

## CUMMINGS ECONOMICS

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### Proposed Marine Reserves Networks : Impact on the Cairns Regional Economy Summary of Findings

The Cairns regional economy will be impacted by both the Coral Sea Marine Reserve and the North Marine Reserve Network in the Gulf of Carpentaria.

The Departments estimates of impact as stated in the Regulatory Impact Statement in terms of a landed price is estimated at \$5.86 million and represents 49% of estimated impacts of all the proposed reserves around the Australian coast.

The Departments analysis of impacts as stated in terms of impacts at landed prices is deficient in the following respects.

It does not take into account "post shipside" impacts in the form of transport to storage, cold storage, marketing, transport to markets etc.

It does not take into account "flow on" impacts on suppliers of inputs to fishing and "post shipside" activities, in the form of expenditure on items like ships chandlery, slipways maintenance and repairs, ship stores, fuel, insurance, navigation equipment, business services and so on.

Some modelling carried out by the Australian Bureau of Agricultural and Resource Economics (ABARE) included in the Regulatory Impact Statement indicates that the impacts on the economy to take account of "post shipside" and "flow on" factors is at least double that of the "landed" values.

The Departments analysis fails to recognise that the impacts will not just be for one year but indefinitely into the future. No discounted "Net Present Value" modeling of impacts indefinitely into the future is carried out.

As a result of the above no consideration of likely future growth of activities is included and of potential future opportunities foregone. A number of the activities affected can be expected to record continuing growth into the future. Industry sources report there are major additional fish stocks in the two areas that could be fished to sustainable levels in the future.

No consideration seems to be given of the potential impacts of marginal loss of business or marginal cost increases that can make businesses and industries unviable especially those operating in highly competitive international markets. This effect can translate through to "post shipside" and "flow on" impacts on those that supply inputs and services. The largest component of airfreight supporting air services out of Cairns to Asia is marine products.

One of the potentially significant cost increases that could affect viability of some operations is the likelihood of a major increase in administrative costs flowing through to impact on the regional businesses through increased license fees under a policy of cost recovery.

Apart from the above, industry representatives indicate that they believe the Departments initial assessment understates the direct losses to fishing operations.

If the **ABARE** estimates of impacts of "post shipside" and "flow on" are applied, Net Present Value (4% real discount rate, over 30 years) of impacts on the economy, with none of the other deficiencies given above taken into account, comes to **about \$200 million**.



## Proposed Marine Reserves Networks Economic Impact Report : Summary of Findings

If factors of under estimation, potential marginal cost impacts on viability in competitive markets, likely future growth and foregone opportunities are factored in, Net Present Value of economic **impacts on the region** through impacts on **commercial fishing** operations and related post shipside activities increases to **over \$400 million**.

In addition, on industry feedback, there is a real risk of loss of aquarium fish operations with a Net Present Value reaching up **towards \$180 million** and loss of income in charter fishing with a Net Present Value up **over \$400 million**.

This gives a preliminary estimate of total potential Net Present Value of losses to the region indefinitely into the future **of the order of \$1 billion**.

