

# CUMMINGS ECONOMICS

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## ECONOMIC ACTIVITY POTENTIALLY AFFECTED BY A CHANGE OF USE OF CAIRNS SEAPORT'S WORKING PORT BUFFER ZONE

### 1 Introduction

This paper is to advise on economic activity that might be affected by placing non-working port functions into the Cairns Seaport – Working Port “buffer zone” south of Whites Shed.

There are three main operators potentially affected.

- a) Coastal cargo shipping operations across Wharves 4,5,6,7 & 8.
- b) Freeport McMoRan cargo operations using Wharves 7 & 8 and its international quarantine container laydown area on the southern side of the buffer zone.
- c) Incitec's fertilizer unloading via Wharves 7 & 8 and its fertilizer storage and distribution works adjacent to Wharves 7 & 8.

### 2 Why the Buffer Zone

Potential incompatibility of non “working port” land uses in the buffer zone arise from:

- o The large number of heavy vehicles including trucks and large container forklifts used in assembling, dispersing and loading and unloading cargo.
- o The inclusion in the cargoes of dangerous goods including large gas bottles/cylinders, large volumes of fuels, dangerous chemicals and at times, small amounts of explosives.
- o The “quarantine area” status of the container yard on the southern side of the buffer zone where containers arriving from Papua Indonesia are held for quarantine clearance.
- o The potential corrosive nature of fertiliser dust.

While every effort is made to ensure strict safety guidelines are observed, such operations are a potential hazard and hence the existence of the buffer zone to separate this activity from “City Port” type activities.

Although main cargo operations are at Wharves 7 & 8, congestion at times at those wharves leads to the coastal shipping needing to regularly use Wharves 4 & 5 (note 15 times over the past 12 months).

### 3 Value of Coastal Cargo Operations, Cairns Seaport

Cairns seaport is the leading “hub” point in northern Australia for coastal shipping activity.

Cummings Economics in 2016 prepared a very detailed assessment of coastal cargo operations across northern Australia that provides a basis for identifying economic impacts.

That study identified for the Cairns/Far North Queensland coastal shipping operations the following economic impacts.

Total Value of Cargoes Carried.....\$625 m

#### Direct Output

Shipping Operations ..... \$111 m

Cargo “rub off” on the local economy ..... \$187 m

**Total.....\$298 m**

Since the report was prepared, the two main shipping operations of Seaswift and Toll have been amalgamated with Seaswift now the main operator.

While most of the operations relate to the main cargo wharves in Cairns seaport, some are related to:

- Operations in subsidiary locations in the Torres Strait, Bamaga and Weipa,
- Some servicing of islands near to Cairns using barges not loading at main wharves, and
- About 50% project and contract cargoes not using the main wharf.

Adjusting for these gives a figure of value of coastal shipping cargoes estimated at \$430 million and estimated direct value of shipping operations \$85 million and of cargo “rub off” on the local economy estimated at \$145 million, ie. a total of the order of \$230 million.

### 4 Freeport McMoRan

Current operation involves a service every three weeks carrying about 110 – 120 containers to and from Amamapare in Papua Indonesia.

Based on previous information of approximate value of cargo per container based on official export statistics, estimated value of cargo is of the order of \$180 million and value of “rub off” on the local economy estimated to be of the order of \$35 million, ie. about 20%.

### 5 Fertiliser Operation

Volume through the port varies each year. Over the past three years, average has been approximately 40,000 tonnes with a wholesale value averaging about \$700 per tonne, ie. a value of cargo of about \$30 million with “rub off” on the local economy estimated at about \$8 million.

## 6 Summary of Estimated Economic Activity Involved

Based on the above, the following table summarised the estimated order of magnitude economic activity potentially affected.

Estimated value of cargoes.....	\$640 m
Estimated direct value of activity (output) involved.....	\$270 m
Estimated impact on Gross Regional Product including “flow-on” effects...\$200 m	
Estimated direct employment.....	980
Estimated total employment including “flow-on” effects .....	1900

## 7 Assumptions

- Coastal cargo operations at present similar to those defined in 2016 report.
- Input/output multiplier relationships same as used in Coastal Shipping Study.
- Local purchases and “rub off” for Freeport operations same relationship to total value of cargo in 2011, ie. about 20%.
- Fertiliser wholesale value taken as about \$700 a tonne.
- Ratio of fertiliser cargo “rub off” on the local economy (unloading, storage, administration and distribution), about 25% of wholesale value.