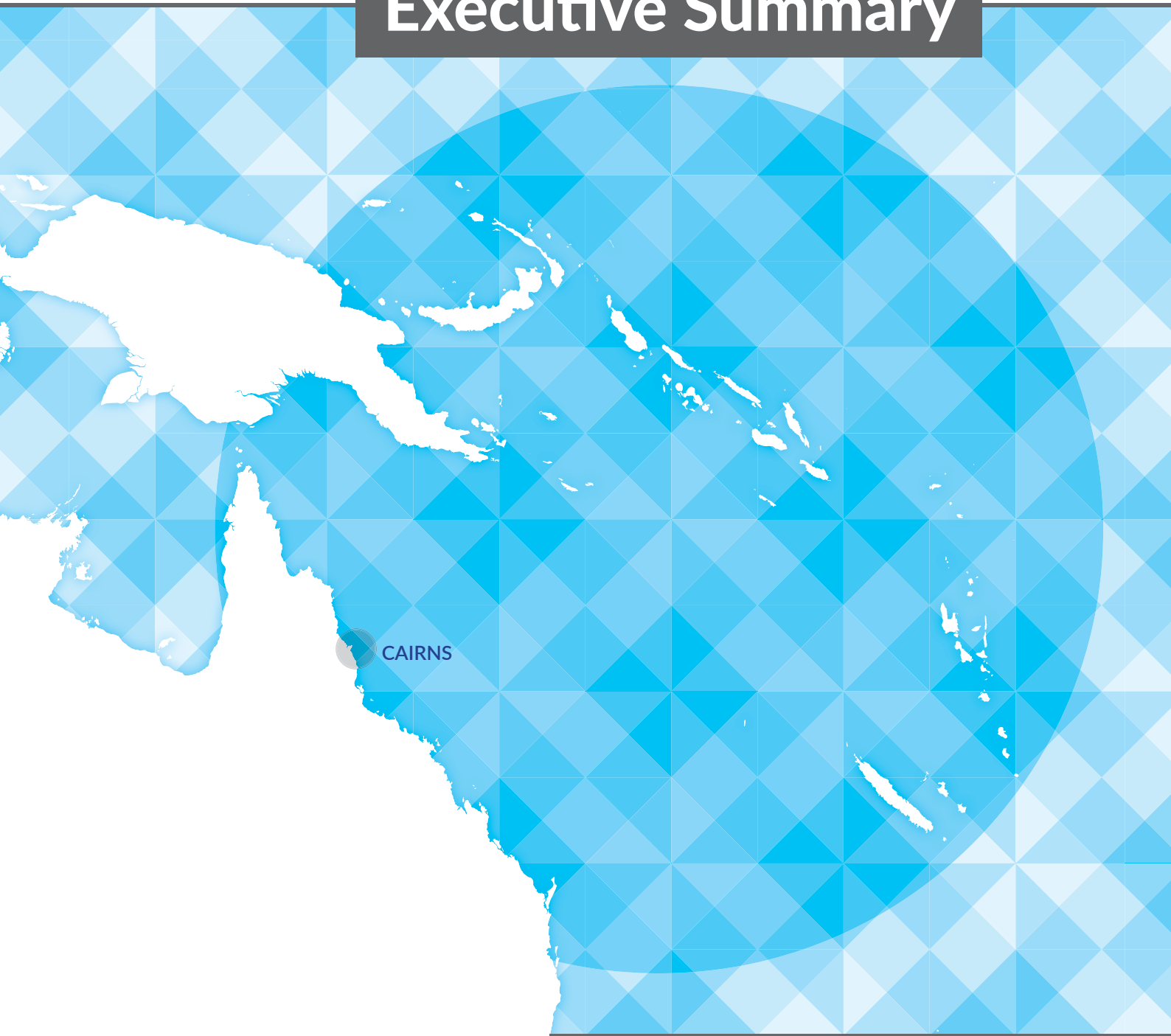


Far North Queensland Export Capability Profile

Servicing the Pacific Region

Executive Summary



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Cummins Economics & Compass Research Services



Artwork by Arjay Advertising

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Disclaimer: This document does not represent Queensland Government policy and all recommendations contained within are not an indication of acceptance or otherwise by the Queensland Government.

Preface

In 2021 Tradelinked Cairns-PNG-Pacific commissioned Lyn Carlyle-Jacob, Director of the Exchange, Innovation and Information Centre (EiiC) to develop a FNQ Export Capability Profile to Service the Pacific Region. This profile examines the capacity of local businesses and organisations to step up and be part of a broader service centre offering to our Pacific neighbours. Funding for the project has been secured through the Queensland Government, Cairns Regional Council and Tradelinked Cairns-PNG-Pacific.

A crucial component of the Export Capability Profile is the **Survey instrument** designed to capture baseline data about Cairns and Far North region exports to Papua New Guinea and Pacific Island nations.

Acknowledgement of the support generously given to compile this report

- 141 responses to the primary survey instrument, 71 responses to Port Moresby, the short form instrument, and a number of qualitative survey responses from individuals, businesses and government bodies and agencies both in Cairns and from Papua New Guinea and Pacific Island nations.
- Businesses who, through the survey, provided an insight into their operations, future plans and how their transactions and relationships with clients occur. Those who were more comfortable sharing through a qualitative interview process assisted with both data and social and cultural insights.
- Other viewpoints have also been taken into consideration through a series of meetings, consultations and round-table events. Overseas interviews were facilitated via Zoom, while local consultations were undertaken by Tradelinked Cairns-PNG-Pacific and EiiC.
- Local companies who provided a clear picture of 'how business is done' with Papua New Guinea and the Pacific Island Nations through their individual case studies.
- Cummings Economics; Compass Research Services and Arjay Advertising for their industry expertise.
- Support with statistical data was forthcoming from the Offices of the Member for Mulgrave and the Member for Cairns.

Literature searches, database searches and review of previous publications from committees, working groups and businesses also formed part of the project. An extensive communications strategy allowed researchers to gain a 360- degree view of how Cairns and regional businesses interacted with Papua New Guinea and Pacific Island nation in their export activities.

It should be recognised that this report has been undertaken at an unique point in time when the COVID 19 pandemic and subsequent government and civil society responses have caused widespread changes to how business is conducted. Supply chain issues and constraints, freight, fiscal policy and monetary flow and travel restrictions have all impacted on respondents. This is most noticeable in the '**Open Question**' responses in the survey and is reflected in export volumes and values during this period.

Executive Summary

General

The FNQ Export Capability Profile to Service the Pacific Region examined the capacity of Cairns and Far North region businesses and organisations to step up and be part of a broader service centre offering to its Pacific neighbours through a key survey instrument and an extensive consultation strategy.

The results provide an understanding of the current capacity of the Far North region's businesses and organisations to service the Pacific and to highlight the capability to continue to grow its service offering into Papua New Guinea, Bougainville, Solomon Islands and other Pacific Island markets. This information will assist in the development of appropriate Industry sector profiles and a long-term strategic direction to service the Pacific regions of Papua New Guinea, Bougainville, Solomon Islands and other Pacific Island Nations.

The data from the survey has given a clearer picture of the exporters in the region, their size, the types of goods and services sold, and the method of transport used to send goods to buyers. It has also asked exporters for comments and data on what has most affected their businesses during the COVID 19 pandemic and ways in which their businesses could be supported to grow exports, investment and employment.

Also analysed in the report is the framework and context of exports from Cairns and the Far North region to Papua New Guinea and the Pacific Island nations. This is perhaps one of the least understood aspects of improving export capacity and building the trust and relationships with buyers that will support growth in the entire region. Responses to the survey proved that there is a large under-reportage of 'exports' because of the usual definition used to explain what an export is, plus non-reportage of transactions in the informal export sector which includes transnational households, those who send remittances of cash, goods and services to their home country to support either commercial enterprises there, to support church and social enterprise or to support family members and communities.

For this survey we have used very broad definitions of the terms 'export' and 'exporter' to apply to:

- Anyone or any entity that sells or sends goods, services or expertise to a buyer who is not in Australia.
- Investment into Cairns or the Far North for purchase of businesses, real estate and other assets is also 'export' because the money comes from overseas into the Cairns and Far North region economy.
- Someone who sells to third parties who may then sell to an overseas buyer.
- Those in the travel and tourism industries who may sell tours, accommodation and other services.
- Respondents who may be 'incidental exporters' and who may respond to requests from friends and family to buy goods and services for them in Cairns and then send them overseas.
- Those who may sell goods and services via e-commerce to buyers in Papua New Guinea and Pacific Island nations.

The survey also asked for reportage from individuals and businesses who wish to sell goods and services overseas **in the future**.

Methods of collection included both 'quantitative' and 'qualitative' - in order to ensure data from communities and groups identified as survey hesitant by reason of cultural, social, educational or other barriers was included. This 'qualitative' data is accounted for in the outcomes.

Summary of Key Findings

Relationship Based Interactions vs Transactional Interactions

Data produced from the survey provides valuable profiles of exporters in Cairns and the Far North region and their interaction with Papua New Guinea and Pacific Island nations. **It is clear that the success of exporters relies on their relationship with clients, exporters' understanding of clients, social and cultural needs plus the advantages of geographical proximity of Cairns to Papua New Guinea and Pacific Island nations.**

Ease of travel through Cairns to other parts of Australia and other international destinations makes it a foot-print gateway for transnational* operations – whether commercial or familial. (Pre COVID)

The nature of engagement for Cairns and Far North regions to Papua New Guinea and Pacific Island nations is therefore **relationship based** rather than **transactional based**. Which is both a strength and a weakness. Australian Government, World Bank, Asian Development Bank, aid agencies and large business work on transactional models with emphasis on KPIs, risk assessment and defined outcomes. However, Papua New Guinea and Pacific Island nations traditionally favour relationship-based engagement first, before entering into transactional agreements.

* Households that operate across several geographic regions - individuals and households with homes/business/economic ties or other connections to Cairns and either PNG and/or other Pacific nations.

Cairns Already Considered an Established Hub

When asked to explain the attraction of Cairns to Papua New Guineans and Pacific Island nationals, a senior overseas executive said the following:

“Cairns offers a safe haven for families compared to Papua New Guinea. No law and order issues and families don't have to be in gated communities. I think Cairns has a lot to offer; education, health and safety.

It can be a freight consolidation centre. Unfortunately, Townsville seems to have better port facilities but Cairns is much closer to Papua New Guinea and is very cost competitive”.

This is an elegant summation, **emphasising that Cairns is not seen as separate from Papua New Guinea and Pacific Island nations but is already an established hub for the Pacific region** – not only for trade and export but also for transnational families, investment and cultural activities.

The Hidden Value of 'Transnational* Households' and the 'Incidental' Exporter

When considering data given by a range of respondents to the 'qualitative' survey questions it is estimated that the previously hidden value of transnational households to Cairns and Far North exports would be in the order of magnitude of between **AUD \$20-25 million per annum**.

This estimate does not include 'incidental' export of goods by Papua New Guinea and Pacific Island travellers whose expenditure could amount in order of magnitude to be in the range of an additional **AUD \$1.5-3 million per annum**.

Investment into Cairns and the Far North Region

In the Parliamentary inquiry on Australian trade and investment in the Pacific ([refer link](#)) the Cairns Regional Council included the following in its submission: ***In terms of investment, the Regional Council submitted the value of land acquisitions from PNG in Cairns over the 2016/17 and 2017/18 financial years was \$3,793,248, which represents 2.3% of the total foreign land acquisition for that period.***

Transnational households use a number of strategies for their investments in Cairns and Australia including use of commercial entities registered in Australia, employment of professional services to hold the entity or the use of Permanent Resident holders or family members who may hold an Australian or New Zealand passport. Not all investments are recognised as being transnational in origin – thus their value is often under-reported and does not recognise the full extent of commercial and real estate investment, retail investment etc. held by transnational interests in Cairns and the Far North region (or indeed anywhere else in Australia).

Key to Exports from Cairns is the International and Domestic Airport

Key to exports from Cairns is the international and domestic airport – for both freight and passenger movements. The seaport, while valuable, lacks the infrastructure available in Townsville – which is key to that city's exports - but does offer freight options, vessel maintenance and mariner training. Attached to the airport are the extensive maintenance facilities, aviation training by Central Queensland University and Cairns Aviation Skills Centre and knowledge hub to support the Cairns and Far North region in addition to the Papua New Guinea and Pacific Island region.

A new dedicated trade distribution centre facility will be located airside at the Cairns Airport. Construction commenced in late 2021 and the facility is expected to be operational in 2022, targeting fresh export produce including fish and crustaceans (live and frozen), avocados, mangoes, melons, citrus and blueberries, with capacity for future expansion.

This additional capacity will assist exporters to streamline the supply chain, offer improved freight options and allow new opportunities for market development – with an expected positive flow-on to employment and agricultural sector growth. Freight consolidation and transshipping options through Papua New Guinea to Asia and Europe offer expansion options to exports into new markets and will optimise returns for Cairns and the Far North region.

The Queensland Government Statistician's Office reports a higher value of goods was exported from Cairns to Papua New Guinea in 2017-18, 2018-19 and 2019-20 compared with goods exported from Townsville to Papua New Guinea. For example in 2019-20 period -

- **\$51.34 million of goods was exported from Cairns to Papua New Guinea by air, in addition to \$401 677 of goods by ship;**
- **compared with the \$4.12 million of goods exported from Townsville to Papua New Guinea (exclusively by ship).**

The export of goods from Cairns and Townsville to Papua New Guinea is consistent with trends in the export of goods to other countries in the region:

- **By value, Cairns is a larger source of goods overall to the region and these are primarily exported by air; and**
- **Goods exported from Townsville were primarily exported by ship.**

Key Survey Responses/Statistics

Type of Exporter

(Reference page 68)

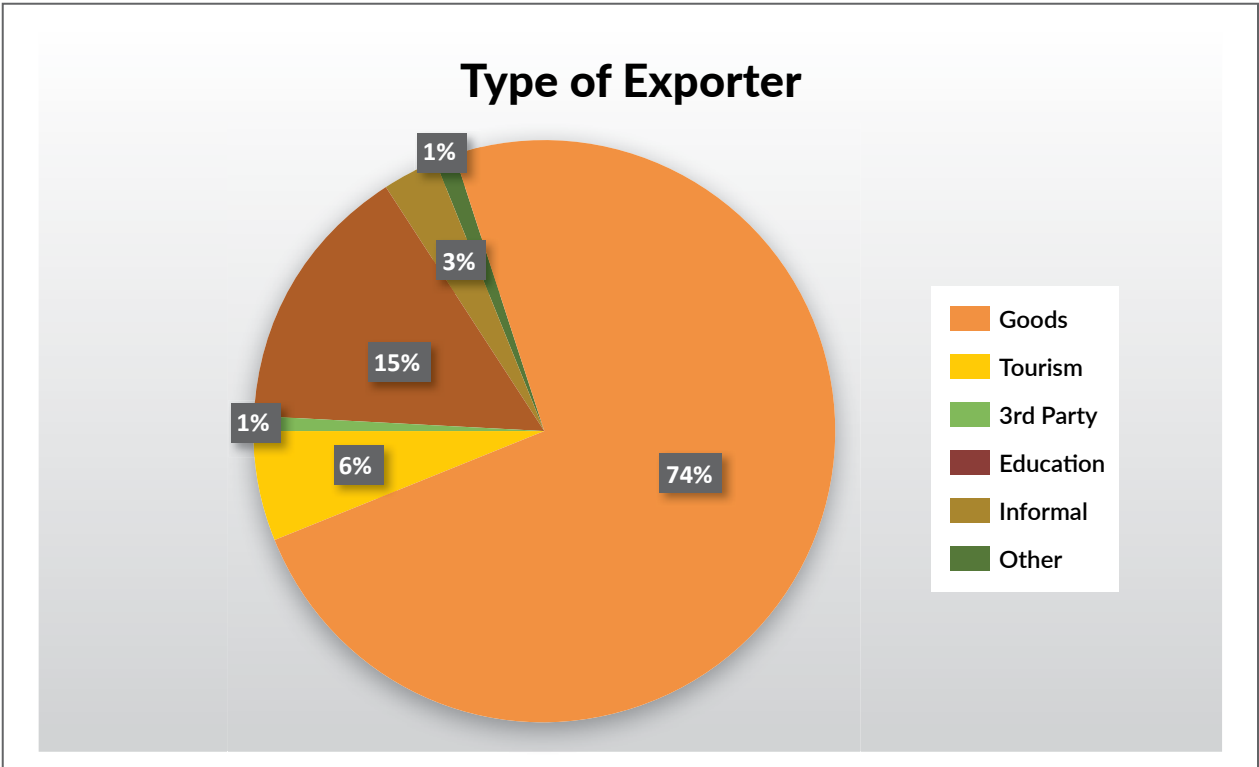


Table 15

Export Destination Countries

(Reference page 77)

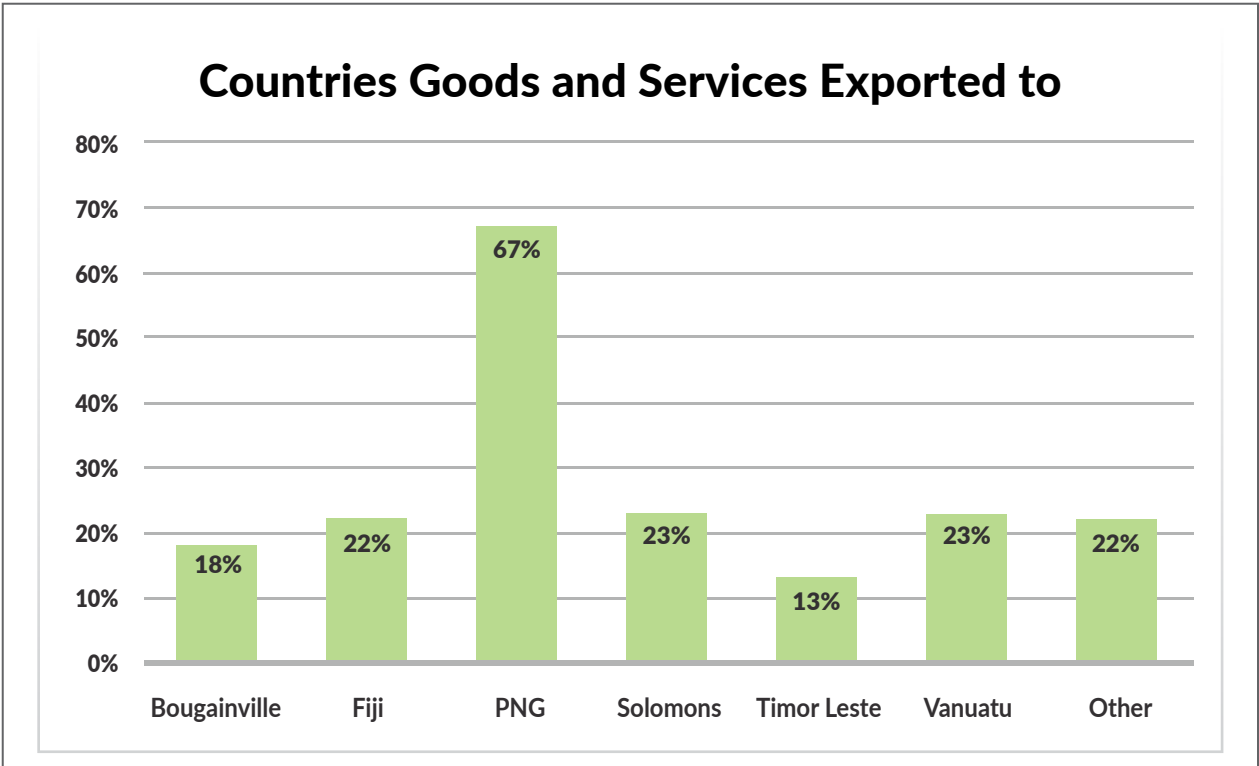


Table 22

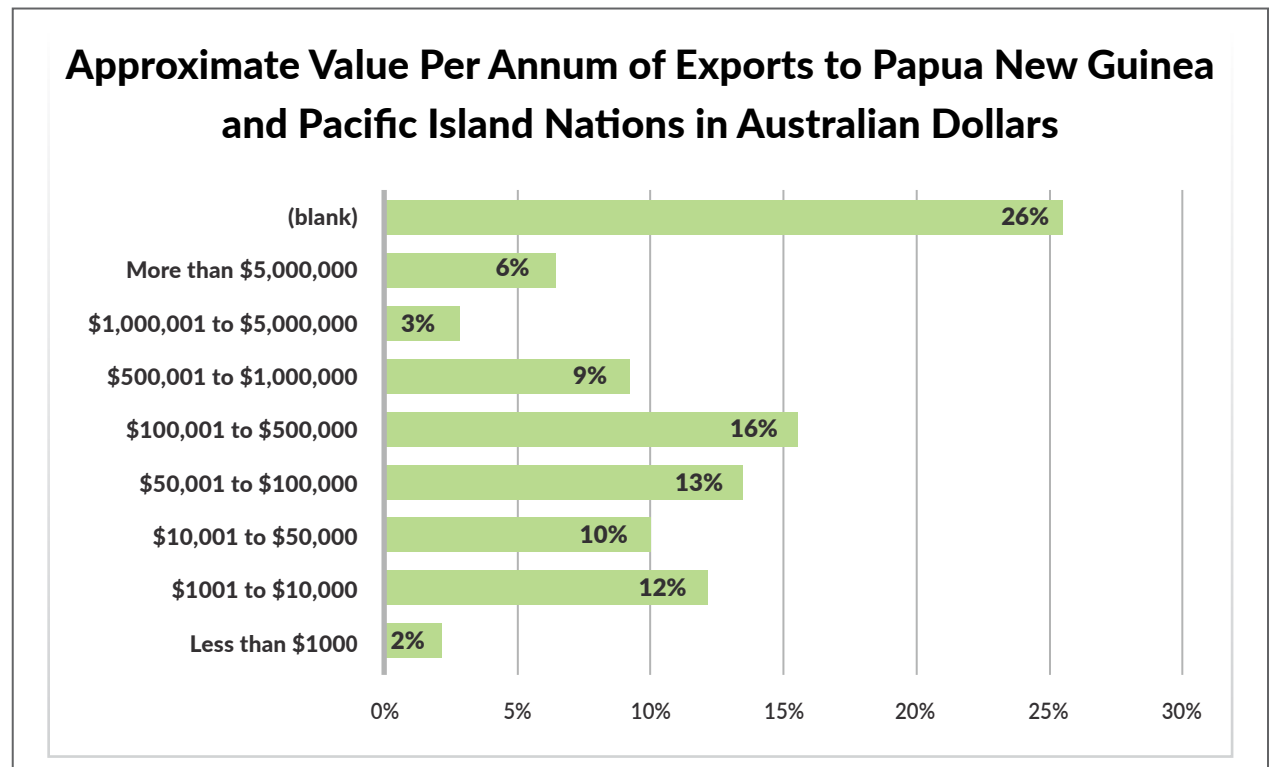


Table 23

Percentage of Annual Turnover Representing Exports to Papua New Guinea and Pacific Island Nations

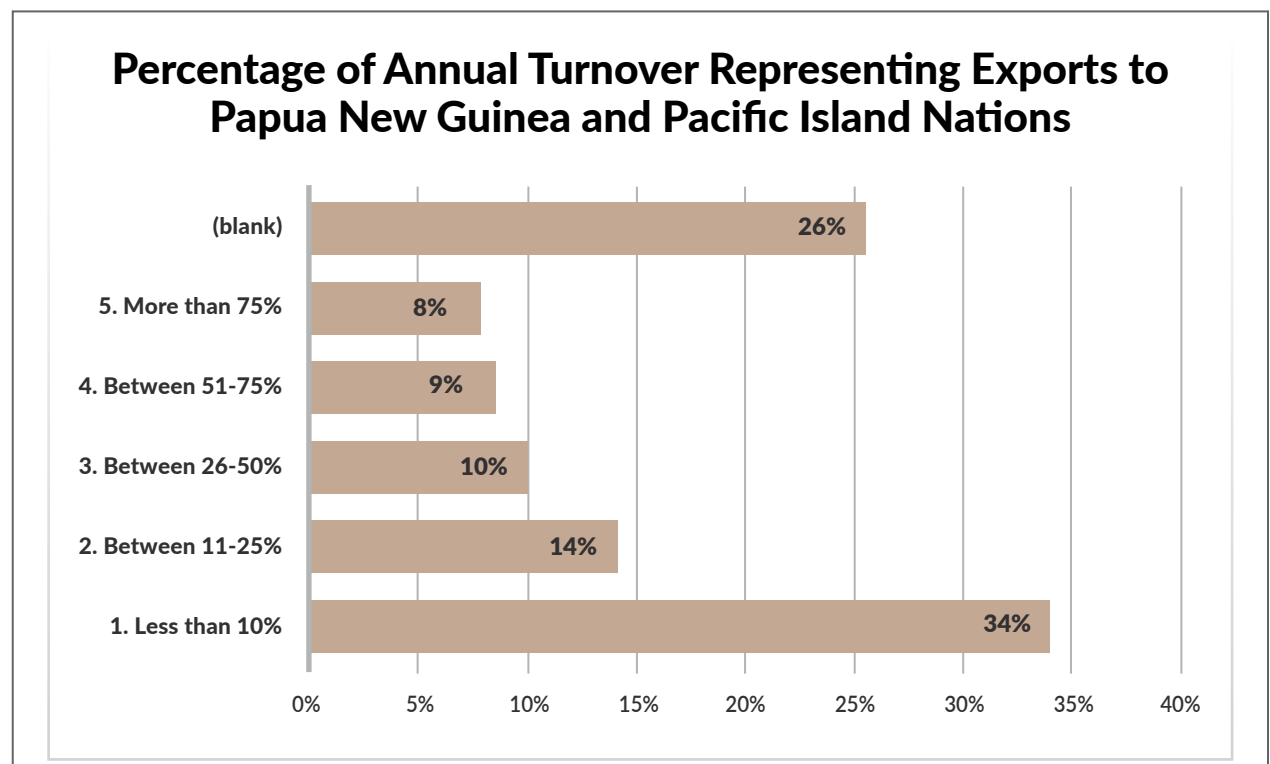


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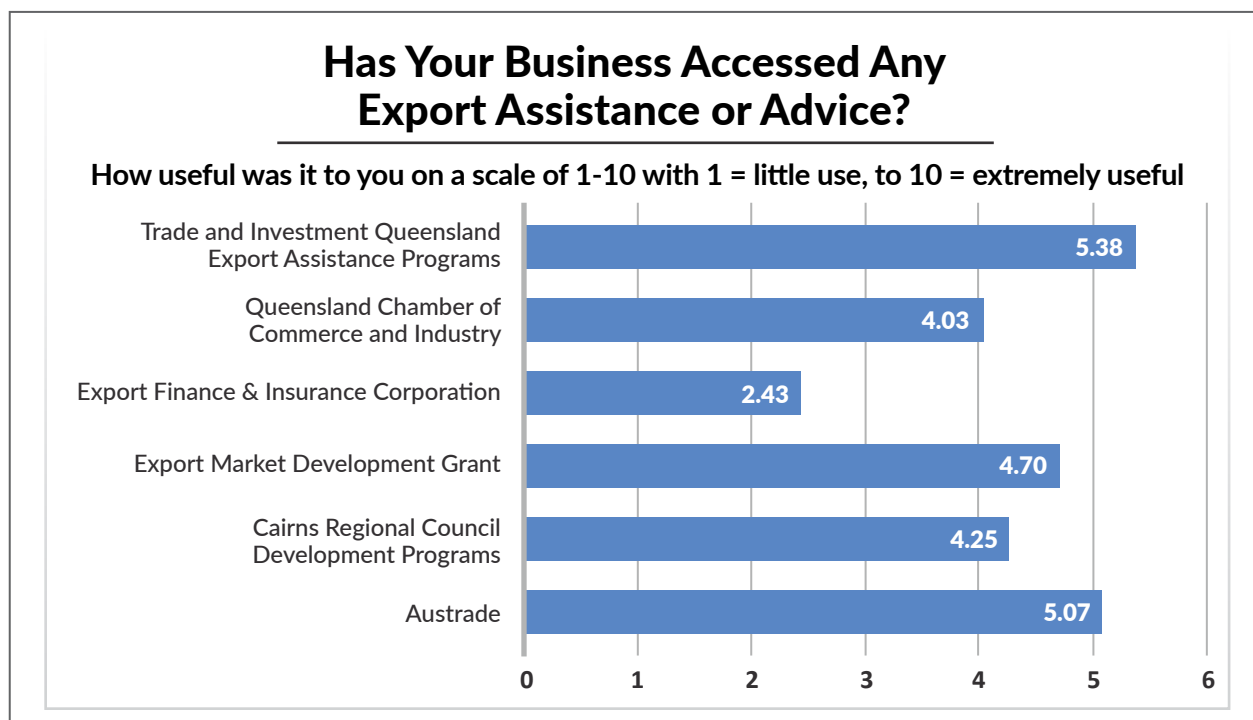


Table 29

The above graph shows programs ranked from highest to lowest as:

| Name of entity or program | Ranking in usefulness from 1-10 |
|--|---------------------------------|
| Trade and Investment Queensland Export Assistance Programs | 5.38 |
| Austrade | 5.07 |
| Export Market Development Grant | 4.70 |
| Cairns Regional Council Development Programs | 4.25 |
| Queensland Chamber of Commerce and Industry | 4.03 |
| Export Finance & Insurance Corporation | 2.43 |

Table 29a

Largest Perceived Barriers to Export

(Reference page 91)

| Barrier | Percentage nominating this as an issue |
|---|--|
| COVID related travel restrictions and/or disruption of relationships due to COVID restrictions | 80% |
| Payment and currency issues | 25% |
| Lack of knowledge about tax regimes and/or lack of tax incentive for exporters | 5% |
| Visas and Government red tape | 15% |
| Communications and IT difficulties | 10% |
| Freight accessibility and freight costs | 21% |
| Lack of assistance, lack of knowledge of export requirements and need for cultural knowledge to assist with exports | 37% |
| Perceived poor relationships between Australian and Papua New Guinea and/or Pacific Island Governments | 5% |

Table 39

Change in Business Conditions to best Assist Export

(Reference page 93)

Whilst a variety of responses were given, they can be broadly categorised as follows:

| Change to best assist business conditions | Percentage |
|---|------------|
| Open international and/or State borders and allow travel, changes to quarantine requirements (remove or reduce) | 37% |
| Improved banking services, foreign currency transaction improvements and better payment options for exporters and/or customers | 10% |
| Assistance with knowledge of export requirements, cultural knowledge of export markets, knowledge of government grants and assistance available, general help | 24% |
| Improved freight options, reduced freight costs | 21% |
| Changes to visa and permit requirements to make them easier and faster to obtain, improvement in visa processing and less frequent changes to policy, reduction in visa costs | 37% |

Table 40

Strategic Direction

Moving forward – Long Term Strategic Direction

To move forward is to acknowledge the reality of Cairns as an international gateway hub for not only tourism product but for industry, education and training, marine and defence industries, aviation industry, health care and construction industries. Knowledge and expertise professionals use the international gateway for service delivery and, when that option is unavailable as at present, with a fall back to internet and communications driven strategies to engage with customers and maintain relationships.

Acknowledge and recognise the importance of Prime Minister Scott Morrison's 2019 statement:

"Cairns is a Pacific capital of Australia, a tropical capital of Australia. Cairns is very important to our engagement with the Pacific".

- If it is accepted that Cairns and the Far North region already has a mature bilateral relationship to the Papua New Guinea and Pacific Island nation region this then needs this to be recognised at Federal and State Government level to fund, legislate appropriately and enhance the existing efforts of local level government, particularly Cairns Regional Council, to fully realise the employment, economic and social benefits of the existing relationships.
- Using this as a starting point, work with Local, State and Federal Government to formalise the position of Cairns as a gateway hub into policy and establishing presence of Office of the Pacific in Cairns through existing Tradelinked and EiiC office space and presence. To utilise existing facilities and expertise enable a footprint for Office of the Pacific, DFAT, Austrade and other trade and development representatives to be speedily established.
- As part of this landscape, Tradelinked and EiiC continue to work together to provide a focal point for business-to-business networking, maintain a physical and electronic space for dialogue between individuals, enterprises and government, as well as undertaking direct communication and proactive engagement to develop positive investment economic and employment outcomes for Cairns and the Far North region. Its operation model, although currently maintained by volunteer organisations, could help provide a footprint on which the Office of the Pacific, DFAT, Trade and Investment Queensland and others could leverage off local knowledge and relationships to either establish, or expand, a presence in Cairns to further grow the Pacific Regional Hub concept.
- In order to maximise benefits to all parties there need to be practical steps taken to endorse initiatives in the Pacific Engagement Strategy, Pacific Step-Up Program and other proposals. All levels of Government to endorse and fund strategies that would allow for support of the existing non-partisan, non-political office in Cairns to engage with individuals, businesses, peak body groups, industry sectors and all levels of government. It is essential that curation of relationship-based policies go forward to actively engage Papua New Guinea and Pacific Island entities in dialogue and create pathways for mutual growth in trade, investment and employment opportunities.
- Ideally, this initiative would be actively supported by DFAT, Austrade, Office of the Pacific, Queensland Government departments and all Chambers of Commerce and Economic Development

bodies in all target regions. Staff of those bodies would use the platform to introduce them to appropriate contacts in Papua New Guinea and Pacific Island nations and allow them to form personal and work-based relationships to deepen ties and assist in successful implementation of policy and development strategies.

- Regular engagement with a Cairns based Office of the Pacific and other Government agencies would also offer exporters from Cairns and Far North region the opportunity to access information, training and interaction to assist them to improve export performance as requested by 37% of survey respondents. It would also allow exporters better access to knowledge and assistance to access the opportunities offered by World Bank and Asian Development Bank project work plus other development and aid projects.

Recommendations - Action Plan

1. Establish a '**Brains Trust**' of regional expertise to advise, identify and (in some cases) pursue 'regional' opportunities (on a project-by-project basis) in collaboration with a newly established Cairns based Office of the Pacific supporting direct-action outcomes including exports, employment, growth in investments and expansion of capacity to service aviation, marine technology, education and knowledge industries to service the Papua New Guinea and Pacific Island nations market.
2. Explore **opportunities for downstream processing of raw and agricultural produce** from Australia, Papua New Guinea and Pacific Island nations. Possibly export opportunities for value-added products or distribution in Australia/New Zealand and overseas markets.
3. Encourage exporters to **increase volume exports** from Far North Queensland to better underpin operational capacity and lower unit costs for sea freight from Cairns and Townsville.
4. Develop a '**Connect with Cairns**' campaign focussing on transnational connections showcasing opportunities - sector specific via a series of Podcasts promoting industry sector capabilities. Raise awareness through the dissemination of industry specific profiles created through the *Far North Queensland Export Capability Profile* project.
5. Enhance **regional partnerships** between Cairns and Far North businesses and export sectors in Papua New Guinea and Pacific Island nations through increased awareness of business, social and cultural needs. Develop a schedule of events identifying Business Forums; delegations (inbound and outbound); Sister City programs; business networking events; zoom meetings and other opportunities to connect via Cairns; Papua New Guinea and Pacific Island nations.
6. Raise awareness of specific **marketing strategies** for Pacific export markets. During an audit of websites and marketing collateral it was noted many companies did not demonstrate a credibility of doing business with Pacific markets. Such a failure to engage community, corporate and government levels of Papua New Guinea and Pacific Island nations as valuable export markets rather than domestic adjunct markets may mean new business is lost.
7. **Education and training** – Collaboration to showcase a series of 'specific topic' workshops highlighting the requirements for registering with World Bank/Asian Development Bank and like international organisations. Briefings from Australian Federal and State organisations that assist in the areas of export and business development.

8. **Mining sector engagement strategy** for Cairns and Far North region businesses. Proactively engage with mining projects (LNG and extractive) in PNG to promote Cairns for goods and services, machinery and maintenance, aviation and maintenance plus knowledge and technical skills supply; freight consolidation for sea and air freight; provision of education and skills training both in-country and in Cairns; labour supply through Cairns airport connections; safe secure housing for families and workers; health services provision for mining communities etc.

Recognise opportunity for freight consolidation for mining, food (Ok Tedi) etc. Air freight transit PNG to Singapore/Hong Kong. Reintroduction of the annual mining forum with identified partners such as the PNG Chamber of Mines and Petroleum.

*Note: Key to the successful implementation and adoption of the above **Action Plan** is a recognition and acceptance of the **Strategic Direction** thus supporting direct action outcomes at the Cairns regional level through appropriate funding and collaboration.*

13. Conclusion

Posing the question of Cairns being developed as a hub for this trade and activity overlooks the fact that, as evidenced by the survey results, Cairns already acts as a hub through its international airport, business connections and the strong existing webs of business, social and community relationships.

There is need at all levels of Government to recognise, access and prioritise development of Cairns as the Pacific capital of Australia. The city has a pivotal role in strategic, economic and geopolitical engagement in the region. As such, Cairns is Australia's natural home for implementing much of the national Pacific Engagement Strategy, providing the Department of Foreign Affairs and Trade's Office of the Pacific with close direct air and sea access to Pacific nations. This enables stronger partnerships for economic growth, regional security, and free trade.

Cairns is home to the Exchange Innovation and Information Centre (EiiC), which works in partnership with PNG Government to promote business and educational links between Cairns, PNG, and the Pacific. The EiiC is unique within Australia and houses the offices of Tradelinked Cairns-PNG-Pacific, and works with Papua New Guinea National and Provincial agencies. Cairns also hosts 12 Foreign Consulates, and through existing business links is engaged with and supports the Pacific Labour Scheme.

Source: www.advancecairns.com/project/pacific-engagement-strategy

As part of this landscape, Tradelinked and EiiC work together to provide a focal point for business-to-business networking, maintain a physical and electronic space for dialogue between individuals, enterprises and government, as well as undertaking communication and proactive engagement to develop positive investment economic and employment outcomes for Cairns and Far North Queensland. Its operation model, although currently maintained by volunteer organisations, could help provide a footprint on which the Office of the Pacific, DFAT, Trade Investment Queensland and others could either establish, or expand, a presence in Cairns to further grow the Pacific Regional Hub concept.

If it is accepted that Cairns and the Far North region already has a mature bilateral relationship to the Papua New Guinea and Pacific Island nation region this then needs this to be recognised at Federal and State Government level to fund, legislate appropriately and enhance the existing efforts of local level government, particularly Cairns Regional Council, to fully realise the employment, economic and social benefits of the existing relationships.

SWOT Analysis of Survey Responses Cairns and Far North Region

STRENGTHS

- Geographical proximity to PNG & Pacific Island nations.
- Strong relationships with clients, government and institutions within the region.
- Trusted provider for quality goods & services, health, education and training.
- Multicultural city seen as a safe and easily accessible location for transnational families.
- International and domestic airports.
- Seaport and companies willing to look at expanding freight/transport operations to PNG/Pacific Island nations.
- Mobile workforce experienced in working in tropical conditions, with many working in PNG and Pacific Islands nations.
- Good local government support from Cairns Regional Council for Sister City – Lae, multicultural programs, export and other training programs.
- QLD/PNG MOU in place and supported by both State Government and PNG Government.
- Established PNG Consulate in Cairns and strong community support groups.

S

WEAKNESSES

- High freight and transport costs in PNG and Pacific Island trade.
- Poor communication infrastructure in target markets adds to cost of doing business and requires travel for important face-to-face relationship building with clients.
- Because Cairns businesses frequently maintain contact with PNG and Pacific Island clients face-to-face they do not have specific information on websites and in marketing material aimed for those markets so may not be capturing new and emerging clients.
 - Difficulties transacting currency and payment from clients – no Kina accounts available in Cairns.
- Red tape surrounding visas, official document requirements, difficulties for transnational households' movement of family members and investments.
 - Need for better export skills and cross-cultural training for Cairns and Far North exporters.

W

OPPORTUNITIES

- Establish Office of the Pacific in Cairns to improve or increase Government engagement with PNG and Pacific Island nations, leveraging off local knowledge and relationships.
- Use strength of B-2-B engagement model of Tradelinked and dialogue and 'think tank' model of EiiC to promote transformational engagement between Australian and counterpart officials in PNG and Pacific Island nations for win-win solutions and relationship building.
- Engage with mining projects (LNG and extractive) in PNG to promote Cairns for goods and services, machinery and maintenance, aviation and maintenance plus knowledge and technical skills supply; freight consolidation for sea and air freight; provision of education and skills training both in-country and in Cairns; labour supply through Cairns airport connections; safe secure housing for families and workers; health services provision for mining communities etc.
- Encourage two-way investment between Cairns and Far North region and PNG and Pacific Island nations.
- Promote agricultural and other goods downstream processing in the region for onwards sale to export or domestic markets.
- Engage World Bank, Asian Development Bank, DFAT, TIQ, Austrade directly with exporters in Cairns and Far North to promote export opportunities.

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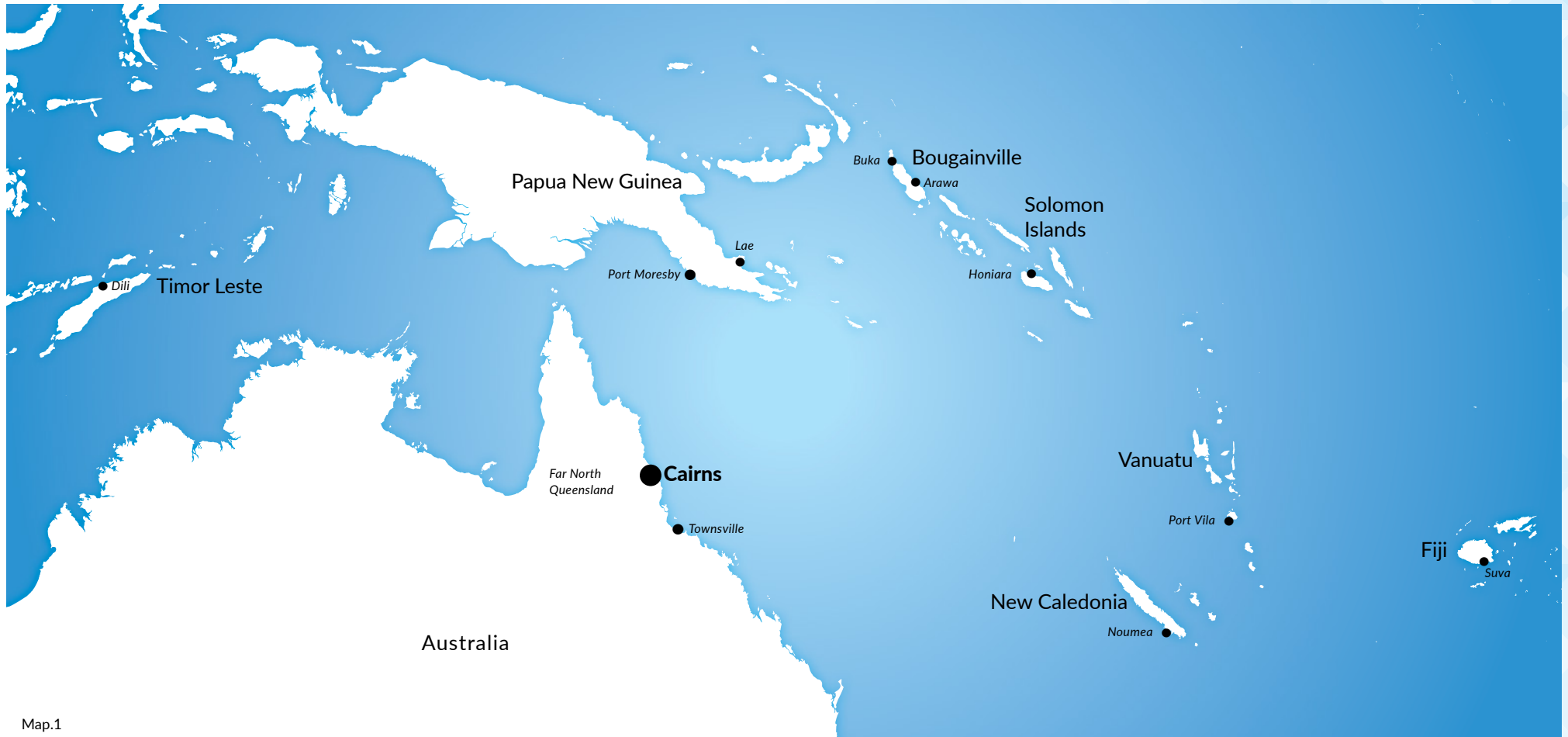
THREATS

- Constant regulatory changes for visas, borders (particularly during COVID 19 pandemic), travel restrictions causing uncertainty.
- Trade and business threat due to perceived poor relations between Australian Federal Government and PNG and Pacific Island nations governments (disconnect in understanding of difference between relationship-based engagement and transactional based engagement).
- Lack of engagement of government staff at grass roots level either in Cairns and the region or PNG and Pacific Island nations.
 - Vaccine hesitancy in PNG and Pacific Island nations.
- Marketplace competition for clients against cheaper imports from Asia.
- High cost of regulatory compliance for businesses working to Australian standards.

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Table 43

Cairns, Papua New Guinea and Pacific Island Nations



Map.1