hours during its construction phase and the PNG Government is focused on maximising local labour participation through training.

ExxonMobil are constructing a Construction Training Facility in Port Moresby which upon completion will have a capacity of approximately 850 graduates per year. Skills Tech Australia are a business unit of TAFE Queensland who have been contracted to provide train-the-trainer services that will teach at the Construction Training Facility. Skills Tech Australia is currently training 16 PNG Nationals in Dalby to accredit them to deliver vocational skills training at the facility when it is constructed.

Skills Tech Australia staff provided a tour of the Construction Training Facility which is designed to provide residential vocational teaching facilities for 1,000 individuals when fully operational. Upon the completion of the construction of the ExxonMobil LNG Project

ownership of this facility is planned to be transitioned to the PNG Government to allow for this significant additional training capacity to be retained in-country.

The final formal meeting for the day was with Wasantha Kumarasiri OBE, CEO of Air Niugini Limited. Discussions focused on the opportunities for airlines in PNG as the economy continues to grow, including the integral role the Cairns–Port Moresby route might be expected to play into the future.

In the evening I attended a Queensland Government Business Networking function hosted by the High Commissioner. Feedback from local business leaders who attended was that the function was very well attended by the local community and feedback from the Queensland delegation was that the function was extremely productive in terms of furthering the PNG networks and connecting with local firms. This function was attended by Minister for Education, the Honorable James Marape MP, the Minister for National Planning and District Development, the Honorable Paul Tiensten MP, and the Minister for Public Services, the Honorable Peter O'Neill MP. Considering that the function was held during the sitting of the PNG Parliament I am especially grateful to the Ministers for making time to attend this function. The Governor of the Central Bank, Loi Bakani also attended, which underscored the importance of the event.

### **Program in detail – Wednesday 17 March**

On 17 March 2010 I was invited to speak at a breakfast function hosted by the Port Moresby Chamber of Commerce and Industry. This event was attended by more than 120 people and was an important platform to reinforce the credentials of our delegation and our commitment to enhancing economic relationships.

I was briefed by Fern Software, a Queensland Information and Communication Technology firm, on their latest work in developing technologies to facilitate micro-finance banking operations in PNG.

The entire Queensland delegation was then briefed by the procurement managers of the \$12 billion PNG LNG Project. These discussions related to the procurement needs of the project, the world's largest gas and oil venture, including the capacity of Queensland firms to engage in the delivery of project requirements.

Following the briefing from ExxonMobil a roundtable discussion was held between the Queensland delegation and representatives of GRM International and Kramer-Ausenco who are major contractors for components of the LNG Project. This brief focused on the avenues through which Queensland companies could become involved in the supply chain for components of the LNG Project.

I had the opportunity to meet with representatives of Nasfund, Nambawan Super and Kina Securities which are PNG Superannuation funds with investment mandates that allow both local and international investments. These discussions centered on the

national investment environment, future challenges and opportunities for the economy and the predicted macro-economic ramifications of continued rapid economic growth.

I was able to meet with David Sode, CEO Papua New Guinea Sustainable Development Fund, to outline the strengths of Far North Queensland in the areas of tropical expertise, economic development and infrastructure and service delivery in regional areas. Mr Sode outlined the development vision of the organisation for PNG's Western Province into the future, particularly on the development plans for the region post the closure of the Ok Tedi Mine scheduled for 2013.

Projects being undertaken by the Sustainable Development Fund include the installation of mobile phone towers in the region, ventures in microfinance and community health as well as sustainable forestry and aquaculture projects.

The final two meetings took place with the Governor of the Central Bank, Governor Loi Bakani, where the unfolding monetary policy environment of PNG was discussed. The future plans of Ok Tedi Mining in the Pacific region were also discussed.

### Conclusion

The relationship between our nation and PNG is one of our most complex and intertwined. There is a generational shift occurring – as both our relationship and PNG's prospects and economy undertake a step change. We can build on this effort to the benefit of the state and particularly the Far North.

## **Treasurer's Trade Mission to Papua New Guinea**

**15 - 17 March 2010**

### **Tuesday 16 March 2010 –Port Moresby**

9:15am	Depart Cairns for Port Moresby Travel time: 1h 40mins
10:55am	Arrive Port Moresby
12:00noon -12:45pm	Briefing by Australian High Commission and Austrade
1:00pm – 1:30pm	PNG Minister for Treasury and Finance
2:00pm – 2:30pm	PNG Minister for National Planning and District Development
3:00pm – 4:00pm	PNG Technical College – Skills Tech
4:30pm – 5:30pm	Meeting with Air Niugini Limited
7:00pm – 9:00pm	Queensland Government Business Networking Function

### **Wednesday 17 March 2010 Port Moresby**

7:30am -8:30am	Key note speech a breakfast function hosted by the Port Moresby Chamber of Commerce and Industry
9:00am – 9:45am	Fern Software
10:00am – 11:00am	LNG Industry Briefing
11:00am – 12noon	Roundtable with Queensland-based Australian Managing Contractors
12:30pm – 2:00pm	PNG Superfunds
2:30pm – 3:20pm	Meeting with PNG Sustainable Development Program Ltd
3:30pm – 4:15pm	Meeting with Governor, Bank of PNG
4:30pm – 5:15pm	Meeting with Ok Tedi Mining Limited
6:00pm	Depart Port Moresby for Brisbane