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IMPACT OF CHANGES TO QANTAS/JETSTAR SERVICES TO CAIRNS ON THE CAIRNS REGIONAL ECONOMY

(Revision 1)

General

The following responds to a request by TTNQ to estimate the impact of the above on the regional economy. It has been prepared at short notice and relies on data available to us at this time.

Loss of Aircraft Capacity

Information supplied by TTNQ indicates changes to inbound seat capacity into Cairns from Japan as follows:

<u>Lost</u>	<u>Per Week</u>	<u>Annual</u>
JQ Nagoya/Osaka services	2424	126,048 seats
QF Narita	3206	166,712 seats
	5630	* 292,760 seats
<u>Gained</u>		
JQ Narita	2121	110,292 seats
Loss of Capacity	3509	182468 seats

* Note: Part of this seat capacity relates to on-carriage of transits to destinations further south.

Loss of Visitor Numbers

In the 12 months up to end March 2008, the International Visitor Survey (IVS) records visitors to the Cairns region from Japan of 198,000.

The new JQ capacity from Narita is 110,292. Assuming an 85% load factor, this would translate into about 94,000 passengers.

Seat capacity would in part be taken up by a small proportion of Australians using the flights and of other overseas visitors (eg. Koreans).

The indicated maximum capacity for Japanese visitors could thus be taken to be about 90,000.

Measuring the impact of this seat constraint on Japanese visitor numbers is complicated by the fact that not all will be mono destination visitors.

On advice from TTNQ, it is estimated that 60% of Japanese traffic to Cairns is mono destinational and that 40% would use Cairns' services on one leg only.

Applying this to the 90,000 Japanese passenger limit would indicate that total visit limit would be about 126,000, ie. about 130,000.

Thus, the indications are that the capacity constraints imposed by the new services will result in a loss of Japanese visitors of about 70,000.

Loss of Visitor Spending Income

IVS data indicates that average spending of Japanese visitors to Queensland is \$1,094 for visitors (excluding package expenditure), and \$1,444 (including package expenditure).

For all international visitors to Far North Queensland, the average expenditure rates are \$975 (excluding package expenditure), and \$1,235 (including package expenditure).

Impact of a loss of 70,000 Japanese visitors on regional visitor expenditure is estimated to be about \$1,100 per visitor, making a total loss of about \$80 million.

Airport Operations

Although a significant part of airport operations are funded by visitor expenditure, there is some that the above IVS estimates of regional expenditure do not cover, especially relating to expenditure by airlines of international airfares, and part expenditure on some government services like Immigration, AQIS, Customs not accounted for by charges on visitors.

In the case of Cairns airport as an international gateway, this is believed to be significant.

Sufficient information is not readily available to calculate this accurately, but we believe that the loss of this regional income could be of the order of \$10 million per annum or more.

Exports

There are substantial exports of product carried to Japan on flights especially for seafood. Latest export figures were not to hand.

However, value of seafood exports is believed to be about \$10 million. Impacts of the new flight arrangements on these exports are not known.

Regional Economic Impacts – Employment

Data from OESR (see Note 1) for 2003-04 indicates that tourism expenditure of \$18.042 bn generated full-time and part-time employment of 136,000, ie. 7.5 jobs per million dollars expenditure.

Applying this ratio to a loss of \$80m in tourism expenditure would give a loss of about 600 jobs.

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In addition, there would be loss of airport operations jobs.

Qantas has indicated that the changes would bring about loss of 40 pilots.

We thus believe that the total direct job loss will be of the order of 700.

The level of expenditure and direct job losses will set off multiplier effects in the economy. Based on available information (see Note 2), each direct job loss is estimated to generate a further 0.65 jobs lost giving total estimated jobs lost of the order of 1,200.

This does not include any potential impacts on airfreight.



Bill Cummings

Note 1: Estimated from the “*Contribution of International and Domestic Visitor Expenditure to the Queensland Economy*”, Office of Economic and Statistical Research (OESR), Queensland Treasury, 2003-04.

Note 2: Estimated from Regional Input Output Tables 1996-97: 34 Industries Office of the Government Statistician, Queensland Government.