

CUMMINGS ECONOMICS

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Preliminary Statistical Note ESTIMATED IMPACT OF WITHDRAWAL OF HONG KONG FLIGHTS

1. INTRODUCTION

The proposed withdrawal of Cathay Pacific services from Hong Kong from October follows cessation of flights by Hong Kong Airlines and more recently announcements by China Southern that it will cease services to Cairns through to October.

These changes have the potential to have a significant negative impact on the Cairns regional economy due to loss of tourism flows and loss of airfreight exports.

2. TOURISM FLOWS

Cathay have four services a week (Hong Kong Cairns Brisbane Cairns Hong Kong), using A333 aircraft with a seat capacity typically of about 280. Assuming load factor of 80% calculates at 220 passengers.

Assuming 90% are visitors, gives about 200 visitors. Assuming half visitors are mono-destinational to Cairns or Brisbane and that half visit both Cairns and Brisbane, gives estimated visitor numbers to Cairns per flight pattern of about 150. This works out at about 30,000 visitors a year.

Average expenditure per international visitor has been running at about \$1200 - \$1300 a visitor. Thus, estimated expenditure generated by visitors carried on Cathay is probably something of the order of \$35 - \$40m per annum if visitors carried by Cathay have an average expenditure pattern.

3. FREIGHT

Table #1 shows value of exports carried by air from Cairns to Hong Kong. It can be seen that up to 2016-17, it was at a rate of \$60m per annum.

The figures show a sharp drop in 2017-18 of about \$30m. Equivalent figures for air exports to China (see Table #2) as opposed to Hong Kong show a sharp rise 2016-17 and 2017-18 of over \$20m – presumably due to freight redirection from Hong Kong flights to the direct subsidized flights into China.

4. CONCLUSIONS – DIRECT IMPACTS

The evidence indicates that compared with the situation in 2016-17, the Cairns region is facing the prospects of loss of the order of \$100m a year of direct expenditure in the economy - of the order of \$60m in exports and of the order of \$40m in visitor spending.

Hainan Airlines remain with two services a week to Shenzhen in China and China Southern have indicated they will recommence services again on a seasonal basis in October.

5. EMPLOYMENT & “FLOW-ON” EFFECTS

Economic models for the Cairns region indicate that, as an order of magnitude effect, a loss of \$60m in exports (mainly in fishing and agriculture), would have an impact on direct employment of the order of 160 and with “flow-on” effects 270. A loss of \$40m in tourism income would have an impact on direct jobs of 280 and with “flow-on” effects of the order of 380.

Thus, total impact on employment of a loss of \$100m would give an estimated loss of 400 direct jobs, and with “flow-on” effects, of the order of 680.

Table #1: Exports Cairns Airport to Hong Kong

State of loading	Queensland	
Port of loading	304 Cairns	
Mode of transport	Air	
Country of final destination	Hong Kong (SAR of China)	
SITC 1-digit	(All)	
SITC 2-digit	(All)	
SITC 3-digit	(All)	
Financial Year	Sum of Value	Sum of Gross Weight
2007-08	51,718,340	2,413,579
2008-09	61,212,391	2,494,135
2009-10	55,757,838	2,332,258
2010-11	58,618,094	2,197,647
2011-12	57,024,085	2,159,023
2012-13	54,805,791	2,448,724
2013-14	67,880,058	2,487,988
2014-15	60,964,932	2,241,236
2015-16	61,229,927	2,605,435
2016-17	60,499,008	2,554,702
2017-18	34,413,863	1,866,393

Table #2: Exports Cairns Airport to China

State of loading	Queensland	
Port of loading	304 Cairns	
Mode of transport	Air	
Country of final destination	China	
SITC 1-digit	(All)	
SITC 2-digit	(All)	
SITC 3-digit	(All)	
Financial Year	Sum of Value	Sum of Gross Weight
2007-08	464,569	9,532
2008-09	171,460	842
2009-10	203,543	1,790
2010-11	579,967	10,017
2011-12	918,071	409
2012-13	58,487	455
2013-14	142,531	1,850
2014-15	127,515	3,868
2015-16	264,211	32,600
2016-17	8,030,329	178,988
2017-18	24,543,065	415,737