



20 February 2017

Dr John Carter, Inquiry Secretary
Joint Standing Committee on Northern Australia
Department of the House of Representatives
PO Box 6021
CANBERRA ACT 2600, Australia

Subject: Inquiry into Opportunities and Methods for Stimulating the Tourism Industry in Northern Australia.

Dear Mr Carter,

North Queensland Airports (NQA) welcomes this opportunity to provide further input into the Australian Government's considerations on developing northern Australia.

This submission supplements, and should be read in conjunction with, our three previous submissions to the Joint Select Committee on Northern Australia:

- A. *Submission from North Queensland Airports to the Joint Select Committee on Northern Australia;*
- B. *ASEAN Open Skies – Relevance to Northern Australia's Economic Development, and*
- C. *Submission in response to the Australian Government's Green Paper on Developing Northern Australia.*

NQA is a corporation that was established in 2008 to acquire and operate Cairns and Mackay Airports upon their privatisation under the *Airport Assets (Restructuring and Disposal) Act 2008 [Qld]*. Since acquisition of these airports, NQA has played an important role within the regional communities served by them by actively promoting tourism and trade. Our airports serve as cornerstones of the Cairns and Mackay regional economies, contributing a total of almost \$4B each year and generating over 40,000 jobs. The group contributes almost \$3M annually towards regional economic development, tourism marketing and support for business and community organisations, events and initiatives. We look forward to our continuing involvement with our region's residents, businesses, and government at all levels to actively promote the growth and prosperity of northern Australia.

Yours Sincerely,

Norris Carter
Chief Executive Officer



DISCUSSION:

Air transport plays a key role in driving economic growth in a region generally, and in the development of its tourism industry and trade markets specifically.

The International Air Transport Association (IATA) has explored the relationship between air connectivity and regional productivity – that is, the advantages that connections to the global air transport network provide for businesses. *IATA 2007, Aviation Economic Benefits, IATA Economics Briefing No. 8, p. 22.* IATA's research highlighted the significant wider economic benefits that are created through improved links to the global air transport network. Its survey of firms in five different countries showed the importance of good air transport links for a region's efficiency, productivity and investment attraction. In particular, greater connections to the air transport network provided potential benefits through:

- Facilitating international trade and tourism
- Boosting productivity across the economy
- Improving the efficiency of the supply chain
- Acting as a spur to innovation
- Flow on effects throughout the regional/state/national economy
- Indirect impacts

Current Cairns and Far North Queensland Status

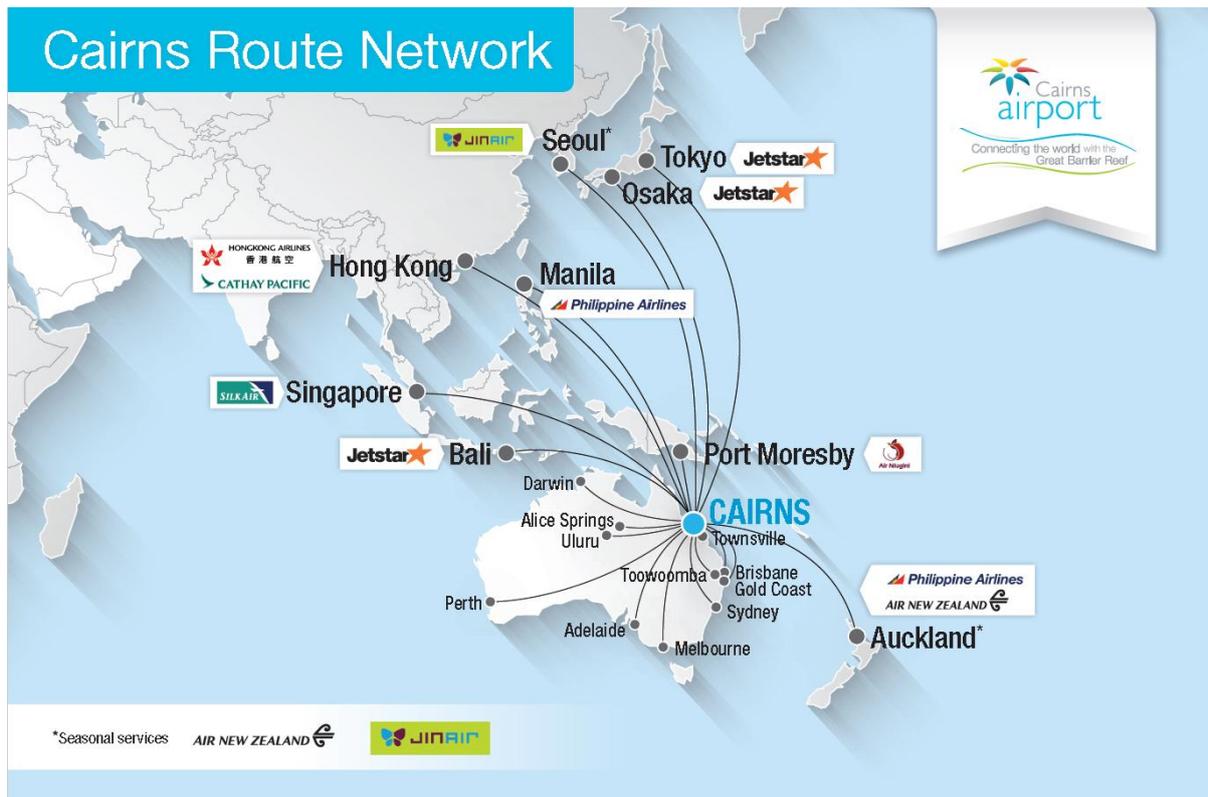
Tourism is the key economic driver for Cairns and Far North Queensland and this industry, and therefore the region, will benefit from increased direct international air services.

Primary production already plays an important role in the regional economy and there is also capacity to expand primary production in the region to meet demand from Asia, particularly for high end, quality produce such as seafood, meat, dairy, tropical fruits, nuts, coffee, tea and chocolate.

New direct international aviation services introduced into Cairns Airport over the past two years have stimulated a return to growth in international passenger numbers after a decline of 45% between FY 2004-05 and 2013-14.

That decline led to stagnation in the tourism industry, a low rate of GRP growth and high unemployment rates for the region, particularly youth unemployment.

The new services include Jetstar's - Bali, SilkAir – Singapore, Hong Kong Airlines – Hong Kong, Philippine Airlines – Manila-Cairns-Auckland and a Jin Air seasonal service from Seoul. They have added to the existing international and domestic network.



As at February 2017

All the new airlines to Cairns have increased services since they commenced and some aircraft upgrades are under consideration.

Impediments to growing northern Australia’s air connectivity

Despite these recent successes for Cairns Airport, along with all airports in northern Australia, Cairns faces significant challenges in attracting new international services.

- Lack of population base and economic diversity.

All the larger urban centres in northern Australia (Cairns, Townsville, Mackay and Darwin) have low population bases compared to the capital cities to the south and this creates a challenge for them in attracting international air services, particularly those using wide-bodied aircraft which best support the combination of freight and passenger services.

- Leisure Destination

As a leisure tourism based destination Cairns and Tropical North Queensland does not support the business class component included in the aircraft configurations of some international carriers. As the international low cost carrier network is expanding the impacts of this aspect is diminishing to some extent.

Diversification of the Cairns economy through export growth, attracting regional offices of multi-national corporations, locating large government offices in the north, and increasing



international student enrolment in regional education and training institutions would greatly enhance the viability of full service direct international air services to the region.

Flights to Cairns from Mainland China

Cairns Airport is working with tourism partners, Tourism Australia, Tourism and Events Queensland and Tourism Tropical North Queensland to secure flights from mainland China into Cairns as part of the *Cairns – Australia’s Tropical Holiday Destination* proposal. Other opportunities for Cairns being pursued include routes from South East Asia, North Asia and the Middle East.

Cairns and Great Barrier Reef is an attractive tourism destination for Chinese travellers, who rate the Great Barrier Reef as number one on their global aspirational “must see” list, ranking well above the other attractions on the list. Twenty per cent of Chinese Visitors to Australia visit Cairns and Great Barrier Reef.

Some Chinese visitors to Australia are willing to travel to or from or both on domestic services to get to Cairns to ensure the Great Barrier Reef is included on their itinerary. However, Chinese visitors who are able to travel here on direct international services tend to stay longer and spend more.

- Chinese visitation to TNQ continued to grow strongly. Visitation increased 32.2% to 219,000 in the year ending September 2016. China remained TNQ's largest international source market, accounting for 24.9% of all international travellers to the region.

Tropical North Queensland Tourism Snapshot YE Sep 16, published by Tourism and Events Queensland

In late 2016 the Queensland Government pre-approved industry contributions to attract a Chinese airline partner to operate direct flights to Cairns from mainland China to be matched dollar for dollar through their *Advance Queensland: Connecting with Asia* fund. This initiative is also supported by the Federal Government through Tourism Australia.

RECOMMENDATIONS

1. Reinvest Passenger Movement Charge (PMC)

The PMC revenue generated through airports in northern Australia that is above that genuinely required for cost-recovery should be invested in growing tourism and international trade in the region. Such investment could include building the capacity of regional tourism organisations and bringing trade delegations to the region to build export relationships. PMC revenue could also be reinvested in recommendations 2a, 2b and 2c detailed below:



2. Redirect the Northern Australia Infrastructure Fund (NAIF)

NQA understands there are unutilized funds in the NAIF. These, along with PMC revenue, could be directed towards the following to stimulate the regional economies of the north:

a. Airline Attraction

Airlines generally seek financial incentives to establish a new route into a regional area. The Australian Government along with the respective State and Territory Governments should commit additional funds for Airline Attraction to help secure new direct international flights that will benefit the regional economies in Northern Australia by increasing international visitor numbers and creating new opportunities for exports.

b. Export Infrastructure Development

The Australian Government along with the respective State and Territory Governments should commit funds from the NAIF to establish export-building projects that will provide long term stimulus to regional economic growth but may not provide immediate returns sufficient to attract 100% private investment. Examples of potential projects include the irradiation facilities in Cairns for produce export, creating a rail freight system and multimodal transport hub on the Kuranda Rail line, and construction of an export-focused milk processing plant on the Atherton Tablelands.

c. Event Development

Cairns Airport has been the naming rights sponsor of the Cairns Airport Adventure Festival and Cairns Airport Ironman Cairns since the event's inception as "Challenge Cairns" in 2011. In 2016 12% or 748 of the 6,236 total participants were international visitors, up from 380 or 6% in the previous year. Each international participant is estimated to bring 2.5 people with them to the event. This event over one week contributes up to \$20M to the regional and state economy. The event is broadcast to a potential global audience of around 300 million, providing enormous promotional opportunities for the destination. *Cairns Airport Adventure Festival Event Report 2016*

Other major events planned or proposed for Cairns and Tropical North Queensland in 2017 that are expected to attract high numbers of international visitors and wide reaching global broadcast audiences include the MTB World Championships and Rugby League World Cup games.

Growth of events of this calibre with the capacity to attract international visitors will help stimulate demand for direct international air services. It is recommended that funds from the NAIF or other suitable areas are directed towards major international event attraction.