



## **MEDIA RELEASE**

**Friday, October 23**

### **A New Deal for Cairns – The Relief, Recovery and Reform Plan**

Desperate times call for desperate measures, and the situation being faced in the Cairns region now is as much a crisis as is a major cyclone or flood, and needs the same decisive and generous response from Governments as would follow those natural events. We therefore call upon the State and Federal Governments to listen to our plea, respond positively and urgently to our proposed initiatives, and then continue to work with us on developing a more comprehensive and ongoing “Cairns Economic Recovery Plan” to get our economy back to where it needs to be, and to allow us to become a key part of a northern Queensland economic powerhouse.

The 3 key areas where our plan calls for Government assistance are:

#### **1. RELIEF!**

*Pump-priming our economy with realistic solutions which will keep or attract cash into our region, and which will have a real and immediate impact*

- Interest free deferral of PAYG and GST contributions for employers until 30 June 2010
- Tax free use of annual leave until 31 March 2011
- Creation of jobs and retention of workers in the region by the immediate funding of further stages of the Cairns Revitalisation programme

#### **2. RECOVERY!**

*Sustaining our economy by seizing current opportunities and turning them into medium and longer term wins, with real results that will drive ongoing investment and prosperity in our region*

- Working with us to help better identify and define the opportunities in PNG arising from the various major projects planned for there, and helping the Cairns region to become the key business hub servicing PNG
- Committing to and then driving the funding and development of our signature infrastructure and city renewal project the Cairns Cultural Precinct



### 3. REFORM!

*Making tough decisions and driving policy changes that will make a difference and help forge a new future for our region*

- Airline policies and airport charges
- Decentralisation of Government offices and corporates
- Tropical expertise
- RDA
- Reallocation and better prioritisation of the balance of the stimulus package funds

## MORE ON OUR RELIEF INITIATIVES

### ***ONE: Automatic interest free deferral of PAYG and GST payment obligations for employers until 30 June 2010***

We are calling for the Federal Government to cause a policy to be adopted in the ATO to effectively “automatically” approve applications for deferral of PAYG and GST payments until after 30 June 2010, with those accrued payments then becoming payable monthly without interest accruing over the 2010/2011 financial year.

The deferral of PAYG was permitted on a national basis earlier this year, and it is understood that the ATO is currently being very liberal in its approach to individual applications for this type of relief where need can be shown. However, most businesses would either not be aware of that or may not be prepared to apply or be able to show need. If this was made available automatically to employers in the region, there would be immediate cash flow benefits in the region, and employers facing tight times will be more inclined to hang on for a recovery rather than letting staff go. The cost to the Federal Government is only the timing of receipt of its PAYG and GST payments. We are not asking for forgiveness, just an interest free deferral, to help businesses get over what is sure to be a major “crunch”.

### ***TWO: Tax free use of annual leave until 31 March 2011***

We call on the Federal Government to legislate as may be required to allow to individual taxpayers to claim a full refund of PAYG tax payable on holiday pay paid in respect of holidays of between 2 and 4 weeks duration taken within Australia between now and 31 March 2011. While this would not only benefit the Cairns region, Cairns region tourism businesses would back themselves to attract a major proportion of those holiday makers.

Australian employees currently have built up something in the order of 120 million days of accumulated annual leave. A key “shot in the arm” for the Cairns region’s economy would be to bring more holidaymakers into the region, especially in the upcoming wet and shoulder seasons. Incentivising Australian employees to take some of their built up leave and hopefully spend it in Cairns by providing refunds of the PAYG tax component of their holiday pay would deliver much needed and immediate benefits to the region’s key tourism industry.



***THREE: Creation and retention of jobs – improving Cairns amenity and the Cairns experience by extending the Cairns Revitalisation programme***

Cairns Regional Council has recently received \$697,000 funding to upgrade and improve pathway linkages. That should be expanded into a major “Cairns Revitalisation” Programme to be worked up in conjunction with Cairns Regional Council as proponent and manager and the federal and State Governments as funders.

This is a 2 pronged initiative. A revitalisation of the public areas of Cairns particularly in the CBD and parklands and other tourist areas would increase its attractiveness as a destination and restore pride in the city. Using those who have become unemployed in the region – particularly those from the construction and tourism industries – would make it more likely those people will stay in the region until the economy picks up, and would ultimately save the Federal Government given that otherwise those persons are likely to become reliant on the welfare system.

## **MORE ON OUR RECOVERY INITIATIVES**

***ONE: Working with us to help better identify and define the opportunities in PNG arising from the various major projects planned for there, and helping the Cairns region become the key business hub servicing PNG***

While the Cairns Chamber and Advance Cairns are already working on developing business opportunities with and in PNG, and will be on 2 separate trade missions to PNG in November, more resources are needed to fund an urgent and holistic study into opportunities for Cairns region businesses to sell goods and services into PNG to take advantage of the significant developments in that country’s resources sector.

Some issues behind this initiative include:

- Transport – we have a 30 year history of air links but currently no direct shipping links and see big opportunities as both an air and sea transport hub for both cargo and passenger traffic.
- Cairns Chamber Trade Mission to PNG – scheduled for November 2009. Slots filled very quickly. The Cairns Chamber has not run a trade mission for at least 7 years, but now there is great interest.
- Government Representation – there is a new PNG consul in Cairns.
- Shipping – we are about to conduct a study of shipping demand to generate a feasibility study to see if we can justify a regular shipping service between Cairns and PNG. We think we have a 6 month window to prove this up. Likely to be some infrastructure needs here, e.g. hard stand area at the Port.
- LNG – noted project size is in the order of AU\$12B.
- Cairns region has the largest PNG expatriate population in Australia.
- Cultural and family connections offer an opportunity to strengthen business links between Cairns and PNG.



- Maintenance – Hawker-Pacific are very active in servicing the region from its Cairns Airport facility.
- Infrastructure – there are many shortfalls in general infrastructure and the projects to fix these problems offer many opportunities to provide technical skills and services.
- Tax Issues – there are a significant number of AusAID projects in PNG which are channelled through the local PNG government departments. Generally there is a requirement to include a 12% withholding tax component for offshore tenderers. There is a tax exemption treaty between Australia and PNG that could allow these projects to avoid withholding tax and do more business in PNG from Cairns now. It only needs implementation of the treaty as the basis for these infrastructure works.
- Ports – in general, PNG ports are currently extremely busy because of the significant imports for the major projects on foot. This should present opportunities for Cairns.
- Other nations – there is now serious Chinese and USA investment into PNG.
- Services – we have definite advantages in being able to set ourselves up as an area for efficient provision of services into PNG.
- Training – education services are in demand especially trades level training.
- TropLinks role – we need a contact person within Government who can speed up Government responses or help business navigate Government processes. Federal support would make it possible for the scope of the TropLinks program to extend beyond FNQ and include PNG.
- Branding – we aim to develop the Cairns brand in PNG so that Cairns is the automatic choice for a base for Australian engagement with PNG the same way Darwin seems automatically to be seen as the Australian access point for business with East Timor.
- AusTrade – We note that Cairns lacks its own AusTrade officer and the current one based in Townsville has a very large area of responsibility being the north and north-west of Queensland. A Cairns based officer would be a powerful tool for better engagement with PNG.
- Legals and governance – important pockets of the PNG economy have legal difficulties and we can play a role in improving PNG governance.
- Opportunities – we see many opportunities, including:
  - i. Air freight in our region, aircraft maintenance;
  - ii. Training, and note that as well as PNG there are also opportunities in neighbouring countries such as Vanuatu;
  - iii. Enhance the reputation for Cairns as a fly-in/fly-out option;
  - iv. Hotel accommodation shortages are extreme (leading to very high prices at the top end of the market);
  - v. Cairns Airport could become a hub for both freight and passenger travel to PNG (and an airport hotel would enhance this).



The Cairns Chamber and Advance Cairns are already working hard on these opportunities. We now seek State and Federal Government engagement with a view to scoping and funding a study as to how we take advantage of these myriad opportunities.

***TWO: Signature infrastructure project –a commitment to get the Cultural Precinct across the line. We need to make this a “when” project” not an “if” project!***

Business and local Government stakeholders in the region have worked together to determine the one key project which they together consider will best drive the local economy forward and symbolise the much sought after return to prosperity of the region. They are unanimous that that project is the timely delivery of what has been tagged the Cairns Cultural Precinct on the waterfront opposite the Convention Centre and dividing the working commercial port of Cairns and the mixed use CityPort development. The Precinct would comprise not only a major performing arts centre but also associated display and meeting facilities and comprise a tropical museum and an Indigenous museum and display centre.

Such a major and iconic project will drive us forward on many fronts. Its construction will be a major boost. The confidence which the region will derive from seeing such a major project being committed to in the region cannot be underestimated. And the opportunities to further diversify our economy through use of the completed product are endless. It will itself be a catalyst for the further development of the CityPort project, as well as a wonderful adjunct to the Convention Centre allowing it to expand its offerings, and a major regional and Indigenous museum in the region is long overdue.

We understand that a project of this magnitude and cost requires further planning before a formal decision to fund it can be made, and Cairns Regional Council and others are currently working up the detail of the proposal to bring it to that level. However, we are seeking a commitment by way of recognition by both the Federal and State Governments that as determined by local stakeholders this is the next key project which the region needs to have delivered, and that it will when properly planned and specified be supported by all levels of Government.



## MORE ON OUR REFORM INITIATIVES

### **ONE: Aviation**

The recent decline in international capacity into Cairns is part of an ongoing trend where regional airports are suffering a declining market share. The following table highlights the extent to which secondary airports like Cairns and Darwin have lost ground to the major capital city hubs.

Table - International passenger growth to key airports.

|                  | 2002-03 | 2003-04 | 2004-05 | 2005-06 | 2006-07 | 01-02 to 06-07 |
|------------------|---------|---------|---------|---------|---------|----------------|
| <b>Sydney</b>    | -2.7%   | 10.9%   | 7.9%    | 4.2%    | 4.7%    | <b>27.1%</b>   |
| <b>Melbourne</b> | -5.1%   | 14.8%   | 15.1%   | 2.6%    | 3.9%    | <b>33.8%</b>   |
| <b>Brisbane</b>  | -1.4%   | 19.2%   | 19.6%   | 4.7%    | 6.6%    | <b>56.95</b>   |
| <b>Perth</b>     | -1.5%   | 10.2%   | 12.2%   | 1.8%    | 10.7%   | <b>37.2%</b>   |
| <b>Cairns</b>    | 9.0%    | 6.4%    | 8.4%    | -1.4%   | -14.8%  | <b>5.7%</b>    |
| <b>Darwin</b>    | -70%    | 1%      | 15%     | 13%     | 16%     | <b>5%</b>      |

Source: Access Economics Report, Annual & total growth in international passenger movements by Airport, 2001-02 to 2006-07

There are various factors contributing to this and the submissions in 2008[1] from TTNQ and the Northern Territory centred on Government policies that had contributed to the decline in the viability of regional airports.

In submissions to the Government in 2001[2], 2002[3], and 2008 the implication of these barriers and the recommended solution were addressed. The broad thrusts of recommendations were:

- “Beyond rights” capacity should be made available to international airlines for flights operated out of regional airports.
- A loosening of restraints on triangulation if airlines include a regional airport.
- Remove the restraints imposed by the ‘principal place of business’ condition on all carriers willing to operate international flights from regional airports.
- Remove the current charge being levied on a per passenger basis and fund Government imposed charges from consolidated revenue. This relates to charges imposed for airport security, border control and Air Services Australia services.
- Increased access into Sydney, Melbourne, Perth, & Brisbane, being tied to increased capacity also being provided to secondary airports by the airlines.



The submissions reinforced the critical importance of tourism to Regional Australia and the damage restricted capacity can inflict on regional economies. The following extract from the 2008 submission eloquently outlined the issue.

*“Regional development hinges on tourism, which in turn, given Australia’s geography, hinges heavily on aviation. The ability of international tourists to gain efficient access to regional centres is pivotal to the prospects of these economies. To the extent that the present commercial bias and broader competitive imbalance favours major gateways over regional airports, government may have an interest in initiating policy responses on the grounds of regional development”.*

At this stage none of the regional Australia recommendations appear to have been adopted in the Government’s recent Green paper.

However, it would appear to not only be in the interests of TNQ but also in the national interest, given the importance of securing regional economies, for some aspects of the Green paper to be reconsidered.

The ongoing failure to see any progress on this issue can only result in further challenges to regional economies, and would appear to be in conflict with the Government’s stated regional development ambitions.

The maintenance of the National Aviation Policy Framework which prevents international based airlines from operating from regional airports, even though they are not considered a business priority by the nationally based airlines.

Airport-related costs that have been introduced as compulsory Government requirements and have resulted in an inequitable impost on regional airports. The reversal of network pricing for some costs to an airport specific system places many secondary airports at a disadvantage relative to the primary airports.

[\[1\]](#) *Access Economics: Direct international aviation access to regional Australia. Prepared for TTNQ and Cairns Airport 2008.*

[\[2\]](#) *Report for Regional Aviation Taskforce. Access Economics. June 2001.*

[\[3\]](#) *Advance Cairns submission to the Government Tourism Strategy 2002.*

### ***TWO: Decentralisation of Government offices***

We seek the commitment and delivery of decentralisation of Government services, and in the case of the Queensland Government relocation of a Department’s headquarters to Cairns. As far and away Australia’s most regionalised State, it makes no sense that all of our major Government offices are clustered in an ever more crowded Brisbane.

Business and other leaders in the Cairns region have long recognised the need to diversify our local economy, but that is easier said than done. However, Governments have the power to deliver diversification by making a policy decision to deliver services from within the region rather than remotely. A commitment to the relocation of a Departmental head office to the Cairns region, along with the associated boost to employment in the region, would be both a massive boost to both the local economy and a massive show of faith and confidence in the region. No doubt there are logistical and timing issues, but please don’t tell us how hard it is to make it



happen, tell us how we can work with Government to make it happen. On a lesser scale this has already happened in Townsville with Ergon Energy.

The Federal Government also needs to look at which of its services can not only be conveniently but perhaps better placed in a regional area such as Cairns, and then take appropriate action. It is submitted that placing personnel such as AusAID officers who work in the PNG or PacRim areas in Cairns would make a great deal of logistical and business sense.

### ***THREE: Driving and Supporting Tropical Expertise***

HERE is where the tropics are, and HERE is where the critical mass of tropical expertise and specialisation exists, and HERE is where we would expect the Australian Government to source its Tropical Expertise needs from, not from non-tropical environs. To our amazement many Asia/Pacific projects run by bodies such as AusAID and for which an understanding of tropical environments is essential, are currently being serviced by the Federal Government from bodies such as the CSIRO in Tasmania, at what we expect is a greater cost and at lesser efficiency than Tropical North Queensland is capable of providing.

Tropical Expertise is part of the fabric of north Queensland and it should form an essential part of any strategy that purports to foster sustainable economic, social and community growth across the region.

We need better engagement and commitments from Government to recognise and then utilise the Tropical Expertise resident and available in the Cairns region.

### ***FOUR: RDA***

To quote from a colourful if unsuccessful tourism promotion campaign, "Where the bloody hell are you?"

The Federal Government's Area Coordinating Council for FNQ worked one to one with clients and organisations to develop funding applications and support investment across the FNQ region and at times the Torres Strait, and provided a conduit between Government, community and business, and facilitated a collaborative whole of Government response to regional issues.

It is estimated that the FNQACC brought Federal Government funding brought into our region by way of direct assistance in the order of some \$37.2 million. Even applying modest multipliers to that was a very significant boost to our economy.

On top of that the Sugar Industry Reform Program hosted in this region by FNQACC cost \$730,667 over four years but estimated Government and private funding in response brought into the region over the same period some \$51.7 million.

The plan to replace ACC's with new "Regional Development Australia" bodies, or RDA's was announced as part of Labour's platform at the last Federal election, and as a result ACC's immediately started to wind down and have since withered and in the case of the FNQACC it has now ceased operating.

The Federal Government announced that RDA's would be rolled out in March 2008, and then in mid 2008. That the ACC's would transition into RDA's with a view to operating as such by



January 2009. That then changed and it was announced that the RDA's would be new bodies to be set up and operation during 2009.

That has not yet occurred. So we have no ACC, their activities and funding have ceased, and they have not been replaced, and the intellectual property and the know how within the ACC's and their reserved funds and other assets have been disbursed, and we have no replacement.

The Federal Government must immediately form the RDA for the Cairns region, fund it appropriately, and get it working with stakeholders to again ensure appropriate Federal Government funding of regional projects.

### ***FIVE: Allocation of stimulus funds***

The Federal Government has shown that it is prepared to take quick and decisive actions when needed, and there is no better recent example of this than the recent stimulus package which arguably has saved the Australian economy from going into recession.

The Federal Government now has an opportunity to consider a better reallocation of the balance of the stimulus package. There should be no further need to "pump prime" those areas that are doing well. That would likely be inflationary and cause other problems. Rather the Government should show that it recognises where the real current needs are and redirect stimulus spending in a targeted way to those areas.

We have made some suggestions where money can be spent in this preliminary paper. We seek to engage with the Federal Government to drill down on this issue to achieve better outcomes for the Cairns region.

**END**

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