

# CUMMINGS ECONOMICS

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"The Northern Professionals"

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## MINING & CAIRNS

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### 1 THE IMPORTANCE OF MINING TO CAIRNS - PAST, PRESENT & FUTURE - ADDRESS TO MinErAL CONFERENCE

2 Although Cairns is well known as one of Australia's leading international tourism destinations and tourism is important to the Cairns region, the city's primary economic and social role is as a regional hub city, a regional capital for the Peninsula Australia geographic region, known also, especially for tourism purposes, as Tropical North Queensland, and historically, as Far North Queensland.

Over 85% of the region's population live in the southeast corner with major sub regions of the Gulf Savannah, Cape York and Torres Strait looking to Cairns as the regional capital.

3 The region serviced by the city is 1½ times the size of the State of Victoria, is as deep from north to south as the rest of Queensland and as New South Wales, is as large as the British Isles and almost as large as the State of California.

4 As you can see, the area is tropical and Cairns lies on similar latitudes to Goa in India, Hue in Vietnam, Acapulco in Mexico, Jamaica, Porto Segura in Brazil, Harare in Zimbabwe.

For the young nation of Australia, with most of its population and technology from north-western Europe and bringing with them agriculture based on plants and animals from Europe, and building design, clothing and social customs from Europe, the mainly Mediterranean climate of southern Australia could be more easily developed.

- 5** The tropical North posed greater challenges. With available pastoral and agricultural technology poorly suited to the area, it would be mining that led the way. Cairns in the Far North was founded in 1876, almost 100 years after Sydney.

The discovery of gold on the Hodgkinson River led to a need to find a port nearby. Trinity Inlet, a fine sheltered harbor site, provided the answer.

- 6** Other discoveries followed quickly of tin in the Herberton area and base metals of copper, lead, zinc and tungsten in the immediate hinterland. This led to the commencement of construction of a spectacular railway ascent of the coastal ranges in 1886, especially to service the Herberton tin fields.

For 45 years until a slump in mining after World War I in the 1920s, mining was the most important element in the region's development and the progress of the port city of Cairns.

- 7** However, with rail and other infrastructure largely put in place by mining, other industries progressively developed including timber getting of high value species from the rainforests, pearl, trochus and beche-de-mer from the marine environment and of growing importance, agriculture – sugar along the coast and mixed farming on the Tablelands.

- 8** Sheep did not prosper in the area and British bred cattle herds pushed into the area had been decimated by tick-borne Redwater fever from Asia in the 1890s.

Most of the mining was in the lower rainfall areas west of the Tablelands and with the pastoral industry still struggling to recover and no agriculture to turn to, many of the early mining towns shrank to ghost town levels.

The depression and the second World War intervened with Cairns just behind the front line of fighting to the North in the Coral Sea and New Guinea.

**9** By the early post-war period, with expansion of other base industries, mining had hit a low point in the economy, representing only about 3% of gross value of primary production.

**10** But a new surge of growth was to take place. The 1947 Census recorded the city had a population of a mere 16,000 and the region about 70,000. Today, Cairns population is about 10 times that and the region about to reach 300,000.

**11** Especially from the 1960s, the region's economy really started to fire. The region's previously underdeveloped natural resource base came into its own under influences of:

- Growing global markets, especially to the north in Asia;
- Improved technology in transport and communications breaking down old cost barriers of remoteness;
- Technology developing suited to the tropics, especially in agriculture but also in affecting everyday living; and
- Success breeding success, as greater population and infrastructure led to improvements in local services like education, health, sport and cultures.

Earnings from the rest of Australia and overseas increased rapidly.

**12** In agriculture, three major breakthroughs occurred – the local invention of commercial cane harvesters, the introduction of Brahman tropical breeds into the cattle herds and with the sealing of roads to the south, the realization of the area’s superior potential to grow and supply the Australian market with tropical and offseason fruit and vegetables. Large prawns (shrimp) resources were discovered in the Gulf of Carpentaria. Suitable reforestation trees were developed, especially Caribbean Pine from the Americas. Today, the primary industries earn of the order of \$2bn a year for the regional economy.

**13** With falling transport costs, especially developments in wide-bodied jets, the tourism potential of the region’s world-class combination and quality of natural tourism resources in a first world environment was progressively realised - the Great Barrier Reef, the rainforests, beaches, tropical scenery and a special outback and indigenous culture.

Markets expanded from domestic Australia and New Zealand to the US in the 1970s, followed by Europe. Japan came in during the 1990s.

Today, China is the leading source. The industry currently earns of the order of \$3bn a year.

**14** But of special interest to this audience is mining. Historically, mining had played its part in developing the infrastructure upon which agriculture was developed, that provided, in turn, the infrastructure upon which tourism developed.

Mining also played its part in the post 1960s upsurge with one of the major underlying factors being post-war development of large ore carrying vessels that enabled the opening up of the continent’s large sedimentary type mineral deposits.

In the 1950s, a geologist, Evans, sailed along the west coast of Cape York passing mile upon mile of red cliffs. He couldn't believe what he was seeing, that no one had discovered it before. He is recorded to have famously said, "If all that is bauxite, there must be something wrong with it." There wasn't. He was seeing one of the world's largest commercial deposits of bauxite.

On the east coast of the Peninsula, lay large fields of silica sand, on Groote Island across the Gulf, was a major manganese deposit. Of course, to the south of this region, are large globally significant coal resources and in the west, gas and iron ore.

Sporadically, the old base metal fields to the city's immediate west have come to life with tin, gold, tungsten, copper, lead, zinc and other metals, marble, limestone, dimension stone and gems being involved.

**15** Thus, mineral production has been a variable but constant factor in the region's economy.

**16** Latest available value of production figures record \$866m a year and sales at \$1,254m with the major bauxite deposits at Weipa dominating. However, the impact of mining on the city's economy has been wider.

**17** Cairns' strategic position in relation to the tropical Australia/South-west Pacific area and the city's growing size and attraction as a place to live, have led to mining in the wider tropical Australia/South-west Pacific having a growing influence on the city's economy.

The post-war period saw the great gold and copper Grasberg resource in Papua Indonesia being developed. Cairns as the northern terminus of Australia's efficient east coast road, rail and air transport network became the company's Australian buying base in 1974.

A shipping service has operated at times up to a 10-day cycle carrying up to \$300m of cargo consolidated from around Australia to the mine.

The present cycle is about two weeks with (on my last check), carrying cargo worth about \$180m. At times, although not at present, Airfast have operated flights from and to the mine out of Cairns airport. (Note: Since preparation of this address, this service has ceased.)

The shipping company, Sea Swift, operates out of Cairns carrying cargo to the Torres Strait but also to the mine at Weipa. In 2015, it carried something of the order of \$245m of cargo a year on scheduled services and \$270m project cargo (although some of this would be for ports other than Weipa and mining). Shipping to Papua New Guinea mainly to service mining comes out of Townsville.

**18** The major air links with mining in PNG come out of Cairns.

Cairns has become a major source of fly-in/fly-out workforce for mines in the wider region for workforce, staff transfers, servicing contractors and personnel and air freight.

At present, there are mining related air services to six points in Papua New Guinea with air freight valued at \$45m (down on peak of over \$70m).

Apart from services to Port Moresby, there are direct services to Lihir (gold), Mount Hagen (gold), Lae (freight for goldmines), Moro (LNG) and Tabubil (copper).

Within Australia, there are regular air services out of Cairns to the mining centres of Mt Isa, Weipa and Gove and workforce FIFO flights to Moranbah in Central Queensland, Cannington, Cloncurry and New Century Zinc in the North West, Groote Island (manganese) in the Northern Territory and Cape Flattery.

Cairns engineering firms and construction firms are heavily involved in construction, refits and relining services. FIFO and other income related to these services has not been assessed recently but based on earlier studies could be expected to be up around the \$300 - \$400m a year mark.

**19** The future. After being down as supply caught up with demand, it is evident a further expansion phase is underway in the mining sector.

Rio Tinto have recently completed a \$2bn investment in expanding their port capacity at Weipa with a major new mining area being developed.

To the North, are further bauxite reserves, and at Skardon River large kaolin deposits.

A further silica sand operation is being planned at Cape Bedford. Auctus have recently brought back on line zinc production at Mungana and tungsten deposits in the Mt Carbine area are prospective.

The plans for the Sconi cobalt/nickel/scandium mine south of the Tablelands are well progressed.

New Century Zinc will recommence shipments from the Century zinc deposits via Karumba shortly.

In PNG, two new LNG projects are likely to commence construction over the next few years that will see processing trains near Port Moresby go from current two to five involving investments of the order of \$20bn.

The giant Wafi-Golpu gold and copper mine near Lae is likely to go ahead in the not too distant future.

It is obvious that mining in the region and servicing mining in the tropical Australia/South-west Pacific area will continue to be an important element in the city's future.

**20** END