

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



5th June 2018 / Ref J3163

HISTORICAL ECONOMIC & POPULATION TRENDS AFFECTING THE POTENTIAL VIABILITY OF NEW STATES IN THE NORTH

HISTORICAL – TROPICAL UNCERTAINTY

When colonial settlement commenced in Australia in the late 1700s, the British Government had substantial experience with overseas settlement, especially in the Americas.

A pattern of successful settlement had developed in climatic areas similar to Europe of farmer settlers based on the suite of crops and animals that could be transferred from Europe.

The tropical areas were attractive, especially as a source of crops that could not be grown in Europe such as sugar, cotton, tea, coffee and the like, but also for minerals. However, Europeans in those areas mainly came as traders, organisers and rulers with local native populations providing the major labour source.

In Australia, success of settlement in the south depended especially on the introduction of Marino sheep (originally from Mediterranean climate Spain), that converted the vast grassland resources of Australia into a high value to weight commodity with an indefinite shelf life, that could stand the cost and delay of shipment to markets in Europe.

The tropical North posed much greater challenges of adaptation. Settlement was late. Sydney was almost a hundred years old when Cairns was founded in 1876.

Sheep were pushed north but were not successful north of a line of about 20 degrees south and only on the Mitchell grass-downs country of the West. Cattle were pushed into the area but received a massive setback in the 1890s, when tick-borne "Red Water fever" from Asia swept through the herds.

Sugar plantations were established along the higher rainfall coast based on using imported indentured Pacific Islands' labour, but this ended with Federation with the adoption of the White Australia Policy.

In a deal that helped carry Queensland into the Federation, a protective import embargo on sugar enabled a high cost system to be set up of small farmers supplying central mills.

While mining boomed for a time, by the 1920s, the major mining fields were in retreat all over the North.

Thus, early development was late, it was slow and a casualty of setbacks.

At a national policy level, tariff protection policies were adopted to build up manufacturing under the shelter of tariffs on imports. While helping the development of the sugar industry, this protection policy imposed a cost burden on most other industries in the North.

At a more fundamental level, even by the 1930s, the old doubts about white settlers being able to undertake hard work in the tropics remained.

In the 1930s, in "White Settlers in the Tropics", Grenfell Price of University of Adelaide and published by the American Geographical Society, states, "*All things considered, this chapter on the white settlers of north-eastern Queensland must end with a question mark. Up to the present, with an adequate living standard supported (and justly so) by the whole Australian nation, the progress of this tropical*

penetration has been excellent. But past successes are no certain proof of further advances, and the people of Australia who are making substantial contributions toward one of the most important experiments in world history, should see that while the national government treats north-eastern Queensland with sympathy and kindness, it at the same time subjects the area to continuous and vigorous scientific research." (our underlining).

Thus, movements towards self-government through the creation of new States in the North were taking place against a background of uncertainty, economic weakness, lack of population and lack of confidence.

The Pacific War saw the area become a "front line" exposing a national vulnerability that led to calls in the post-war period for northern development.

Although these initiatives of the 1950s and 1960s faded, more recent decades have seen major economic progress occurring.

MORE RECENT ECONOMIC PROGRESS

Northern Australia is not poor in underlying resources of minerals, potential to grow plants, tourism and marine resources.

Major underlying factors became favourable for the development of those resources in the post-war period.

- 1) Growing global markets reaching out for resources, especially from the major global growth area nearby in Eastern Asia.
- 2) Transport and communication developments have broken down old cost barriers of remoteness from markets.
- 3) Technology has been progressively developed suited to the tropics not only in plants and animals but in tourism and in technology affecting everyday living like air-conditioning and control of tropical diseases.
- 4) Success breeds success factors have been kicking in as population and infrastructure grows.

The strength of the North's mineral resource is now evident.

The North, with about 6% of the nation's population, now accounts for about a half of Australia's merchandise exports due especially to the North's mineral wealth.

Major breakthroughs have occurred in the primary industries:

- o in mechanisation of sugar production,
- o through introduction of superior cattle breeds, and
- o with transport costs to southern markets falling with better road links, underpinning major expansion horticultural industries.

An expanded sugar industry is now competitive on global markets without protection. There are now more beef cattle per sq km in the North than southern Australia. The Cairns region is now Australia's third largest fruit producing region.

Transport developments have opened up the North's outstanding tourism resources to global markets. International holiday visitors to the Cairns region exceed the states of Western Australia, South Australia and Tasmania.

Against a background of expanding earnings from outside the region, the North's regional economies have been expanding steadily.

REGIONAL STRUCTURE

However, before looking at how this has played out in population growth, it is important to identify how economic forces have created strong regional structures.

Northern Australia covers a large area – about 40% of Australia's land mass and although population was much lower, realities of areas and distance has led to a series of commercial regions not very different in area to the States across the south of the continent (see Map 1).

These regions have given rise to five major regional cities – Rockhampton, Mackay, Townsville, Cairns and Darwin.

The smallest in area, the Mackay region, has an area the size of Tasmania. The Cairns based commercial region is 1½ times the size of Victoria.

If populations had been equivalent to the South, there would almost certainly be six states across the North.

However, economic and population weakness has mitigated against this. The complexities of putting together a coalition of these distinct regions has also mitigated against new States being formed.

But given the economic progress and population growth that has been taking place as the North develops, the situation has been changing.

POPULATION

Map 2 shows population of Northern Australia compared with South Australia and Tasmania at the time of the 1947 Census, 1976 Census and 2016 Census.

The map also shows what population would be if projected forward over the next 40 years at the growth rates of the last 40 years.

The figures show that from being half of South Australia's population in 1947 Northern Australia's population is now 76% of South Australia. On relative growth rates, it can be expected to pass South Australia in the future.

Compared with Tasmania, Northern Australia's population in 1947 was similar, by 1976 it was 75% larger and is now about 2½ times that of Tasmania.

In 1947, you had to add up the Cairns, Townsville, Mackay and Fitzroy regional populations to equal Tasmania. Today, the Cairns and Townsville regions alone exceed Tasmania with the Cairns region alone closing on 60% of Tasmania and growing faster.

Within Northern Australia, Northern and Central Queensland account for about three quarters of the population (see Map 3). Population has gone from being about the same as Tasmania in 1947 to now being almost double.

The following Chart 4 shows where the population growth has occurred across the North over the past 40 years and if projected forward, what it would look like by 2050 on a repeat of past growth rates.

The projections indicate that both the Cairns region and the Northern Territory would each be up past the current population of Tasmania before 2050.

The charts also indicate that each of the Cairns, Townsville, Central Queensland regions, in population, are above or about the same population as the Northern Territory, which while having Territory status has its own parliament.

SOME VIABILITY CONSIDERATIONS

This paper represents only an initial preliminary commentary on why new States in the North have not occurred in the past, and how the situation has been changing.

Obviously, substantial financial viability modelling is needed.

However, apart from population, some viability considerations are relevant.

Mining Royalties

Mineral resources are such that States across the North would probably be supported by the majority of mining royalties paid in Australia.

A State covering Northern and Central Queensland could be expected to attract most of Queensland's current mining royalties and be of the order of \$2 - \$3 billion a year.

Commonwealth Grants

GST funds collected by the Commonwealth Government are returned to the States and Territory Governments on an equalization of services basis with in general, sparser population in all States attracting higher levels of payment.

Chart 5 gives average payments per capita illustrating that the Northern Territory receives about four times the national average and Tasmania 1.8 times. New States in the North could expect similar appropriate levels of support, although the extent of mining royalties available could modify this.

Sound Decision Making

However, probably the prime economic consideration relates to sound decision making appropriate to an area's needs.

There have been substantial differences in the past, between the stage of the development and resulting investment and policy needs of the North and those in southern Australia including South East Queensland.

Lack of sound decisions appropriate to the North's needs tend to hold back its progress.

Profile

As a first estimate, a State covering the regions of Northern and Central Queensland, would probably have a population and financial profile of the following order of magnitude.

Population..... about **1 Million**

approx.**4 times NT**

approx.**2 times Tas**

approx.**60% SA**

Gross Regional Product **\$60 - \$70 Billion**

Budget Revenue..... probably of the order of **\$12 - \$15 Billion**

Mining Royaltiesabout **\$2 - \$3 Billion**

GST Share

On basis of Tasmania..... **\$5 Billion**

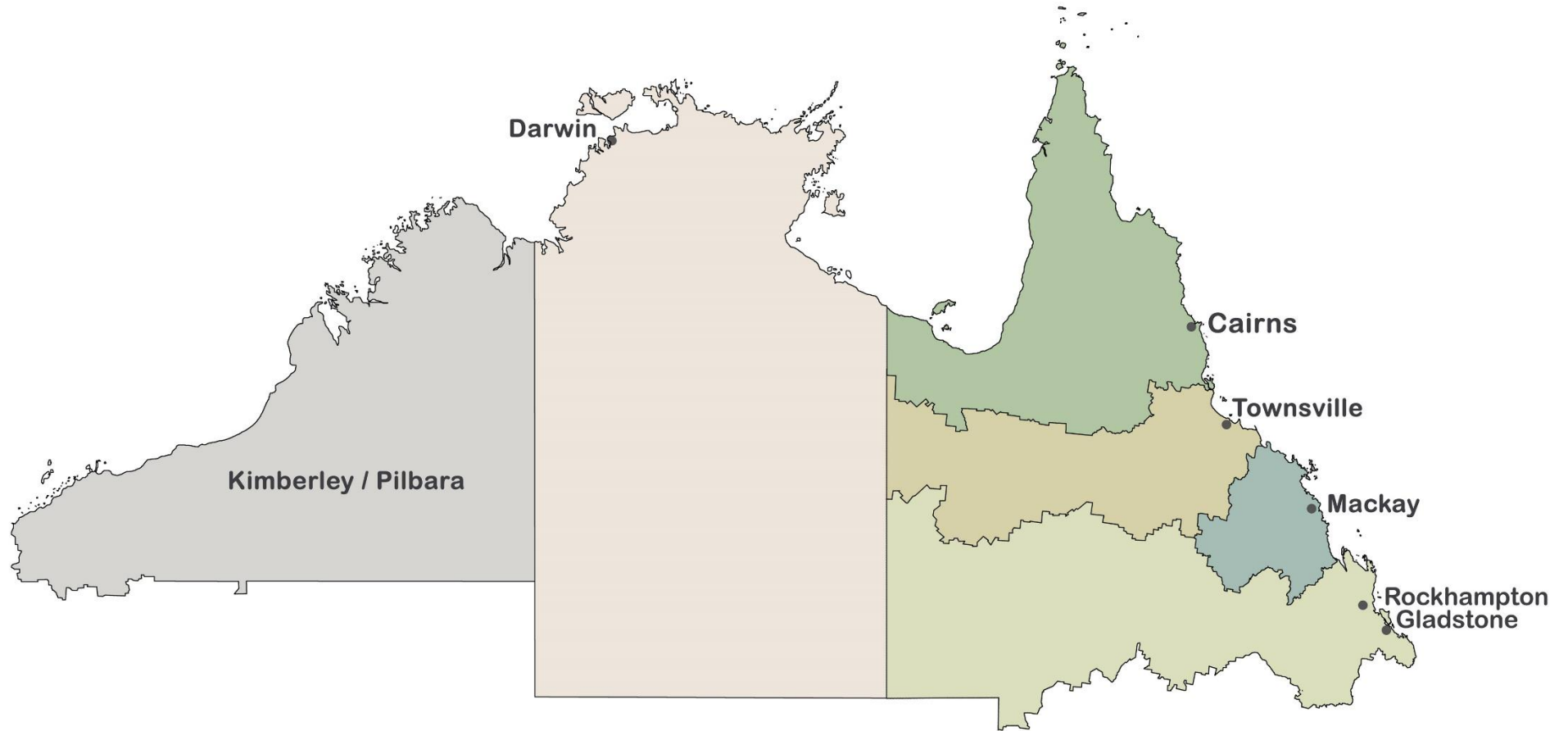
On basis of NT **\$10 Billion**

Somewhere in between although potentially affected by mining royalties.

Capital Expenditure Budget

Equivalent of past three Queensland budgets, capital expenditure averaging about **\$2.3 billion a year** in the area.

Map 1 – Northern Australia Regions

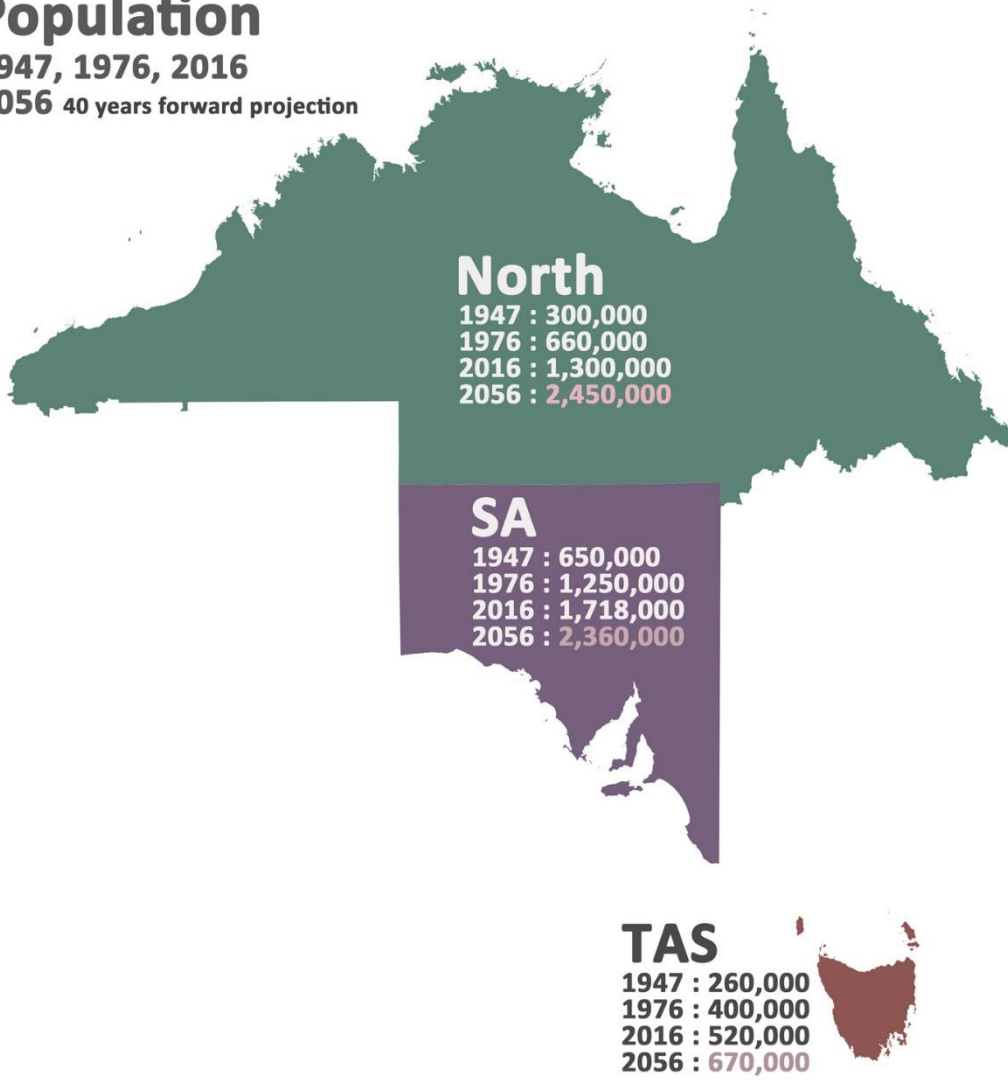


Map 2

Population

1947, 1976, 2016

2056 40 years forward projection



Map 3

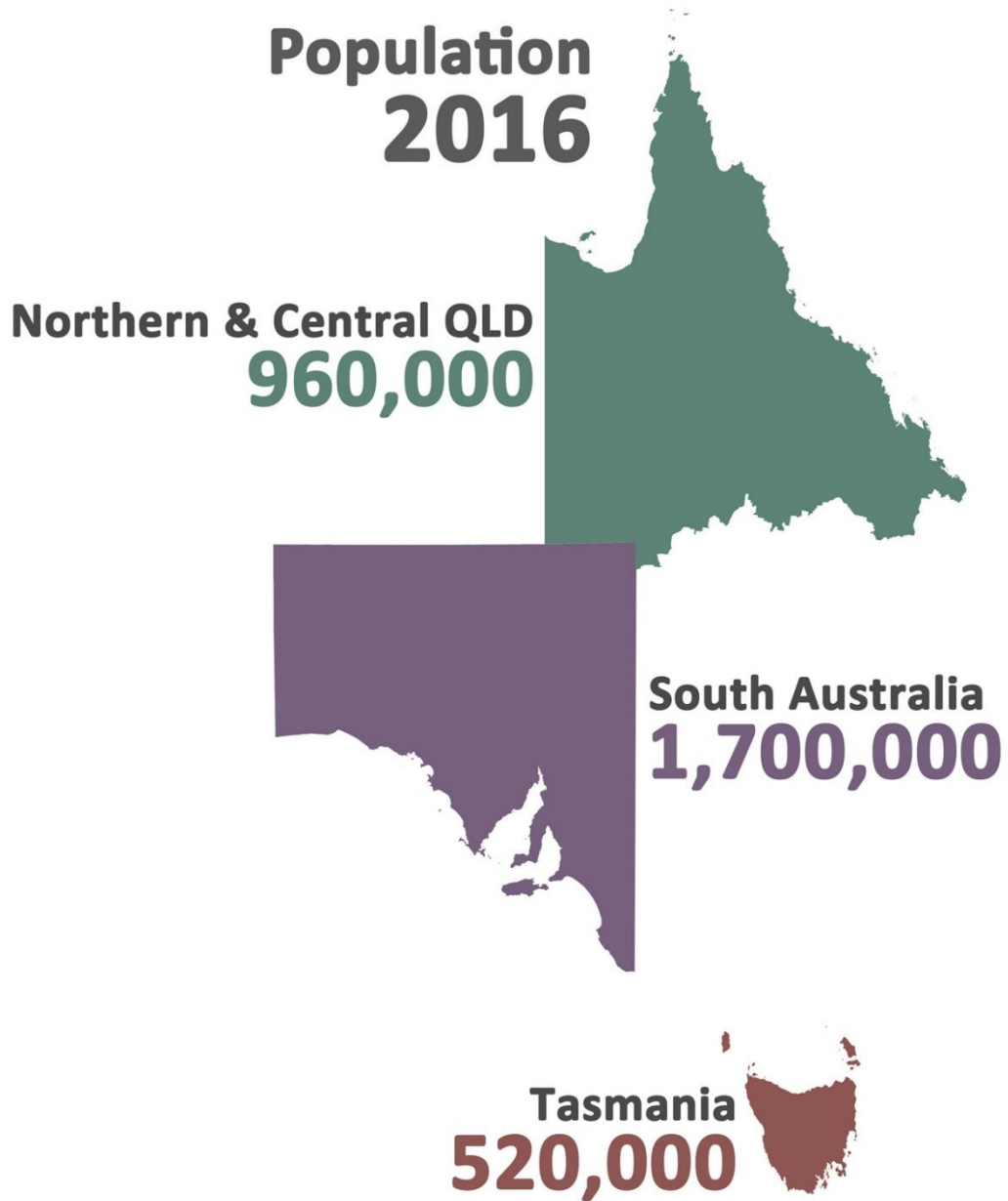
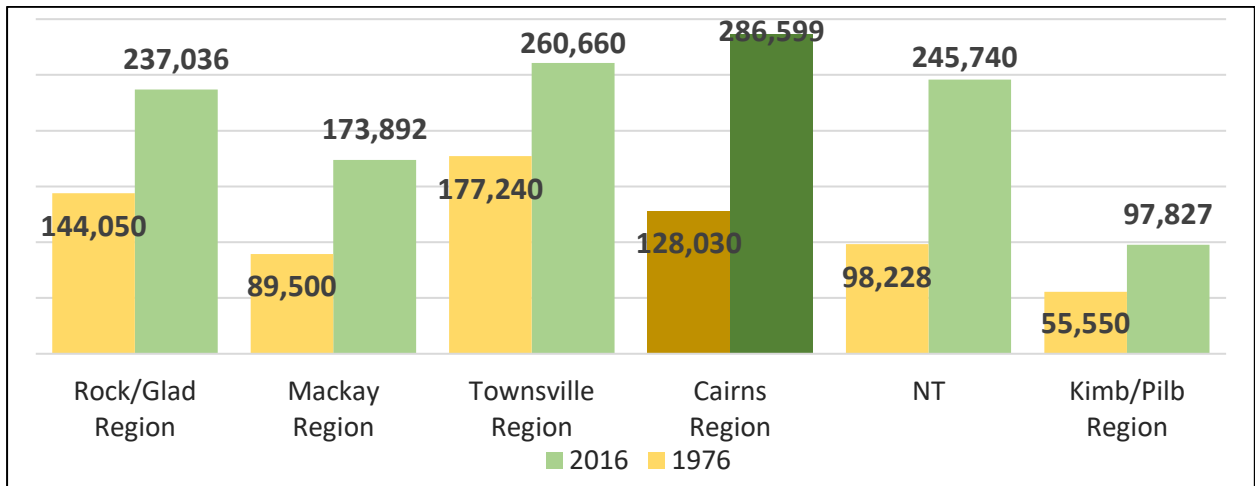
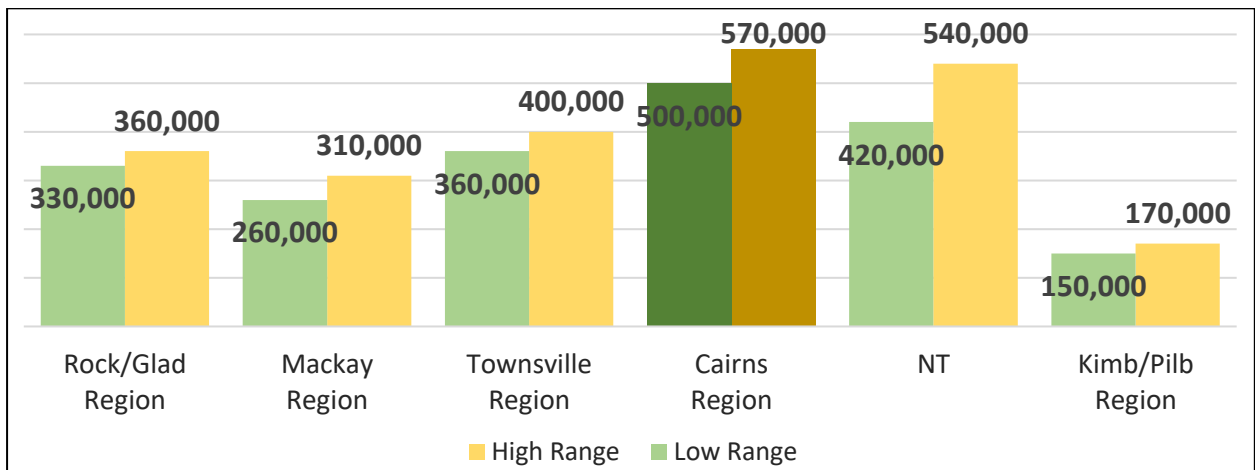


Chart #4: Residential Population, Northern Australia Regions, 1976 & 2016



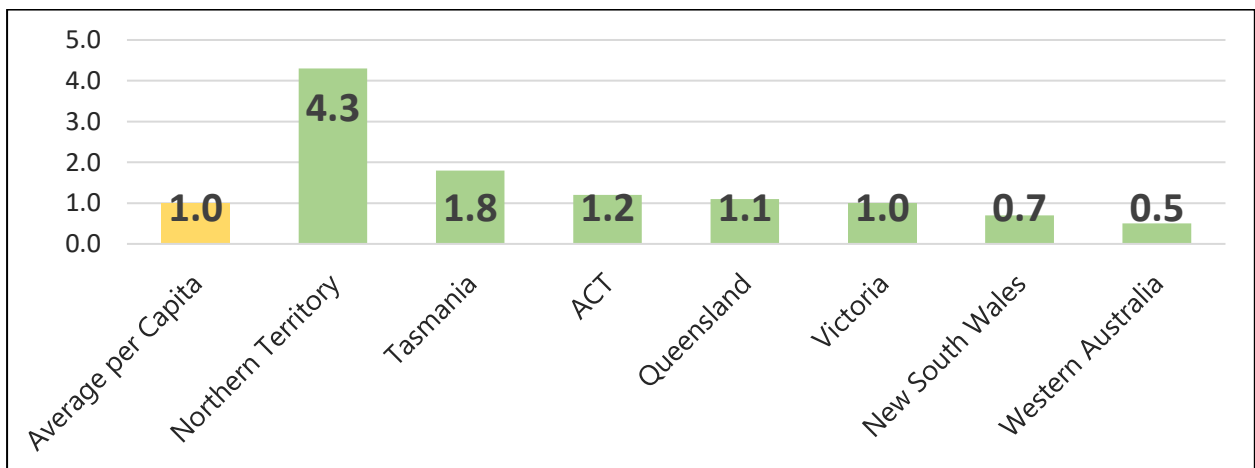
Source: Cummings Economics from ABS Cat No. 3218.0 et al.

Chart #5: Projected Population Ranges, North Australia Regions - 2050 on past 40, 25 & 10-year Growth Rates



Source: Cummings Economics – Changing Patterns of Regional Populations in Northern Australia.

Chart #6: Grants Commission Recorded Ratio of GST Payments per Capita, 2018-19



Source: Cummings Economics from Commonwealth Grants Commission.