5 June 2020

The Hon. Josh Frydenberg MP
Treasurer
Per email: josh.frydenberg@treasury.gov.au

The Hon. Christian Porter MP
Minister for Industrial Relations
Per email: Christian.porter.mp@aph.gov.au

Dear Ministers

Review of the JobKeeper Payment Scheme - Cairns Submission

Key recommendation:
It is recommended that the current expiry date for the JobKeeper Payment Scheme be extended from 27 September 2020 to 31 March 2021 for the Cairns region with the fortnightly payment for the period 28 September 2020 to 31 March 2021 retained at 100% of the current level (i.e. $1,500 per eligible employee per fortnight). It is also recommended that more regular reporting and tightened eligibility requirements be applied to ensure the Scheme targets those employers/employees in greatest need of support.

Rationale:
• Independent economic analysis indicates the Cairns economy will be one of the most severely impacted of any region in Australia by the COVID-19 pandemic with the duration of that impact also extending for longer than in other regions.
• The Cairns economy is heavily reliant on tourism with 15% of the city’s total workforce employed by this sector. Tourism also contributes $1.1 billion (12%) of Cairns’ annual GRP.
• Aviation connectivity and capacity is also critically important to the city’s economy given Cairns’ physical distance from Australia’s metropolitan capitals. 50% of airport passenger arrivals are tourism related.
• The JobKeeper Payment Scheme has been critical in supporting the ‘survival’ of many Cairns businesses and the retention of local jobs. A straight-line pro-rata of national JobKeeper statistics and labour force data indicates that an estimated 21,000 jobs in Cairns (22% of the city’s total labour force) are currently supported by JobKeeper.
• Short to medium term recovery of Cairns’ visitor led economy will be reliant on the easing of interstate travel restrictions (not currently scheduled to occur before 30 September 2020), coupled with the re-establishment of domestic aviation connectivity and capacity.
• International visitors normally contribute $1.1 billion in visitor expenditure (31% of total visitor expenditure) to the Tropical North Queensland region each year. International travel restrictions and global economic conditions mean this segment of Cairns’ visitor economy will take years to fully recover, adversely impacting economic and business performance in the interim.
• The Cairns region’s economy follows a seasonal pattern with a significantly lower level of economic activity occurring between November and March each year (the region’s traditional ‘low’/’wet’ season) when both visitor numbers and construction activity are subduced due to climatic conditions. Airport passenger movement statistics and hotel occupancy data (Appendix 1) demonstrate this seasonal trend.
• Given the above, the ‘survival’ phase of Cairns’ economic recovery will extend through the ‘low’/’wet’ season until at least March 2021.
• The current expiry of the JobKeeper Payment Scheme (27 September 2020) coincides with the commencement of this ‘low’/’wet’ season. Accordingly, this important support initiative is currently scheduled to be removed at a time when many local businesses will have either been operating significantly below normal levels or will not have been trading at all.
• Without the recommended changes outlined above, it is likely many Cairns businesses will not be able to ‘survive’ the crisis or be in a position to re-establish/re-escalate operations in 2021 as its immediate economic impacts begin to ease.
Background

COVID-19 is having wide ranging human, social and economic impacts throughout the world. Effectively managing and mitigating these impacts will be one of the biggest challenges faced by our generation. We appreciate that the response to COVID-19 requires a delicate balance between health and safety considerations and the impacts of social distancing and other pandemic suppression measures on the economy and peoples livelihoods.

The response from the Federal Government has been swift, effective and coordinated. We commend the Federal Government on their world-leading efforts in managing the crisis to date. The JobKeeper Payment Scheme is a critical pillar of the Federal Government’s suite of COVID-19 business and economic support measures. We understand that the Federal Government is undertaking a review (the Review) of the JobKeeper Payment Scheme in June 2020.

We request that this submission and the recommendations contained herein, be considered as part of the Review.

Economic impacts of COVID-19 on Cairns

The COVID-19 pandemic is having a significant impact on the economy as well as the social and emotional health of the Cairns community. These impacts are more severe than the effects experienced in other areas of Australia and will likely endure for longer.

Pre-COVID-19, the Cairns economy was growing strongly, with Gross Regional Product (GRP) growth for the three years to June 2019 exceeding growth at both the State and National level. Private and public sector investment in infrastructure supported industry development and resulted in a significant fall in local unemployment, which was 4.3% immediately before the pandemic. There were 82,500 local jobs and GRP was $9.6 billion\(^1\).

The Cairns economy does, however, have a significant reliance on tourism with 15% of the region’s employment either directly or indirectly related to this industry sector. Tourism also contributes $1.1 billion (12%) of Cairns’ annual GRP. International inbound tourism is a significant segment of Cairns’ visitor economy. International visitors normally contribute $1.1 billion in visitor expenditure (31% of total visitor expenditure) to the broader Tropical North Queensland (TNQ) region each year with one in 10 international visitors to Australia coming to TNQ.

Cairns’ distance from domestic metropolitan capitals means that aviation connectivity and capacity is also critically important to the local economy. This is demonstrated by the ratio of airport passenger movements to resident population which is 31.6 for Cairns compared to 9.7 for Brisbane and 9.0 for Sydney.

The Cairns region’s economy follows a seasonal pattern with a significantly lower level of economic activity occurring between November and March each year (the region’s traditional ‘low’/’wet’ season) when both visitor numbers and construction activity are subdued due to climatic conditions. Appendix 1 sets out Cairns Airport passenger movement data and Cairns hotel occupancy levels for the three years to December 2019 which clearly demonstrates this seasonal trend. The vast majority of other Australian tourist destinations do not experience this same seasonal trend.

Cairns' resident population is 166,862. However, Cairns' ‘normal’ serviceable population is nearly 200,000 with an average of 31,000 visitors in Cairns on any one day. As a result of COVID-19, the tourism sector has effectively collapsed. Domestic and international visitors have disappeared and the flow on impacts of this downturn have spread to virtually all local industries.

Independent economic analysis on the impacts of COVID-19 on Cairns has been commissioned by Cairns Regional Council and indicates:

- Cairns GRP for the June 2020 quarter is expected to be $386 million (16%) lower than average quarterly Cairns GRP for 2018/19;
- The forecast percentage reduction in quarterly GRP for Cairns (16%) is significantly higher than the forecast reduction for Queensland (12%) and Australia (12%);
- The percentage fall in June 2020 quarterly GRP for Cairns is forecast to be the second worst of any regional city in Australia, behind only the Gold Coast. However, the Gold Coast economy is likely to ‘bounce back’ more quickly than Cairns due its proximity to major metropolitan capitals and accordingly its ability to access a significant drive tourism market as travel restrictions ease;
- The Cairns economy is forecast to suffer a loss of 7,700 local jobs in the June 2020 quarter;
- The percentage loss of local jobs for Cairns (9%) is forecast to be the second worst of any regional city in Australia, behind only the Gold Coast;
- COVID-19 will see Cairns’ unemployment rate go from being well below the national and state level (pre-COVID-19) to well above. Cairns’ unemployment rate for the June 2020 quarter is forecast to reach 12.3% (up from 4.3% in December 2019). This unemployment rate is well above the forecast rate at both the state and national level; and
- Without dedicated support, Cairns will likely endure a similar duration for economic recovery as that following the Global Financial Crisis (GFC) when it took 8 years for Cairns to reach state levels of economic growth, 10 years for unemployment to fall back to the state level and 12 years for the jobs to population rate to also return to the state level.

**JobKeeper – An initiative critical to business survival**

The Federal Government’s JobKeeper Payment Scheme has provided a vital lifeline to local Cairns businesses who are struggling to survive the immediate impacts of the crisis. We appreciate the Federal Government’s swift and decisive action in implementing this important initiative. A straight-line pro-rata of national JobKeeper statistics and local labour force data indicates that an estimated 21,000 jobs in Cairns (22% of the city’s total labour force) are supported by JobKeeper. Without this critical initiative, the forecast unemployment rate for Cairns at June 2020 would have been significantly above 15%.

**Cairns: A pathway to recovery from COVID-19**

To support COVID-19 response and recovery measures in Cairns, the following committee and sub-committees have been established in accordance with disaster management protocols:

- The **Local Leadership Committee (LLC)** which is comprised of Federal Member for Leichhardt, the Hon Warren Entsch, State Member for Cairns, Michael Healy, and Cairns

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2 Cairns Regional Council analysis of ABS Census data
3 Refer report prepared by .id Consulting Pty Ltd utilising National Institute of Economic and Industry Research and Cairns Regional Council data (see: www.cairns.qld.gov.au/council/covid19/recovery)
Mayor Cr Bob Manning. The LLC provides a direct and valuable conduit to all three levels of government, facilitating communication of and collaboration on, the initiatives and support required in response to COVID-19.

- **The Human and Social Sub-Committee (HSSC)** which has been established to support and facilitate coordination of response and recovery activities related to human and social systems of the Cairns region. The group provides a forum for elevating issues or emerging needs of service users and the broader community. The Sub-Committee is chaired by Council’s Local Recovery Coordinator and comprises representatives of health and wellbeing, housing and homelessness, education, disability, aged-care, community safety and emergency relief agencies amongst others.

- **The Economic Response and Recovery Sub-Committee (ERRSC)** which is chaired by Council’s Chief Executive Officer, and comprises representatives of government, business and peak bodies, including: Regional Development Australia Tropical North Inc.; the Queensland Department of State Development, Manufacturing, Infrastructure and Planning; Advance Cairns; Tourism Tropical North Queensland, the Queensland Reconstruction Authority, Cairns Chamber of Commerce, Cairns Airport, Ports North, and the FNQ Regional Organisation of Councils. The purpose of the ERRSC is to support and help coordinate the economic recovery of the Cairns region in response to the impacts of COVID-19 and to ensure the priorities and initiatives required for economic recovery in Cairns are communicated to all levels of Government throughout the crisis. The ERRSC also engages directly with business and industry via a formal Industry and Business Reference Group (IBRG) comprised of around 50 representatives from a broad cross section of business and industry.

Through close engagement and collaboration with both the ERRSC and IBRG, Cairns Regional Council has prepared the Cairns: Pathway to Recovery from COVID-19 document which outlines a four phase plan for Cairns’ economic recovery from COVID-19 (as outlined below).

<table>
<thead>
<tr>
<th>NOW</th>
<th>0 TO 2 YEARS</th>
<th>1 TO 5 YEARS</th>
<th>&gt;5 YEARS</th>
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<tbody>
<tr>
<td><strong>survive</strong></td>
<td><strong>stimulate</strong></td>
<td><strong>recover</strong></td>
<td><strong>thrive</strong></td>
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<td>Focus on the immediate support measures needed to help businesses survive the crisis and be in a position to recommence/re-escalate operations and reemploy staff as the crisis passes.</td>
<td>Focus on the projects, programs and policy that will create employment and economic activity in the short term and rebuild business confidence.</td>
<td>Continued implementation of an economic recovery plan that will return the economy to ‘pre-COVID’ levels but with a more diverse and resilient foundation.</td>
<td>Leverage the stronger, more resilient economic foundation for long term growth and prosperity.</td>
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*Note: There will be a level of overlap between the Stimulate and Recover phases to provide a seamless transition*
A copy of the *Cairns: Pathway to Recovery from COVID-19* is attached to this submission. At present, Cairns is still very much in the ‘survive’ phase of recovery and accordingly, the immediate focus remains on measures that can support business survival at this critical time. Above all else, the *Cairns: Pathway to Recovery from COVID-19* identifies the extension of the Federal Government’s JobKeeper Payment Scheme as the most important initiative needed to support business survival in the short term.

This is particularly important given the seasonality of the Cairns economy and the traditional ‘low’/‘wet’ season between November and March each year. The current expiry of the JobKeeper Payment Scheme (27 September 2020) coincides with the commencement of this ‘low’/‘wet’ season meaning this critical support initiative is scheduled to be removed at the very time when Cairns’ businesses are likely to need it the most.

**Recommendation**

In light of the matters outlined in this submission, it is recommended that the current expiry date for the JobKeeper Payment Scheme be extended from 27 September 2020 to 31 March 2021 for the Cairns region with the fortnightly payment for the period 28 September 2020 to 31 March 2021 retained at 100% of the current level (i.e. $1,500 per eligible employee per fortnight).

We appreciate that as part of the Review, the Federal Government may seek to refine and tighten the eligibility requirements for JobKeeper to ensure it appropriately targets those employers and employees validly in need of support. We also appreciate this may require more regular (monthly) and more detailed reporting from businesses receiving JobKeeper to demonstrate their ongoing eligibility. We support such an approach, provided that any savings generated as a result be applied to extending/increasing the support for those businesses, employees and regions most in need.

Without the recommended changes outlined above, it is likely many Cairns businesses will not be able to ‘survive’ the crisis or be in a position to re-establish/re-escalate operations in 2021 as its immediate economic impacts begin to ease.

We thank you for the opportunity to provide a submission to the Review. Please do not hesitate to contact Nick Masasso of Cairns Regional Council in the first instance (P: 07 4044 3522 E: n.masasso@cairns.qld.gov.au) if you have any queries or require further information.

JohnAndrejic  
Chief Executive Officer  
Cairns Regional Council

Nick Trompf  
Executive Chairman  
Advance Cairns

Sally Mlikota  
President  
Cairns Chamber of Commerce

Peter Scott  
Deputy Chair  
FNQROC
Attachments:
Appendix 1: Cairns - Airport Passenger Movements and Hotel Occupancy
Cairns: Pathway to Recovery from COVID-19

cc:
Senator the Hon. Simon Birmingham, Minister for Trade, Tourism, and Investment: minister.trade@dfat.gov.au
Warren Entsch, Federal Member for Leichhardt: warren.entsch.mp@aph.gov.au
APPENDIX 1: Cairns - Airport Passenger Movements and Hotel Occupancy

Cairns Airport - Passenger Movements (2017-2019)

Source: Cairns Airport

Cairns Hotel Occupancy (2017-2019)

Source: Tourism Tropical North Queensland
CAIRNS
PATHWAY TO
RECOVERY
FROM COVID-19

survive  stimulate  recover  thrive
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.
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 the outlook is daunting, a phased plan coupled with targeted government support can see the Cairns economy recover from the COVID-19 crisis more quickly than the recovery times experienced post GFC.

Given the depth and potential duration of COVID-19 economic impacts on Cairns, the support required for recovery will likely be greater and more sustained than that required in other regions.

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.
Planning for Cairns’ recovery is already well underway

A suite of business survival and stimulus initiatives has already been identified for consideration by the various levels of government.

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.

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

**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.

**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