“the importance of mining to Cairns”

Address to the Cairns & mining conference
By W S (Bill) Cummings
12 June 2013

2: It is important to recognise that the major economic role of the City of Cairns is that of being a regional capital - a transport, distribution, manufacturing, retailing, communications, business, government administration, education, health, and professional services hub for Queensland’s far north.

In this role, Cairns services the northern half of the state of Queensland from the Papua New Guinea border at 9° south latitude over 10 degrees of latitude to the southern extremity at 19° south latitude in Etheridge Shire. The rest of Queensland covers a further 10 degrees of latitude south to 29°.

3: The population of the Cairns region is now the largest in the Northern Australia.

4: It has, by a large margin, the largest number of businesses in Northern Australia including the largest number of manufacturing businesses.

5: These factors:
   - The size of the workforce;
   - The number, diversity and range of the businesses;
     - Plus: Cairns’ role as the major [air] hub of the north;
- The city’s strategic position as the far northern terminus of the east coast network of road, rail and air services;

- The city’s role as the major marine industries centre in northern Australia; and

- The region’s lifestyle advantages;

Give Cairns and its immediate region advantages in servicing requirements of mining, for inputs and workforce, not just in its core region, but south into central Queensland, across to the northern territory, and into the near north of Papua New Guinea, the Pacific and Papua Indonesia.

6. In economic terms, this whole wider area is a large tropical, previously underdeveloped, global region, whose resource potential is just being realised. Realising this resource potential is important to the development of this wider region and that makes mining important to Cairns.

7. Historically, of greatest immediate importance to Cairns, has been the Cairns’ hinterland area.

Fortunes have been up and down over the years but any map of mineral prospects in Queensland will identify it as the next most important area for mineralisation in Queensland outside the central Queensland coal fields and the North West.

Brett Duck will give a run down on what is happening in the immediate region.

The representatives of Metallica and JKO mining will give presentations on their projects.

Historically, the great sedimentary deposits of the Peninsula of Bauxite and Silica Sand come next in importance. The discovery of the world class deposits in Cape York Peninsula in the 1960s expanded Cairns’ mining services frontier.
The representative of Cape Alumina will give a presentation on the major new developments occurring in that area.

8: This chart shows the growth in the value of mineral production in the immediate Cairns Hinterland and the Peninsula in the decade up to 2010/11. Because of the collapse of Kagara in 2012, the figures will moderate in 2011/12 and 2012/13.

9: But to put things into scale, a go ahead for Rio Tinto’s South of Embley Project alone could see value of production rise over time from $500m to $1.3 billion per annum. In the meantime, Cairns is set to benefit from the $1.3 bn to be invested in construction works with an estimated $500m in the far north Queensland region. Projects in the hinterland area are likely to see value of production rise.

10: Further afield, this map shows lines of equal distance for air travel between Cairns and other key cities. In direct air distance, Cairns is as close to Mt Isa as Townsville, anywhere north of that line is closer to Cairns. Moranbah and emerald are as close to Cairns as to Brisbane. Alice Springs is as close to Cairns as Darwin and Adelaide. Groote and Gove are almost as close to Cairns as to Darwin. Kununurra is as close to Cairns as Perth.

Cairns is closest to all of Papua New Guinea of all Australian cities.

11: So when the great new century mine opened up in the Gulf Region
With a pipeline to Karumba, Cairns was a natural source to turn to for fly-in workers.

But Cairns was also in a position to provide workforce to mines in the North West Region. The 2011 census reported 858 Cairns’ residents stating their place of work as being in the North West.

Rob Mcalister from gulf savannah development will present a brief overview of developments taking place in the Northern Territory, the North West and particularly major potential impacts on the Gulf Region.
To service the major boom in coal and gas developments in the MacKay and Fitzroy regions; companies mainly looked to Brisbane for fly-in workforce but by the 2011 census, some 360 Cairns region residents were recording their place of work as being in the central Queensland area with small direct FIFO operations out of Innisfail to Emerald.

BMA are now assessing the thousands of applications they received for a planned 250 FIFO positions to be drawn from Cairns. Qantas link now have services out of Cairns for MacKay and Moranbah (via Townsville).

Across the border in the eastern Northern Territory, Cairns has long had vital links with Gove, and the Groote Manganese Mine has been sourcing workforce out of Cairns for a long time. I note that air services are now back to MacArthur River Mine.

The 2011 census indicates Cairns residents with place of work in the Northern Territory was 370 and a further 169 in the Kimberley and Pilbara Regions.

12: Over the inter-censal period 2006 to 2011, direct employment in Mining in Far North Queensland, including the Cape, more than doubled.

While there was a 90% increase in employment in mines in the region, employment in mining outside the region grew by 132%.

13: But the impact of fly-in services is not all in people directly employed in mining, it includes workforce in construction, in transport, in servicing and repair work associated with mining activity.

In 2011, there were 2916 Cairns region residents who gave their place of work outside of Cairns down into central Queensland and across the north.

It is estimated that about 2000 residents in the immediate Cairns/Cassowary Coast/Tablelands region are on fly-in to mining centres outside the immediate region, most on incomes of $100,000 plus, bringing
income into the region of the order of $200m. On top of this, is a substantial value of aviation activity generated at the airport.

14. But mines from within Queensland do not just look to the Cairns Region for FIFO workforce. Data collected by Queensland resources council indicates spending by Queensland mines on goods and services in the Cairns local government area alone is of the order of $146m. Region total would be more, and probably of the order of $200m.

15. On top of business with Australian mines, Cairns’ traditional Air links to Port Moresby have extended over the years to flights to a number of PNG mining operations including Ok Tedi (Tabubil), the gas fields (Moro), Porgera (Mt Hagen) and Lihir.

Airfast runs a service from Timika to Cairns to service Freeport’s giant copper and gold mine in Papua Indonesia.

Apart from FIFO traffic from the Cairns area, many of these flights carry corporate personnel on R&R in Cairns, en route elsewhere, along with FIFO from/to other centres, often overnighting in Cairns. This generates income for Cairns but the amount is unknown. Airfreight exports to PNG mainly to mines is about $45m per annum.

Kevin brown from Cairns airport will talk about impacts on aviation and the airport later today.

Philip Samar of the PNG Mineral Resources Authority will give a presentation later today on mining developments in PNG.

A representative of the Morobe joint venture will talk about PNG’s next major new mine development Wafi Golpu, and Interoil will talk about the likely next major LNG development.

16. Another major element of Cairns’ engagement with mining comes from port traffic and shipping.
Tonnages of minerals shipped out of Cape Flattery, Weipa and Karumba puts the ports in the Cairns region right up with South Australia and above the Northern Territory and Townsville in terms of tonnage shipped.

Importantly, general cargo shipping out of Cairns to Cape Flattery, to Weipa, and to Freeport in Papua Indonesia, carries something of the order of 100 containers a week carrying high value cargoes of the order of $300m, contributing to employment in shipping, road and rail transport and storage, and through local purchases of goods.

Fred White from Seawift will talk later today on this aspect.

It is important to recognise the tremendous contribution Freeport McMoran has made to this city over a period now approaching 40 years by having their Australian buying and supply base located in Cairns.

But the influence of mining on Cairns spreads further corporate offices in Cairns of Freeport supply company, international purveyors, Interior, Barrack, Cape Flattery silica. And other local companies can be expected to employ something around 200.

In addition, mines are not good places for training people in basic skills but also even in specialist mining skills, and the impact of mining on Cairns is progressively extending to the training activities by people like Dawson engineering and the Australian drilling institute, the TAFE College that is now training personnel from PNG mines, and even aspects of the Marine and Aviation Schools.

A panel session later today will cover this aspect along with a proposal to establish a specialist mining school in the region.

Finally, Brett Duck would not be happy for me to leave without mentioning that mining activity extends to exploration activity - again dollar value unknown.

What is the impact of mining to the region’s economy?
I don’t know exactly but between the value of mining production within far north Queensland, exploration and earnings from outside the region from FIFO workforce, aviation operations, shipment of goods to mines outside the region, corporate offices and a range of other goods and services provided to mines, including education, the sector is likely to be generating value of operations the region over $1bn, compared with primary industries, about $1.8bn and tourism about $2.5bn.

If we are talking about earnings by Cairns city and the immediate region including cassowary coast and the tablelands, value of supply of local goods and services to mining throughout Queensland, northern territory, Papua New Guinea and Papua Indonesia, plus FIFO earnings from outside the region, exploration, education, corporate traffic, aviation and shipping services, we are talking about earnings something of the order of $400 - $500m a year and that is about the value of the region’s sugar industry or towards the value of international tourism in recent years.

19: While all industries and sectors go up and down over time, unlike some other parts of Australia, Cairns’ services to mining are across a broad spectrum of minerals and areas. As this chart illustrates, although coal prices have been down, prices for metals like copper, lead and zinc, while down on the highs, remain strong in historical terms.

20: There are good prospects of the sector continuing to provide a positive stimulus in the foreseeable future.