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23/01/2020

Committee Secretary
Joint Standing Committee on Foreign Affairs, Defence and Trade
PO Box 6021
Parliament House
Canberra ACT 2600

Dear Sir/Madam

Inquiry into Australia activating greater trade and investment with Pacific island countries – joint submission for Cairns from Cairns Regional Council, Advance Cairns, and Tradelinked Cairns-PNG-Pacific

Recommendations

To activate greater trade and investment between Australia and Pacific island countries, we recommend the Australian Government implement the following priority recommendations:

- Establish a regional presence for the Department of Foreign Affairs and Trade's (DFAT's) Office of the Pacific in Cairns, with senior departmental personnel based here, to leverage Cairns' existing relationships and competitive advantages with Papua New Guinea (PNG) and the Pacific;
- Provide support for improved air connectivity through further investigation of potential air links between Cairns and Lae, Papua New Guinea (PNG), extending the region and Australia's trading network in the Pacific; and
- Strengthen ties with PNG and the Pacific through sport by supporting the inclusion of a joint PNG/Cairns team in the National Rugby League (NRL) competition.

This submission also includes the following additional recommendations to support the above:

- Explore the feasibility of a Special Economic Zone framework in Cairns to leverage close proximity and access to Pacific and Asian markets. This would

include a designated geographic area around Cairns within which specific policy and program initiatives would be applied to assist with stimulating trade and investment;

- Offer a capped number of Commonwealth Supported Places, or equivalent, to prospective students from Pacific nations (including PNG), at universities in Far North Queensland, to help build intellectual capacity and lifelong connections between Australia and our neighbours;
- That to facilitate hosting the Pacific Games in northern Australia, the Australian Olympic Committee becomes a member of the Pacific Games Council and works with the three levels of government to secure the Pacific Games in Cairns;
- Continue to invest in programs that strengthen business links such as the Seasonal Worker Program, Pacific Sports Partnerships Program, and the Pacific Research Partnership; and
- Continue to invest in cultural bridging programs such as the Pacific Church Partnerships program and the provision of Australian media content to Pacific nations.

Further details on these recommendations and why Cairns is uniquely positioned to support the Australian Government's greater engagement with Pacific island countries, is outlined in the body of this submission.

Introduction

Cairns is strategically positioned to support initiatives relating to engagement with neighbouring Pacific island countries, for the benefit of both Australia and our Pacific neighbours, both in relation to the Pacific Agreement on Closer Economic Relations Plus (PACER Plus) and Australia's Pacific Step-up program.

Cairns is the closest Australian city to the PNG capital Port Moresby, less than a 90 minute flight away, with a large expat community of PNG and Pacific island nationals calling Cairns and the region home. Cairns has a strong economic, cultural, and social connection with PNG and the Pacific, including a long established sister-city relationship with Lae, PNG's second largest city. The importance of Cairns' relationship with PNG and the Pacific is highlighted in both Council's [Cairns – Federal Government Priorities](#) document (pages 46 to 47) and Advance Cairns' [Pathway to Prosperity](#) document (pages 31 to 32). The recommendations in this submission are consistent with those endorsed advocacy positions of the respective organisations as outlined in these documents.

Due to its strategic location, Cairns plays a pivotal role in supporting the ongoing deployment of the Pacific Patrol Boat Program. Under this program, 22 Pacific Class patrol boats were donated by the Australian Government to 12 South Pacific countries where they are operated by militaries, coast guards and/or police forces. Cairns' marine businesses, located in the Cairns Marine Precinct, have supported the program through the provision of refit and maintenance services. Additionally, the recently announced \$162 million HMAS Cairns expansion (part of the Department of

Defence's broader Navy Capability Infrastructure Sub-program) will set the foundation for Cairns to play a greater role in the security of the region, complementing the joint capabilities of the Australia-US redevelopment of Lombrum naval base on Manus Island.

In addition to its pivotal Defence role, Cairns has strong business connections with Pacific nations and is home to Tradelinked Cairns-PNG-Pacific, a regionally focussed network established to facilitate the engagement of businesses trading between Cairns and our near international neighbours. Tradelinked Cairns-PNG-Pacific also hold monthly networking events in Port Moresby, regularly attracting around 150 businesses with an interest in trade with Australia via Cairns. Bougainville and the Solomon Islands are also regions engaging in reciprocal activity between business groups and Tradelinked Cairns-PNG-Pacific.

Furthermore, Cairns hosts 12 Foreign Consulates and through existing business links, is engaged with and supports initiatives such as the Pacific Labour Scheme. Cairns' well-established and connected airport and seaport provide an opportunity to further strengthen Australia's relationships in the Pacific.

With consideration of the existing linkages between Cairns and the Pacific, we offer comment on the current inquiry in corresponding point order to the Terms of Reference (ToR) provided. We also provide recommendations of how the Australian Government could leverage Cairns' position and advantages to strengthen relationships within the Pacific in order to activate greater trade and investment with Pacific island countries.

ToR Item 1: Nature of existing trade and investment relationships with Pacific island countries and the potential that is presented by the Pacific Agreement on Closer Economic Relations Plus (PACER Plus) for enhancing those relationships:

Cairns exported 730,210 tonnes in 2017-18 to countries which are signatories to the PACER Plus. These exports included telecommunications equipment, electrical machinery, aircraft and equipment, ships/boats and floating equipment (Source: QGSO, Overseas exports by port of loading 2019). Additionally, the figures almost triple to 2,184,106 tonnes in the same period with the inclusion of other Pacific island nations which are not PACER Plus signatories, such as PNG and Fiji. With consideration to the opportunities outlined below, PACER Plus, and any future bilateral agreement with PNG, there is significant potential for activating greater trade capacity through Cairns' air and sea ports into the Pacific.

In terms of investment, 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 (Source: QLD Foreign Ownership Register).

Cairns has also been a Sister City of Lae, PNG, since 1984, and has engaged in frequent inbound and outbound delegations involving community and business groups and all levels of government. This connection has helped foster close relationships between the two cities, with Lae City Authority now maintaining an office in Cairns.

There is existing expertise locally with regard to administering regional labour mobility schemes. Notably, the Cairns Chamber of Commerce is the Designated Area Representative (DAR) for the Far North Queensland Designated Area Migration Agreement (FNQ DAMA). Similar devolved administration of regional labour mobility could be accommodated in Cairns under the PACER Plus. There is also the potential for organisations in Cairns to provide capacity building services to the region, for example, training and mentoring for key industry sectors such as tourism, healthcare, maritime, civil/structural engineering, electrical engineering, arts and cultural services and corporate governance.

ToR Item 2: The opportunities to strengthen trade, investment, aid for trade and employment links between Australia and Pacific island countries and how they can be captured:

Cairns as an engagement hub for the Pacific

The establishment of Cairns as the Pacific hub for Australia is aligned with the Australian Government's Pacific Step Up agenda. Cairns has a multicultural population, 2.7% of which claim Pacific island ancestry, compared to 1.5% and 0.9% for Queensland and Australia respectively (Source: 2016 Census). Cairns is already a base for Australia's participation in the development of cultural and education research and teaching, health care, marine training, logistical support including maintenance, and security for South Pacific nations. Cairns also has strong established networks and links with nations of the Pacific, together with expertise in working with dispersed populations and tropical climates. A direct example is that an estimated 470 Fly In Fly Out (FIFO) workers are based in Cairns who work in PNG (Source: [JCU, FIFO workforce in Cairns 2013](#)). With major forthcoming projects such as the Wafi-Golpu gold and copper mine due to open near Lae, there is potential for increased levels of international FIFO activity from Cairns, providing an increase in expertise to PNG with potential for knowledge sharing and upskilling of the local workforce.

The Office of the Pacific was established within DFAT to support Australia's deepening engagement with the Pacific, to enhance whole-of-government coordination and to drive implementation of Australia's regional activities, consistent with the priorities of Pacific countries. There is an opportunity for the Office of the Pacific to leverage Cairns' competitive advantages relevant to PNG and the Pacific (proximity, established relationships/connections, sizeable PNG/Pacific expat communities living in Cairns etc.) for the successful delivery of its policy mandate.

The presence of senior departmental personnel and the creation of a Cairns-based trade officer role with a specialism relating to regional Pacific trade programs, would be an asset in educating the market on accessing opportunities linked to PACER Plus and existing Free Trade Agreements.

There is also an opportunity to further leverage local industry sectors, particularly tourism and agriculture, to support the Pacific Labour Scheme (PLS) and Seasonal Worker Schemes. Currently, the Cairns region has 65 employees participating in the PLS, mostly from Vanuatu and Solomon Islands (34 and 15 participants respectively), with PNG, Tonga and Tuvalu also represented (Source: Pacific Labour Facility Jan 2020).

Priority recommendation: Establish a regional presence for the Department of Foreign Affairs and Trade's (DFAT's) Office of the Pacific in Cairns, with senior departmental personnel based here, to leverage Cairns' existing relationship and competitive advantages with PNG and the Pacific. This will also provide 'on-the-ground' intelligence for the Department and serve as a strategic link with the Department's Brisbane and Canberra offices.

Connectivity and trade

Air Niugini was the first airline to operate international flights into Cairns, and has operated a service between Port Moresby and Cairns 10 times per week using a Fokker aircraft. Over 60,000 people travel this route each year (Source: BITRE, Scheduled international traffic by city pairs 2019). With support from the Queensland Government, Cairns Airport, and Cairns Regional Council, Air Niugini has recently enhanced this service by operating a larger Boeing 767-300ER wide-body aircraft on the route twice per week. This new wide-body aircraft has a freight capacity of 18 tonnes per flight. The increase in capacity will provide a valuable airfreight link between Cairns, Port Moresby, and Hong Kong, as well as a number of other destinations in Asia and the Pacific (notably Solomon Islands and Vanuatu, both signatories to PACER Plus) through Air Niugini's international network. Port Moresby alone is comparable in size to Canberra or Newcastle, and only 90 minutes flight away. It presents a significant trading opportunity for the Cairns region.

With support from Cairns Regional Council, Tradelinked Cairns-PNG-Pacific has investigated the potential opportunities that direct air links between Cairns and Lae may deliver. The study highlighted the opportunity of 1.8 to 2.4 services per week based on current conditions, and 4.9 to 6.3 services with potential diversion of all traffic between the Lae catchment and Australian ports, and lastly, an additional 2.7-3.6 services per week to meet associated demand for the Wafi Golpu mine near Lae when it is operational (summary report attached as Appendix 1 with more detail available upon request). A copy of this report has been shared with DFAT representatives in Lae. It should also be noted that Lae is home to PNG's largest trade shipping port. Accordingly, a direct flight link between Cairns and Lae would further strengthen trade routes into the Pacific.

An agreement between the governments of Japan and PNG will also see the upgrade of Lae (Nadzab) Airport to international status taking place with financial support from Japan. The upgrade is expected to be completed in 2020-21. There are also a number of significant resource and infrastructure projects occurring in the Lae region and the establishment of a direct air link between Lae and Cairns would further strengthen the trade, economic and social ties between the two cities.

Notably, additional airfreight export capacity, specifically in regard to perishable agricultural goods, will also be supported by the recently announced, and Queensland Government funded, \$10 million Regional Export Distribution Centre to be built at Cairns International Airport. Agricultural trade has traditionally been limited due to legislative barriers however PACER Plus represents an additional opportunity to develop trade in this sector. An investigation into the feasibility of a Special Economic Zone framework to further leverage these opportunities would be welcome. The Special Economic Zone would focus on a designated geographic area around Cairns within which specific policy and program initiatives would be applied to assist with stimulating trade and investment over a designated period.

The new fibreoptic cable connecting Australia, Pagan the Solomon Islands represents further opportunities for exchange and commerce. Cairns is well placed to leverage these opportunities through its close proximity and existing networks with Tradelinked Cairns-PNG-Pacific already in contact with the Solomon Island Chamber of Commerce to discuss closer engagement.

Priority recommendation: Provide support for improved air connectivity through further investigation of potential air links between Cairns and Lae, Papua New Guinea (PNG), extending the region and Australia's trading network in the Pacific.

Additional recommendation: Explore the feasibility of a Special Economic Zone framework in Cairns to leverage close proximity and access to Pacific and Asian markets. This would include a designated geographic area around Cairns within which specific policy and program initiatives would be applied to assist with stimulating trade and investment.

Tourism and Agriculture

The tourism and agriculture sectors in the Cairns region also present opportunities in terms of accommodating increased worker mobility between Australia and the PACER Plus community. Cairns is home to the Exchange Innovation and Information Centre (EiiC), owned by Charles Darwin University, which works in partnership with the PNG Government to promote business and educational links between Cairns, PNG, and Pacific island nations. The EiiC is unique within Australia and houses the offices of Tradelinked Cairns-PNG-Pacific, and of PNG agencies such as the Lae City Authority, Enga Province Government, and the PNG Provincial and Local Government. Cairns also hosts 12 foreign consulates and through existing business links, is engaged with and supports the Pacific Labour Scheme.

Education

Cairns is a key destination for international education with PNG as the third largest source market for enrolments which therefore indicates Cairns is a natural destination for students travelling from the Pacific (Source: Deloitte Access Economics, International education and training snapshot – Cairns 2018). The city enjoys an excellent English Language Intensive Courses for Overseas Students (ELICOS) and tertiary offer. With two major universities having a significant presence in Cairns (James Cook University and CQUniversity) there is an opportunity to further grow this sector. Darwin based Charles Darwin University also has a presence in Cairns through the EiC.

The Pacific Secondary Scholarships program, due to commence in January 2020, will open new opportunities for connections between Cairns and the Pacific. Cairns has 249 international students from PNG enrolled in education locally, also 9 from Fiji and 3 from the Solomon Islands (Source: Austrade MIP Orbis).

Building intellectual capacity within Pacific countries (including PNG) is a way to respond to one of the key challenges identified by Pacific leaders and communities themselves, that challenge being to support the growth and promotion of educated populations. Initiatives aimed at addressing this challenge are therefore in direct alignment with the Federal Government's Pacific Step-up policy.

A further opportunity to boost engagement in this regard would be to offer a capped number Commonwealth Supported Places (CSPs), or equivalent, to prospective students from Pacific nations (including PNG), at universities in Far North Queensland on the proviso they would return to their home countries upon graduation. These allocations would be in addition to any existing CSP allocations made to the universities for domestic students.

This would provide a number of students from these countries with the opportunity to undertake university study in Australia that may have otherwise been considered financially prohibitive. This would help build intellectual capacity, and in turn support the development of our Pacific neighbours. Students who undertake this study would likely establish an enduring affinity with Australia as well as long-term personal relationships with other students. These relationships have the potential to contribute positively to the development of trade and investment opportunities in the longer term.

There are significant investment plans of both universities locally, including James Cook University's \$30 million Cairns Innovation Centre and \$60 million Cairns Tropical Enterprise Centre. In addition, CQUniversity's \$52 million Asia-Pacific Aviation Hub, of which the \$7 million stage 1 has been completed, and its proposed new \$50 million CBD Campus.

There is also a strong alignment between Cairns' tertiary institutions and the Australia Pacific Training Coalition, with structures already in place to administer the

new Australia-University of the South Pacific partnership worth \$84 million over six years from 2019-24 (Source: [Prime Minister Media Release 18 Jan 2019](#)). University research projects already exist and there is scope for further engagement.

James Cook University (JCU)'s Cairns Institute also has established links with PNG via its Twinning Partnership with the University of Papua New Guinea (UPNG). The UPNG-JCU Twinning Partnership is a product of the University of Papua New Guinea and JCU's desire to work together to expand cooperation and the exchange of ideas, knowledge and expertise in areas of mutual interest. The partnership is supported by the Australian Government. JCU's Cairns Institute also has a relationship with the University of Technology in Lae, PNG as well as relationships with education providers in a number of other Pacific Countries.

Cairns also offers marine training through its Great Barrier Reef International Marine College, and avionics training through the Cairns Aviation Skills Centre, which provides the opportunity to contribute to the development of South Pacific nations' capacities in both marine and aviation capabilities.

Additional recommendation: Offer a capped number of Commonwealth Supported Places, or equivalent, to prospective students from Pacific nations (including PNG), at universities in Far North Queensland, to help build intellectual capacity and lifelong connections between Australia and our neighbours.

Arts and Culture

Arts and Culture are vital part of Cairns' engagement with PNG and the Pacific, with Cairns hosting events such as the 2019 Cairns Art Exchange, organised by The Lowy Institute's Aus-PNG Network. This event coincided with the 2019 Cairns Indigenous Art Fair (CIAF), a high-profile celebration of Indigenous art. Arts and culture provide a platform to increase business exchange and this model used in Cairns in placing an emphasis on arts and culture could be further developed to support engagement in the Pacific. There are also celebrations in Cairns for PNG's Independence Day on 16 September each year, organised by the PNG & Wantoks Association. Additionally, Cairns FM community radio hosts weekly programs such as the PNG Women's program, South Pacific program, Cook Island's program and a Samoan program, further demonstrating the depth of integration of Pacific communities in Cairns.

Furthermore, groups in Cairns are actively seeking to build relationships with Pacific island nations, such as JUTE Theatre Company, supported by Cairns Regional Council, which is exploring opportunities to export its writing and capacity building programmes to communities in PNG to further develop arts and cultural links.

ToR Item 3: The barriers and impediments to trade and investment between Australia and Pacific island countries and how they can be mitigated;

Development of connectivity and trade routes into the Pacific is currently the primary barrier to progressing trade relationships from Cairns. This could be mitigated through support for further exploration of potential aviation links between Cairns and the Pacific. Additionally, the region has capacity for sea freight through ports in Cairns and Mourilyan. However support is required to establish new, and re-establish previous trade routes.

Regulatory barriers to trade and investment with Pacific markets could also be mitigated for small businesses through the investigation and adoption of a Special Economic Zone framework.

Also competing influence in the Pacific and potentially diminished soft diplomacy could lessen the opportunity for further activation of trade and investment in the Pacific. Mitigation for this could be the inclusion of a PNG/Cairns rugby league team in Australia's national competition. This project would leave a positive legacy for generations and assist in activating greater trade and investment between Australia and PNG.

Additionally, the delivery of an Office of the Pacific presence in Cairns would provide official acknowledgement of Cairns' strategic importance to engagement with Pacific nations and therefore assist in building the profile of Cairns as a regional centre, and in turn softening barriers for trade and investment.

ToR Item 4: The role and effectiveness of support structures and networks, including government, business, sport, Pacific diaspora communities in Australia, and areas of civil society, and how they can assist with identifying and capturing trade and investment opportunities for Australia and Pacific island countries;

Sport presents a unique opportunity to strengthen the economic, social, and cultural connection between Australia and PNG, emphasised by the Federal Government's Pacific Sports Partnership. Perhaps no single act from an Australian government would do more to strengthen the economic, social and cultural connection between Australia and PNG, than bringing a PNG rugby league team into the National Rugby League (NRL) competition. Cairns would be an ideal partner and Australian home-ground if this were to eventuate. The PNG Hunters and Northern Pride (Cairns) rugby league teams are already part of the Queensland Rugby League (QRL) competition. This would also provide added opportunities for the development of the women's equivalent, the PNG Orchids rugby league team. Rugby league is an effective way to build stronger ties between Australia and PNG at a time when other powers are competing for influence. A foreign policy initiative supporting NRL expansion, and provision of additional support to PNG to operate within the national

league, would build immense soft diplomacy power for Australia. The NRL has stated they are currently looking at the structure of the league, and that PNG would be considered as part of any expansion review.

In addition to rugby league, there is also the opportunity to further strengthen sporting ties with the Pacific through the hosting of competition and training camps in Cairns across a range of sporting codes. Cairns is an ideal base for elite athlete training camps associated with the Australia-Pacific Sports Linkages Program. Cairns has hosted the Japan swim team for warm weather training over the Japanese winter for the past three years for example.

Cairns also successfully hosts the annual IRONMAN Asia-Pacific event with domestic and international competitors from Pacific nations including those from PNG, Samoa, Tonga and Nauru. This is a very popular international event which, drawing participation from the Asia-Pacific, puts Cairns forward as a regional centre for sporting activity. In this context, if Australia applies to join the Pacific Games Council, Cairns would be an excellent conduit for Australia to increase engagement through the Pacific Games. Bidding to co-host with a Pacific nation partner such as Lae in PNG would be a notable move toward closer integration with Australia's Pacific neighbours.

Priority recommendation: Strengthen ties with PNG and the Pacific through sport by supporting the inclusion of a joint PNG/Cairns team in the National Rugby League (NRL) competition.

Additional recommendation: That to facilitate hosting the Pacific Games in northern Australia, the Australian Olympic Committee becomes a member of the Pacific Games Council and works with the three levels of government to secure the Pacific Games in Cairns.

Strategically, Cairns Regional Council has acknowledged the importance of its proximity to the Asia-Pacific in its Corporate Plan, and also its Economic Development Strategy. In addition, Cairns Regional Council have developed the [Cairns 2050 Shared Vision](#) with input and support from key stakeholders and State and Federal government representatives. The vision provides a framework to deliver economic prosperity and liveability in the Cairns region and complements and supports the delivery of a range of Federal and State Government strategies and policy initiatives. The vision includes a number of the specific projects referenced in this submission, including the HMAS Cairns Expansion, CQUniversity's Asia-Pacific Aviation Hub, and the Cairns Marine Precinct.

Cairns has established support structures and networks for engagement with Pacific neighbours. Support networks include Tradelinked-Cairns-PNG-Pacific, the economic development advocacy group Advance Cairns, and the Cairns Chamber of Commerce.

Cairns is also home to over 4,180 residents (2.7% of Cairns' population), who claim ancestry from Pacific countries including Cook Islands, Samoa, Tonga, PNG and Fiji (Source: Census 2016). In comparison, the national figure sits at just 0.9%, demonstrating Cairns has a much larger proportional representation of residents with Pacific island ancestry (Source: Census 2016). Anecdotally, there are reported to be considerably higher numbers of PNG nationals in the Cairns region on a regular basis who have semi-permanent accommodation due to commuting for work or to visit family.

Accompanying this large representation in the Cairns region are cultural synergies that have organically developed to create a natural link between Cairns and neighbouring Pacific island countries, such as Cairns' Sister City relationship with Lae. In terms of community support for the Pacific nation diaspora there are, for example, active support groups such as the Cairns Pacific Island Communities group, the FNQ Cook Islands Association, and the Fiji Association of Far North Queensland.

Initiatives such as the Seasonal Worker Program, Pacific Sports Partnership Program, and the Pacific Research Program are excellent ways to strengthen engagement and it would be welcomed to see commitment extended to these programs into the future.

Additional recommendation: The Federal Government should continue to invest in programs that strengthen business links such as the Seasonal Worker Program, Pacific Sports Partnerships Program, and the Pacific Research Partnership.

ToR Item 5: The views, norms and cultural practices relating to trade and investment in Australia and Pacific island countries and how differences can be accommodated;

Cairns' ongoing Sister city relationship with Lae and wider engagement with the Pacific has embedded practices that maintain a natural connection with our Pacific neighbours, reflected in the presence of organisations such as The Cairns Exchange Innovation and Information Centre (EiiC) and Tradelinked-Cairns-PNG-Pacific.

The EiiC and Tradelinked-PNG-Pacific and their Pacific networks are well-placed to provide support in developing trade and community links with our Pacific neighbours. Differences can be supported and accommodated through their knowledge of cultural practices and nuances developed through extensive experience of working with partners from Pacific nations.

National endeavours such as the Church Partnerships Program and the provision of Australian media content to Pacific nations helps foster a welcoming and familiar

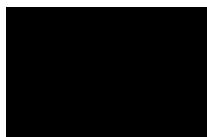
connection which supports local initiatives such as those delivered through groups such as EiiC and Tradelinked Cairns-PNG-Pacific.

Additional recommendation: Continue to invest in cultural bridging programs such as the Pacific Church Partnerships program and the provision of Australian media content to Pacific nations.

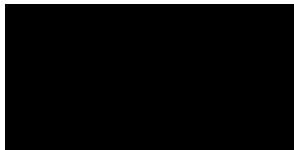
Cairns is Australia's natural linchpin for activating greater trade and investment with Pacific island countries, providing close direct air and sea access, enabling stronger partnerships for economic growth, and regional security. We thank you for your consideration of the recommendations above and the preceding comments and would welcome the opportunity to discuss any of the above in more detail.

Should you have any further enquiries or require additional information, please contact Council's Executive Project Officer, Nick Masasso, on the above phone number.

Yours sincerely



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Cairns Regional
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Nick Trompf
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Gary Aylward
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Appendix 1:

Tadelinked Cairns-PNG-Pacific: Business Case Summary– Direct air services between Lae PNG and Cairns Australia