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The Cairns Regional Economy – Achieving "Lift Off"

The more favourable underlying economic conditions reported in last year's publication have been working their way through the economy towards achieving a "lift off" to stronger growth.

Over the ten years 2005 to 2015, despite a setback to tourism growth caused by an extremely high Australian dollar, the Cairns/Tropical North region continued to lead growth in population in regional Queensland and across northern Australia.

The region's economy is much more diversified than many people recognise.

Over the decade, the region's large agricultural sector continued its long term real underlying growth rate of about 2% per annum with a total real growth excluding inflation and including post farm gate activity, of over $300m or 22%.

While much more erratic, mining in the region has shown a "real" growth in value of production of over 5% per annum, totalling over the 10 years about $270m or 69%, especially under the influence of expanding bauxite production at Weipa.

During this period, thanks to efforts through the Chamber of Commerce, the city aggressively sought to develop FIFO opportunities that at peak were estimated to be contributing up to about $200m a year to the economy.

Also rapid growth of the city and region during the 80s and 90s had not been matched by growth in some government services. In a 'catch up' situation, health employment grew by 36% between 2006 and 2011. Cairns and Hinterland Hospital Services' turnover indicates growth has continued in more recent years - 26% up in the past three years.

A "catch up' has also been taking place in higher education also.

Against this background of resilience and continuing growth, we can look forward with some confidence.

Under the influence of a lower dollar, the region's tourism earnings have rocketed back up over the past few years, pumping something like $700m a year extra into the economy.

In real terms, tourism earnings have now passed the previous peak levels of 2006 and are recording new records well over $3bn a year.

With exchange rates remaining lower, new air services coming into place and investment starting to roll in appropriate facilities, prospects are excellent for continuing growth.

The situation is not dissimilar to the late 80s when a lower dollar combined with a major new market developing to underpin rapid growth (Japan then, now China).

Important in the returning international market has been new air services to Bali, Singapore, Manila, Hong Kong, Auckland and now Seoul. I believe TTNQ is confident that with State Government support, direct all-year round air services will be achieved to mainland China by the middle of next year.

However the most real growth has been in domestic tourism where best discount fares continue to be low.

The region is also continuing to tap into non-core tourism markets. The prospects are excellent for increasing the city's role in the rapidly growing cruise ship market, super and cruising yachts, conferences, cultural events and sports tourism.

However as in the past, it is not just about tourism. There are few regions around Australia that offer better prospects for agricultural expansion. The region accounts for 26% of Australia's water run off.

Banana production remains high. Sugar prices have bounced back up due to a shortfall in global production. Acreages have expanded, especially in the Tableland's area.

Cattle prices are riding high and expected to go higher with a potentially massive new markets opening up in China.

Tableland's agricultural production data indicates the degree to which production has been continuing to grow and diversify.

Under current government programs and private enterprise proposals, there are six major initiatives and studies taking place that if implemented, would underpin a very large increase in agricultural production in the region over the next twenty years.

The picture in mining is mixed. Some existing mines have been scaled back or closed operation due to low prices. There has been FIFO losses to mines in the North West Queensland region. However, we are still holding on to FIFO to Moranbah, Groote and others.

There has been a tailing off of growth in PNG but we still have shipping services to the Freeport McMoRan mine in Indonesia.

A $36m contract (construction workforce 350) has just been let at Mungana to complete the processing plant and recommence production. Estimated ongoing workforce is 230. Magnetite is now being exported out of Mourilyan. Major contracts for the $2bn development of the Amrun project at Weipa have been let.

Failure to secure the Pacific Patrol Boats' contract was a blow to the resurgence of shipbuilding in the region. The $24m assistance from the Commonwealth government for upgrade of slipway facilities will help the sector's competitive position and hopefully the sector, including the Maritime College, will achieve much of the ongoing servicing work for the Patrol Boats contract.

With improved global financial conditions and a lower dollar, super yacht business is coming back and increased reef fleet activity will assist. Amalgamation of Toll Marine fleet with Cairns based Sea Swift operations will further consolidate Cairns' important role as a base for coastal shipping that supports development across the Far North.

The aviation servicing cluster is continuing to operate soundly and new market opportunities, including for training, appear to be opening up in Asia.

However unfortunately, governments (especially the State Government), have not been playing their role in a regional upsurge.

The State Government budgeted capital expenditure in the Cairns and immediate region is continuing to be low in per capita terms. For 2015-16 year, it is 54% down on four years previously recording the largest decrease among Queensland regions.

By contrast, local government capital expenditure has risen to record levels.

A new era of increased construction activity is shaping up as burgeoning tourism numbers indicate a need for additional tourism and community infrastructure.

Cranes are now back on the Cairns skyline with the construction underway of the Cairns Aquarium and the Cairns Performing Arts Centre.

With projects moving ahead for accommodation and residential development of Nova 8, Tradewinds Esplanade and the site adjacent to the Cairns Library, a continuation of "cranes on the skyline" looks assured. Refurbishments at Port Douglas are being added to by expansion projects like the Port Douglas Reef Marina. Although the giant $2bn Aquis project aimed especially at attracting an expanding market out of China has remained elusive, at Kuranda, the $600m KUR-World project has started its Environmental Impact Studies phase.

Further afield in the region, the $240m sealing of the Peninsula Road is underway and government funding pledged to complete the sealing of the Hann Highway, the last link to achieve a direct sealed inland link to Melbourne and Adelaide markets. A range of solar and wind projects are underway around the region.

In the background, the $5bn Northern Australia Infrastructure Fund has now established an office in Cairns and is moving towards providing a boost to projects.

The Cairns Region's Growing Role in Australia's Agricultural Industries

New figures on the value of agricultural production on the Tablelands in 2015 illustrate the degree to which the region's agricultural sector has been continuing to grow and diversify.

The Cairns/Tropical North Queensland region leads as northern Australia's largest agricultural producer, especially in crops, recording a value including processing and transport elements of the order of $2bn per annum.

Traditional major crops of sugar and beef have been increasingly supplemented in recent years by other crops and especially tropical fruits and especially bananas. The Cairns/Tropical Coast and Tablelands is now Australia's third largest fruit producing region.

Star performers in diversification has been the Tablelands region that now records thirteen different agricultural sectors with a value of production over $10m a year with a total value recorded in 2015 of $552m.

This total is up about 60% on ten years ago (from about $340m), representing a growth of 4.8% per annum and 2.4% per annum in real terms, discounting for inflation.

Crops that have particularly emerged over the past ten years on the Tablelands have included bananas and avocadoes with latest values of $94m and $79m respectively.

In addition to expansion on the Tablelands, fruit production has now spread north to the Lakeland Cooktown district where crops are now worth about $40m per annum adding to cattle industry output in the Peninsula of about $50m.