



**Speech by
Hon. Peter O'Neill CMG MP
Prime Minister**

**At the
Business Advantage
Papua New Guinea Investment Conference
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Good morning.

It is my pleasure to be with you this morning.

The Papua New Guinea Investment Conference provides us with an important opportunity each year – to meet and discuss the latest developments in my country.

Papua New Guinea, as you know is a fast-growing economy, that is also faced with many challenges, and this makes an ongoing dialogue even more important.

There are many familiar faces in the room, many who have experienced the success of investing in Papua New Guinea, and many I hope will be making new investment decisions soon.

This is an opportunity that allows government and businesses to engage and to explore opportunities that are available in our country.

The relationship between Australia and Papua New Guinea is one that is strengthening every year.

We have an enduring relationship with Australian businesses and the Australian Government. Economic integration between our two countries continues to expand and mature.

Even with the economic rise of our trading partners in the region, Australia remains our largest investor and largest trading partner.

Two-way trade is now over 3.8 billion US dollars each year.

Our next largest trading partners, China and Japan, each account for over 2 billion US dollars in two-way trade each year.

Trade and investment between Papua New Guinea and Australia is based on many years of engagement, and the similarities in our government-to-business approach.

Business and Government have to work together, as partners, if we are to achieve our economic objectives.

For our part, Government is here to support the private sector to enhance investment and innovation, and to ensure sustainability.

Government must invest in its people, infrastructure and regulatory systems, and we must provide political stability – so business has the confidence to invest.

This has been a priority of our Government over the past seven years.

This confidence comes from maintaining open engagement, through the good times, and in particular during the more challenging times.

In recent years our economy has felt the pressure of global forces.

The sharp drop in commodity prices, a slowdown in China, uncertainty in Europe and rising global political tensions – all impact on developing economies like ours.

But we have maintained a level head, cut wastage and maintained investment in critical infrastructure – and in the middle of all this, our Government returned to the people and was re-elected.

Importantly, when times were tough – we maintained ongoing communications with business.

It is during the challenging times also that greater innovation can be found.

This very innovation has made Papua New Guinea more attractive with many businesses.

We have continued to reduce red tape, removed impediments to starting a new business, made it easier for more local inputs in several sectors to drive growth.

This is good for Papua New Guinea and it broadens our economic base.

More favourable global conditions are returning with a rising oil price, pressure on our exchange rate is moderating, and our economic fundamentals are improving.

It is important to note, that during the tough times, our economy continued to maintain positive economic growth.

Not once did we experience negative growth.

MID-YEAR ECONOMIC AND FISCAL OUTLOOK

Last week we finalised the Mid-Year Economic and Fiscal Outlook, and it was more positive than we had anticipated.

The recent earthquake, and lingering effects of the past drought have impacted the economy, but we have recovered well.

Treasury is now forecasting positive GDP growth for the year.

This is a welcome turnaround after months of challenging conditions.

I expect the GDP numbers to improve further, because Treasury is being conservative with its estimates.

We are bound by the official estimate of GDP growth figure but it can be hard to judge the true size of our economy.

The informal, and uncounted activity in our economy is estimated at around one third of total activity.

We can see the activity in the informal sector before us every day.

This includes the sellers on the street, the rapid urbanisation of our towns, and the economic activity in our households and on our farms.

The informal sector adds to our peoples' livelihoods and is in a large part the backbone of many of our incomes.

But this is not reflected in our GDP or our revenue estimates.

We continue to control our expenditure, and our debt levels are sustainable.

Currently sitting well below 35 per cent of GDP as laid out in our Medium -Term Debt Strategy.

Our country is living within our means.

In fact, we rank in the bottom quarter for lowest debt to GDP for all countries globally.

Our debt to GDP level is lower than Australia's.

Of course, we need to remain prudent, but we are in a solid position – especially considering the tough conditions we have faced over the past few years.

At a global level, there has been concern noted in the way some countries manage debt.

But as an economy, we are continuing to restructure our debt mix to better balance between concessional borrowing – and domestic bills that are typically expensive.

We are also using debt to build infrastructure that enables business to grow in our country.

We have not swapped debt for equity in major infrastructure, like in other countries, and I stress – this will not happen in Papua New Guinea.

Our revenue base is solid enough and capable of providing long-term repayment of our debt – as we have done since independence.

Papua New Guinea has a substantial long-term revenue base to enable us to continue to service our debt.

So long as we continue to invest in the right infrastructure, deliver the right social services and create opportunities and jobs for our people – this remains a sound approach.

In summary, we have set clear objectives:

- We are broadening our revenue base;
- We are living within our means;
- We will continue to make better use of our domestically produced resources; and,
- We will continue to improve our resilience to economic shocks.

We must maintain focus on these for essential elements, while also protecting the vulnerable in our communities.

THE ECONOMIC TURNAROUND

I now want to talk about where our economy is heading.

After a sustained drop in commodity prices, a long and extended drought, and the recent earthquakes – we are seeing a turnaround.

The Oil price is now over 70 US dollars a barrel, and LNG production has resumed in full and at higher volumes than before.

And new LNG supply contracts are being developed, including with PetroChina, that is providing further confidence and stability in our LNG market.

Positive talk about the economy and business conditions has returned.

Every day I hear stories of how the economic turnaround has begun and new investments being made.

There is renewed confidence by the private sector with many new and significant projects being initiated.

This includes the 58 megawatt POMGAS project, plus significant expansions and investments by local manufacturers such as Goodman Fielder, CCA (PNG), Mainland Holdings; Trukai; Pacific Industries, Innovative Agro Industries and JJ Global to name just a few.

This confidence has also been noted by the ANZ bank, just last week confirming that the downward pressure on the exchange rate is lifting.

The measured and considered approach taken by the Bank of PNG in managing the exchange rate has benefited our economic recovery.

A hard landing would have done great harm to our citizens and the economy, and this has not been the case.

Reducing the volatility in our economy is not just good for consumers but it also gives confidence to investors.

Investment and innovation is needed in both the resource and non-resource sectors.

Our government is making strategic investments in power, telecommunications, agriculture, tourism, digital economy, education and health.

These are the areas that will spur sustainable growth in our country by expanding our economic base and making Papua New Guinea more attractive to foreign capital.

Businesses are increasing their investments, they see the opportunities on the horizon.

RESOURCE PROJECTS

We are now seeing expansion in larger resource projects.

Papua New Guinea and ExxonMobil already delivered our country's first LNG Project on time and within budget.

We demonstrated to the world that Papua New Guinea is capable of massive projects of this size, 19 billion Dollars was raised at the back of the Global Financial Crisis.

We are now one of the lowest cost LNG-producers globally.

We have cemented our reputation as a place where big business can operate with positive results.

The Government is now working hard to deliver new projects including Wafi-Golpu, Pynyang LNG expansion and Papua LNG.

We will make better use of our national resources.

PAPUA LNG

We continue to be positive that TOTAL will announce FEED towards the end of the year.

From this we can advance the second LNG project that will continue to push our economy in the right direction.

We have learnt a lot from our first LNG project.

I can guarantee you that we are using this experience in progressing the next LNG project.

A Government negotiating team has been appointed, and are developing the new gas agreement for the Papua LNG project.

Likewise, we will continue to work with ExxonMobil and other partners to further develop existing fields where there is an indication of more reserves, so that we can expand on the existing LNG project.

As LNG demand continues to grow in the Asia-Pacific, industry experts tell us that there are huge opportunities for PNG over the coming years,

We must take advantage of this position.

WAFI-GOLPU

The Government and Newcrest are working closely to progress Wafi-Golpu to the next stage.

This project will contribute to contribute to the stability in our resources sector and broader economy.

Just last month the Wafi-Golpu Joint Venture submitted an Environmental Impact Statement to Government.

We will continue to advance this project well before November this year.

As I have already said, investment is critical for the development of Papua New Guinea – but it needs to go beyond the resources sector.

We need to continue to broaden the base of our economy.

We cannot continue to ride on the boom-and-bust commodity price cycle we have experienced over the last 40 years.

That is why investment in SMEs, investment in Agriculture, and investment in tourism – are initiatives that the government has in place.

We are investing substantial resources, and partnering with the private sector in agriculture and tourism developments and pilot projects.

One of these is at 6 Mile in Port Moresby with the SME block that we are establishing.

This model can be deployed around the country where small businesses and local people can create their own markets, and ensure that their living standards are improved.

TELECOMMUNICATIONS

In Papua New Guinea, we are also rebuilding the telecommunications sector.

We have signed the agreement for the undersea cable from Australia to Port Moresby with the Australian Government.

It is co-funded mostly by the Governments of Australia and Papua New Guinea.

Work has already commenced, and ships are already working on the survey where they are going to land the cables on sea beds.

As our own initiative, we are expanding our domestic undersea cable communications network to spread faster internet across Papua New Guinea.

This will open up the country to greater technology spread and innovation.

We see this already with how smart phones are transforming the lives of many people around our country.

Faster and cheaper internet is the next big step.

I can assure you that the cost of telecommunications will come down.

This is good for business, especially small business, good for education and all economic activity in our country.

POWER GENERATION

We are also progressing investment in the generation of cheaper, cleaner and more reliable power, while reducing reliance on imported diesel.

We are building a high voltage power grid from Tari to Hides to Mt Hagen to connect to the Ramu grid.

Discussions are taking place to expand the Hides Power plant by at least another 20 megawatts – this will connect a high voltage grid and a further 20 megawatts plant at Kutubu.

In Port Moresby we are in the process of establishing a further 58 megawatts of power at the LNG plant site.

That will be increased by another 40 megawatts by the MRDC and the landowner groups who are building a power plant in that location.

In total there will be a total capacity of 100 megawatts of power generation in Port Moresby.

This means we will be able to close the Kanudi and Moitaka power stations, but to remain as standby, and this will reduce cost for consumers in Port Moresby.

PNG Power is now also in the process of rehabilitating many of the neglected power stations right across the country further adding capacity to the energy supply.

As a result, there will be large reductions in the cost of the generation of power that is passed on to our consumers, including businesses.

One truly exciting infrastructure project for which I invite investors to consider is the Purari Hydro Power Project.

This is particularly important in the context of living in a clean energy and low carbon environment.

This has long been proposed, but sadly put in the 'too hard basket' because of its size and cost.

I think it is time to revisit this project.

It has the capacity to meet Papua New Guinea's electricity needs - and contribute substantially to helping meet the electricity needs of Northern Australia via a transmission link.

Significant studies have already been undertaken, and there is clearly value in this project.

Our Government is open to further discussions on this project - and to contribute to the cost of work on its viability for Papua New Guinea and Australia.

The project will require significant private sector investment, and the time is right to better explore the potential of this project.

TOURISM

Another sector where we are encouraging investment in is tourism.

This type of investment leads to more sustainable growth and encourages the protection of our unique and diverse environment.

Over the next few weeks I will be announcing a major intervention in East New Britain tourism.

This is one of our best destinations and we need to use this as a tourism hubs.

Fiji created Nandi as a hub, and Indonesia created Bali as a hub.

Millions of people are drawn to these destinations every year.

When you talk about Bali, many people around the world do not even know that Bali is in Indonesia.

And we are now putting together a master plan so we can be able to ensure that we build the tourism sector around Kokopo.

We are rebuilding and extending the airport runway, creating a new terminal, building a four-lane road into Kokopo, and building power and road infrastructure within the Tokua area.

Other locations such as Madang and Milne Bay also have huge tourism potential.

We need to link all this potential and our aim is to try and enable one of our airlines to station themselves in Kokopo.

To fund all this new economic infrastructure, we are working closely with other countries and the international financial institutions including the World Bank and the Asian Development Bank.

We also see great promise in the infrastructure initiatives from Australia, China, Japan and the United States.

We welcome all quality investments and financing to Papua New Guinea.

APEC 2018 PAPUA NEW GUINEA

Finally, as we all know, this year Papua New Guinea will hold one of the most important foreign engagement events in our history when we host APEC.

Preparations are well underway to welcome the presidents and prime ministers of APEC's twenty other Member Economies for the summit in November.

We are also inviting the Leaders of Pacific Island nations that are not also members of APEC.

This is an exciting time for our nation, time to showcase our culture and our economy to the world.

APEC 2018 is already underway, with more than 15,000 delegates visiting Papua New Guinea throughout this year.

APEC is an investment in the future of our economy, our Nation and our people as we promote Papua New Guinea as a successful place to invest and do business.

We are demonstrating leadership in our region, and taking the opportunity to promote the positive economic potential that our country has to offer.

APEC is already changing the way the world, and particularly the international investment community, views our country.

This global focus on Papua New Guinea will have a long-lasting impact on our economy and development.

I will continue to update the business community on APEC as the Leader's meeting in November draws closer.

I am confident, that through APEC and other initiatives, we are continuing to strengthen the political, economic and social development of our country.

CONCLUSION

In summary, the message today is our economy is getting back on track.

We have weathered the global economic storm.

The picture we seen is one of a steady improvement, and we expect going forward to see strengthening as our growth recovers in line with our fiscal recovery.

Our job in Government is to attract more foreign investment into Papua New Guinea.

We cannot build our economy by ourselves, we need investment in the country that will create jobs and drive growth.

Foreign investors have done well in Papua New Guinea and my government is focused on seeing that success continuing.

We thank you for the great interest that you continue to show in our country, and we look forward to doing more business with you.

Thank you.