

17 April 2020

ENTERPRISE NORTH COVID 19 MESSAGE TO GOVERNMENTS

These thoughts are presented as to how we might plan an economic exit strategy from the present shut down of much of the economy due to various government interventions as a consequence of the COVID 19 Pandemic. These thoughts largely apply to the greater Cairns region but would have application to regional communities across the north. Despite some recent positive indications from Canberra that some restrictions might be lifted in weeks, there remains great uncertainty in Queensland as the strident messaging from the Queensland Premier, the Health Minister and the CMO continuously indicates a long shutdown with closed borders should be planned for. This expectation is unsustainable.

State of Northern Regions pre Covid: A quick snap shot of the regions across the north of Australia saw steady declines in their economic fortunes throughout FY 218/2019 through to December 2019. The chief characteristics of the decline were represented by rising unemployment numbers, a steady decline in population growth expectations, instability in the commodity markets, exchange rate fluctuations impacting our export sector, public projects timelines blowout, slow government responses to policy fixes, falling visitation numbers impacting the tourism economy and tertiary education figures, declining values in property markets, escalating energy and insurance costs, delivery failures within the political process (rhetoric vs substance) and complacency. It would be fair to characterise Cairns and other regions entering into recession for the 18 months prior to the end of the decade in Dec 19. There were however some bright spots that were isolated around parts of the agriculture, marine export and mining industries and some government infrastructure projects. What needs to be understood however, is that the TNQ region (SA 4) owes it's success to a higher consistent population growth over the previous two decades compared to other regions and that the economic and employment activity has been largely private sector driven rather than public sector driven. See attachment.

Where are we now. Lockdown: Here is a quick snap shot, however the speed and ferociousness of the response indicates that it is difficult to measure with any great degree of certainty for the present. However what currently is known is this:

A. The Tourism sector is decimated. Reliant on airline travel for our success, we will take much longer to recover than those regional tourism attractions close to major population centres eg Gold Coast/Brisbane/Sunshine Coast. Our great point of marketing difference, namely our international connectivity to the Great Barrier Reef is all but over given the relentless trashing of it's reputation and the mishandling of the public messaging by the GBRMPA. We will now be competing for our slice of the domestic market in an increasingly competitive environment and at the mercy of the vagaries of a decimated aviation market and maybe with State shuttered borders. The service industry of accommodation, restaurants, tours etc will take the best part of a decade to recover, with some estimates suggesting that 30% of operators will not return. This will have an effect of our population growth numbers for years. They are rightly saying how long?;

B. The Property sector. This sector took the best part of a decade to recover to the values of the start of the GFC in 2007/8. It now faces additional challenges with some local RE professionals suggesting drops of 15/20% in coming months. This has huge consequences for the region and will cause a property portfolio revaluations across the board. A buoyant property market is not likely to return any time soon;

C. Employment. The North Australia environment is characterised by an above average reliance on casual, part time and contractor people in the work place. This trend will continue but at an accelerated rate, however the numbers in employment have declined quickly and this trend will continue until business confidence returns. Generally it is the private sector that does the investment and drives our regional economies. Unemployment levels in the SA4 region are expected to quickly reach 15-20%.

Recovery from these numbers will be slow as governments will not have the resources initially to fully pump prime given the enormity of the rescue package;

D. Infrastructure. There has been no effect generally on government announced projects although noted that there has been some slippage on project delivery timelines; and

E. Agriculture Export. There has been enormous disruption to the sector caused by the collapse of aviation and the increased logistics costs to get product to the customer. Additionally the longer the we have the community/country lock down scenario continuing, the more the demand will drop and export businesses resilience will drain away.

Covid Lockdown Economic and Social Outcomes. The industry and business sectors recognise, respect and applaud the outcomes of the health intervention measures to date, however heavily caution against extending these unnecessarily. Queensland is a huge decentralised State spread from Coolangatta to Boigu Island and we reject the one size fits all embrace by the Queensland Government in responding to this crisis. There is now a disconnect between necessity, practical implementation and community and economic responsibility. Specifically we draw your attention for the need for action in the following areas:

F. Free up the excessive spare hospital and health services capacity to allow elective and non emergency surgery to recommence immediately. Similar comments here re dental services;

G. Implement immediately a relaxation of the rules in relation to restaurants, coffee shops, bars, gambling facilities and gymnasiums to allow them to operate within the social distancing parameters and other current dictates. We would see this operating under an agreed individual venue risk mitigation strategy in accordance with current restrictions to be supervised by the CRC/Local LGA. The current restrictions make little sense, are punitive and are over zealously applied;

H. The immediate need for the State Government to review and amend the Federal Government commercial tenancy arrangements as well as reviewing their planned implementation of the emergency private tenancy arrangements. Both arrangements are unworkable and excessively punitive and both carry huge downside economic and political risk; and

I. Ensure sufficient financial incentives are provided to maintain the viability of Qantas and Virgin services to ensure competitive connectivity to the regions to recover our tourism industry and provide some export freight certainty.

Anticipating opportunities post Covid. There is much current talk about the need to be prepared for the long haul, the need to recognise the new normal and likening our current predicament to fighting a long and protracted war. In fact the daily fare of briefings, interpretations of graphs and self congratulatory excesses is not helpful. Far better to stick to the facts and provide a likely flow chart on steps out of the current predicament based on balanced apolitical judgement and be evidence driven. That is what the business community, the regional engine rooms, are looking for. We need to head for an early exit and implement it in a steady and sensible way, balancing both the community health and economic benefit outcomes. What is known by some, but not necessarily understood by many others, is that economies and communities will not be able to sustain these shutdowns for much longer. The effects will be catastrophic and our lack of economic resilience just does not allow for that. Government leadership at every level is best advised to understand this. Communities need reassurance that there is an end date, when it is likely to be and the steps to get there. Procrastination and what if scenarios from some notable local people do not cut it as there is ample evidence that phase one of this exercise, whilst successful, was based on the worst case scenario (150K dead nationally and 35-50K in Queensland). The result is there is currently much excess medical capacity and the ability to deal with any isolated cases is now proven. Industry, business and the wider regional communities have paid, and continue to pay a horrendous price for the responses thus far. We need to ensure that the pain has some positive outcomes before we run out of ammunition and lose the war. Here is a suggested action list:

J. Develop a comprehensive regional, economy by economy, recovery plan focussed on affordability to all levels of government. Infrastructure projects to be driven by necessity, growth focussed and aimed at broadening the economic base rather than some hollow political fix. Regions need to be responsible with their expectations;

K. Cross party agreement to marshal the bureaucracies to ensure that industry and business are able to operate in a competitive and flexible regulatory environment where the focus is on investment and job creation. This will call for some degree of subsidisation for certain periods and the fast tracking of regional specific legislation;

L. Focus the recovery on recreating and supporting our industry strengths pre Covid (tourism, agriculture, light manufacturing, marine and resources), but with an eye to genuinely committing to policy fixes to diversify and strengthen economic and regional community resilience. We need to focus on growing our working population base as the first step to this, and identifying the immediate low hanging fruit and develop the action plans to go hard early with it. We need to crank up early to restore confidence; and

M. Facilitate the commencement of international services between Cairns and Christchurch and Auckland in New Zealand. Both places have a similar low risk profile and this would provide early confidence to the tourism industries of both countries.

Conclusion. Our region has reached the fork in the road. We either take the branch that reads “Controlled lifting of the restrictions now” or the other that reads “Patience is a virtue. More pain to come”. The latter choice will inflict unnecessary chaos on our community.

A handwritten signature in black ink, appearing to read 'Kevin Byrne', with a stylized flourish at the end.

Kevin Byrne
President and Exec Mgr.