

# CUMMINGS ECONOMICS

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## **ppt 1: THE CAIRNS ECONOMY – RECENT TRENDS & PROSPECTS**

**ADDRESS TO THE  
CAIRNS CHAMBER OF COMMERCE**

By W S (Bill) Cummings

22nd July 2014

### **ppt 2:**

Last year I finished my address by saying that, “The prospects for Cairns Region’s economy are looking better than they have been since the start of the global financial crisis”.

### **ppt 3:**

As we all know, an uplift has been occurring as the year progressed. Standing behind this uplift has been increases in outside earnings – up overall, but not strongly.

### **ppt 4:**

There is now plain evidence that tourism started declining under the influence of a high dollar and loss of the Japanese market before the global financial crisis in late 2008, but that the decline ended in 2010 and recovery has been taking place, up to mid-2013, when this statistical series ended;

### **ppt 5:**

and continued solidly over 2013/14.

### **ppt 6:**

The indications are, that value of agricultural production in the region after strong rises in recent decades, has been fairly static as a result of an interplay of positive and negative factors in recent years, including sugar and banana price changes and impacts of the live cattle export ban.

**ppt 7:**

The sharp rise in mining production moderated with the loss of Kagara operations in 2012, but other hinterland mining has been replacing that loss to some extent. FIFO activity helped Cairns see through the tourism and post GFC slowdown. While FIFO to mining construction has moderated, FIFO to ongoing operations and for maintenance is reported as remaining steady.

Closure of Interoil's Cairns office was a negative but local firms have been recording sales to PNG, especially in education and building services but also in steel fabrication.

**ppt 8:**

The sharp rise in savings and drop in consumption following the GFC heavily affected many businesses. No local figures are available but I believe that, with uncertainty and falling asset prices, the effect was exaggerated in this region. However current rising optimism about incomes and asset prices could be expected to result in local propensity to consume recovering to some degree.

**ppt 9:**

Government spending has been down with more to come at Federal level. Of course, the big volatile factor in the economy is Investment, represented mainly by construction.

**ppt 10:**

While a number of other indicators point to 2011 as the lowest point in the post GFC dip, total value of building approvals fell through to 2012/13. Year 2013/14 saw the start of a recovery, both in value;

**ppt 11:**

and in number of dwelling approvals.

**ppt 12:**

This table shows how the relatively large government building approvals in the three years to 2010/11 have fallen off. The recent rises are all due to a rise in private investment.

**ppt 13:**

Overall latest revised ABS population data available indicates that the lowest point in population growth probably occurred in 2010/11. More recent growth has been about 2% per annum, still below the long-term trend for Cairns of about 2.8% per annum.

This chart also indicates that in recent years, the city's population growth has fared better than a lot of the doom and gloom talk would indicate. Right through the tourism and GFC crisis period, the city's population has kept growing. The chart indicates that the post GFC dip in population growth was not as deep as the post Asian crisis dip in the late 90s.

The indications are that over the five years since the Tourism/GFC dip, the city's population has grown by about 14%.

**ppt 14:**

Despite all the gloom and doom and negative perceptions, over the ten years 2002/03 to 2012/13, the indications are that Cairns as a city still grew by 32% to lead city growth in percentage terms in the Northern Australia regions and that regional population growth led in absolute terms with an increase of 46,000 or 21%.

**ppt 15:**

Forward prospects are being buoyed by a number of factors. As Rick will no doubt record, with population growth continuing in recent years and very subdued new construction occurring, residential property vacancy rates are low. In tourism, with growth occurring and no new rooms developed, occupancy rates in hotels and motels are back up. Even modest growth in population and visitors will need additional stock.

**ppt 16:**

Against this background, quite apart from the Aquis proposal, substantial new investment is in the pipeline including a number of large city residential developments, hotel, corporate and backpacker visitor accommodation, residential lot development and retirement accommodation.

**ppt 17:**

In relation to Aquis, it is appropriate to make some points. It has long been expected that as incomes rise in China;

**ppt 18:**

there will be a massive rise in outbound tourism, as this table illustrates.

**ppt 19:**

Cairns is already performing well as an Australian destination. Aquis will ensure that Cairns gets cemented in as a major beneficiary sooner than would otherwise be the case. Cairns benefited from the rapid growth in tourism from Japan in the 1980s and 1990s. China has ten times the population of Japan.

**ppt 20:**

There seems to be some fears around that the city won't be able to cope with the scale of development Aquis is likely to bring. Let me reassure you that the Cairns region has coped with a scale of development even larger than Aquis before.

The Aquis development will occur over a 12-year period.

This table shows that over the 12 years 1984 to 1996, the Cairns region increased room numbers by 232%, ie. more than 3-fold. This compares with projected increase from the Aquis project of 60%. If you are worried about Stage 1 Aquis of 3,500 rooms over four years, then compare that with the four years 1986 to 1990 when over 4,200 additional rooms were built in a city less than half the size of the city today.

**ppt 21:**

Average need for additional dwellings to house increased regional population as a result of Aquis is estimated at an average of about 3,000 per annum in a region with current population approaching 280,000 and city approaching 160,000.

This chart indicates that compared with population at that time in every year but two during 1984 to 1996, the dwelling construction rate per head of population was above the ratio to population expected to be generated by Aquis.

**ppt 22:**

Estimated increase in residential population of the region over a 12-year period including flow-on effects is put at 110,000 with about 80 to 90,000 likely to be in Cairns City. Population increase of Cairns 1984 to 1996 was 57% (ie. from 70,000 to 110,000). An 80 to 90,000 increase on estimated population of 160,000 when the project starts, is 50 to 56%.

**ppt 23:**

What Aquis means is that we will be back towards the sort of growth rates the city and region experienced in the period 1984 to 1996, but not above them.

I wouldn't say that this period was without its stresses and strains. The massive 1986 to 1990 burst of hotel construction saw house prices rise to levels similar to Brisbane, but the Pilots' dispute and 1991/92 recession soon took the heat out of the situation. At the time, the extent of this burst of activity came as something of an unexpected surprise. With Aquis, the future is likely to be much more known in advance providing an opportunity to prepare.

**ppt 24:**

But we need to look beyond Aquis at the opportunities that the modern world is bringing to this previously underdeveloped and underpopulated part of the world. Apart from tourism, there are new opportunities developing across a broad spectrum.

They are being addressed in the Commonwealth Government's White Paper process. To contribute to that process, we have or are shortly placing on our website copies of notes, addressing misconceptions about life expectancies in the North, the pattern of and prospects for urban population development in the North and will be advising in due course availability of a 180 page analysis of Australia's Tropical North's economic history, prospects and policy needs.

**ppt 25:**

There are some areas where, apart from realising tourism related opportunities, special attention needs to be focused over the next decade on:

- Realising agricultural development opportunities;
- Upgrading regional roads other than the Bruce Highway. The \$200m upgrade in the Cape promises to transform economic prospects but much more is needed;
- Seaport upgrading including catering for larger cruise ships, larger cargo ships (including container export and direct import services), and the Navy;
- Growing opportunities for air freight exports and imports to support expanded air services to Asia;
- Bringing health, university, sporting and community services and facilities up to standards commensurate with population.

**.ppt 26: End.**