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ppt 1: **“CAN CAIRNS BECOME A MAJOR MINING SERVICES CENTRE AGAIN?”**

ADDRESS TO THE CAIRNS & MINING CONFERENCE

By W S (Bill) Cummings

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- 2: CAIRNS WAS FOUNDED IN 1876 AS A PORT OUTLET FOR NEWLY DISCOVERED MINERAL FIELDS. THE COMBINATION OF THE MAGNIFICENT SHELTERED HARBOUR IN TRINITY INLET, THE COMPARATIVELY LOW CROSSING OF THE RANGES AVAILABLE, WITH A LIMITED DISTANCE OF THICK SCRUB TO TRAVERSE, LED TO THE DECISION TO BUILD THE RAILWAY FROM CAIRNS TO SERVICE THE BURGEONING MINING TOWNS IN THE HINTERLAND.**
- 3: BRETT AND OTHERS WILL PROVIDE A MORE DETAILED OVERVIEW OF THE MINERAL RESOURCES OF THE REGION, BUT THIS MAP ILLUSTRATES WHY FOR THE FIRST 50 YEARS OF ITS HISTORY, CAIRNS WAS HEAVILY INVOLVED IN SERVICING A VIGOROUS MINING INDUSTRY. WHILE THE MINERAL RESOURCES OF THE REGION MIGHT NOT BE AS EXTENSIVE AS THOSE OF NORTH WEST QUEENSLAND AND THE COAL OF CENTRAL QUEENSLAND, THEY REPRESENT THE THIRD LARGEST CONCENTRATION IN THE STATE.**
- 4: AS THE HISTORIAN, NIAL FERGUSON CLEARLY DEFINES IN SOME OF HIS BOOKS, THE EARLY DEVELOPMENT OF MINING IN THE REGION TOOK PLACE DURING AN AGE OF MASSIVE INDUSTRIALISATION IN EUROPE AND NORTH AMERICA. EXPANDING INDUSTRIES WERE REACHING OUT FOR ADDITIONAL RESOURCES OF MINERALS AND AGRICULTURAL PRODUCTS. THE ERA CAME TO AN END WITH THE TRAGEDY OF THE FIRST WORLD WAR, THE DEPRESSION, AND WORLD WAR II.**

FORTUNATELY FOR THIS REGION, EARLY PROBLEMS OF DEVELOPING TROPICAL AGRICULTURE WERE BEING OVERCOME AND FOR THE NEXT 50 YEARS, SUGAR ESPECIALLY TOOK OVER AS THE MAJOR EARNER OF OUTSIDE INCOME AND THEN OVER THE LAST THIRTY YEARS – AS INCOMES IN THE INDUSTRIALISED COUNTRIES ROSE AND WIDE BODIED JETS BROKE DOWN BARRIERS OF REMOTENESS – TOURISM TOOK OVER.

5: HOWEVER, ESPECIALLY OVER THE PAST DECADE, THE WORLD'S ECONOMIC SITUATION HAS CHANGED AGAIN. WE ARE BACK TO A PERIOD OF MASSIVE INDUSTRIALISATION EQUIVALENT IN SCALE AND GLOBAL IMPACT TO THAT OF THE LATE 1800'S AND EARLY 1900'S – BUT THIS TIME IN ASIA WITH THE MASSIVE POPULATION OF CHINA AND INDIA FOLLOWING THE PATH PIONEERED EARLIER BY JAPAN, KOREA AND TAIWAN.

AGAIN, RAPIDLY EXPANDING INDUSTRIES ARE REACHING OUT FOR MINERALS AND BASIC AGRICULTURAL PRODUCTS RESULTING IN HIGH COMMODITY PRICES. WHILE THERE WILL BE FLUCTUATIONS SUCH AS HAS OCCURRED IN RECENT WEEKS, UNLESS CHINA FRACTURES POLITICALLY, IT SEEMS LIKELY THAT THIS SITUATION WILL GO ON FOR DECADES.

UNFORTUNATELY FOR THIS REGION, THE HIGH AUSTRALIAN DOLLAR IS HAVING A MAJOR EFFECT ON TOURISM FROM WITHIN AUSTRALIA AND TRADITIONAL SOURCES OF EUROPE AND NORTH AMERICA. IF THE INDUSTRIALISATION OF JAPAN IS A GUIDE, IT WILL BE SOME TIME YET BEFORE INCOMES RISE IN CHINA AND INDIA TO LEVELS THAT GENERATE HIGH DEMAND FOR OVERSEAS TRAVEL. IT WILL OCCUR, BUT THE MAJOR IMPACT IS SOMEWHERE DOWN THE LINE.

RIGHT AT THIS POINT OF TIME, THE DEMAND IS FOR MINERALS, AND, AS THE INVESTMENT BY CHINESE INTERESTS IN TULLY SUGAR MILL INDICATES, IN BASIC AGRICULTURAL PRODUCTS.

- 6:** THE FOLLOWING CHARTS ILLUSTRATE THE IMPACT OF THE DEMAND FOR MINERALS – IN US DOLLARS, THE PRICE OF COPPER IS ABOUT 5 TIMES THAT OF THE EARLY 2000'S.

THE RESERVE BANK'S INDEX OF COMMODITY PRICES FOR BASE METALS IN US DOLLARS IS ABOUT THREE TIMES THAT OF THE EARLY 2000'S.

- 7:** AGAINST THIS BACKGROUND, CAN CAIRNS (MUCH CLOSER TO THE AREAS IN WHICH INDUSTRIALISATION IS OCCURRING THAN IN THE LATE 1800'S), BECOME A MAJOR MINING SERVICES CENTRE AGAIN?

THE FIRST POINT I WOULD LIKE TO MAKE IS THAT WHILE TOURISM HAS COME TO BE VERY IMPORTANT TO CAIRNS, THE CITY HAS ALWAYS HAD A MULTIDIMENSIONAL SERVICING ROLE FOR INDUSTRIES EARNING OUTSIDE INCOME INCLUDING TOURISM, AGRICULTURE, FISHERIES, FORESTRY AND MINING.

BUT ALSO ELEMENTS IN MANUFACTURING IN AREAS LIKE MARINE SERVICES AND SHIPBUILDING, AVIATION, ENGINEERING AND SERVICES LIKE INTERNATIONAL EDUCATION. (THIS GROUP WOULD INCLUDE FIFO INCOME.)

CAIRNS AND THE SURROUNDING REGIONAL CENTRES HAVE NEVER COMPLETELY LOST THEIR MINING SERVICING ROLE. IT IS A ROLE THAT IS MUCH LARGER THAN GENERALLY RECOGNISED.

- 8:** MAJOR ELEMENTS OF THAT SERVICING ROLE RELATE TO:

- MINING WITHIN THE REGION - IN THE IMMEDIATE HINTERLAND, AND,
- FURTHER AFIELD IN THE PENINSULA AND GULF.
- MINING BEYOND THE FAR NORTH QUEENSLAND REGIONAL AREA WITH LINKS BY AIR AND SEA, AND SOME BY ROAD.
- EXPLORATION ACTIVITY WITHIN THE REGION.
- CORPORATE OFFICES.

- 9: THE CURRENT HIGH DEMAND FOR MINERALS IS ALREADY BEING FELT IN THE REGION'S ECONOMY IN RISING VALUE OF MINERAL SALES.**

IN 2009/10, VALUE OF MINERAL SALES HAD RISEN TO OVER \$900 M.

- 10: AS BRETT AND OTHER SPEAKERS WILL OUTLINE TODAY, THERE IS A POTENTIAL FOR THE MINING IN THE IMMEDIATE HINTERLAND TO RISE MUCH MUCH FURTHER**

- 11: PENINSULA OUTPUT IS SET TO EXPAND WITH RIO TINTO INVESTING \$1 BN IN BUILDING THE SOUTH OF EMBLEY PROJECT AND A NEW PORT AT BOYD POINT CAPABLE OF INCREASING SHIPMENTS FROM CURRENT 18 MILLION TONNES TO UP TO 50 MILLION TONNES.**

OTHER MINING EXPANSIONS IN THE AREA ARE LIKELY TO INCLUDE CAPE ALUMINA BAUXITE, MINERAL SANDS, AND POTENTIALLY COAL IN THE LAURA BASIN. SILICA SAND DEPOSITS AT CAPE FLATTERY ARE WORLD CLASS.

- 12: HOWEVER, THAT IS ONLY THE FIRST LAYER OF SERVICING OPPORTUNITIES.**

THE NEXT LAYER RELATES TO MINING ACTIVITY OUTSIDE THE IMMEDIATE REGION WITH 6 MAJOR AREAS OF INTEREST.

COMBINED VALUE OF MINING IN THIS WIDER AREA STANDS AT ABOUT \$42 BN.

TRANSPORT LINKS ARE CRITICAL.

OUR 2008 AND 2010 UPDATE OF THE FAR NORTH QUEENSLAND MINING SERVICES STUDY INDICATES THAT CAIRNS ALREADY PLAYS A SIGNIFICANT ROLE IN PROVISION OF FLY-IN SERVICES OF WORKFORCE, CORPORATE PERSONNEL AND AIRFREIGHT TO SOME 16 DIFFERENT MINING RELATED CENTRES – IN PNG, FREEPORT'S GIANT MINE IN PAPUA INDONESIA, WITHIN THE REGION IN CAPE YORK, TO EASTERN NORTHERN TERRITORY, TO THE GULF, TO THE MT ISA NORTH WEST QUEENSLAND AREA AND TO CENTRAL QUEENSLAND.

RAPID EXPANSION IS TAKING PLACE THROUGHOUT THIS AREA, ESPECIALLY DUE TO LNG PROJECTS IN PAPUA NEW GUINEA AND IN CENTRAL QUEENSLAND – BUT ALSO WITH NEW MINE PROPOSALS IN THE GULF AND NORTH WEST AND EASTERN NORTHERN TERRITORY AND PAPUA NEW GUINEA.

- 13: OUR ESTIMATES AT THE TIME WERE THAT ABOUT 2000 WERE INVOLVED IN FLY-IN SERVICES.**

AT SAY AN AVERAGE OF \$125,000 PER WORKER IN WAGES AND OTHER RUB OFF EXPENDITURE LIKE TRANSPORT AND TRAINING, A FURTHER \$250M WOULD BE ADDED TO REGIONAL INCOME.

SHARON AND OTHERS WILL TALK IN FURTHER DEPTH ABOUT THIS ASPECT LATER TODAY.

- 14: BUT ONE ASPECT THAT IS OFTEN NOT RECOGNISED IS THE DEGREE TO WHICH CAIRNS IS THE LEADING BASE FOR SHIPPING SERVICES TO MINING RELATED ACTIVITY TO THE NEAR NORTH.**

CURRENTLY, ABOUT 4 SHIPS A WEEK LEAVE CAIRNS' GENERAL CARGO WHARVES CARRYING OF THE ORDER OF \$600 - \$700M OF CARGO A YEAR TO WEIPA, TO FREEPORT'S MINE IN PAPUA INDONESIA AND MORE RECENTLY TO PORT MORESBY.

WITH THE DEVELOPMENTS AT WEIPA AND IN PNG, THERE IS POTENTIAL TO INCREASE THESE SERVICES.

MINING DEVELOPMENT IN THE GULF, NORTH WEST AND THE MACKAY CENTRAL QUEENSLAND AREA IS ACCESSIBLE TO CAIRNS' FIRMS BY ROAD TRANSPORT, AND WE WILL HEAR LATER TODAY ABOUT SUCCESS STORIES FOR LOCAL COMPANIES.

- 15: FINALLY, LET ME TALK ABOUT TWO OTHER AREAS OF INFLUENCE AND OPPORTUNITY FOR CAIRNS.**

BEFORE MINING COMES EXPLORATION.

AGAIN, CAIRNS AND THE REGION ARE ALREADY BENEFITING AND THERE ARE ADDITIONAL OPPORTUNITIES COMING UP.

I DON'T HAVE SUFFICIENT INFORMATION TO PUT A FIGURE ON IT. BUT BRETT BELIEVES EXPENDITURE IN THE AREA COULD BE UP AROUND THE \$20 - \$30M MARK.

- 16: ON TOP OF THIS, THERE IS ALSO ALREADY A RANGE OF MINING COMPANY CORPORATE OFFICES IN CAIRNS AND THE REGIONAL CENTRES.**

CAPE FLATTERY SILICA AND SKARDON RIVER KAOLIN SERVICE MINES IN THE PENINSULA.

THE INTERNATIONAL PURVEYORS OFFICE IN CAIRNS ORGANISES FREEPORT'S AUSTRALIA-WIDE BUYING AND SHIPPING TO ITS MINE.

INTEROIL, OPERATING THE OIL REFINERY IN PNG AND DEVELOPING THE SECOND MAJOR LNG PROJECT IN PNG, HAVE A SUBSTANTIAL ADMINISTRATION SUPPORT OFFICE IN CAIRNS AND BARRICK, OPERATORS OF PORGERA GOLD MINE, HAVE AN OFFICE TO ORGANISE THEIR FLY-IN OPERATIONS. THERE ARE PROBABLY MORE.

- 17: OF COURSE, THE POINT IS THAT MINING ACTIVITY WITHIN THE IMMEDIATE HINTERLAND IN THE REST OF THE REGION IN CAPE YORK AND THE GULF AND FURTHER AFIELD ALREADY HAS A VERY SUBSTANTIAL IMPACT ON THE ECONOMY AND SERVICING ROLE OF CAIRNS AND REGIONAL CENTRES AND THAT ROLE HAS THE POTENTIAL TO GROW STRONGLY OVER THE NEXT DECADE.**

IT IS EASY TO SEE THE REGION'S DIVERSE EARNINGS FROM MINING REACHING UP OVER \$2 BN.

ppt 18: End.