

TABLELANDS, GULF & CAPE CHALLENGES & OPPORTUNITIES

ppt 1:

**Address by W S Cummings to the
Mareeba Chamber of Commerce
Economic Development Forum
31 July 2009**

ppt 2:

When I spoke to the Inaugural Conference last year, the sub prime crisis in the US was just starting to translate into the full Global Financial Crisis. It has been a year of some strong changes, a great deal of uncertainty and even of fear.

ppt 3:

Like the rest of Australia, the Far North Queensland region including the Tablelands, Gulf and Cape went into the past year on a high. Apart from leading the north in 2007/08, Far North Queensland population recorded the strongest growth rate of any statistical division in Queensland and was second in Australia after the Margaret River region in Western Australia.

ppt 4:

The Tablelands recorded one of its highest growth rates in recent decades and in fact, in absolute numbers, probably the highest ever at just under 1000.

ppt 5:

Median house prices rose in 2008, in the Atherton Area to levels just below Cairns. I expect them to plateau and fall back a bit this year.

ppt 6:

Tighter bank lending and a more cautious approach has seen dwelling approvals drop back substantially in 2008/09.

ppt 7:

But not as sharp a fall as those in Cairns.

ppt 8:

As elsewhere unemployment has risen but not as strongly.

ppt 9:

But on the positive side at this stage, there is no evidence of an exodus taking place. It is my expectation that when they become available, the population figures will show continuing growth in 2008/09, not as high as 2007/08, but certainly a continuing growth.

ppt 10:

Standing behind the Tableland's comparatively strong performance in the face of the global financial crisis have been a number of factors. Some negatives but also positives.

ppt 11: Value of mineral sales in the region has been increasing strongly in recent years.

ppt 12: But mineral prices plummeted in the second half of 2009. Although the initial sharp drop in the Australian dollar helped cushion the effects.

ppt 13: This led to immediate shutdown of the new Wolfram Camp tungsten mine, the cessation of construction work at Chillagoe and for other mines, such as Vital Metals sheelite project at Watershed and Nornico's nickel project south of Mt Garnet, to be put on hold.

In the Gulf, it tended to throw Copperstrike into doubt. Major bauxite and port development projects at Weipa were also thrown into doubt and loss of workforce, particularly contractors' occurred.

ppt 14: As in the rest of Australia, the Tablelands' economy would have been affected by a more cautious consumer sentiment, especially to the purchase of consumer durables. But this would have been offset by population growth & by lower interest rates, petrol & inflation. The Government stimulus packages have probably put about \$25m extra into Tableland household budgets.

ppt 15: The past year has also seen losses taking place in tourism, especially from Japan as a result of the Jetstar/Qantas decision about air services. While affecting some Tableland businesses, the overall impact has been felt more in Cairns. By all accounts, domestic air and road-borne visitor traffic from the south is currently up this year on last, both Grey Nomad caravaners and fly drive.

ppt 16: Of most importance however, the region's primary industry sector has held up very well indeed. The chart shows latest available value of production figures for the Tablelands in 2008. Sugar prices have risen to near record levels as the year progressed. Cattle prices have held. The banana industry has continued to be sound with, it appears, the threat of imports passing. The region's horticulture and cropping has continued to develop and diversify. I believe potato prices are down. World dairy prices have taken a knock, but I believe that supply arrangements have shielded Tableland dairy farmers from the initial effects.

ppt 17: Overall building approvals soared under the influence of the \$400m plus **approval** for works at Lotus Glen expenditure was. However if Lotus Glen is taken out they were down marginally.

ppt 18:

In looking to the future, it is important to note now that the region's remote area population in the Cape, Torres and Gulf is now larger than the remote populations in other Queensland regions.

ppt 19:

The Tablelands plus these remote areas now have a population west of the ranges of about 75,000 and growing – a level of population west of the Divide that is only matched and exceeded in the far south of the State by the Darling Downs and South West region.

ppt 20:

This combined area forms the great bulk of Queensland's Far North - an area that I am coming to prefer calling by its immediately recognisable position in the shape of the continent – Peninsula Australia – an area that contributes a great deal to Australia's & Queensland's special character.

ppt 21:

Looking at Peninsula Australia's future at a high strategic level, I would like to observe that the region's development has been led over the years initially by mining up to WW1, then by agriculture up to the 1960's.

From the 1970's to the 1990's, the region used its brilliant natural tourism resources to tap into the then sunrise industry of tourism, firstly from a growing domestic market and progressively from countries overseas whose incomes had reached levels that could support long distance overseas travel.

ppt 22:

Key to achieving that massive tourism growth was the establishment of an effective professional marketing organisation overcoming infrastructure bottlenecks at the time, especially that posed by the then Cairns Airport. The regions brilliant application of technology to carry visitors to view the reef and to view the rainforests was also important.

ppt 23:

Today, apart from the global financial crisis a number of major underlying factors are impinging on the world, Australian and regional economies.

The first of these is the emergence of the BRIC economies as major contributors to global economic growth, especially for us, China and India.

The second is climate change, - what has been happening to rainfall patterns but just as important, Government policy responses.

These two major factors are changing the strategic prospects for this region.

ppt 24:

The prospects of the region sustaining its future growth through tourism have diminished. The prospects for growth in bio based industries and mining have risen dramatically. The region needs to respond. The Tablelands, Gulf and Cape area will need to be leading players in this response.

ppt 25:

Firstly, let me say in regard to tourism that it is vital that we retain and grow our tourist industry as opportunity allows. Positive possibilities include tapping into the growing domestic grey nomad market, developing supplementary

tourism areas outside the major concentration of Cairns, Kuranda, Marlin Coast & Douglas, availing ourselves of the benefits of improved aircraft technology, and tapping into growing tourism out of China and India and Eastern Europe.

ppt 26:

However, we need to recognise that while we have been very successful in the past & already have a relatively high penetration of a number of markets. Tourism is no longer the sunrise industry in the domestic economy and other advanced economies it once was. Tourism Forecasting Committee's projections are for a decline in domestic travel.

Higher carbon prices will tend to suppress international travel for the next few years at least. The advanced economies of North America, Japan and Europe are going to take a number of years to recover. A constant tendency for the Australian dollar to rise under the influence of high mineral prices is a further problem.

On the other hand, it needs to be recognised that China and India are at a level of development where incomes have not risen yet to levels where they are producing large scale international tourism and won't be for some time yet.

ppt 27:

What they are producing or are likely to continue producing in the next few decades is massively increased demand for industrial inputs, especially of minerals, but also for some primary products.

ppt 28:

Up until about 5 years ago, mining activity in this region had sunk to very low levels. But, if you look at a map of Queensland's mineral, petroleum and energy resources, there are three major concentrations in Queensland – the Central Queensland coal fields, the Mt Isa area and those in this region.

Ppt 29:

Recent research we have been carrying out highlights the degree to which the region has:

- World class deposits of diatomite and marble, large limestone and dolomite deposits, perlite deposits (some of these with export potential), and copper sulphate.
- High grade magnetite iron ore deposits.
- Potentially further commercial operations of nickel, tin, zinc, copper, tungsten, gold.
- Bauxite, kaolin, silica in the Peninsula.
- Phosphate in the Gulf / N.W.Region.

ppt 30:

After their initial steep fall, mineral prices have bounced back to levels of about 4 years ago and there is an expectation that over the next few decades, the strong demand for minerals will continue.

Certainly, there is evidence that investment is again starting to flow into the sector.

ppt 31:

What is clear from our studies is that the region's transport infrastructure is acting as a major bottleneck to realisation of potential in this field:

- = The Cairns and Mourilyan seaports need to be upgraded to handle bulk mineral commodity exports and imports of some input.
- = That the roads from these mining areas to the seaports, the Palmerston and Kuranda Range roads need to be upgraded to handle freight efficient vehicles.
- = That the problems of the railway need to be solved for it to play its part.

Our studies have indicated that various mining projects have looked at shipments involving up to almost 2 million tonnes per annum in bulk and up to 11 operations shipping in containers or bulka bags.

ppt 32:

Looking further a field into the Cape, the major expansion plans in the Weipa Aurukun area to expand production from its current level of towards 20 million tonnes per annum to over 50 million tonnes per annum may have been put on hold but almost certainly will emerge again. Cape Alumina seems to be pressing on with its project.

For Karumba as a port, a major interest in phosphates in its catchment area could represent an opportunity.

ppt 33:

For primary industries, demand generated by the newly industrialising economies like China and India is a positive factor. However, also very important is the climate change factor.

A new focus is taking place on the region and its potential to produce a wide range of crops:

- a) Because of the apparently declining rainfall in southern Australia and underutilised water resources in this region.
- b) Rising world demand for agricultural produce.
- c) Demand for bio-fuels, bio-plastics and other bio refinery products.

ppt 34:

There is a need for the region to vigorously pursue a number of avenues in this field including:

Opportunities for cogeneration of clean electricity from bagasse residue (this is on its way).

Opportunities to produce ethanol bio fuel. The Tableland's mill seems likely to be the best bet for this. Instead of sending syrup down to coastal mills to make into crystal sugar, it would produce ethanol that would be railed to Cairns for blending for the local market, but with the bulk transported by ship to southern markets or overseas.

I believe the balance will tip towards making this a likelihood within about 5 years. However there are infrastructure issues to be dealt with.

Ethanol production from bagasse. This new technology is becoming available. If already set up for ethanol production from syrup, the Tablelands Mill is the obvious location.

ppt 35:

The native Pongamia tree is looking like a major potential economically viable producer of bio diesel. The tree is highly suited to this region and plantings are taking place in other parts of the world.

ppt 36:

Bio Refinery output of bio plastics and other products. DPI Mareeba has been at the forefront in exploring possibilities in the past.

A major initiative is being developed at State level to attract global companies to invest in Queensland to supply Asia as well as Australia / Pacific area with this type of product and this region needs to be in there pressing its case as a location.

ppt 37:

Although some other areas have more biomass from sugar, this region has a greater volume of biomass production at present in total.

ppt 38:

It has by far the greatest potential plant growth in Queensland and on a par with Victoria.

Putting all this together, this region with the Tablelands as a major focus has the potential to become a major producer of bio fuel and other bio industrial products.

ppt 39:

But agricultural prospects go further than that. Technological and cost constraints have meant that this region produces only a few of the wide range of crops suited to its various micro climates including no production of cereals for human consumption. Upland rice and tropical wheat trials are of great interest along with cotton. A new interest in water storage seems to be occurring.

Dole Australia at a recent banana conference announced ambitions to ship up to 1 million cartons of eco bananas a year to Japan.

Some of the minerals are potential container cargoes, opening out the possibilities of container exports direct to Asian markets for mining, agricultural, forestry and fisheries products combined.

Ppt 40:

And this bring us to another area of interest and that is forestry. Apart from about 13,000 ha of Government pine plantations in the region including those on the Tablelands, there are now about a similar area of private plantings, mainly on the coast, but also on the Tablelands.

Substantial volumes of product are coming available for sawmilling but also available for export as logs and chips.

Once again, transport infrastructure will be important. Trial shipments have already been made out of Mourilyan Harbour.

I believe varieties such as African Mahogany, Spotted Gum and Sandalwood are suitable for the wet/dry rainfall areas.

Ppt 41:

I want to add that the transport infrastructure requirement include the Hann Highway direct route to southern markets for tableland produce. Current works underway will leave 150km only of the 266 km previously unsealed link. The upgrading of the Peninsula Developmental Road is vital to the continuing development of the Cape area.

Ppt 42:

In summary, a new range of opportunities are developing. The Tablelands, Cape & Gulf will be in the forefront of realising these opportunities. But if the opportunities are to be realised, major infrastructure bottlenecks will need to be attended to.