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COST OF ALCOHOL RELATED CRIME & VIOLENCE IN CAIRNS

**Address by W S (Bill) Cummings, Cummings Economics, Cairns
to the Alcohol Related Crime & Violence Conference**

Reef Hotel Casino, Cairns

15th July 2013

1. Everyone knows that there is an economic cost of excessive alcohol consumption, especially here in Cairns.

I am no expert on the subject of cost of alcoholic related crime and have not undertaken any original detailed research on the subject generally or specifically related to Cairns.

However with the time I have had available to look into the question for this conference, I have been able to access some material that might help:

- first, to identify the elements of what that cost might be, and
- secondly, to make some rough quantification of what the economic costs to Cairns might be.

An internet search has turned up two value pieces of original research, in Australia and the US.

2. Australian research by David Collins of Macquarie University and Helen Lapsley of University of Queensland estimates the social costs of alcohol abuse Australia wide as totaling \$15.3bn in 2004/05 with an extra \$1.1bn attributable to the joint consumption of alcohol and illicit drugs. That worked out at the time at \$804 per head of population in 2004/05 and in today's dollars about \$1000 per head of population.

The Australian research is paralleled by research in the United States in the 1990s by Harwood that put the projected 1998 cost at \$185 billion US or \$US 685 per head of population or in today's dollars \$US 980, ie. very close to the Australian figures.

In the time available, I have been unable to track through an accurate assessment of how the level of alcohol abuse in Cairns relates to national averages.

However we all know that our consumption of alcohol is a major problem in indigenous communities and Cairns has a higher proportion.

Unemployment rates have been relatively high, especially among youth and seems likely to contribute.

A high visitor population especially of backpackers adds another potential dimension.

I don't know with any precision what the economic cost of alcohol abuse sits at but to give some idea of the likely order of magnitude, the following table gives figures based on a resident population, Gordonvale to Ellis Beach of 150,000, and on national averages.

| Table #1: Estimated Social Costs of Alcohol Abuse in Cairns (Based on National Ratios per Head of Population) | |
|--|------------------|
| Labour in the workforce - Reduction in workforce & Absenteeism | \$32.8 m |
| Labour in the household - Premature death & Sickness | \$14.4 m |
| Less consumption resources saved | (-\$14.8 m) |
| Total net labour costs | \$32.4 m |
| Healthcare - Medical, Hospital, Nursing homes, Pharmaceuticals & Ambulances | \$18.1 m |
| Road accidents n.e.i. | \$20.2 m |
| Crime n.e.i. – Police, Criminal courts, prisons, Property, Insurance administration & Productivity of prisoners | \$13.0 m |
| Resources used in abusive consumption | \$15.5 m |
| Total Tangible | \$99.2 m |
| Intangible Social Costs of Alcohol Abuse | |
| Loss of life, Pain and suffering (road accidents) | \$42.0 m |
| Social Costs of Joint Alcohol & Abuse | |
| Various | \$9.7 m |
| Total social costs of joint alcohol & drug abuse | \$150.9 m |

Note: n.e.i. denotes not elsewhere included.

Source: Cummings Economics based on Collins & Lapsley (2008a) and Australian Bureau of Statistics Estimated Residential Population, 2012.

This compares with a Gross Regional Product for the area (ie. the sum of value added by all entities in the city) of about \$7bn. \$150m represents about 2% of GRP. To give some other dimensions, it compares with earnings from Chinese and Japanese tourism of the order of \$200m.

I should make a few other observations that come out of our firm's research work.

The high level of unemployment of young people is a problem – some research work we did in 2011 identified that about 40% of unemployed were aged 15 to 24 years.

The last census indicates that indigenous unemployment rate in Cairns was over 25% compared with non indigenous 6%.

We all know that tourism is important to the city.

Our market research arm, Compass Research, carried out surveying among over 1000 visitors in 2009 about the reasons for coming to Cairns and their experiences.

When asked about prior awareness of Cairns, the reply of one British backpacker was, "All I knew was that it had one main street with the Woolshed on one side and PJ. O'Briens on the other," encapsulating that having a good time is important to the backpacker trade.

On the other hand, there were responses to a question about worst experiences that related to safety. The number of these responses was not large indicating that safety concerns were present as an issue but not a large issue.

I have been to and observed the decline of the once famous Mexican resort city of Acapulco against a background of rampant drug dealing and crime.

It is very important to Cairns to maintain a reputation for good order and safety if it is to remain a vibrant growing tourism centre.