

## CUMMINGS ECONOMICS

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### ppt 1: THE TABLELANDS IN A CHANGED WORLD ECONOMY

ADDRESS TO THE ATHERTON CHAMBER OF COMMERCE

By W S (Bill) Cummings, 17 November 2011

### 2: AS EVERYONE IN THIS ROOM KNOWS, THE WORLD ECONOMIC STRUCTURE HAS CHANGED.

THE GLOBAL ECONOMY IS GOING THROUGH A PERIOD OF RAPID INDUSTRIALISATION ON A SCALE NOT SEEN SINCE THE RAPID INDUSTRIALISATION THAT TOOK PLACE IN EUROPE AND NORTH AMERICA IN THE LATE 1800'S AND EARLY 1900'S - THIS TIME IN CHINA AND INDIA WITH THEIR MASSIVE POPULATIONS.

THIS CHANGED SITUATION HAS MAJOR IMPLICATIONS FOR THE PACE AND PATTERNS OF ECONOMIC GROWTH THIS REGION CAN ACHIEVE AND IT IS VITAL THAT WE RECOGNISE THESE IMPLICATIONS – THAT WE DON'T ASSUME THINGS ARE GOING TO GO ON AS THEY HAVE IN THE PAST – THAT WE ADAPT OUR THINKING AND APPROACHES TO THE NEW REALITIES.

### 3: THE FIRST THING TO REALISE IS THAT MOST REGIONAL ECONOMIES OF AUSTRALIA, INCLUDING FAR NORTH QUEENSLAND, ARE BASICALLY DEPENDENT FOR THEIR SIZE AND GROWTH ON THE INDUSTRIES THAT EARN INCOME FROM OUTSIDE THEIR REGIONS – FROM THE REST OF AUSTRALIA AND OVERSEAS.

MOST OF THESE, WHAT I CALL “BASE INDUSTRIES”, ARE DEPENDENT ON THE REGION'S NATURAL RESOURCE BASE OF PLANT GROWTH POTENTIAL, MARINE RESOURCES, MINERALS, AND IMPORTANTLY THESE DAYS, NATURAL TOURISM RESOURCES.

AS THESE BASE INDUSTRIES GROW, THEY LAY THE FOUNDATIONS FOR A SERVICE INDUSTRY STRUCTURE THAT CAN COME TO EMPLOY MORE THAN THE BASE INDUSTRIES.

**BUT, TAKE THOSE BASE INDUSTRIES AWAY, AND THE SERVICE INDUSTRIES WILL COLLAPSE.**

**THIS REGION IS NO DIFFERENT TO OTHERS.**

**4: AGAINST THIS BACKGROUND, THE POTENTIAL THREATS FROM THE CHANGED WORLD ECONOMIC STRUCTURE FOR A REGION LIKE THIS, WITH A HEAVY DEPENDENCE ON TOURISM, ARE CLEARLY SPELT OUT IN A QUOTE FROM THE HEAD OF THE RESERVE BANK OF AUSTRALIA I PUT UP ON THE SCREEN IN AN ADDRESS TO THE CAIRNS CHAMBER OF COMMERCE IN 2009.**

**5: IN FACT, UNDER THE INFLUENCE OF THE HIGH DOLLAR AND DECLINING PROPENSITY TO TRAVEL IN THE ADVANCED ECONOMIES, THE REGION'S TOURISM HAS HAD NO REAL OVERALL GROWTH SINCE 2006.**

**6: IN FACT, FOR SUBSTANTIAL SECTIONS, IT HAS DECLINED.**

**7: THE PROBLEM FOR TOURISM IN THE REGION IS THAT THE NEWLY INDUSTRIALISING COUNTRIES LIKE CHINA AND INDIA STILL HAVE VERY LOW PER CAPITA INCOMES.**

**WHILE A PROPORTION OF THE POPULATION IN THESE COUNTRIES ARE MOVING TOWARDS INCOME LEVELS WHERE THEY CAN AFFORD TO TRAVEL, MAJOR TOURISM GROWTH FROM THOSE COUNTRIES, ESPECIALLY FOR A RELATIVELY EXPENSIVE DESTINATION LIKE THIS REGION, IS STILL SOME WAY OFF.**

**WHILE WE NEED TO SEEK TO TAP INTO GROWING CHINESE AND INDIAN TOURISM MARKETS, ESPECIALLY BY SECURING MORE DIRECT AIR SERVICES, WE CANNOT EXPECT TOO MUCH TOO SOON.**

**8: IF THE EXPERIENCE OF JAPAN IS ANY GUIDE, GROWTH IN DEMAND WILL PROBABLY COME IN THREE MAJOR PHASES.**

- 1) DEMAND FOR MINERALS AND ENERGY AND BASIC AGRICULTURAL PRODUCTS.**
- 2) DEMAND FOR HIGHER VALUE AND HIGHER PROTEIN AGRICULTURAL PRODUCTS.**
- 3) TOURISM.**

**9:** THE REALITY AT PRESENT, IS THAT THE GROWTH OF CHINA AND INDIA ARE CREATING A MASSIVE DEMAND FOR MINERALS, AND AS THE CHINESE INVESTMENT IN TULLY SUGAR MILL SIGNALS, A DEMAND FOR BASIC AGRICULTURAL COMMODITIES.

**CAN THE REGION TAP INTO THIS?**

**WHAT DOES IT NEED TO DO TO TAP INTO THIS DEMAND?**

THE MASSIVE DEMAND FOR MINERALS AT THIS TIME IN THE REGION'S HISTORY CAN BE PARALLELED WITH THE CONDITIONS OF THE LATE 1800'S AND EARLY 1900'S WHEN MINING DEVELOPMENT DROVE THE EARLY GROWTH OF THE REGION'S ECONOMY AND LAY DOWN THE FOUNDATIONS OF THE REGION'S INFRASTRUCTURE.

**10:** THIS MAP ILLUSTRATES THAT AFTER THE COAL OF CENTRAL QUEENSLAND AND THE BASE METAL FIELDS OF THE NORTH WEST, THE TABLELAND'S HINTERLAND AREA HAS THE HIGHEST CONCENTRATION OF MINERAL OCCURRENCES IN QUEENSLAND.

TO THE NORTH IN THE PENINSULA, ARE LARGE SEDIMENTARY DEPOSITS OF BAUXITE, SILICA, COAL IN THE LAURA BASIN, AND KAOLIN.

**11:** THE VALUE OF MINERAL SALES FROM THE REGION HAS ALREADY BEEN RISING.

**12:** ADDED TO THE PRODUCTION WITHIN THE REGION, IS THE ESTIMATED VALUE OF ABOUT \$240M INCOME EARNED BY ABOUT 2,000 WORKERS FLYING INTO MINES OUTSIDE THE REGION.

ADDED FURTHER IS THE VALUE OF ABOUT \$600 - \$700M IN GOODS BEING SHIPPED TO WEIPA, TO FREEPORT'S MINE IN INDONESIA AND MORE RECENTLY PNG.

**13:** OF MOST INTEREST TO THE TABLELANDS IS THE INTENSE EXPLORATION ACTIVITY AND THE MINE DEVELOPMENT PLANS UNDERWAY OR BEING EVALUATED.

MUCH OF THE ACTIVITY TAKING PLACE WAS COVERED AT THE RECENT CAIRNS AND MINING CONFERENCE.

THE PAPERS PRESENTED AT THE CONFERENCE ARE NOW ALL ON THE WEBSITE AND FREELY AVAILABLE.

THERE IS TOO MUCH GOING ON, TOO FAST, FOR ME TO GIVE A DETAILED ACCURATE PICTURE.

THE FOLLOWING HOWEVER, IS TO GIVE SOME SENSE OF WHAT IS HAPPENING.

**14:** KAGARA'S MT GARNET PLANT WILL KEEP GOING - DRAWING ON THE BAAL GAMON DEPOSIT NEAR IRVINEBANK AND DOWN THE TRACK FROM THE FORMER COPPER STRIKE, EINASLEIGH DEPOSITS, WITH A FURTHER POLYMETALLIC PLANT AT CHILLAGOE.

**15:** MUNGANA GOLD IS WILL PROGRESSED AT CHILLAGOE WITH ITS OPEN PIT PROJECT.

**16:** TUNGSTEN PROJECTS AT WOLFRAM CAMP AND MT CARBINE ARE UNDERWAY.

CONSOLIDATED TIN PROJECT AT MT GARNET IS PLANNED TO PRODUCE 4,000 – 5,000 TONNES OF TIN PER ANNUM AND 300,000 TONNES OF IRON ORE.

**17:** THESE PROJECTS WOULD SEE VALUE OF SALES FROM A CURRENT \$300 M PER ANNUM TO OF THE ORDER OF OVER \$1 BN ON CURRENT PRICES.

IN CAPE YORK, WEIPA CURRENTLY EXPORTS ABOUT 16 MILLION TONNES PER ANNUM. THE NEW PORT TO BE BUILT IS EXPECTED TO BE CAPABLE OF TAKING 50 MILLION TONNES PER ANNUM. IT IS EASY TO SEE VALUE OF SALES IN THE REGION GO OVER \$2 BILLION IN COMING YEARS.

**18:** HOWEVER, EXPLORATION ACTIVITY IS INDICATING A LOT MORE, INCLUDING BAUXITE, IRON ORE, GOLD, AND RARE EARTHES.

THERE ARE WORLD CLASS DEPOSITS OF DIATOMITE IN THE REGION, MARBLE AND PERLITE.

THE MAUREEN URANIUM DEPOSIT NEAR GEORGETOWN IS A MAJOR PROSPECT IF QUEENSLAND POLICY CHANGES.

**GEOHERMAL EXPLORATION IS TAKING PLACE AT INNOT HOT SPRINGS.**

**COMPANIES ARE LOOKING AT COAL SEAM GAS AND COAL EXPORT IS PROPOSED FROM BATHURST HEAD.**

**19: FLY-IN/FLY-OUT AND TRADE SUPPLY PROSPECTS OUTSIDE THE REGION ARE VERY SUBSTANTIAL WITH VALUE OF PRODUCTION OF MINING IN THE WIDER AREA OF NORTHERN AND CENTRAL QUEENSLAND, NORTHERN TERRITORY, PNG AND PAPUA INDONESIA, WORTH OVER \$42 BN A YEAR IN RECENT YEARS AND EXPANDING RAPIDLY**

**20: THE OTHER MAJOR OPPORTUNITY DEVELOPING RELATES TO AGRICULTURE.**

**21: NEW SATELLITE TECHNOLOGY ENABLES COMPARISONS TO BE MADE OF PLANT GROWTH POTENTIAL OF DIFFERENT REGIONS.**

**22: CLEARLY, THE FAR NORTH HAS A POTENTIAL AT LEAST EQUIVALENT TO VICTORIA AND SOUTH EAST QUEENSLAND, BUT LAGS BADLY IN GROSS VALUE OF AGRICULTURAL PRODUCTION AT FARM GATE PRICES.**

**23: MUCH RECENT GROWTH IN AGRICULTURE IN THE REGION HAS BEEN THROUGH DEVELOPING MARKETS IN SOUTHERN AUSTRALIA AS TRANSPORT TO THESE MARKETS IMPROVES.**

**APART FROM GROWING DEMAND FOR BASIC AGRICULTURAL PRODUCTS FROM CHINA AND INDIA, OTHER STRANDS ARE COMING IN TO PLAY:**

- a) THE DEMANDS TO REDUCE FOSSIL FUEL EMISSIONS INCREASING DEMAND FOR BIOFUELS.**
- b) THE WORLD WIDE BIOTECHNOLOGY REVOLUTION PROVIDING NEW OPPORTUNITIES TO TURN BIOMASS INTO PRODUCTS LIKE BIOPLASTICS.**
- c) THE EXTENT OF THE REGION'S WATER RESOURCES AVAILABLE.**

**24:** APART FROM INTENSIFICATION OF PRODUCTION IN EXISTING AREAS, SUBSTANTIAL AREAS EXIST FOR EXPANSION (ESPECIALLY UNDER IRRIGATION), WEST OF MAREEBA IN THE DIMBULAH AREA, IN THE MOUNT GARNET AREA, AND FURTHER WEST ALONG THE GILBERT.

**25:** I RECENTLY ATTENDED THE AGINVEST CONFERENCE IN TOWNSVILLE.

IT WAS ENCOURAGING TO HEAR OF ASPIRATIONS AND PLANS TO ESTABLISH PRODUCTION OF NEW CROPS IN THE NORTH INCLUDING CASSAVA, TROPICAL WHEAT, UPLAND RICE, PULSE CROPS, COTTON, AND PONGAMIA.

**26:** HOWEVER, THE OTHER FUNDAMENTAL POINT I WOULD LIKE TO ADDRESS RELATES TO INFRASTRUCTURE.

JUST AS THE ACHIEVEMENT OF THE TOURISM OPPORTUNITY IN THE 1980'S AND 1990'S REQUIRED THE UPGRADING OF CAIRNS AIRPORT, THE REALISATION OF NEW OPPORTUNITIES COMING OUT OF THE CHANGED WORLD ECONOMY, NEEDS A RENEWED FOCUS ON THE CAPACITY OF THE REGION'S LAND TRANSPORT SYSTEM AND ITS SEAPORTS.

IT WILL BE INCREASINGLY UNSATISFACTORY THAT EXPORTING OUR SUGAR AND IMPORTING FERTILISERS AND PETROLEUM PRODUCTS IS CONSTRAINED TO SHIPS CARRYING LESS THAN FULL LOADS BY THE RESTRICTED PORT DEPTHS.

THE CURRENT CONSTRAINTS ON THE KURANDA RANGE ROAD WILL BECOME INCREASINGLY UNSATISFACTORY ALONG WITH THE CONSTRAINTS OF THE ROUTE INTO MOURILYAN SEAPORT.

**THE REGION BADLY NEEDS A MASSIVE INVESTMENT IN A WHOLE RANGE OF ROADS.**

**27:** AGAIN, THANK YOU FOR THE CHAMBER'S SUPPORT WITH THE RECENT CAIRNS AND MINING CONFERENCE.

CONGRATULATIONS ON YOUR RECONSTITUTION OF THE CHAMBER.

**.ppt 28: End.**