



**CAIRNS REGION
BUSINESS SECTORS
ANALYSIS &
CONFIDENCE
REPORT**

**REBUILDING
MOMENTUM**

From crisis to opportunity

First published by State of the Region Summit ®

St George State of the Region Summit Cairns

Rebuilding Momentum... from crisis to opportunity

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IRIS Research

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IRIS Research is an ongoing partner with the *State of Region Summit* program.

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EXECUTIVE SUMMARY

- Nominal gross regional product (GRP) is estimated to be valued at approximately \$10 Billion in Far North Queensland, having recorded an average annual growth rate of 6.6% between 2000-01 and 2005-06.
- Far North Queensland has a very diverse economy. Transport & Storage makes up 8.9% of Cairns gross value added (GVA) while the Retail Trade and Construction industries account for 8.7% and 8.5% respectively.
- The Construction industry accounted for 31.4% of total jobs growth between 2001 and 2006. Strong growth was also recorded in Health Care & Social Assistance (1,508 jobs), Public Administration & Safety (1,375 jobs) and Retail Trade (925).
- Tourism is of particular importance to the local economy with Cairns recording workforce shares in Accommodation & Food Services (LQ=1.99), Rental, Hiring & Real Estate Services (LQ=1.54), Arts & Recreation Services (LQ=1.35) and Retail Trade workers (LQ=1.21) well above the national average.
- Over 2 million people visit Cairns each year. It is the primary location visited by people from Japan, Europe and the USA. However, the global economic crisis has reduced tourism demand in these markets, further exacerbating the decline in guest arrivals, occupied room nights and takings at local accommodation establishments.
- ABS statistics value agriculture production in the Far North Queensland region at over \$1.3 Billion in 2006/07, making it Queensland's largest provider of agricultural goods. There are 2,893 agricultural businesses in the region, around 40% of which are located in Cairns specifically, primarily producing beef and orchid fruits.
- Construction is the region's faster growing employer, with total building approvals valued at \$906.5 Million in 2008, up 60.4% since 2005.
- Businesses providing Property & Business Services account for nearly a quarter (23.5%) of all registered businesses in the Cairns region. Cairns is also home to a large number of Construction (2,820) and Retail Trade (1,725) businesses.
- Perceptions of business conditions continue to weaken, with business confidence in Far North Queensland below the state average.

INTRODUCTION

The *State of the Region Industry Report* has been developed for the 2009 *St George Cairns State of the Region Summit* to provide the foundation for the strategic planning of the Cairns future. It provides an in depth analysis of the region's economy – its people, its jobs, its industry and its investment. The report not only details the changes the Cairns Region has undergone, but compares those changes, and the region's overall performance, to that of Queensland as a whole.

The purpose of the *St George Cairns State of the Region Summit* is to provide a forum for discussion about the direction in which the Cairns should be heading over the coming years. However, to effectively determine the strategies that will best serve the Cairns future, it is vitally important to understand the current state of the region and how it arrived at this point. This is the purpose of research reports like the *State of the Region Industry Report*.

AREA OF STUDY

Using the 2006 Australian Standard Geographical Classification (ASGC 2006), two geographies employed for the purposes of this report.

Where possible, the newly formed Cairns Local Government Area is used as the area of reference. Figures for this geography were calculated by combining data for the former Cairns and Douglas Local Government Area, or in the case of tourism the summation of the appropriate smaller Statistical Local Areas.

In some cases data was not available for the Cairns region specifically. In those instances, the larger Far North Queensland Statistical District was analysed. Far North Queensland encompasses the most northern part of the state, including much of Cape York Peninsula and extending downwards to Croydon in the west and Cassowary Coast on the East. A more detailed explanation can be found in the Appendix to this report.

1. GROSS REGIONAL PRODUCT

Nominal Gross Regional Product

Before an examination of the main industry drivers in a region can begin, it is important to first have an understanding of the overall size and state of the economy.

Real gross regional product (GRP) is estimated to be valued at approximately \$10-\$11 Billion in Far North Queensland at present. In 2005-06 the region's real GRP was valued at \$9.1 Billion, which ranked it fifth across Queensland's Statistical Divisions. Between 2000-01 and 2005-06, Far North Queensland real GRP recorded an average annual growth rate of 2.4%. This is below the 4.8% average for the state as a whole and the average of 3.0% reported for the rest of Australia.

Table 1 Real gross regional product (chain volume measures)

Region	Value (\$M)		% Growth Annual
	2000-01	2005-06	
South East	86,227	114,674	9.7%
Brisbane	65,482	85,317	9.3%
Balance SE	20,745	29,357	11.0%
Fitzroy	12,041	14,126	3.2%
Mackay	10,468	13,698	5.5%
Darling Downs	7,385	9,119	4.3%
Far North	8,042	9,055	2.4%
Northern	7,526	8,557	2.6%
Wide Bay-Burnett	6,545	7,815	3.6%
North West	4,745	4,719	-0.1%
South West	1,876	1,663	-2.4%
Central West	774	557	-6.4%
<i>Total Queensland</i>	145,629	183,983	4.8%
<i>Rest of Australia</i>	674929	783,471	3.0%

Source: Office of Economic and Statistical Research, Queensland Treasury, *Experimental Estimates of Gross Regional Product*

When looking at the industry contribution to a region's wealth, it is more useful to look at Gross Value Added (GVA) than GDP. Essentially, the GVA measure strips away the value of taxes and subsidies, as aggregate data for these variables is only available at the national level, making it a more accurate reflection of regional product levels.

Table 2 Composition of Gross Value Added, Far North Queensland (current prices)

Industry	Composition		Change
	2000-01	2005-06	(% pts)
Transport and storage	8.7%	8.9%	0.2
Ownership of dwellings	9.3%	8.9%	-0.4
Retail trade	9.2%	8.7%	-0.5
Construction	6.5%	8.5%	2.0
Property and business services	8.0%	8.3%	0.3
Agriculture, forestry and fishing	8.6%	7.8%	-0.8
Government administration and defence	6.2%	7.3%	1.1
Health and community services	5.9%	6.9%	1.0
Accommodation, cafes and restaurants	7.2%	5.9%	-1.3
Manufacturing	5.9%	5.2%	-0.7
Education	5.0%	5.1%	0.1
Wholesale trade	4.8%	3.8%	-1.0
Finance and insurance	3.0%	3.5%	0.5
Mining	4.1%	3.5%	-0.6
Personal and other services	2.5%	2.8%	0.3
Communication services	2.3%	1.9%	-0.4
Electricity, gas and water	1.3%	1.7%	0.4
Cultural and recreational services	1.4%	1.4%	0.0

Source: Office of Economic and Statistical Research, Queensland Treasury, *Experimental Estimates of Gross Regional Product*

Far North Queensland has a very diverse economy, with the eight largest contributors to GVA accounting for between 8.9% and 6.9% each. Transport & Storage makes up 8.9% of local GVA, which is equivalent to the contribution made by the ownership of dwellings. The Retail Trade and Construction industries are also of great importance to the region, accounting for 8.7% and 8.5% of GVA respectively. The Construction industry also posted the largest growth in share of GVA, up 2.0% pts from 6.5% in 2000-01. Government Administration & Defence (up 1.1% pts) and Health & Community Services (up 1.0% pts) are also becoming increasingly important industries in the region.

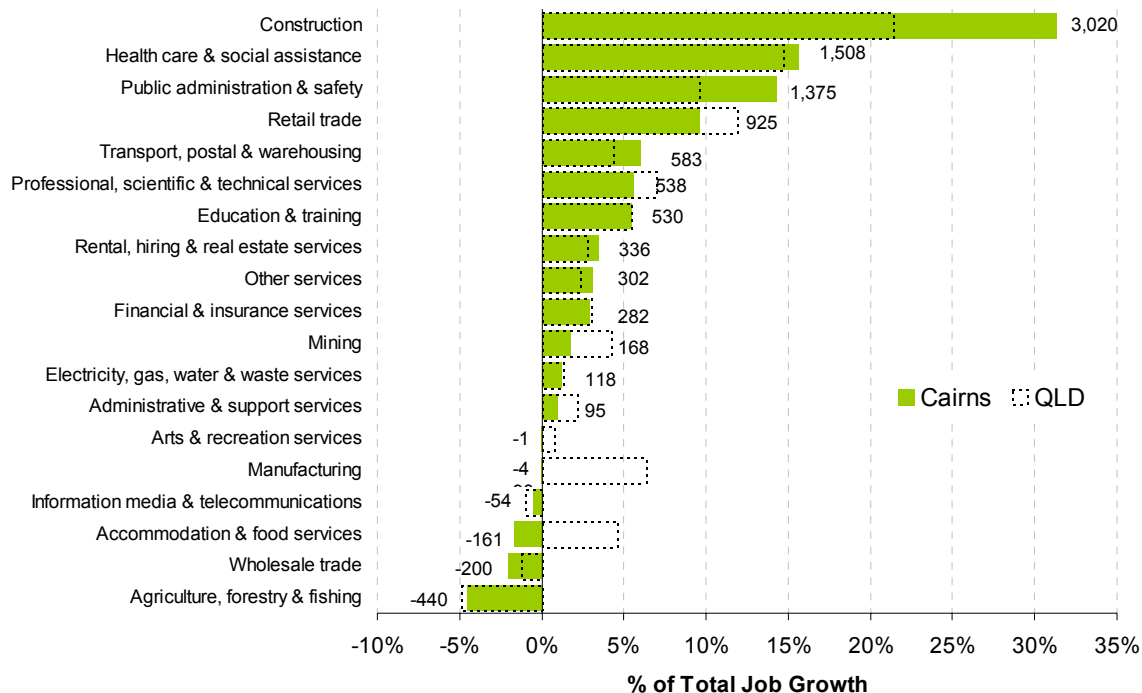
2. EMPLOYMENT

Industry of Employment in Cairns

An important indicator used to understand the composition of a region's economy is the distribution of its workforce across industry categories. As the needs and strengths of the region change over time, the break down of jobs across these industry groups change.

Cairns experienced substantial growth in its Construction industry over the five years between the 2001 and 2006 censuses. An additional 3,020 people were employed in this industry, accounting for 31.4% of total jobs growth. This was well above the Queensland average of 21.4%. Strong employment growth was also recorded in Health Care & Social Assistance (1,508 jobs), Public Administration & Safety (1,375 jobs) and Retail Trade (925). Retail Trade accounted for 9.6% was slightly below the Australia average of 11.9%.

Figure 1 Change in Industry of Employment – Cairns (1996 to 2006)



Source: ABS (2007), Census, Industry of Employment By Sex For Time Series, (Catalogue No. 2068.0)

Only a handful of industries reported job losses between 2001 and 2006, with most of those declines quite small in magnitude. Agriculture, Forestry & Fishing reported the greatest losses at 440, while 200 less people were employed in Wholesale Trade.

Economic Structure of Cairns

The generation of new employment can be examined through the concept of a region's export base. Under this idea, a local area's economy and thus employment will grow as sales (exports) are made to customers outside the region. The income earned by these export industries are spent within the local area, leading to further employment growth in other industries that service the local resident population. These export oriented industries generate new employment and thus form the economic base of a local area. Export industries are not only producers of goods but can be service industries as well. For instance, tourism-related industries will attract customers from outside the region that will spend money locally.

Location quotients can be employed to identify a region's export oriented activities. Location quotients are calculated as the proportion of a region's total employment within a given industry relative to the proportion of total national employment within that industry. This identifies in which sectors the local area specialises or concentrates its activities. A location quotient above one indicates that an area has a relative specialisation in that sector, given that it is a higher proportion of employment in that industry relative to the rest of the country.

Examining the location quotients for Cairns found in Table 1, it can be seen that the region has a number of location advantages, particularly in Accommodation & Food Services. The proportion of the local population working in this industry is twice the national average (LQ=1.99). The importance of the tourism sector in Cairns is particularly highlighted by the fact that in addition to Accommodation & Food Services being top of the list, the region is also over represented in Rental, Hiring & Real Estate Services (LQ=1.54), Arts & Recreation Services (LQ=1.35) and Retail Trade workers (LQ=1.21).

Cairns also appears to specialise in Transport, Postal and Warehousing services (LQ=1.66) and Administrative & Support Services (LQ=1.54). Interestingly though, the regions is deficient in Mining (LQ=0.73) and Manufacturing workers (LQ=0.59). This suggests that Cairns operates more as a passage way for mine workers, as opposed to a source of labour. Cairns is also particularly under represented in the fields of Financial & Insurance Services (LQ=0.57), Agriculture, Forestry & Fishing (LQ=0.63) and Information, Media & Telecommunications (LQ=0.64).

The jobs growth in the Construction industry is unique to Cairns, leading to a higher share of Construction workers in the area (LQ=1.39). However, the strong growth in the number

of Health Care & Social Assistance workers is characteristic of many regions, resulting in the Cairns proportion being right on the national average (LQ=0.97). Of particular interest, while the Accommodation & Food Services industry reported a decline in the number of persons employed between 2001 and 2006, it remains the most over represented employer in Cairns.

Table 3 Location Quotient for the Cairns in 2006

Industry Sector	2006
Accommodation and Food Services	1.99
Transport, Postal and Warehousing	1.66
Rental, Hiring and Real Estate Services	1.54
Administrative and Support Services	1.40
Construction	1.39
Arts and Recreation Services	1.35
Retail Trade	1.21
Public Administration and Safety	1.16
Other Services	1.10
Electricity, Gas, Water and Waste Services	1.04
Health Care and Social Assistance	0.97
Education and Training	0.96
Wholesale Trade	0.78
Professional, Scientific and Technical Services	0.73
Mining	0.73
Information Media and Telecommunications	0.64
Agriculture, Forestry and Fishing	0.63
Manufacturing	0.59
Financial and Insurance Services	0.57

Source: ABS (2007), Census, Industry of Employment By Sex, (Catalogue No. 2068.0)

3. TOURISM

Cairns has long been considered a premier holiday destination with domestic and international visitors alike. It is the gateway to the Great Barrier Reef – the world's largest marine park, with 26km of pristine beaches, a vibrant esplanade boasting top class shopping and dining, and a bustling seaport. However, being the country's most tourism reliant economy at 15.5% of GVA, makes it quite vulnerable to global shocks.

Visitation

Tropical North Queensland is the third most popular Queensland destination for international tourists, with 757,000 visitors in the year to December 2008. Tourism Research Australia figures show that this accounts for 36.9% of the state's international visitors, which is down 10.7% on the previous year. Tropical North Queensland is the primary location visited by people from Japan, Europe and the USA. Unfortunately the global financial crisis has reduced tourism demand in many of these markets, with Japanese tourist numbers down 20% and a 13% decline in those coming from the USA.

Meanwhile, 1.5 Million Australians visited Tropical North Queensland, ranking it the state's fourth most popular domestic tourist destination. It accounted for 9% of all domestic tourists in the year to December 2008, up 4% on the previous year compared to declining shares for the top three locations. However, visitor nights declined by 6% to 7.4 Million.

Tourist Accommodation

The latest ABS figures suggest that Cairn's tourist accommodation sector is slowing at the moment. The number of room nights occupied weakened by 7.1% to 2.14 Million in the year to December 2008. Guest arrivals have fallen by 9.6% in the twelve months since December 2007, while guest nights deteriorated by 6.5%. Isolating just the December quarters of 2007 and 2008, room nights fell by 5.9%, while guest arrivals and guest nights were down 12.7% and 6.9% respectively.

In line with the decline in guests, there has been a deterioration in takings from accommodation. In the year to December 2008, Cairns accommodation establishments recorded takings of \$294.7 Million. This is 8.7% weaker than the \$322.8 Million reported in 2007. Looking at the quarter-on-quarter changes, the December 2008 result of \$74.8 Million is down 9.5% on the December 2007 figure of \$82.6 Million.

Tourism Expenditure

In total, visitors to the region spent about \$1.6 Billion in 2007. Tourist expenditure data averaged over the three years to June 2007 is available for the former Cairns and Douglas Local Government Areas. International visitors to Cairns stayed for an average 6.7 nights and spent an average of \$187 per night. Meanwhile, domestic overnight tourists spent an average of \$173 per night, an average stay of 4.8 nights. Domestic day trippers spend an average of \$143. In the case of Douglas, international visitors spent \$120 each night of their 5.0 nights stay. Domestic overnight tourists visited for an average 5.2 nights with an average daily spend of \$223. Meanwhile domestic day trippers' daily average expenditure was \$101. These figures expenditure and visitation figures recorded for Cairns and Douglas are all above the state and national averages.

Aviation

Cairns International Airport recorded 44,448 aircraft movements in 2007. The bulk of these (36,421) were domestic, while about 18% were international movements. In total about 3.8 Million passengers passed through the airport. Aviation figures reveal that passenger numbers have outpaced visitor numbers, indicating a growing preference for air travel.

Cummings Economics predicted that cuts to QANTAS flights between Cairns and Japan would reduce direct international access to Cairns by 25% and cost approximately 1-1.5% of total GRP. However, Premier Bligh announced in early 2009 that 27,500 extra seats would be made available through additional Jetstar flights, as well as a further 9,000 seats through Continental Micronesia. These will begin from December 2009.

Current Challenges

There has been a recent drop off in international visitors, due to the loss of direct flights from markets such as Japan. However, it is estimated that 40% of domestic seats to Cairns are filled by international tourists, which explains why Tropical North Queensland has managed to achieve growth in domestic tourism while other regions flounder.

Swine flu epidemic appears to keeping potential visitors at home. In the last month there has been a number of school group cancellations from Japan and other Asian markets.

There have been some early signs that things may pick up soon. There has been a strong marketing push in existing domestic and new international markets, and the Federal Government's Export Development Grants may aid in funding this effort.

4. AGRICULTURE

As the gold rush died, the residents of Cairns established vast sugar cane fields on the flat coastal lands. Now the region is home to a diverse range of successful agricultural industries – from sugar cane and bananas to beef and fish. Local produce is sold both within Australian markets and to a broader global market.

Value of Agriculture

ABS statistics value agriculture production in the Far North Queensland region at over \$1.3 Billion in 2006/07. As such it is Queensland's largest provider of agricultural goods, with Fitzroy sitting next in line at \$1.1 Billion. There are 2,893 agricultural businesses in the regions, around 40% of which are located in Cairns specifically, which account for an estimated 13.9 Million hectares of land. 1,161 of these businesses graze cattle while other 851 grow fruits and nuts – particularly orchid fruits such as mangoes and bananas.

Challenges for Local Agriculture

Agriculture is no longer the dominant industry in Far North Queensland. But while the days in which it accounted for nearly two thirds of the region's economy are long gone, at 7.8% of GVA it is still one of the most important sources of income. At present, it is perhaps the best performing industry in Cairns.

Sugar and beef are major export commodities for Far North Queensland, and as such are vulnerable to the volatility of the global market. Compared to last year the lower value of the Australian dollar has been to the benefit of farmers, making local produce more globally competitive. Declining fuel prices have also helped keep costs down. Steady demand is keeping prices stable.

Generally the region's fruits are sold on the domestic market, leaving them relatively safe from the pressure of global markets. However, Cummings Economics predicts that changes to bio-security arrangements could have an extremely detrimental impact on the region's banana industry, reducing GRP by up to 4% as local farmers struggle to match cheap import prices. There is also concern about the potential for diseases carried by these imports to harm local crops.

The recent Federal Budget dealt a further blow to the local agricultural industry. The national agriculture budget was reduced from \$3 Billion to \$2 Billion, with funding for sugar research in particular more than halved to just \$10 Million.

5. CONSTRUCTION

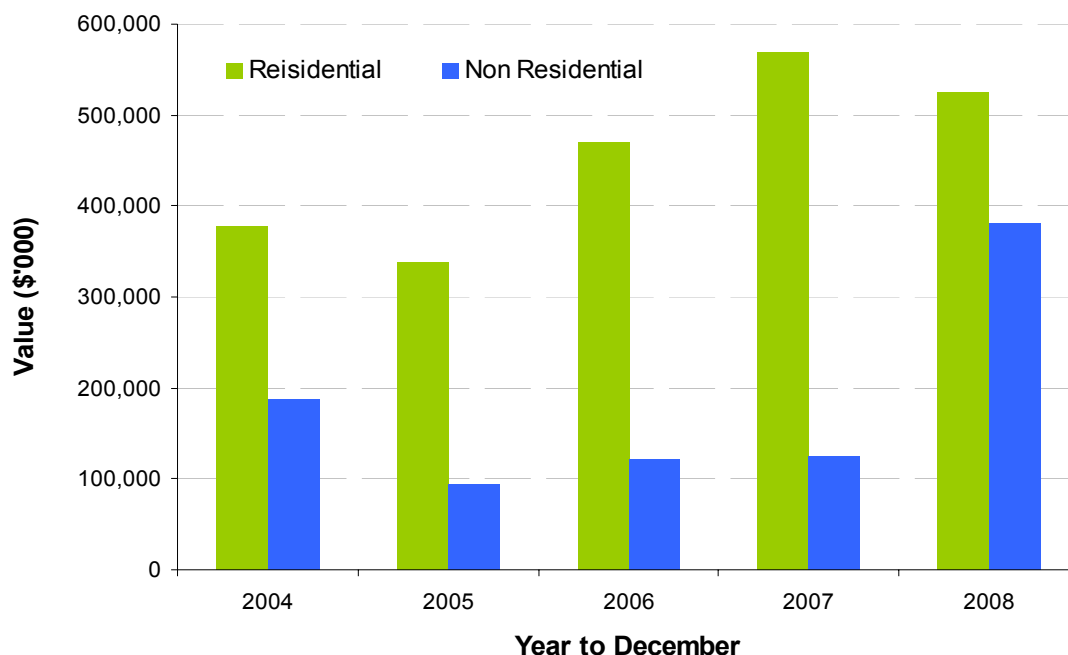
Construction is the region's faster growing employer, and looking at the strength of local business approvals it is not hard to see why. Total building approvals were valued at \$906.5 Million in 2008, up 30.8% on 2007 and 60.4% since 2005.

Residential Building Approvals

In 2008 annual residential building approvals totalled \$525.5 Million in Cairns. While down slightly on the 2007 figure, this represents 38.9% growth over the last five years. An 11.6% increase in house approvals to \$430.0 Million in 2008 was not enough to offset the halving in the value of unit approvals to \$95,568.

However, while the recent boost to the First Home Owners Grant was expected to further boost the local construction market, figures for the March 2009 quarter reveal that residential building approvals halved from \$130.0 Million in the December 2008 quarter to just \$67.8 Million. This is the lowest quarterly result since December 2005.

Figure 4 Cairns Building Approvals 2004-2008



Source: ABS (2009), Building Approvals, Australia (Catalogue No. 8731.0).

Commercial Investment

Non-residential building approvals were valued at a staggering \$380.9 Million in 2008. This equates to a 205.5% increase on the 2007 result of \$124,665 , and a doubling of the 2005 value. However, as was the case for residential approvals, the early signs for 2009 are not quite as positive. Approvals for commercial building investment have weakened by 65.2% since the December 2008 quarter to \$32.9 Million.

There has been much local criticism that the 2009-10 Federal Budget failed to allocated an adequate portion of the infrastructure funding to the Cairns region. Cairns received just \$20 Million in funding, primarily for the upgrade of the southern road approach to Cairns and the realignment of the Cardwell Range. This compares to Townsville, which was granted more than \$500 Million in Federal Funding. However there are a number of large projects in the pipeline, including works valued in the order of \$450 Million each on the Cairns Base Hospital and the Lotus Glen Correctional Centre. The Federal funding for school infrastructure announced earlier this year is also very much welcomed by the region. It is hoped this projects will help sustain local construction businesses, many of which have been laying off staff and subcontractors, and are on the brink of insolvency.

6. MINING

In addition to being a gateway to the Great Barrier Reef, the Cairns International Airport makes the region a gateway to major mining projects. A 2008 study by Cummings Economic identified 18 mining regions that receive aviation services from Cairns. It is estimated that services in and out of the region have a weekly seat capacity of 4,000. The lifestyle factors of Cairns are thought to make it an ideal location for mining families to establish themselves, particularly given the excellent 'fly-in fly-out' services available.

Cairns itself is not a prime source of mining workers. The Cummings report suggested that around 700 people living in the Cairns/Tableland region work in the mines. Looking at North Queensland as a whole, that figure rises to 9,400. The forecast for the next 5 years is an additional 4,100 workers will be needed from these areas, 600 of those being from the Cairns/Tablelands area. However, these predictions may need to be down-graded since the onset of the global economic crisis which has resulted in a reduced level of demand for mining commodities. Many jobs have been lost, particularly for sub-contractors, as nearby mines cut-back operations.

Statistics reported by Cummings Economics indicated that Far North Queensland was reaping the benefits of the commodity boom. The value of mining production rose by 62.9% from \$362.7 Million in 2005/06 to \$591.0 Million in 2006/07. However, the global downturn has resulted in a sharp decline in demand for mining commodities and a drop in prices. While the depreciating Australian dollar has helped mitigate some of these losses, the downturn has halted many investment plans. Before the global economic crisis took hold, 16 small mining projects in close proximity to Cairns had been commissioned. These opportunities have been put on the shelf until demand shows signs of improving.

7. RETAIL

As holds for many regional economies throughout the nation, retail has become a prominent industry within Cairns. It accounts for 8.7% of GVA in Far North Queensland, and was the fourth largest source of new jobs in Cairns between the 2001 and 2006 censuses.

Retail is the third most common type of business established in Cairns, with 1,725 registered as at June 2007. This equates to 12.0% of all Cairns businesses. According to the 2006 Census, these businesses employ over 8,000 locals.

The growth in Cairns retail would largely be accounted for by its popularity as a tourist destination. The 2 million plus tourists that come to Cairns are 2 million plus additional shoppers passing through local retail businesses each year.

The retail trade is vulnerable in the current economic climate. Household wealth and job security have weakened over the last few months, reducing the willingness of consumers to engage in discretionary spending. The decrease in international tourists into Cairns will also have a downward impact on retail spending.

8. EDUCATION

James Cook University contributes almost half a billion dollars annually to the economies of Cairns and Townsville. Education accounts for 5.1% of GVA in Far North Queensland, with over 500 jobs created in Cairns alone between 2001 and 2006. The University is also a major driver of investment, with capital expenditure totalling \$60 Million in 2008.

A recent report by DS Economics found that a major benefit of the University was that it was largely immune from the global economic crisis, as education and training enrolments tend to increase during economic downturns. However, after achieving record levels of international registrations it appears that swine flu may in fact be discouraging international study, with numerous enrolments cancelled in recent months.

8. LOCAL BUSINESS

Business Count

Businesses providing Property & Business Services account for nearly a quarter (23.5%) of all registered businesses in the Cairns region. Cairns is also home to a large number of Construction (2,820) and Retail Trade (1,725) businesses, representing 19.5% and 12.0% of all businesses respectively. While Cairns does service many of the nearby mining operations, Mining businesses only make up 0.1% of Cairns businesses. This indicates that most local Mining workers are employed outside of Cairns.

Table 4 Count of Registered Businesses in Cairns (2006-07)

Industry Sector	No.	2006
Property & Business Services	3,384	23.5%
Construction	2,820	19.5%
Retail Trade	1,725	12.0%
Agriculture Forestry & Fishing	1,185	8.2%
Transport & Storage	1,155	8.0%
Finance & Insurance	792	5.5%
Manufacturing	639	4.4%
Accommodation Cafes & Restaurants	636	4.4%
Health & Community Services	504	3.5%
Personal & Other Services	501	3.5%
Wholesale Trade	432	3.0%
Cultural & Recreational Services	309	2.1%
Communication Services	156	1.1%
Education	111	0.8%
Mining	66	0.5%
Electricity Gas & Water Supply	15	0.1%
Total	14,430	100.0%

Source: ABS (2007), Counts of Australian Businesses, including Entries and Exits, Jun 2003 to Jun 2007, (Catalogue No. 8165.0) [Accessed through the QRSIS database, which is maintained by the Office of Economic and Statistical Research (OESR)]

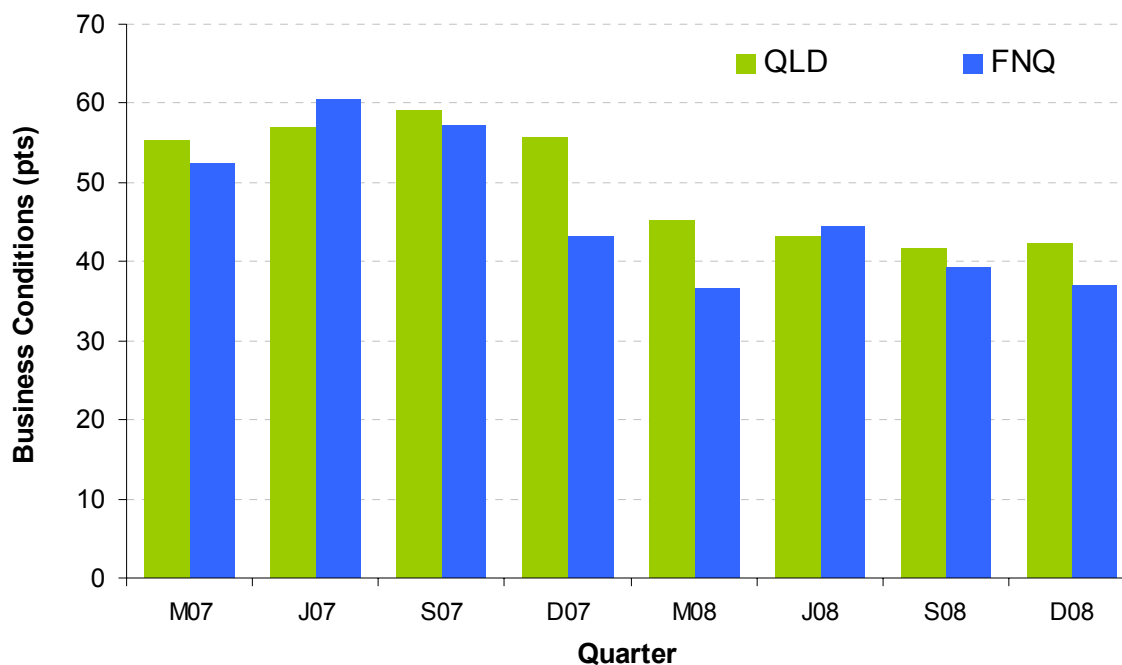
More than one third (36.3%) of local businesses employ less than 20 people, with the bulk of those (23.5%) hiring less than 5 people. In total, only 41.9% of registered businesses in Cairns are employing.

Business Confidence

The downturn in the national economy appears to be worse than initially predicted. As the global financial crisis hits some of Australia's major trading partners hard, it appears that the nation is well on its way to a technical recession. Interestingly though, it appears that business confidence started to become shaky before the doom and gloom of the global financial crisis began.

The perception of business conditions by Queensland businesses started declining in late 2007, and for the most part observations have been more pessimistic in Far North Queensland. Despite the state index climbing slightly to 42.3 pts in the December 2009 quarter, trading conditions in Far North Queensland continued to weaken. We can expect the index to have further declined during the March 2009 quarter, with the economic worsening and the NAB's national survey noting a downward trend in its index.

Figure 2 Business Conditions Index for Qld and the Far North Queensland



Source: Queensland Pulse, Commerce Queensland, March 2007 quarter to December 2008 quarter, <http://www.cciq.com.au/Business-Representation/Pulse/pulse-archive.aspx> (accessed: 20th of August 2008).

9. CONCLUSION

Strong levels of economic and population growth in the Cairns region has required sustained levels of building activity and public infrastructure investment. A third of the region's job growth over recent times has come from construction and building activities. The related expansion in accommodation, cafes, restaurants, and attractions has led to the Cairns region being the Country's most tourism reliant economy, at 15.5% of gross regional product.

With the onset of the global financial crisis and considering the heavy heights of past tourism growth, it is not surprising to see activity slow. The 2009 X factor of the Swine Flue pandemic will also reduce visitor numbers from key markets such as Japan and the United States.

The decline of Tourism has had knock-on effects for other industries, with retail and commercial investment starting to fall. Job losses are occurring across these sectors, which are compounded by cuts in mining employment and investment projects in surrounding out reach areas.

It is not all negative news. The region is expected to receive an economic boost from the recently awarded Naval contract to the local ship building company AIMTEK. There is also a strong push for the Cairns Regional council to fast track construction projects in a bid to protect the region's construction industry. The redevelopment of the Cairns hospital and the upgrade of the Lotus Glen correction centre both to the tune of \$450M are also much needed development. Federal allocations under the school construction stimulus package will also assist.

Tourism operators and groups are working to counter the decline in activity by focusing on domestic tourism and new overseas market. The reduction in visitors from traditional destinations such as the UK and Japan, have been partly offset by increased interest from mainland European countries such as Italy.

Surprisingly the Conferences and business markets are holding up well. Plans are in place to tap into federal programmes such as the Export development grant to assist destination marketing efforts in new overseas markets.

However, uncertainty over the industry's short-term future will continue. Jets star decision to cancel a third of its flights to Japan is in conflict with the Queensland government's

announcement that Jetstar will commence 4 new services a week to Osaka from December 2009.

Also don't forget the importance of the agriculture sector. Strong export prices for sugar and beef and a sheltered domestic market for fruit product continues to sustain this sector. However the threat of a relaxation in bio security arrangements is concerning banana producers who will find it difficult to compete with low cost producers of the Philippines.

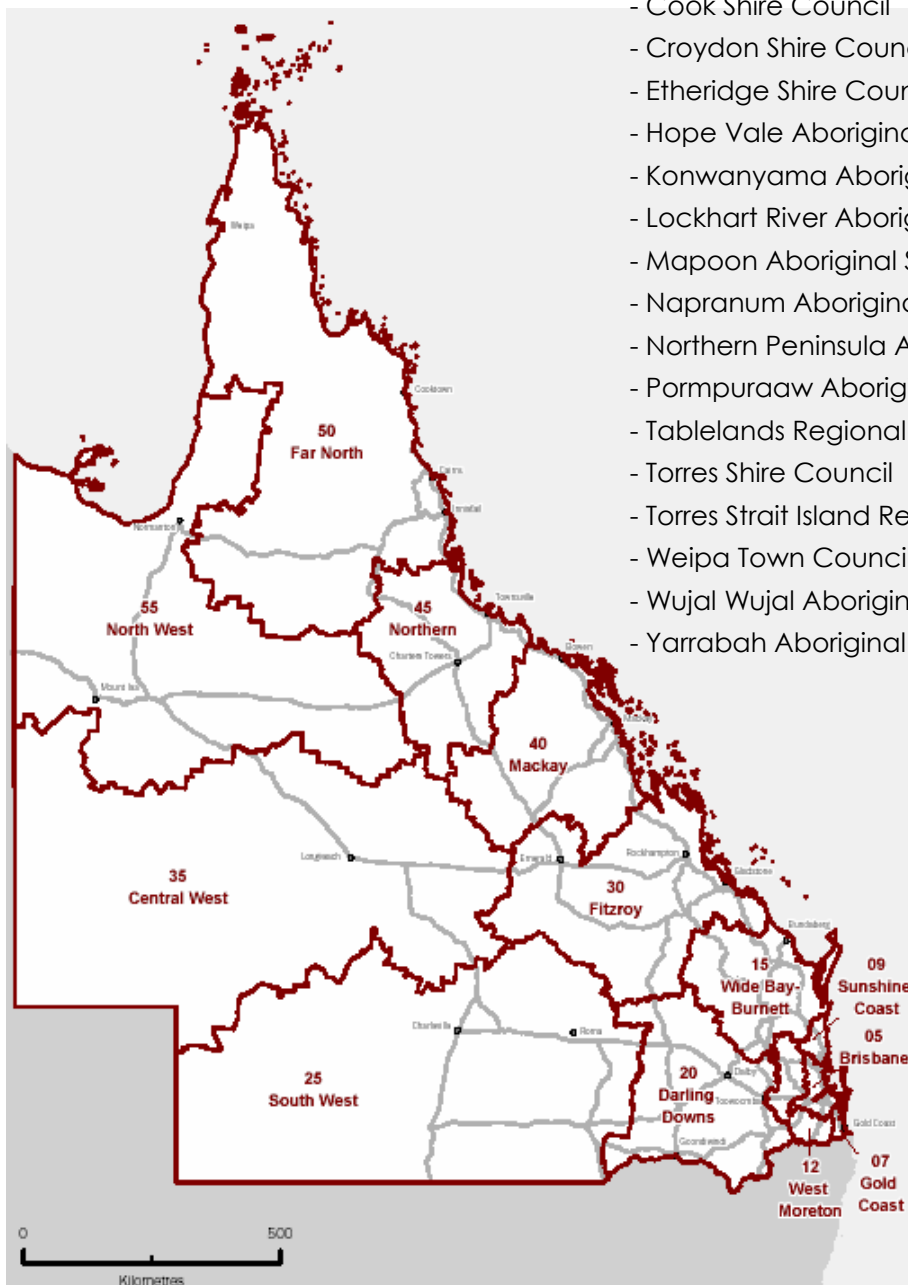
The Cairns region like many regions of Australia is a resilient economy and local stakeholders are optimistic about the region's future. The region is based on a strong small business ethos. Challenging times present small business with many opportunities. When the economy slows, there is less money around and it becomes harder for larger businesses to sustain high overheads. As large businesses faced with high fixed costs try to reduce their variable costs, they reduce their activity, creating space for small businesses to move into. As the tide goes out the small guys can still swim, but the big guys get beached. Recessions create opportunities for small businesses primarily because they operate with low overheads. True entrepreneurs know that spending doesn't cease in tough times: it just becomes more focused.

It is now time for the Cairns region to capitalise on past development and grow from within. Tourism will remain king. However a burgeoning community on the door step of Asia and the Pacific can only present opportunities for a broad range of business, property, financial, health and education services.

Appendix: Map of Far North Queensland

Included Local Government Areas:

- Cairns Regional Council
- Arukun Shire Council
- Cassowary Coast Regional Council
- Cook Shire Council
- Croydon Shire Council
- Etheridge Shire Council
- Hope Vale Aboriginal Shire Council
- Konwanyama Aboriginal Shire Council
- Lockhart River Aboriginal Shire Council
- Mapoon Aboriginal Shire Council
- Napranum Aboriginal Shire Council
- Northern Peninsula Area Regional Council
- Pormpuraaw Aboriginal Shire Council
- Tablelands Regional Council
- Torres Shire Council
- Torres Strait Island Regional Council
- Weipa Town Council
- Wujal Wujal Aboriginal Shire Council
- Yarrabah Aboriginal Shire Council



Source: ABS (2008) Australian Standard Geographical Classification, (Catalogue No. 1216.0).

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