

Regional Economic Development Strategy

Mackay and Whitsunday Region

Regional Comparative Advantage



regional economic
development corporation

MACKAY & WHITSUNDAY

Regional Comparative Advantage

A comprehensive description of the region, generated through the Economic Baseline Audit, detailed the socio-economic profile, core infrastructure and industry sectors of the Mackay Whitsunday Region. Analysis of this information provides an insight into the region's comparative advantage, the basis upon which the region effectively competes with other regions for economic growth opportunities.

Current comparative advantage is a combination of:

1. Quality, scale, range and accessibility of energy resources in demand globally:
 - Condor—the largest shale oil deposit in Queensland
 - Northern Bowen Basin coal deposits including high quality metallurgical (coking) coal
 - Northern Bowen Basin coal deposits around 200km rail access to port
 - Northern Bowen Basin coal seam gas resources
 - Sugar cane and/ethanol —Central Region is one of the largest sugar cane producing regions in Australia
2. Recent strong growth in Gross Regional Product, population and investment:
 - 42.5% GRP growth from 2004-05 to 2005-06 (AEC Group)
 - 3.8% population growth 2005 to 2006 (ABS 3218.0) and 3.1% average annual growth 2001 to 2006
 - 47% growth in value of dwelling approvals June 2006 to 2007, almost four times the 2003 value (ABS 8731.0)
 - 40% growth in non-residential building approvals June 2006 to 2007 (ABS 8731.0)
3. Quality, scale and accessibility of natural attractions:
 - Great Barrier Reef and Whitsunday islands accessible by boat
 - Eungella National Park and Goorganga Wetlands key natural attractions in region
 - Sapphire Gemfields in Central Highlands bordering on Western side of region

Regional Comparative Advantage (Con't)

4. Scale of established transport infrastructure for extraction and export of bulk commodities:
 - Hay Point and Dalrymple Bay Coal Terminals with current capacity of 91mtpa (increasing to 142mtpa by 2010) and Abbot Point Coal Terminal with current capacity of 15mtpa (with potential to increase to 50mtpa)
 - CoalRail infrastructure—Goonyella System (capacity of 92mtpa increasing to 140mtpa after 2010), and Newlands System (capacity of 18mtpa)
 - Sugar mills at Plane Creek, Racecourse, Pleystowe, Marian, Farleigh and Proserpine producing around 420,000 tonnes of refined sugar per annum
 - Mackay Port total export of 1.5Mt in 2005-06 of which, 0.9Mt was raw sugar and 0.3Mt was refined sugar
5. Desirable coastal lifestyle in close proximity to attractive employment opportunities:
 - Urban centres of Sarina, Mackay, Airlie Beach/Cannonvale and Bowen and numerous hinterland towns offering attractive climate and scenery and diverse social infrastructure within a few hours drive of mining and mining support services employment.
 - Direct, affordable air access from Mackay to Brisbane, Sydney and Melbourne.
6. Large, established, geographically clustered and responsive manufacturing and mining services sector:
 - Over 120 specialist mining services companies in Mackay
 - Strong, active network of more than 50 mining, mining services, engineering and construction companies in the Mackay region.
7. Land available for higher intensity uses across the region:
 - Abbot Point—potential for 6,000ha industrial estate close to port
 - Predominance of low intensity agricultural production
 - Regional population of 159,869 over area of approximately 90,000 square kilometres

Regional Comparative Advantage (Con't)

8. Climate, infrastructure, water availability and fertile soil suited to agricultural production:
 - Central Region sugar production saw 9.7m tones of cane crushed in 2006
 - Regional beef herd in 2005 of 1.2m head cattle
 - Bowen's horticulture sector supplies more than 60% of Queensland's tomatoes, capsicum, green beans and sweet corn
 - Four large water storages (Eungella, Peter Faust, Teemurra and Kinchant Dams) holding a combined total of 841,300 ML of water when full
 - Bowen is home to Australia's largest marine prawn farm (200ha of pond based production) producing between 200 and 400 tones of Black Tiger Prawns per year.
9. Recognised international tourism brand:
 - 11% of international visitors to Queensland visit the Whitsundays
 - 605,000 visitors to Whitsundays over 2006-2007, of which 208,600 were international

Regional Vulnerabilities

While the comparative advantage is the basis for economic growth, it is not the only factor in play. Regional vulnerabilities can constrain economic growth by reducing the region's competitiveness in particular areas.

Key vulnerabilities of the region include the following:

- Reliance on coal mining (mining contributes close to 60% of GRP)
- Regional exposure to commodity price fluctuations (coal and sugar)
- High growth requiring additional infrastructure planning
- Few formal research institutions/programs
- Gaps in detailed regional knowledge
- Low resourcing for commercialisation of industry expertise
- Distances across the region constraining development of new and diverse tourism products
- Lack of baseload power generation capability in region impacting on heavy industry costs
- Skills shortage
- Regional multi-sectoral industry involvement in government decision making constrained by inconsistent boundaries across agencies
- Region predominantly serviced by state and federal government agencies as a district where decisions are made in one or more neighbouring regions
- Government service provision and infrastructure funding aligned to regional statistics that exclude large fly-in-fly-out labour force
- Geographic spread of population increases costs of service and infrastructure provision
- Slow rate of cultural change in agriculture sector

External Opportunities and Threats

When alternate scenarios are compared for 2017, key themes of opportunities and threats emerge for the region's continuing comparative advantage.

Regional opportunities created by changes in the external environment include:

- Continued population growth
- Increasing capacity of port, road and rail infrastructure
- Continued demand for energy
- Increasing demand for organic produce
- Increasing global demand for bio-fuels
- Increasing global demand for bio-commodities
- Technological development
- Introduction of low cost carriers
- Global shift towards knowledge based economy

Regional comparative advantage can be eroded by threatening changes in the external environment such as:

- Global pressures on agriculture (input costs and supply exceeding demand)
- Increasing skills shortage
- Climate change—extreme weather events
- Complexity of planning and development approval system
- Increasing environmental concern
- Rising construction material costs
- Increasing fuel prices
- Decreasing costs of international travel
- Increasing global event risk
- Property market risk
- Value of Australian dollar
- Rising interest rates
- Increasing social unrest

Regional Strategies

When maximizing economic growth for the future, strategies are required that leverage opportunities and minimize threats to:

- Protect the region's existing comparative advantage
- Extend the region's existing comparative advantage
- Address vulnerabilities

The following table identifies six strategies and their contribution to enhancing the regional economy.

Strategy	Relevance
1. Position the region as a leader in applied knowledge (research and development, skills and training) in key sectors	<ul style="list-style-type: none">• Extend comparative advantage• Address vulnerability and establish a competitive position for the knowledge economy of the future
2. Build on the region's existing export strengths	<ul style="list-style-type: none">• Extend comparative advantage• Defend comparative advantage
3. Diversify and value-add regional products and services to protect our economic base	<ul style="list-style-type: none">• Address vulnerability, recognising that it is based on our greatest comparative advantage
4. Strengthen and enhance our links with targeted overseas countries	<ul style="list-style-type: none">• Use comparative advantage as a basis to extend markets and increase options for the future
5. Continually develop our economic and social infrastructure	<ul style="list-style-type: none">• Extend and defend comparative advantage• Address vulnerabilities• Infrastructure underpins the economy and with growth is a continual need to enhance regional infrastructure.
6. Foster collaboration within and across industry, government and community to increase regional unity.	<ul style="list-style-type: none">• Extend comparative advantage. Regional opportunities are increased through unity.• Address vulnerabilities. Global competitiveness requires economies of scale achievable through