CAIRNS PATHWAY TO RECOVERY FROM COVID-19
Cairns’s proximity and connectivity to Asia and the Pacific, together with its significant regional population base (largest of any region in Northern Australia), means it is well positioned for long term growth and prosperity. Immediately prior to COVID-19, the Cairns economy was in a strong position with Gross Regional Product (GRP) growth exceeding the Queensland and Australian rates of growth and unemployment below both the state and national level. However, with an export led economy particularly reliant on tourism and aviation connectivity, Cairns is susceptible to the impacts of global ‘shocks’ such as COVID-19 and the Global Financial Crisis (GFC). Independent economic analysis indicates the Cairns economy will be one of the hardest hit of any region in Australia as outlined below.

**BEFORE COVID-19**

- **GROSS REGIONAL PRODUCT (GRP):** $9.6B
- **LOCAL JOBS:** 82,500
- **EXPORT VALUE:** $4.7B
- **STRONG GRP GROWTH OVER THE THREE YEARS TO JUNE 19:**
  - CAIRNS: 3.5%
  - QLD: 2.2%
  - AUS: 2.2%
- **LOW UNEMPLOYMENT (DEC 19):**
  - CAIRNS: 4.3%
  - QLD: 6.0%
  - AUS: 5.2%
- **SERVICE POPULATION (DEC 19):** 198,000
  - 167,000 Residents & 31,000 Visitors
- **TOURISM JOBS:** 12,286 (14.9% of total Cairns jobs)
- **AIRPORT PASSENGERS (YEAR ENDED 31/12/2019):** 4.9M
- **AIRPORT PASSENGER MOVEMENTS TO POPULATION RATIO:**
  - CNS: 31.6
  - BNE: 9.7
  - SYD: 9.0

**IMPACT OF COVID-19**

- **FORECAST GRP DROP $386M IN JUN 20 QTR:**
  - CAIRNS: 16%
  - AUS: 12.4%
  - QLD: 12%
- **SECOND MOST SEVERELY AFFECTED REGIONAL CITY IN AUSTRALIA IN % JOBS LOST AND % LOSS OF GRP (JUN 20 QUARTER):**
- **7,700 JOBS LOST:** + 21,000 JOBS SUPPORTED BY JOBKEEPER*
- **HIGHEST NUMBER OF JOBKEEPER RECIPIENTS EMPLOYERS OF ANY POSTCODE IN QUEENSLAND:**
  - WITHOUT JOBKEEPER, JUN 20 UNEMPLOYMENT FORECAST TO EXCEED 15%
- **UNEMPLOYMENT FORECAST (JUN 20):**
  - CAIRNS: 12.3%
  - QLD: 10.5%
  - AUS: 10%
- **SERVICE POPULATION (JUN 20):** 167,000
  - Residents only. Many residents have lost their jobs or have reduced capacity to spend
- **90% OF BUSINESSES REPORTING NEGATIVE EFFECTS:**
- **AIRPORT PASSENGER MOVEMENTS:**
  - DOMESTIC: 96.5%
  - INTERNATIONAL: 99.9%
- **10% HOTEL OCCUPANCY**: LOWEST EVER ON RECORD

*Estimate based on a straight line labour force based pro-rata of national JobKeeper statistics
Cairns’ distance from metropolitan capitals and its reliance on tourism and aviation mean economic recovery times will likely be longer than for other parts of the country.

The recovery plan for Cairns will follow four distinct phases. This approach will not only see the Cairns economy return to the position of strength it was in ‘pre-COVID’, it will also build a more diverse and resilient economic foundation supporting sustained economic growth and prosperity in the long term. As the region plots this path to recovery and prosperity, targeted support from the Federal and State Governments will play a crucial role. Whilst Cairns is still currently in the ‘Survive’ phase, we are progressively turning our attention to the ‘Stimulate’ and ‘Recover’ phases to ensure there is a clear pathway out of the crisis.

The Global Financial Crisis (GFC) provides an indication of how long the Cairns economy may take to recover from COVID-19. Following the GFC, it took:

- **8 YEARS** for international visitation to return to ‘pre GFC’ levels
- **8 YEARS** for economic growth in Cairns to return to the State level
- **10 YEARS** for the unemployment rate in Cairns to fall to the State level
- **12 YEARS** for the job to population ratio to return to the State level

**UNDER THE ‘BEST CASE’ SCENARIO, IT WILL TAKE AT LEAST 5 YRS FOR TNQ VISITOR EXPENDITURE TO RETURN TO 2019 LEVELS.**

![Graph showing Actual/Forecast TNQ Visitor Expenditure ($ million)](source: Tourism Tropical North Queensland)

**Actual/Forecast TNQ Visitor Expenditure ($ million)**

- **BEST CASE:** $3446.1
- **MID CASE:** $2770.2
- **WORST CASE:** $1675.5

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**Note:** There will be a level of overlap between the Stimulate and Recover phases to provide a seamless transition.

**A phased plan for economic recovery & prosperity**

The recovery plan for Cairns will follow four distinct phases. This approach will not only see the Cairns economy return to the position of strength it was in ‘pre-COVID’, it will also build a more diverse and resilient economic foundation supporting sustained economic growth and prosperity in the long term. As the region plots this path to recovery and prosperity, targeted support from the Federal and State Governments will play a crucial role. Whilst Cairns is still currently in the ‘Survive’ phase, we are progressively turning our attention to the ‘Stimulate’ and ‘Recover’ phases to ensure there is a clear pathway out of the crisis.

**A NOTE OF APPRECIATION**

The Australian and Queensland Governments are to be commended for their world-leading response to the COVID-19 pandemic. This response has required a delicate balance between the human and social impacts of the crisis and its impacts on the economy and people’s livelihoods. Containing and supressing the spread of COVID-19 within Queensland and Australia has been a major achievement. The range of immediate support measures implemented by both the State and Federal Governments are also welcomed and appreciated. Without these measures, economic impacts and job losses within the Cairns region would have been much worse. The Federal Government’s JobKeeper program has been particularly important in supporting employers and employees during this difficult time.
These initiatives have been developed by the city’s Economic Response and Recovery Sub-Committee (ERRSC), chaired by Cairns Regional Council’s CEO with representatives from the Queensland Government, Tourism Tropical North Queensland, Advance Cairns, the Cairns Chamber of Commerce, Regional Development Australia Tropical North, the FNQ Regional Organisation of Councils, Cairns Airport and Ports North. The ERRSC also engages with a formal industry and business reference group comprised of around 50 representatives from a broad range of businesses and industry sectors.

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The one thing that would have the biggest impact on economic recovery in the short to medium term is the re-establishment of domestic aviation connectivity and capacity into Cairns, coupled with investment in destination marketing and the progressive/accelerated easing of domestic travel restrictions. This will be vitally important in returning the city’s service population to ‘pre COVID’ levels as soon as possible and getting the local economy moving again.
The four phases to economic recovery and prosperity

1. **survive**

The extension of JobKeeper and other immediate support measures will be critical to business survival in Cairns.

The support from both the Queensland and Australian Governments to date has been substantial and is welcomed with many of the business survival initiatives identified by the ERRSC already actioned. For Cairns however, it will be vital for the Federal Government’s JobKeeper wage subsidy to be extended to March 2021. The depth and potential duration of economic impact on Cairns warrants this extension and will help businesses survive the crisis and be in a position to resume operations, reemploy staff and rebuild their business when economic activity returns.

We also respectfully request that an extension of the Queensland Government’s suite of business survival support measures (payroll tax relief, electricity support, lease fee waivers etc.) be considered for the Cairns region. The recent easing of regional and intrastate travel restrictions is also an important step in rebuilding the visitor economy on which so many Cairns businesses depend for their survival.

2. **stimulate**

During this phase, the fast tracking of capital works already underway in Cairns needs to be a priority together with new streams of investment. Re-establishment of domestic aviation connectivity, investment in destination marketing and the easing of interstate travel restrictions will also be critical.

Projects such as the Cairns Convention Centre refurbishment and extension, Bruce Highway (Cairns South) Road Upgrades and Wangetti Trail - connecting Cairns and Port Douglas for walkers and cyclists, need to progress as a matter of urgency. A number of additional stimulus initiatives have been identified by the ERRSC and included in a detailed report available on Council’s website. These initiatives fall into three categories: projects; programs; and policy. The initiatives would provide benefits across a broad range of sectors and support short to medium term economic recovery, job creation and economic resilience. Initiatives include:

- CQUniversity - New City Centre Campus
- Cairns University Hospital
- Cairns Gallery Precinct
- Stage 2 CQUniversity Asia Pacific Aviation Hub
- HMAS Cairns Upgrade
- Cairns Marine Maintenance Precinct
- Pacific Patrol Boat/Guardian Patrol Boat Training
- Export Market Development Grant (EMDG) Reset and Reimbursement
- Commonwealth and International Supported Places (James Cook University Medical School)
- Northern Australia Infrastructure Fund – Reset for Recovery
- Tourism funding (destination marketing)
- Cairns Esplanade Dining Precinct
- Northern Beaches Leisure Trail
- A range of funding programs supporting economic recovery for regions severely impacted by COVID-19

Above all, the reestablishment of domestic aviation connectivity and capacity, coupled with investment in destination marketing will be critical for short to medium term recovery. This needs to occur in parallel with the progressive/accelerated easing of interstate travel restrictions.

Whilst the domestic visitor market will be the immediate focus, our attention will progressively turn to the international market and international aviation connectivity as and when international travel restrictions ease. A ‘watch and act’ approach will be adopted in this regard given the return of international travel will be largely dependent on the ability of countries throughout the world to effectively bring COVID-19 under control.

Further details of the above initiatives are set out in a detailed Preliminary Report on Stimulus Initiatives (available here: www.cairns.qld.gov.au/council/covid19/recovery)
Planning for the long term economic recovery of Cairns is already well underway with collaboration from all levels of government, business and the community.

Facilitated by representatives from the Queensland Reconstruction Authority (QRA) using a proven recovery planning methodology and incorporating significant stakeholder engagement, the local recovery planning process will provide the road map for Cairns’ economy to return to ‘pre COVID-19’ levels but with a stronger, more resilient foundation. The plan will align with and feed into recovery planning activities being undertaken at the State and Federal level. The Cairns Economic Recovery Plan is expected to be available in late July 2020 and will set out the support and input required from all levels of government, industry, businesses and the community more broadly. Initially covering a period of two years, the plan will be a ‘live’ document that will continue to be updated and extended. It is also expected to inform a longer term strategic economic plan for the Cairns region.

The first three phases of recovery will ensure there is a strong foundation for Cairns’ long term economic growth, prosperity and resilience. However, a return to the ‘status quo’ cannot and will not be our goal.

This crisis provides an opportunity to reshape and reimagine our economy in a way that will provide an enduring legacy for the generations that follow. Transformation will be required to ensure we take advantage of Cairns’ unique competitive advantages and the macro trends occurring at a global level. This phase will be informed by the Cairns Economic Recovery Plan developed in the ‘Recover’ phase as well as the longer term strategic economic plan that evolves from that process.

Potential areas of focus for consideration for our region include:

- Food production
- Strategic location (physical proximity and connectivity to the Asia Pacific region)
- Renewable energy and the ‘green’ economy more broadly
- Tertiary education
- Tourism
- Support for a skilled and growing population

For more information, see: www.cairns.qld.gov.au/council/covid19/recovery or email economicdevelopment@cairns.qld.gov.au