

SENATE FOREIGN AFFAIRS, DEFENCE AND TRADE
REFERENCES COMMITTEE
INQUIRY INTO PAPUA NEW GUINEA AND THE
ISLAND *STATES OF THE* SOUTH-WEST PACIFIC
SUBMISSION

Submission No: 18

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Resources

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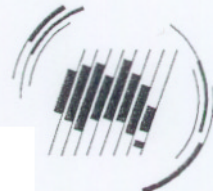
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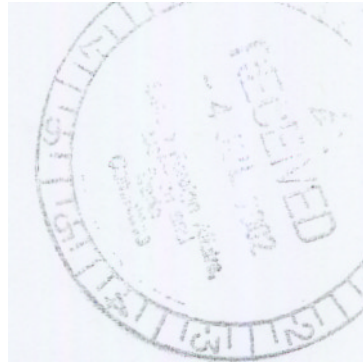
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Mr Brenton Holmes
Secretary

Senate Foreign Affairs, Defence and Trade References Committee
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Parliament House
CANBERRA ACT 2600

Dear Mr Holmes

The Department of Industry, Tourism and Resources has prepared a submission for the Senate Foreign Affairs, Defence and Trade References Committee's inquiry into Australia's relationship with Papua New Guinea and other Pacific island countries.

The submission is attached.

Yours sincerely

Ker, 'viley
General Manager
Trade & International Branch

j July 2002

DEPARTMENT OF INDUSTRY, TOURISM AND RESOURCES

Submission

to

the Senate Foreign Affairs, Defence and Trade References Committee
Inquiry into Australia's relationship with Papua New Guinea and other
Pacific island countries

The purpose of this submission is to provide factual material to the Committee in relation to the following Terms of Reference

(b) economic relations, including trade, tourism and investment;

(c) development cooperation relationships with the various states of the region, including the future direction of the overall development cooperation program and

(d) the implications for Australia of political, economic and security developments in the region.

The Department has several current activities in relation to the countries under inquiry. These are outlined in the following pages.

1) PAPUA NEW GUINEA TO QUEENSLAND GAS PIPELINE PROJECT

(b) economic relations, including trade, tourism and investment

(d) the implications for Australia of political, economic and security developments in the region.

Background

The Papua New Guinea to Queensland Gas Pipeline Project (the Project) involves sourcing gas from the Hides and Kutubu gas fields in the Southern Highlands of Papua New Guinea (PNG) and the development of gas processing infrastructure in PNG. The construction of a pipeline south to a liquids and LPG production facility in PNG, with a 3,500 km dry gas pipeline to transport gas across the Torres Strait to markets in Queensland (including Townsville, Gladstone and Brisbane) and South East Australia will complete the project. The total capital investment is estimated to be approximately US\$3 billion, of which some US\$ 1.9 billion will be expended in Australia. It is anticipated that a decision by the project proponents to commence the Front End Engineering and Design phase will be taken in the fourth quarter of 2002. Estimated date of completion of the pipeline would be end 2006.

However, it should be noted that to progress the project must secure foundation commercial gas sales, and the project proponents must sign a Gas Agreement with the PNG Government.

Major Project Facilitation Status

The original Project received MPF status in November 1996 with Chevron as the project operator. In April 2001 ExxonMobil assumed the operatorship of the project and the MPF status was subsequently transferred to that company in October 2001.

Recent Developments with the Project Proponents

The Project Proponents include ExxonMobil, Oil Search Limited, Chevron Australia, Mitsubishi Oil Company and Santos.

Project Owners Group

The project proponents operate under a Heads of Agreement which was covering decision making processes relating to the progress of the project which was revised early this year. This was done to minimise the actions of Santos (which owns 12.5% of the undeveloped Hides gas field) which was perceived as obstructing progress of the project.

Merger of Oil Search and Orogen

In April/May 2002 Oil Search and Orogen (the 51 % PNG government-owned company) concluded a merger, which created an enlarged upstream oil and gas company with an aggregate market capitalisation of A\$1.4 billion. The merged company, Oil Search, will have a 1.9 % share of the Project.

PNG Government Equity Participation

The PNG Government is seeking to take an equity stake of up to 30% in the PNG gas pipeline component of the project (i.e. the pipeline and the gas processing infrastructure in PNG). Currently, the PNG Government is exploring a number of avenues to fund its equity stake.

PNG Gas Agreement

On 6 June 2002 the PNG Gas Project Joint Venture Partners and the PNG Government signed a Gas Agreement. The Agreement is similar to a 'state agreement' in Australia and details specific undertakings between the Proponents and the PNG Government relevant to the upstream assets of the project. This provides certainty of security of the fiscal and legal regime under which the project will operate for the next 30 years (ie the life of the project). Issues incorporated include a decision on the fiscal regime applying to the Project, the extent of the gas operations, state participation, rights to import and export, dispute resolution mechanisms, local infrastructure and community matters.

Memorandum of Understanding

A Memorandum of Understanding (MOU) between PNG, the Commonwealth of Australia and the State of Queensland was signed in August 1998 for the purposes of promoting and facilitating the development of the pipeline. This MOU is currently under review by officials.

Project in Context of Structural Reform in PNG and Economic Support Package

Australia has given strong support to the Morauta Government's economic and governance reform agenda which, with the support of the international financial institutions - the IMF and the World Bank has achieved successes over the past two years. Australia has agreed two loans to PNG in support of its reform program, a US\$80 million loan in June 2000 and a US\$30 million loan in December 2000. These loans have been in addition to a substantial annual contribution of more than A\$300 million under the aid program.

The Benefits to PNG of the PNG to Queensland Gas Pipeline Project

While the PNG to Queensland Gas Pipeline is important, PNG equity participation is not crucial and this has been acknowledged by the PNG Government. Of greater and more immediate concern to the PNG Government is the inevitability of a steady decline in resource project revenue beyond 2004. PNG currently receives some AS320 million or 23 per cent of its annual tax revenue from resource projects, principally oil. This amounts to about 21 per cent of PNG's GDP. Without new revenue sources, these figures will decline after 2004 when oil revenues from Kutubu decrease (oil reserves are expected to be depleted by 2012).

With no other resource revenues in sight, the PNG Government is concerned to ensure that the gas pipeline proceeds. The pipeline is projected to contribute up to AS 150 million annually to government revenues over its 30 year lifespan, according to an ACIL study. In addition, the Project will maintain some 1000 jobs and generate some 3300 new permanent jobs. The pipeline project is therefore seen by the PNG Government as vital for long term economic development and stability. There is no other project of equivalent economic importance on the horizon.

2) IT AUSTRALIA

(c) Development cooperation relationships with the various states of the region, including the future direction of the overall development cooperation program

IP Australia is the federal government agency responsible for the administration of laws relating to patents, trade marks and designs. For a number of years, this organisation has, as part of its obligations under the Trade Related Aspects of Intellectual Property Agreement (TRIPs) of the World Trade Organisation (WTO), and also through its work with the World Intellectual Property Organisation (WIPO), provided technical assistance in intellectual property matters to the Asia and Pacific region.

Formal Arrangements for Technical Assistance in the Pacific Region

In 2000, Australia entered into a formal arrangement with WIPO to provide a coordinated program of technical assistance to the Asia Pacific region and within that a three-year Regionally Focused Action Plan (RFAP) has been set up recently specifically for the Pacific region to coordinate and systematically improve IP protection. The activities under this plan are financed jointly by WIPO and Australia (IP Australia funded) with the support of the South Pacific Forum.

The REAP has been set up as Forum Island Countries (FICs) increasingly recognise the supportive role that intellectual property systems can play in promoting and enhancing the environment for business and investment. Since the 1980's, a number of High Level Meetings of FIC officials have been held under the auspices of WIPO to create awareness of the need for intellectual property protection and to discuss ways of assisting member countries in developing IP systems. At the Seventh Meeting held in 4 anuatu in November 1999, the Forum Secretariat was requested to take a stronger role in the coordination of intellectual property rights (IPRs) development in the Forum region.

From this the RFAP was developed through the Forum Secretariat's collaboration with Australia and WIPO. Its implementation started October 2001.

The overall objective of the RFAP for the FICs is to assist them in their efforts to establish a regional infrastructure based on legislation which takes into account international standards, including those under the TRIPs Agreement and major IP treaties administered by WIPO, so as to maximise the benefits of participation in the global trading system and to effectively use the IP system for sustainable development. The three year plan covers legislative reform, regional collaboration, IP administration, awareness building and examination arrangements between FICs and interested IP offices.

IP Laws and Administration

Under the RFAP, an audit of the IP laws is currently under way to assess the major areas where further assistance is required to meet international obligations under the TRIPS Agreement and other international treaties. It is also gathering information on how the laws are administered, the level of use of the IP system in the countries, use of modern equipment and technology within offices administering IP laws and the needs of each office to fulfil its statutory obligations.

The level of development of IP laws and the effectiveness of their administration within each country has a flow-on effect for Australian traders and owners of IP who may wish to utilise their IP in the Pacific region.

Public Awareness

A priority of the WIPO-Australia Working Group and the RFAP is to raise awareness about IP protection. It is expected that an expert mission will be undertaken to a number of Pacific countries in the near future as part of developing a regional IP awareness strategy for the Pacific under the RFAP and the development of generic materials on IP by IP Australia for the region.

Patent Search and Examination

The examination of patent applications is a very technical and resource intensive task. Because of the difficulties in establishing economies of scale and providing staff with the necessary skills, small IP offices currently are not encouraged to spend valuable resources on developing this part of their operations. As such, some IP offices have formed regional offices, for example in Africa, some accept results by other offices or have arrangements that allow larger offices to search and examine the applications for them and to provide a report on their findings to them. Based on the report, smaller offices may then make a decision on whether or not a patent should be granted.

The IP offices of Papua New Guinea, Fiji and Tonga, have entered into bilateral arrangements with IP Australia for the search and examination of patent applications. These offices, although among the largest in the Pacific region, receive very few patent applications each year and thus it is not viable for these offices to recruit and maintain specialist patent examiners. Under the bilateral arrangements with these offices, a specified number of patent applications may be searched and examined free of charge by IP Australia each year in situations when the Registrars of those IP offices determine it is appropriate.

Technical Assistance in the Administration of IP Offices

IP Australia has also provided opportunities for visits to Australia for IP officials from Pacific countries, including Papua New Guinea, to attend IP workshops and also to visit IP Australia to view and discuss its operations and the administration of IP offices in general.

Opportunities have been provided for examiners from Tonga and Papua New Guinea to undertake short term on-the-job training in IP Australia.

Traditional Knowledge, Genetic Resources and Folklore

The issue of protection of traditional knowledge and expressions of culture is of considerable importance to the Pacific Islands. A number of meetings have been held with FIC members to discuss how this issue may be adequately addressed. Discussions have focussed on the

capability of current intellectual property and other legal systems to meet needs of the FICs. The potential benefits of model legislation on traditional knowledge for the Pacific that may be developed in association with existing intellectual property regimes, as well as developments currently occurring within the forum of the WIPO Inter-governmental Committee (IGC) on Intellectual Property and Genetic Resources, Traditional Knowledge and Folklore have also been discussed. Australia has been actively involved in discussions with WIPO and the FICs on this issue.

Technical Assistance to the IP Office of Papua New Guinea

Assistance was requested from the IP Office of Papua New Guinea to set up an administrative system to process applications under the new patents and industrial designs legislation. In November 2001, IP Australia funded a visit by an examiner from the IP office in Papua New Guinea. He undertook basic awareness training in patents and industrial designs at IP Australia and investigated methods for setting up an administration system to support the granting of patent and industrial designs rights.

Under a cooperation arrangement with the IP office of Papua New Guinea, IP Australia has offered to search and examine ten patent applications each year at no cost to Papua New Guinea.

IP Australia also assisted the IP office of Papua New Guinea recently in a review of their trade mark legislation with a view to TRIPS compliance and possible accession to various international trade mark treaties.

Technical Assistance to the IP Office of Samoa

IP Australia provided skills training on intellectual property protection, enforcement and the importance of IP for AusAID in March 2002 to approximately 20 government and private sector representatives. This two week training project supported initiatives under the RFAP project.

Previous to this, in 1999 a director from IP Australia, on behalf of WIPO, undertook a mission to the Samoan Companies and Intellectual Property Office to assess its requirements for setting up a modernised IP office.

Technical Assistance to the IP Office of Kiribati

The IP office of Kiribati has requested IP Australia to provide advice on their draft IP laws. It is expected that an IP expert will visit Kiribati in the near future as part of developing a regional IP awareness strategy for the Pacific under the RFAP and to discuss the status of their IP laws.

Technical Assistance to the IP Office of Solomon Islands

The IP office has requested assistance in assessing draft IP laws and training in trade mark examination.

Technical Assistance to the IP Office of Tonga

A cooperation arrangement has been signed between the IP office of Tonga and IP Australia to undertake patent search and examination free of charge for up to ten patent applications per year.

IP Australia also provided training for three trade mark examiners in 2000 and provided technical assistance to the IP office of Tonga in setting up a computer network to assist in the day-to-day administration of the office.

Technical Assistance to the IP Office of Vanuatu

During 2000, IP Australia provided assistance to Vanuatu in assessing the TRIPs compliance of Vanuatu's draft trade marks legislation.

Technical Assistance to the IP Office of Fiji

In 1999, an IP Australia official, on behalf of WIPO, undertook a mission to the Fijian Ministry for Justice to assess its requirements for setting up a modernised IP office.

3) IONOSPHERIC PREDICTION SERVICE (IPS)

(c) development cooperation relationships with the various states of the region, including the future direction of the overall development cooperation program and (d) the implications for Australia of political, economic and security developments in the region

IPS has an observatory at Vanimo, where it operates its own equipment as well as a number of experiments for other groups. We also manage a site in Port Moresby, at the University.

Vanimo

The Vanimo Ionospheric Observatory is manned by Arone Kafoa, a full time IPS employee. He is assisted in running the observatory by Local Employed Staff (LES) who handle ground clearance and security at the site.

IPS operates an ionosonde and these data are returned to IPS in near real time where they are used to produce services on the Web. In addition, IPS operates equipment for Australian Defence for monitoring total electron content (TEC) and an oblique ionosonde, both on a routine basis. Optical and real time scintillation monitors supplied by the US Air Force Laboratories, by arrangement with IPS and Australian Defence (DSTO), have been sited at Vanimo in the past and will be placed there again in the near future. Data obtained from these experiments is shared between all the parties concerned. The site is especially valuable for these observations because of the relative political stability, professional management of the site and especially its geographic and geomagnetic location.

In the longer term, the observations will increase our knowledge of the low latitude ionosphere in this region making it easier to manage services affected by the ionosphere. All observations are unclassified and any knowledge gained can be shared with the PNG Government.

Port Moresby

In conjunction with the Department of Physics, IPS funded the establishment of an ionosonde station at the University of PNG. In addition to the ionosonde, IPS also makes TEC observations. As with Vanimo, the ionosonde observations are returned to IPS in near real time and are used to support Web services. IPS manages this site from Vanimo, offering advice and financial assistance to the Department of Physics who, in return, make one of their technicians available to service the equipment.

Comment

There is no doubt that issues of security in the region impact significantly on our operation. The Port Moresby site has proven difficult to manage, due to petty theft in the early days, and more lately due to power supply instability and telephone problems. Vanimo has generally been free

of power problems and the more difficult types of local behaviour although telephone problems may occur due to theft between Vanimo and Port Moresby. However, more recently, there has been local concern in Vanimo after an ex-pat was raped. We understand there is a perception, at least, that personal security in the region has deteriorated significantly over the past six months. It is hard to establish a trend in this condition, just as it is hard to ignore the difficulties it can present.

4) GEOSCIENCE AUSTRALIA

(c) development cooperation relationships with the various states of the region, including the future direction of the overall development cooperation program.

(d) the implications for Australia of political, economic and security developments in the region.

Since its formation as the Bureau of Mineral Resources (BMR) in 1946, Geoscience Australia (GA) has had an association with Papua New Guinea (PNG) and the other island states of the southwest Pacific in matters related to geology and geophysics.

The links have been strongest with PNG because its Geological Survey before PNG Independence in 1975 was part of what was then BMR. GA also has had a long involvement with the South Pacific Applied Geoscience Commission (SOPAC) based in Fiji. However, formal associations with PNG and SOPAC have declined in recent times, for reasons dealt with in the following.

SOPAC and Pacific Island Countries

Australia is a member of SOPAC which has a membership of 18 countries, spread between the Cook Islands in the southeast and the Federated States of Micronesia in the northwest, and including PNG. SOPAC's annual budget is about \$9 million, of which Australia provides about \$1.3 million. Another 15 donors include China, France, New Zealand, Taiwan, and the United Kingdom. A triumvirate of the Department of Foreign Affairs and Trade, the Australian International Development Agency (AusAID), and GA covers Australia's interests.

SOPAC is a field-based organisation providing support to island countries. It has three major programs:

- Resource Development
- o Environmental Science
- o National Capacity Development

GA provides:

advice to the Department of Foreign Affairs and Trade and AusAID in the form of scientific expertise throughout the year; attendance of at least one scientific adviser to the SOPAC Annual Session; management of the SOPAC petroleum database which is housed at GA in Canberra; advice to SOPAC on Law of the Sea matters as part of the Maritime Boundaries Project; advice to SOPAC's coastal unit; and cooperation between GA's Cities Project and SOPAC's Pacific Cities Project (both of these are on-going hazard- and risk-assessment projects, but cooperation between them ceased this year owing to recent staff changes in SOPAC).

GA provides what support and advice it can, but is not directly involved in SOPAC projects, or in bilateral island-country projects, even though GA is one of the best sources of geoscientific support in the region. GA's knowledge in minerals and petroleum assessment, natural hazards and disaster mitigation, spatial information and mapping, the coastal zone, and its laboratory capabilities, could be used to good effect in helping SOPAC countries in their wish to develop their economies, reduce risk from natural hazards, and protect their fragile environments.

GA is recognised by SOPAC and Pacific island countries as the Australian Government's premier geoscientific agency, carrying a wealth of expertise and more than 55 years of experience that could be applied productively in the southwest Pacific region. The SOPAC Director and other senior personnel have expressed disappointment that GA is not able provide greater and longer-term geoscientific involvement. However, no funding mechanism exists to provide such direct support. AusAID at present gives the AS 1.3 million as an annual bulk grant to SOPAC. It also funds many other projects bilaterally in individual Pacific island countries, generally using the open tender process.

GA was involved during the 1990s in AusAID projects in Pacific island countries, which were won through competitive tendering. Projects included airborne-geophysics surveys in Vanuatu and Fiji aimed at attracting mineral-exploration companies to the islands, and including institutional strengthening work in both countries. These contracts were sought at a time when GA had cost-recovery targets to meet. This situation no longer applies.

AusAID approaches GA directly from time-to-time regarding GA undertaking projects in the southwest Pacific region - including PNG - on a full, cost-recovery basis. However, these are special cases where GA alone is seen as the sole supplier of a specialist service and where public calls-for-tenders are deemed by AusAID to be unnecessary. For example, the latest phase of the Australian Government-supported sea-level monitoring project in the southwest Pacific (to determine suspected Greenhouse-induced sea-level rise) involves large-scale deployment of Global Positioning Satellite (GPS) equipment for geodetic measurements to be used in conjunction with tide-gauge measurements (the contract also involves interpretation of the geodetic results over five years after all the GPS equipment has been deployed). The former AusLIG (now the National Mapping Division in GA) in conjunction with CSIRO and the National Tidal Facility, is contracted currently by AusAID to undertake this work as no other provider could be identified..

Papua New Guinea

Another example where AusAID engaged GA in a 'sole supplier' arrangement is the A\$6.5 million 'PNG-Australia Volcanological Service Support (VSS) Project' that was managed by GA between 1996 and 1999 following the disastrous volcanic eruption at Rabaul in 1994. AusAID recognised that only GA could provide all the volcanological skills and experience needed for the full scope of the VSS Project. AusAID currently is supporting a small-budget extension of the VSS Project in the form of a 'twinning project' that provides mainly training opportunities at GA for two technical staff of the Rabaul Volcanological Observatory (RVO) in PNG. AusAID also has expressed the wish for some form of longer-term 'twinning' between RVO and GA, as well as involvement in planning a major, national, disaster-management project for PNG to be funded by AusAID.

Other links with PNG geoscience are somewhat tenuous. Invitations are extended to the PNG Chief Government Geologist to participate in the annual conference of Australian Chief Government Geologists as an observer (New Zealand has similar status) but is not always able to attend. The PNG Geological Survey is currently the recipient of a major (multi-million dollar) World Bank mineral-resources project. The British Geological Survey was the successful

tenderer and is currently managing the project in Port Moresby. A bid from an Australian consortium (that did not include GA) was unsuccessful.

Cooperation in Mapping and Spatial Data Infrastructure

GA participates in two cooperative mapping-related projects that involve PNG and Pacific island countries:

- the Asia Pacific Spatial Data Infrastructure (APSDI) project managed by the Permanent Committee on GIS Infrastructure for Asia and the Pacific (PCGIAP), under the auspices of the United Nations; and
- the Global Map project managed by the International Steering Committee on Global Mapping (ISCGM).

The purpose of both of these important projects is to develop a geographic information infrastructure over the Asia-Pacific region and the globe. This infrastructure will support the many regional and global programs that address issues such as sustainable development and climate change.

The APSDI project is building the geographic information infrastructure across the 55 or so nations of the Asia-Pacific region as defined by the United Nations Economic and Social Commission for Asia and the Pacific. The Global Map project is building this infrastructure across the globe. Outputs from both projects are similar: a policy regime for exchanging information and technical standards; a geodetic network and datum; fundamental spatial datasets; and an Internet-based distribution network.

PNG and the island states of the southwest Pacific are notionally represented in the APSDI and Global Map projects, but they have great difficulty being active participants, mainly owing to economic constraints. GA has assisted some of these countries in the past through funding from AusAID and the Department. PNG and Pacific island countries in general are poorly positioned to contribute significantly to such regional (and global) efforts owing to their small sizes, their still developing economies, and a shortage of highly trained professionals in science.

Comment

Any involvement of GA in future geoscientific work in PNG and Pacific island countries will need to take several factors into consideration. First is the point that GA's primary task is to use geoscience to enhance economic, social, and environmental benefits to Australia and Australians. Second, any project work in the region would have to be undertaken on a full cost-recovery basis (GA no longer has cost-recovery targets to meet so there is no particularly strong incentive at present to take on such projects from a purely financial standpoint).

Another important factor is that GA must not be regarded as competing with Australian private enterprise for open tenders for international projects. This is the main reason why GA does not tender for major advertised geoscience projects funded by AusAID, the World Bank, or any other major funding agency. However, GA will consider assisting Australian company consortia, if they invite GA (because of its specialist expertise) to partner them and if GA is not expected to take the lead on the bid.

GA is also mindful that key staff assigned to projects in the Pacific island region, are taken away from core 'domestic' projects which, potentially, could jeopardise delivery of Government-approved outputs. Taking staff 'off-line' in this way is difficult to justify in the stringent funding regimes that currently apply to Commonwealth Public Service agencies. Vacated positions can be 'backfilled' using funds earned from the externally-funded project, but GA notes that this does

not always provide staff of similar (or better) quality to those GA staff undertaking the international work.

Another important issue for GA is safety of staff in some of the countries of the southwest Pacific region: PNG has on-going law-and-order problems, especially in the larger urban areas on mainland New Guinea island; Solomon Islands has a still unresolved civil war; and there have been military coups in Fiji. GA notes, however, that project security plans can mitigate these concerns and that AusAID has a great deal of experience in coping with safety and security matters in countries in the region.

Conclusion

The priority task of GA is in using geoscience for the betterment of Australia. GA has been, and still is, prepared to undertake limited overseas work - for example, when asked by AusAID including geoscience projects in PNG and Pacific island countries, but the extent of this work is less compared to previous times, for the reasons given above. GA will consider such projects on a case-by-case basis.

GA recognises that its expertise could help greatly in humanitarian activities related to mitigation of natural disasters in the region (including geophysical early warnings of hazards such as volcanic eruptions); in protecting the fragile coastal environments of Pacific island countries; and in assisting with resource assessments and provision of pre-competitive geoscientific information for exploration of minerals and petroleum. GA also has a large and world-leading Law of the Sea group that could provide the scientific and technical expertise needed for SOPAC's Law of the Sea Maritime Boundaries Project. This could be done much more efficiently and effectively than it could in Fiji.

5) TOURISM

(b) economic relations, including trade, tourism and investment

Papua New Guinea

Australia and Papua New Guinea maintain a steady two way flow of visitors between the countries.

Most recent figures for the two countries are:

Australians travelling to PNG

1998	41300
1999	38 600
2000	43 600

PNG travelling to Australia

1998	43 400
1999	48 300
2000	48 200

Australia and PNG are both members of the APED Tourism Working Group and maintain an ongoing bilateral/multilateral relationship through the work of this forum.

In acknowledging our mutual regional interests, PNG was also granted observer status at the Australian Tourism Ministers Council and its senior officials committee, the Australian Standing Committee on Tourism. A PNG representative has not attended these meetings for a number of years.

The Australian Tourist Commission does not run any specific campaigns or have a presence in PNG. Conversely, we understand that the PNG Tourism Promotion Authority's three overseas offices are in Germany, the USA and Japan.

South Pacific

South Pacific countries provided Australia with more than 134 000 short term visitors in the 12 months to July 2000. Of these countries, the highest arrivals figures were from New Caledonia and Fiji with around 25 000 visitors each. Fijian visitors to Australia are primarily in the VFR (Visiting Friends and Relatives) category. Although numbers are small from French Polynesia, it is a market with potential for growth given its high standard of living compared with other South Pacific Island states. However, there is strong market sensitivity to the economic and political situation in the South Pacific region which impacts on tourism flows between Australia and these countries.

Australians travelling to New Caledonia

1998	15,455
1999	14,587
2000	18,012

New Caledonians travelling to Australia*

1998	23,700
1999	25,000

Australians travelling to Fiji

1998	101,000
1999	118,000
2000	77,000

Fijians travelling to Australia*

1998	23,000
1999	26,000

Australians travelling to French Polynesia*

1998	8,421
1999	8,264

The ATC has maintained a marketing program in New Caledonia including tactical campaigns and public relations in the past few years.

Note: No data available for 2000