



BANK OF PAPUA NEW GUINEA

Economic Impacts of Tourism in Papua New Guinea

Address

by

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Acknowledgements

I would like to thank the staff and students of the Tourism and Hospitality Management Division of the University of Papua New Guinea for the invitation to be your guest speaker today.

It is indeed a pleasure to be standing here and talking about tourism as it is a sector that has tremendous economic potential in PNG. Our country is endowed with rich environmental and cultural resources – we have plenty to offer to adventure travellers, water sports enthusiasts, bird watchers and culture lovers. Yet our tourism industry has contributed little to economic growth and is small relative to our Pacific neighbours.

This can only mean that we have not given this sector enough attention over the years.

I have urged the Government, on several occasions previously, to invest in agriculture and tourism as these sectors directly affect three quarters of our people. Today, I reiterate that call for action because these sectors provide a real chance to transform the lives of people around PNG.

We know that the tourism industry contributes significantly to social and economic development and its impact is far reaching to every strata of society. It creates employment opportunities, generates foreign exchange earnings, encourages entrepreneurship, and has significant spill-over effects on other sectors such as commerce and transportation. It also supports the informal sector by creating sustainable sources of income for the local communities. PNG records poorly in terms of social indicators and a significant number of our people living in the rural areas and settlements are considered to be living below the poverty line. Tourism is one sector that has the growth potential or can be a growth catalyst to improving the living standards of our rural poor.

The case for promoting and investing in the tourism activities is therefore strong. And the work to achieve positive transformation in this sector is commendable. As the future leaders and practitioners in this sector, I wish you all success in taking PNG's tourism sector to the next level.

Tourism has been a remarkable phenomenon in recent years. It has experienced continued expansion and diversification becoming one of the largest and fastest growing economic sectors globally. International tourist arrivals nearly doubled from 529 million in 1995 to 1.1 billion in 2014, and visitor spending more than matched that growth. According to the World Travel and Tourism Council, the travel and tourism industry generated US\$7.6 trillion (10% of global GDP) and 277 million jobs for the global economy in 2014.

You will surely agree that these numbers talk for themselves. They prove the growth potential and increased economic opportunities available in the tourism sector. And

PNG too can tap into these opportunities if supported with the right resources and appropriate policies as well as the political will to drive this sector.

Of course, we cannot appreciate the importance of this sector and the need to invest in it unless we are clear about its economic benefits. So let me now turn to that.

Firstly, there are *direct benefits* such as tourist arrivals, employment in the tourism sector, and contribution to GDP through direct spending by tourists and visitors, as well as public and private investment in this sector. Secondly, there are *indirect benefits* associated with intermediate consumption throughout the supply chain. For example, such indirect effects include spending on marketing and promotion services, purchase of fuel and catering services by airlines and IT services by travel agents. And finally, there are *induced contributions* to GDP and employment generated by the spending of those who are directly and indirectly employed by the tourism sector.

In many countries, these dimensions are measured regularly, and they enable business agents and policy makers to draw conclusions about the status of the tourism sector and design informed ways to promote its growth. However, in PNG, as I am sure you are aware, statistical data is scarce, especially in terms of GDP and employment, so firm conclusions about the tourism sector are difficult to make.

I would like nonetheless to quote a few figures from the 2015 report of the World Travel and Tourism Council (WTTC) to give an idea of the size of the economic benefits generated by tourism and how much more PNG needs to improve to reap the rich rewards that this sector provides.

The WTTC report shows that the world average of tourism's direct contribution to GDP was 3.1% in 2014, and this share increased to 9.8% when indirect contributions were included. Tourism generated 3.6% of the total employment around the world in 2014 and its total contribution to employment was 9.4% through all the indirect and induced economic effects.

Of the 184 countries surveyed in 2014, PNG was ranked last in terms of these economic benefits. Tourism's direct contribution to GDP was less than 1% and its total contribution accounted for just 2.1% of GDP. Similarly, tourism sector employment

represented only 0.5% of the total and, when adding indirect effects, it generated only 1.8% of the total employment. This is in absolute contrast with the countries of the Asia Pacific Region, where tourism statistics are comparable with the world averages.

It comes to no surprise then that PNG lags behind its Pacific peers. Despite being the biggest nation in terms of population and land area, and undoubtedly having the greatest potential for tourism, PNG holds only 10% of the tourism market share in the Pacific Region. By contrast, Fiji holds an impressive 41%. And this is despite it being as big as Milne Bay!

These statistics stand to demonstrate that we have a lot to learn from our neighbour before tourism becomes a catalyst for growth in our country.

Of course, there are many factors explaining the disparity between PNG and Fiji's performance. Law and order issues, lack of infrastructure, insufficient human resource capacity, limited community engagement and negative market knowledge of PNG tourism are just a few. Clearly, these are not areas that can be addressed overnight, but need a persistent commitment and investment by our Government and our people.

Law and order as well as infrastructure must be addressed with priority. I have on several occasions highlighted the importance of efficient and low-cost infrastructure – roads, airports, ports and electricity. Developing infrastructure enhances a country's productivity and makes firms more competitive. It enhances the efficiency of production, transportation, and communication, and also helps to provide economic incentives to public and private sector participants. Good quality infrastructure enhances the country's attractiveness to foreign investors and, of course, visitors.

Likewise, infrastructure is a critical determinant of our country's attractiveness as a tourist destination. For example, sound airport infrastructure ensures a smooth and comfortable travelling experience for our visitors. The recent upgrades at Jackson's International Terminal, for example, and the Kookaburra Flyover have certainly enhanced the travel experience in Port Moresby. These initiatives are a good start, but clearly not sufficient if we want to grow the tourism sector across the country. Other infrastructure, such as reliable water and energy supply, is essential to the quality of services we offer to our visitors.

When tourists visit our country, they want to feel safe walking around. Clearly, the Government should take measures to ensure the safety of tourists. However, there also needs to be a change in the mindset and attitude of our people. We must learn to respect ourselves, other people that live within our communities and, most importantly, the tourists who come to our shores.

Let me also mention that while it is important to have good policies to develop the tourism sector and encourage public and private sector investment, it is equally important that we educate and develop our people to harness and take ownership of the opportunities in the development of the tourism sector. On that front, the Bank has realised the importance that in order to have inclusive growth that would greatly benefit our people we need to educate them. The Bank, therefore has championed two major initiatives, the financial literacy and financial inclusion programs to educate our people and get them into the formal banking system so that they can source financial resources. These two initiatives are critical in order to empower our people with appropriate knowledge and financial capacity to take part meaningfully in tourism and other activities, and maximise the financial benefits. The least I would expect is to leave our people out of any tourism developments and let them become mere spectators.

We ask ourselves why tourism sector's contribution to our country's economic growth is very low; why it is not on par with other economies within the Asia Pacific Region. There are many reasons for it, as I have just mentioned, but it all goes back to setting the right foundation for economic development, not just for this sector. By that, I mean developing the right infrastructure, increase security and improve the ease of doing business in PNG. A focus on these will have to most impact for the tourism sector and will help us reap the economic rewards that it provides.

Thank you.