CUMMINGS ECONOMICS

38 Grafton St (PO Box 2148) CAIRNS Q 4870 ABN 99 734 489 175
Tel : 07 4031 2888 Email : cummings@cummings.net.au
Website : www.cummings.net.au

"The Northern Professionals"

June 2020 / CE Ref J3313

IT'S BEEN TOUGH –

GOING FORWARD REQUIRES HARD HEADED THINKING

The city and region's population growth was down to less than 1% per annum before the Coronavirus restrictions (see Chart 1). The region's heavy exposure to domestic and international tourism (see Chart 2), has meant the city and region were more heavily affected than most other regions in Australia (see Chart 3).

It's been tough. But with hard headed realistic approaches, the city and region can get back to its strong growth trajectory of the past.

Four Major Fields of Opportunity

Underpinning the economic growth of Cairns and the region is its earnings from the rest of Australia and the world, based on the region's natural resources and advantages.

Tourism

It is quite obvious that the city and region's tourism, needs to get back on its feet. But, with restrictions on most international tourism likely to be in place for some time and with uncertainty about the effects of the pandemic on people's propensity to travel, there can be no illusions this is going to be achieved quickly. The record of the past decade indicates that tourism is unlikely to be able to underpin the growth it has in the past. We need to be hard headed and recognise that growth must also come from other directions. By and large, the region is well organised to achieve a recovery of tourism, especially if a tourism levy can increase available funding.

Other Resource Advantage Industries

Historically, the region's initial growth depended especially on exploitation of minerals followed by expansion of pastoral, agricultural, forest and fishing industries.

The region accounts for no less than 26% of Australia's water runoff (see Chart 4), but is still only accounting for about 3% of value of agricultural production. With new technology, improved local infrastructure and growing access to outside markets, major new opportunities have been occurring to expand the region's earnings from its primary industries and also from its considerable mineral resources. In fact, over the past decade, growth in value of agricultural production has far outstripped growth in international tourism. The region has been paying little attention to the opportunities presenting themselves.

Further realisation of these opportunities will require heavy investment in infrastructure and major policy reforms in relation to water allocation and land management constraints. The region needs to throw the type of major effort in this direction that it threw into tourism in the past.

Cairns' Regional City Role

While the region's population has become the largest in northern Australia and emerging as the largest in regional Queensland outside the southeast corner, this progress has not been reflected commensurately in the growth of Cairns as the region's capital and hub servicing city.

Cairns can no longer ignore that it is lagging in the development of a whole range of service sectors such as higher education, health, media, transport infrastructure compared with other cities of its size in Australia (see Table 5). There needs to be a major thrust in this direction.

A Key role in the Northern Australia/ Pacific Region

The size of the Cairns region and its strategic position means there are opportunities opening up for it to play a greater key role in the wider Northern Australia/ South West Pacific region, especially against a background of Australia's growing strategic Pacific engagement. Cairns already leads in the area in skills-based manufacturing and servicing in marine and aviation sectors, in coastal shipping, in fly-in/fly-out mining support, in international education.

It is critical that it engage in realising opportunities in this field involving defence, but also trade and services engagement.

Three (3) Changes in Preoccupation

Broadening the city and region's developmental thrust beyond tourism will require three major changes in its preoccupation.

1. **Freight as against passengers**
   The region needs to broaden its past preoccupation with passenger transport and services to a much-needed preoccupation with freight transport and growing and making products. This will include bringing up to date much of its neglected third world freight transport infrastructure of rail north of Townsville, Cairns seaport, Kuranda Range Road and unsealed regional link roads.

2. **Private Investment as against government**
   More recently, the region has had a justified major preoccupation with rectifying the low level of government investment in this region compared with others. Covid-19 recovery has contributed further. However, the Cairns region has always been a private enterprise led region and needs to progressively expand this into a preoccupation with encouraging local and outside private enterprise investment in the region's progress.

3. **Economic Progress as against other objectives**
   Given recent trends and the current situation, there is a need to give greater priority to economic development and the creation of jobs over achievement of other objectives and green and red tape slowing progress.

Two (2) Major Implications

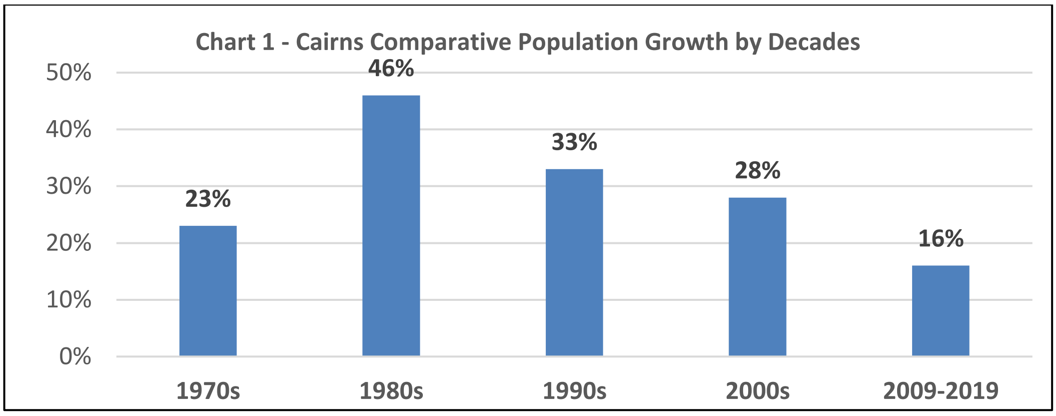
The foregoing has two major implications.

Regional Image

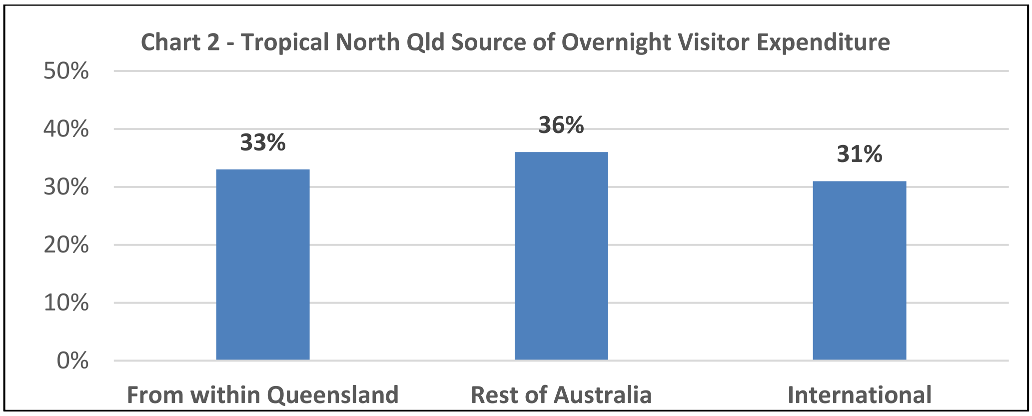
There is a need for the region, and especially Cairns, to change the image of itself and what it portrays to the world, from "Tourist Town" and region, to a broadly based regional economic achiever.

Organisation

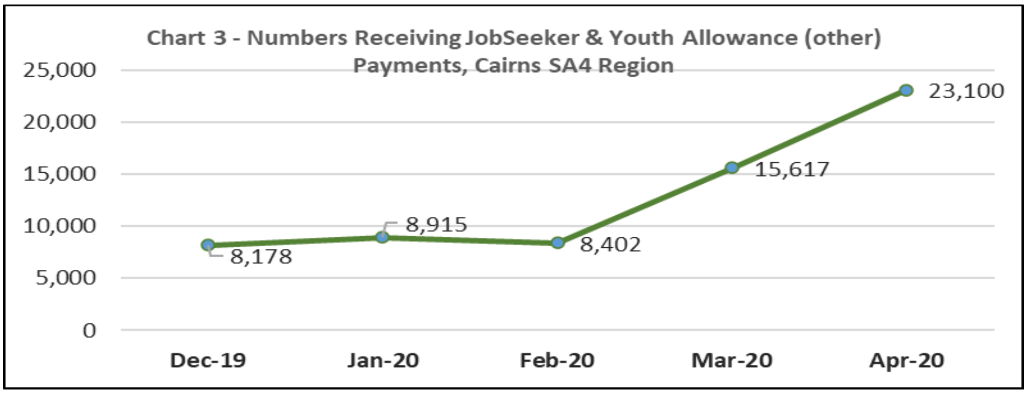
The region needs to adapt its organisational structures to meet the challenges presented.



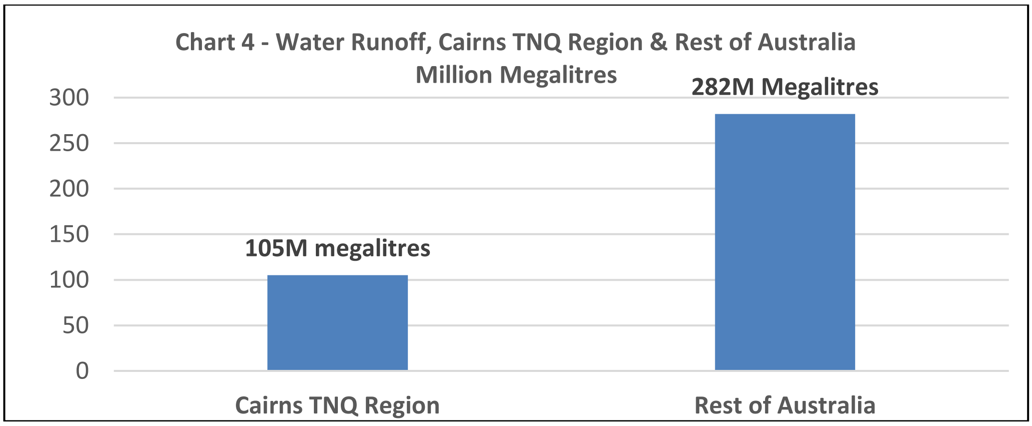
Source: Cummings Economics from Australian Bureau of Statistics data.



Source: Cummings Economics from Tourism Research Australia Regional Profile 2015.



Source: Cummings Economics from Australian Department of Social Services.



Source: Cummings Economics from National Land & Water Resources Atlas 2001.

Table 5 – Employment in Higher Education Compared with Population – Cities 100,000 to 200,000, Census 2016		
Cities SUA	**Employment in Higher Education**	**Ratio Employment per 1000 Population**
Toowoomba	1,458	11.15
Ballarat	1,057	10.58
Hobart	2,151	10.54
Townsville	1,626	9.35
Darwin	1,059	8.57
Average		**10.04**
Cairns	**606**	**4.19**

Source: Cummings Economics from Australian Bureau of Statistics Census 2016.