

Townsville Economic Review 2021-22

Released 25 October 2021

GROWING COMMUNITIES

TOWNSVILLE
CHAMBER



Document Control

Version	Date	Approved by	Reviewed by
WD v1	23/08/2021	Matthew Kelly	Heather Hausfeld (Wink) Ross McLennan (TCoC) Michele Falconieri (TCoC) Carl Valentine (PVW)
WD v2	15/09/2021	Matthew Kelly	Heather Hausfeld (Wink) Fiona Montgomerie (PVW) Carl Valentine (PVW)
WD v3	22/09/2021	Matthew Kelly	Heather Hausfeld (Wink) Ross McLennan (TCoC)
WD v4	15/10/2021	Matthew Kelly	Heather Hausfeld (Wink) Ross McLennan (TCoC) Carl Valentine (PVW)
FINAL	20/10/2021	Matthew Kelly	Heather Hausfeld (Wink) Ross McLennan (TCoC) Carl Valentine (PVW)

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Executive Summary

Introduction

Townsville has some of the strongest economic development potential in Australia. However, the city has endured a range of economic challenges and setbacks over the past five years which have been compounded by the COVID-19 pandemic. This Townsville Economic Review 2021-2022 has been developed in collaboration between PVW Partners (PVW), Townsville Chamber of Commerce (TCoC), and Regional Economic Advisory (REA) to outline the critical economic issues, opportunities, and strategic priorities driving growth and resilience for Townsville.

The region requires appropriate strategic alignment and policy settings to support private sector investment for economic recovery in the short-term, while continuing to work towards unlocking its long-term potential as the largest city in Northern Australia. This review provides a commentary on the key socio-economic indicators, trends, issues, and opportunities for the Townsville Local Government Area (LGA).

The aim of the review is to understand and stimulate discussion on the key opportunities and challenges for Townsville over the coming years from an infrastructure, policy, and investment perspective for the city to grow and thrive. While this review focusses on the Townsville LGA specifically, many of the broader issues and recommendations will be relevant to other centres across Queensland, Northern and Regional Australia.

Macro-Economic Trends

The Townsville economy has been heavily influenced by numerous global and national economic trends. Major current macro-economic trends impacting the regional economy are considered in the table below.

Table ES-1: Key Macro-Economic Trends

Trend	Impacts
COVID-19 Pandemic	<ul style="list-style-type: none"> • Thus far Townsville has experienced minimal direct COVID cases. There has also been recent evidence of regional COVID migration to Townsville from capital city areas. However, the threat of border closures and restrictions on business operations continues to constrain a broader economic recovery and sustainable return of business confidence. • The transition from “zero-COVID” to living with COVID that we are likely to see during 2022 has the potential to pose greater challenges for Townsville than the COVID-19 experiences to date in this region.
Teleworking & Workforce Automation	<ul style="list-style-type: none"> • The rise in adaption and acceptance of remote working through the pandemic has created a number of challenges and opportunities for businesses and households. It has also been one of the major drivers of regional migration during the pandemic, creating more opportunities for people to be employed in regions such as Townsville. • Investment in automation is a major trend for many key Townsville industries, helping to recover international competitiveness in areas such as value adding and new advanced manufacturing sectors.

Trend	Impacts
Low Inflation and Global Interest Rates	<ul style="list-style-type: none"> A decade of low to emergency level interest rates has had numerous implications, including rapid appreciation of many asset classes (property, equities, cryptocurrency). Supply chain disruption though the pandemic has led to a return of high inflation levels in recent months. Townsville has not experienced the asset price inflation of capital cities and less at risk of a significant price correction should interest rates begin to rise over the coming years. The city presents a golden opportunity for those living in capital cities to migrate and lock in the substantial capital gains achieved over the past 10 years.
Growth Trends in Emerging Markets	<ul style="list-style-type: none"> While emerging markets continue to drive global growth, there has been a significant maturing of economic activity, particularly in China. This has led to changes in both the opportunities associated with emerging market growth, with areas such as tourism, agriculture, and international education benefitting, and the nature of economic competition from emerging markets.

Source: REA

Key Economic Indicators

Townsville has endured difficult economic conditions over the past five years. Major factors which have impacted the local economy include:

- Extensive flooding in early 2019, with insurance claims of approximately \$1.2 billion recorded.
- The onset of the COVID-19 pandemic in early 2020. While Townsville has thus far experienced minimal direct COVID cases, periodic lockdowns and restrictions on business operations have significantly impacted confidence and economic activity.

Despite these challenges the local economy has shown significant resilience and adaptability, and has made significant progress across critical indicators, including:

- **Positive population growth averaging 0.7% per annum since 2016.** While growth remains well below the Queensland average over the period (1.6%), interest in relocating to Townsville has and continues to increase through the COVID pandemic. The Federal Government has identified the city as having the potential to support a future population of a million people through a potential national population policy.
- **Gross Regional Product (GRP) growth averaging 1.4% per annum** since 2016, reaching \$10.6 billion during 2019-20. The city's economy managed to grow 1.0% during 2019-20 despite the initial impacts of COVID-19.
- **A significant reduction in unemployment**, from nearly 11% in early 2017 to just 5.7% as of June 2021 (unemployment is currently 6.8% across Queensland). The city is ranked in the 10 ten places in Australia for job creation.
- **A tightening property market:** Rents have increased by over 3% per annum since 2016 and rental vacancies are currently reported at below 1% across many areas of the city. Property price levels have also begun to rapidly increase in recent months but remain comparably very affordable (approximately 30% of the Sydney and 50% of Brisbane median house price).
- **Sustained higher levels of business confidence**, while volatile in recent years, business confidence has trended upward over the last 5 years and into the December 2021 quarter, the level of confidence remains above recent averages and well above the long-term average.

Table ES-2: Townsville Socio-Economic Indicators

Indicator	Result			Avg. Annual Growth Since 2016
Population (June 2020)	196,800			0.7%
Gross Regional Product (2019-20)	\$10.6 billion			1.4%
Unemployment (June 2021)	5.7%			3.5 ppt lower
Labour Force (June 2021)	101,532			2.2%
Dwelling Approvals (2020-21)	1,106			4.0%
Median House Price (YE March 2021)	\$347,000			0.1%
Top Three Employment Sectors (Place of Work, 2019-20)	Health Care and Social Assistance	16,409 jobs	16.7% of employment	3.6%
	Public Administration and Safety	11,956 jobs	12.2% of employment	-0.7%
	Retail Trade	9,672 jobs	9.9% of employment	-0.8%

Source: QGSO (2021), NIEIR (2021)

Major Project Pipeline

Townsville has \$9.2 billion in major construction / development projects currently committed or underway – predominantly in long- term residential development, the James Cook University and Port of Townsville expansion projects. Teamed with another \$9 billion in proposed projects, Townsville has a significant pipeline of investment.

In addition to local LGA projects, there is also a solid future pipeline of construction projects across the broader North and North West Queensland region, including the Australian-Singapore Military Training Initiative, the Sconi Scandium Project, the Agripower Expansion Project, vanadium developments across mid-west Queensland, and the CopperString 2.0 transmission line.

While the proposed development pipeline is a positive for potential economic growth, much greater certainty and security is required regarding progress and timing to underpin local confidence and the expansion/attraction of local businesses (approximately 50% of Townsville’s future project pipeline remains uncommitted). The city will need to ensure it captures a significant share of the available construction pipeline, which may prove challenging given identified trade labour shortages. An ongoing commitment to genuine local content is critical from private proponents and all three levels of government.

Beyond construction/trade labour and skills, building the local capacity of professional services and key public service positions are critical to the development of Townsville and across Northern Australia. The recent relocation of the North Queensland Water Infrastructure Authority (NQWIA) from Canberra to Bowen is a positive indication that the Federal Government is listening and acting. Townsville is well placed to host a greater share of strategic State and Federal functions as the largest city in Northern Australia. Enhanced regional outcomes are likely to arise where decision makers, whether they be in the public or private sector, live and work in the regions.

Constraints to Growth

Townsville currently presents significant opportunities for a new phase of growth, despite the global and national downturn. The attraction of new residents and businesses has the potential to unlock significant wealth and investment given the disparity in property prices and housing equity in Townsville compared to capital cities.

However, it is important to recognise that while the opportunities exist, the region faces fierce competition for investment, labour and skills from other Australian centres which are facing a similar outlook. Employment vacancies across regional Australia are currently 10% higher than the previous peak during the pre-GFC mining boom, and access to international labour remains heavily constrained due to the pandemic (Regional Australia Institute, 2021).

Key issues which currently constrain the outlook for Townsville in this competitive environment to attract households and businesses include:

- **The availability and affordability of insurance**

Insurance is an essential need for households and businesses, and the fundamental market failure of insurance in Northern Australia is one of the major constraints to future growth. The Federal Government's proposed \$10 billion reinsurance pool will be key to unlocking investment and future growth. A successful design of the reinsurance pool is critical to ensure insurance companies re-enter the Northern Australia marketplace and stimulates competition. TCoC made 4 recommendations to the Federal Government in February and the announcement of the Re Insurance Pool for Cyclone and Flood Related Damage must be commended. The other recommendations are listed below, and a combination may be required:

1. Expanding the Australian Reinsurance Pool Corporation remit to include Northern Australia for the natural events of cyclone and floods.
2. An obligation for an insurer to provide insurance for all of Australia.
3. Introduction of a national insurer – to provide a baseline of insurance for all Australians.
4. Abolishing additional fees on building and contents policy premiums – Stamp Duty and GST.

Addressing the inequality of insurance will have significant impacts for household wealth and, in turn, the local economy. By example, a \$1,000 (approximately 25%) decrease in average household insurance costs would increase household savings/disposable incomes by around 6%. If two thirds of this money were put back into the local economy, it has the potential to generate approximately \$60 million p.a. to Townsville GRP and 475 direct and indirect jobs on an ongoing basis.

The effects of affordable and available insurance on investment, development, and supporting increased population growth in the region have the potential to increase these local impacts many times over.

- **Building Townsville's brand & perception**

There is a need to shift the perception of Townsville away from having a weak economy and socio-economic issues such as youth crime which have been an overarching narrative in recent years. As economic conditions improve, and Townsville's industry mix continues to evolve the city needs to continue to develop its image as a safe and affordable lifestyle destination, with strong economic fundamentals and career prospects in line with the needs and aspirations of the city.

A strong brand backed by economic and community fundamentals will be critical to attract and retain the households and businesses required to support future growth.

- **A competitive personal and business tax environment**

A competitive personal and business tax environment, relative to alternative centres, that supports the relocation of households, expansion of existing businesses into new locations and creation of new businesses is critical to the growth of Townsville and other regional Australian cities. Specific stamp duty exemptions for households relocating to Townsville would be a positive contribution to our regional appeal. Relative differences between local council rating structures (council rates being a tax levied by local government) can serve to create a preference for families to choose one destination over another.

There is presently no incentive for State and Territory Governments to consider, nor any apparent appetite for them to consider, the abolition of payroll taxes around the country. In the absence of broad-based tax reform that includes the

abolition of payroll taxes, simplifying and nationally centralising payroll tax compliance and targeting subsidies for regional centres in Northern Australia would go a long way to eliminating the disincentives that currently exist for businesses to grow in Townsville and attract new businesses to the north.

Summary & Outlook

Townsville stands ready for a new phase of growth, despite the global and national downturn. The city and its business community have repeatedly shown its resilience and adaptability. Renewed interest in relocation and investment into Townsville to take advantage of employment and lifestyle opportunities, while escaping the worst of the COVID pandemic, has underpinned a new wave of confidence.

The attraction of new residents and businesses, in turn, has the potential to unlock significant wealth and investment given the disparity in property prices and housing equity in Townsville compared to capital cities. A broad pipeline of opportunities underpins potential for long term growth and prosperity.

While the opportunity exists, the city faces fierce competition for investment, labour and skills from other Australian centres which are facing a similar outlook. Likewise, companies and stakeholders from alternative regional centres and capital cities will be rightly seeking to capitalise on the projected infrastructure pipeline across the broader Townsville and North-West Queensland region.

While trade labour and housing shortages present genuine challenges, they can be overcome and are not a legitimate reason to reduce the economic development potential of Townsville. A commitment to funding and delivery of a greater share of the local project pipeline will be required to support local business confidence and expansion, as will a commitment to local content across construction and trades, professional services, ongoing employment, and strategic public services.

The issues which currently constrain the outlook for Townsville are fundamental needs for businesses and households. These can be addressed through legislation to support available and competitive insurance premiums, and consideration of a more competitive personal and business taxation environment that supports growth across many regional centres. We have repeatedly seen inequitable insurance costs, local government rates, and payroll tax implications impact new investment and expansion plans for economically viable businesses.

In line with the improving outlook and a diversifying industry base, the overarching brand and narrative of Townsville needs to continue to evolve to promote an area of safe, affordable growth and opportunity that reflects the reality, needs, and aspirations of a city that is now one of the top 10 centres for job creation in Australia. The city must commit to being open for business and new development.

Where these commitments can be met, Townsville offers some of the strongest economic development potential in Australia. The upside for businesses and property, and the opportunities for individuals to get ahead with an affordable family-friendly lifestyle with short work commutes over the coming years is more than worth the commitments required to support growth.

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1. Introduction

Townsville has some of the strongest economic development potential in Australia. However, the city has endured a range of economic challenges and setbacks over the past five years which have been compounded by the COVID-19 pandemic. This Townsville Economic Review 2021-2022 has been developed in collaboration between PVW Partners (PVW), Townsville Chamber of Commerce (TCOC), and Regional Economic Advisory (REA) to outline the critical economic issues, opportunities, and strategic priorities driving growth and resilience for Townsville.

The region requires appropriate strategic alignment and policy settings to support private sector investment for economic recovery in the short-term, while continuing to work towards unlocking its long-term potential as the largest city in Northern Australia. This review provides a commentary on the key socio-economic indicators, trends, issues, and opportunities for the Townsville Local Government Area (LGA).

The aim of the review is to understand and stimulate discussion on the key opportunities and challenges for Townsville over the coming years from an infrastructure, policy, and investment perspective for the city to grow and thrive. While this review focusses on the Townsville LGA specifically, many of the broader issues and recommendations will be relevant to many other centres across Queensland, Northern and Regional Australia.

1.1 Structure and Approach

This Townsville Economic Review covers the following:

- **Chapter 2 Economic Indicators** reviews Townsville's economic indicators and their performance over the past five years:
 - Global and national trends impacting the city.
 - Population and demographic indicators.
 - Gross Regional Product (GRP) and industry mix.
 - Labour market.
 - Housing and property markets.
- **Chapter 3 Major Project Pipeline** reviews the city's major development pipeline of committed and proposed projects and the implications for future growth.
- **Chapter 4 Addressing the Constraints to Growth** reviews some of the key constraints to growth and investment.
- **Chapter 5 Summary & Outlook** provides key conclusions on the state of the Townsville economy through 2021-22.

1.2 Assumptions and Limitations

The authors acknowledge several assumptions and limitations associated with the development of this report:

- Data from third party sources is assumed to be correct and has not been independently verified.
- Statistical evidence is supported by experience and understanding of the local region, opinions will vary between individuals.
- The economic outlook is currently subject to significant uncertainty and rapid change, with the long-term implications of the COVID-19 pandemic yet to be fully realised.
- Modelling exercises are undertaken based on high-level techniques and assumptions, with the aim of highlighting key areas of interest.

Notwithstanding the above, the aim of this report is to highlight key areas of need and opportunity and to stimulate further discussion and insight into the development of the Townsville economy.

2. Economic Indicators

The following section provides a brief overview and commentary of the performance of the Townsville economy, with additional detail provided in Appendix A.

2.1 Macro-Economic Trends

The Townsville economy has been heavily influenced by numerous global and national economic trends. Major current macro-economic trends impacting the regional economy are considered as follows:

- **COVID-19 Pandemic**

Entering the 2022 financial year the global economic outlook continues to be dominated by the COVID-19 pandemic. The virus has generated an immense health and social toll, with over 200 million cases and 4.4 million deaths reported globally at the time of writing this report. In terms of economic impacts, the initial global stimulus measures and rapid development of vaccines saw a sharp (V shaped) recovery in economic activity in late 2020. However, recent outbreaks of the highly infectious delta strain have set the timeframes for recovery back significantly, with control of the virus in most countries now focused on broad vaccination programs.

The Australian domestic economy has been hit by a series of recent COVID lockdowns, with Victoria recording in excess of 2,000 new cases per day at the time of writing. The domestic economy remains vulnerable to significant disruption and economic stress now that the extensive JobKeeper and JobSeeker wage subsidies, which supported activity throughout the initial stages of the pandemic, have concluded. Domestically, the pandemic has also greatly altered migration patterns, with an estimated 45,000 people relocating from capital cities (particularly Sydney and Melbourne which have received the majority of direct COVID cases) to regional centres during the 12 months to March 2021 (ABS, 2021).

Government stimulus spending (estimated at tens of trillions globally (McKinsey and Co., 2020)) has also left public finances in poor condition, with likely longer-term implications for spending and taxation once the pandemic has passed.

Thus far Townsville has experienced minimal direct COVID cases. There has also been recent evidence of regional COVID migration to the city. However, the constant threat of border closures and restrictions on businesses continues to constrain a broader economic recovery and sustainable return of business confidence. The transition from “zero-COVID” to living with COVID that we are likely to see during 2022 has the potential to pose greater challenges for Townsville than the COVID-19 experiences to date in this region. Notwithstanding the anticipated vaccination levels, living with COVID is likely to see (at least initially), greater levels of unwellness in our community and strains on our health systems and health workers. This may then have impacts on business in terms of greater levels of absenteeism (including instances where employees may need extended leave to care for unvaccinated children and the like).

- **Teleworking & Workforce Automation**

The COVID-19 pandemic has accelerated numerous existing trends, including remote working, e-commerce, and automation (McKinsey and Co. 2021). Working remotely during the coronavirus crisis has quickly become the new norm, and one that won't dissipate quickly – rather, remote working (both part-time and full-time) will continue to rise across all industries (KPMG, 2021). The rise in adaption and acceptance of remote working has created a number of challenges and opportunities for businesses and households. It has also been one of the major drivers of regional migration during the pandemic, creating more opportunities for people to be employed in regions such as Townsville.

Similarly, we may see trend impacts locally as investment in automation is a major trend for many key Townsville industries, including the manufacturing sector and the gradual implementation of remote and driverless vehicles in the surrounding regional mining industry.

- **Low Global Interest Rates**

Several structural changes have contributed to a low interest rate, low growth, and low inflation environment over the past decade. These include demographic changes associated with an ageing population, globalisation of supply chains, automation of production which have helped to keep the prices of consumer goods lower, and changes to households' spending patterns and businesses' risk appetite post the Global Financial Crisis (GFC) in 2007-2009. The onset of the COVID-19 pandemic has meant a return to emergency monetary policy, including near zero interest rates and unconventional monetary policies such as quantitative easing within Australia and globally.

The decade of low interest rates has had numerous implications, including rapid appreciation of many asset classes (property, equities, cryptocurrency) as the low to negative real returns on bank deposits has driven investment into riskier assets. Low underlying price inflation has allowed the continuation of low to emergency level interest rates. However, the onset of the COVID-19 pandemic and associated supply chain disruptions and government stimulus measures aimed at restarting economic activity have seen a return of above trend inflation in recent months. Inflation is currently running at approximately 5% year on year in the US and 3.8% across Australia. Further inflationary pressures are expected in the short term, as higher commodity prices continue to flow through to supply chains and labour supply remains constrained by the pandemic.

However, it remains to be seen whether the impacts of rising prices are largely transitory due to the pandemic, with a potential to return to a low inflation environment once global restrictions are eased. However, should domestic inflation levels continue to sit above the RBA's 2-3% target band for an extended period, pressure will build to raise interest rates with significant implications for asset markets and economic activity.

Townsville has not experienced the asset price inflation of capital cities with real estate prices still well below their pre-GFC highs. The city is therefore less at risk of a significant price correction should interest rates begin to rise. The city also presents a golden opportunity for those living in capital cities to potentially migrate and lock in the substantial capital gains achieved over the past 10 years.

- **Growth Trends in Emerging Markets**

The Townsville economy is highly sensitive to growth trends in emerging markets, given the export intensity of key regional industries and proximity to Asia. While emerging markets continue to drive global growth, there has been a significant maturing of economic activity, particularly in China. The economic maturation has meant an increased focus on higher end production and services, as well as the stimulation of domestic demand as opposed to infrastructure and manufacturing production-led growth. This has led to changes in both the opportunities associated with emerging market growth, with areas such as tourism, agriculture, and international education benefitting, and the nature of economic competition from emerging markets.

Recent trends to tighten constraints of Chinese technology companies and the collapse of major property developer Evergrande highlights the risks and volatility still associated with key emerging market economies.

2.2 Socio-Economic Indicators

Townsville has endured difficult economic conditions over the past five years. Major factors which have impacted the local economy include:

- Extensive flooding in early 2019, with insurance claims of approximately \$1.2 billion recorded.
- The onset of the COVID-19 pandemic in early 2020. While Townsville has thus far experienced minimal direct COVID cases, periodic lockdowns and restriction on business operations have significantly impacted confidence and economic activity.

Despite these challenges, the local economy has shown significant resilience and adaptability, and has made significant progress across critical indicators, including:

- **Positive population growth** averaging 0.7% per annum since 2016. While growth remains well below the Queensland average over the period (1.7%), interest in relocating has and continues to increase through the COVID pandemic. The Federal Government has recently identified the city as having the potential to support a future population of a million people through a potential national population policy. This federal strategy is in very early development, and implications are unknown.
- **Gross Regional Product (GRP) growth averaging 1.4% per annum since 2016**, reaching \$10.6 billion during 2019-20. The city's economy managed to grow 1.0% during 2019-20 despite the initial impacts of COVID-19.
- **A significant reduction in unemployment**, from nearly 11% in early 2017¹ to just 5.7% as of June 2021 (unemployment is currently 6.8% across Queensland). The city currently ranks in the top 10 places in Australia for job creation. While Townsville is better known for its manufacturing² and industrial sectors and the broader regional agricultural and minerals supply chains, approximately 50% of the city's employment comes from just four service sectors:
 - Health Care and Social Assistance.
 - Public Administration and Safety (including Townsville's extensive defence presence).
 - Retail Trade.
 - Education and Training.

The Health Care and Social Assistance sector alone has been responsible for nearly 60% of Townsville's employment growth over the past five years, with significant ongoing expansions of the public and private health sectors.

- **A tightening property market:** Rents have increased by over 3% per annum since 2016 and rental vacancies are currently reported at below 1% across many areas of the city. Property price levels have also begun to rapidly increase in recent months but remain comparably very affordable (approximately 30% of the Sydney and 50% of Brisbane median house price).
- **Sustained higher levels of business confidence**, while volatile in recent years, business confidence has trended upward over the last 5 years and into the December 2021 quarter. The level of confidence remains above recent averages and well above the long-term average. While the early onset of COVID-19 did result in a temporary drop in business confidence, it has recovered quickly in line with the resurgent Townsville economy. There is a significant feeling across the business community that our future is geared toward an upward economic trend and despite the uncertainty of COVID-19 and the government responses to it (impacting some sectors more than others), many businesses in Townsville are enjoying better trading conditions than seen for quite some time. Some of the improved conditions are attributable to the COVID-19 related government stimulus packages (JobKeeper and HomeBuilder) but it shouldn't be overlooked that Townsville was on a recovery trajectory before COVID-19 and that trajectory is now continuing.

Table 2-1: Townsville Socio-Economic Indicators

Indicator	Result	Avg. Annual Growth Since 2016
Population (June 2020)	196,800	0.7%
Gross Regional Product (2019-20)	\$10.6 billion	1.4%
Unemployment (June 2021)	5.7%	3.5 ppt lower
Labour Force (June 2021)	101,532	2.2%
Dwelling Approvals (2020-21)	1,106	4.0%
Median House Price (YE March 2021)	347,000	0.1%

¹ Post the closure of Queensland Nickel Incorporated (QNI)

² The manufacturing sector has experienced a notable turnaround, adding over 500 jobs since 2016. The recovery has been driven in significant part by the \$455 million expansion of the Sun Metals Zinc refinery.

Indicator	Result			Avg. Annual Growth Since 2016
Top Three Employment Sectors (Place of Work, 2019-20)	Health Care and Social Assistance	16,409 jobs	16.7% of employment	3.6%
	Public Administration and Safety	11,956 jobs	12.2% of employment	-0.7%
	Retail Trade	9,672 jobs	9.9% of employment	-0.8%

Source: QGSO (2021), NIEIR (2021)

3. Major Project Pipeline

A high-level review of Townsville's current major project pipeline is presented in the table below. Projects included within the analysis are those which are planned to occur within the Townsville LGA. Of significant note:

- **Townsville has \$7.4 billion in underway projects**, much of which consists of long-term residential developments (Greater Ascot, Sanctum, Elliot Springs) and the expansion of James Cook University (JCU).
- **Townsville has a committed pipeline of \$1.9 billion**, the committed pipeline is dominated by the long-term \$1.6 billion Port of Townville Expansion project.
- **Townsville has a proposed project pipeline of \$9.0 billion** (approximately half of the total project pipeline). The proposed project pipeline contains:
 - Minerals and battery manufacturing opportunities (e.g. Imperium3, Pure Minerals).
 - Large-scale tourism projects.
 - Major road, port, and solar infrastructure projects.
 - Townsville has been identified by the State Government as one of three hydrogen industry hotspots, due to its prime location for renewable hydrogen production and export opportunities.

In addition to local LGA projects, there is also a solid potential pipeline of construction projects across the broader North and North West Queensland region, including the Australian-Singapore Military Training Initiative, the Sconi Scandium Project, the Agripower Expansion Project, vanadium developments across mid-west Queensland, and the CopperString 2.0 transmission line.

The city has a significant overall pipeline of over \$18 billion, though the ultimate commitment to and timing of much of Townsville's proposed project pipeline remains subject to significant uncertainty. This is particularly true for several large private investments which have the strongest direct ongoing employment potential. Greater certainty and security are required regarding progress and timing to underpin local confidence and the expansion/attraction of local businesses.

The city will need to ensure it captures a significant share of the available construction pipeline. While trade labour and housing shortages present genuine challenges, they can be overcome and are not a legitimate reason to reduce the economic development potential of Townsville. An ongoing commitment to local content is critical from private proponents and all three levels of government.

Beyond construction/trade labour and skills, building the local capacity of professional services and key public service positions are key to the development of Townsville and across Northern Australia. The recent relocation of the North Queensland Water Infrastructure Authority (NQWIA) from Canberra to Bowen is a positive that the Federal Government is listening and acting. Townsville is well placed to host a greater share of strategic State and Federal functions as the largest city in Northern Australia.

3.1 Townsville Projects - Underway

Table 3-1: Townsville Projects - Underway (\$40 million +)

Underway Projects	Proponent	Capex (\$M)
Armoured Vehicle Simulation Centre - Lavarack Barracks	Department of Defence	\$40
Carlyle Gardens	Carlyle Gardens	\$85
Elliot Springs - Masterplan	Lendlease	\$4,700
Greater Ascot Residential Development	Parkside Development	\$210
James Cook University Townsville - Masterplan	JCU	\$1,000
James Cook University Townsville - Technology Innovation Complex	JCU	\$96
Marina Residences	Maidment Group	\$50
Sanctum Residential Development	Maidment Development Group	\$200
Sun Metals Zinc Refinery Expansion	Sun Metals	\$455
The Village	Enviro Development Queensland	\$163
Townsville Port Expansion Project Channel Capacity Upgrade	Port of Townsville	\$193
Reef HQ Aquarium Refurbishment	Federal Government	\$80
The Ville Hotel Expansion	The Ville	\$80
Total Underway Projects	-	\$7,352

Source: RDA (2021), Cordell Connect (2021)

3.2 Townsville Projects – Committed

Table 3-2: Townsville Projects - Committed (\$40 million +)

Committed Projects	Proponent	Capex (\$M)
DoubleTree by Hilton Hotel	Focus Pacific	\$40
James Cook University Townsville - Ongoing Campus Renewal	JCU	\$73
James Cook University Townsville - Student Accommodation	JCU	\$54
Weststate Private Hospital	Geon Property	\$60
Townsville Port Expansion Project	Port of Townsville	\$1,600
Townsville Port Freight Terminal	Port of Townsville	\$48
Royal Flying Doctor Service Townsville Superbase/Support Hub	RFDS	\$45
Total Committed Projects	-	\$1,920

Source: RDA (2021), Cordell Connect (2021)

3.3 Townsville Projects – Proposed

Table 3-3: Townsville Projects - Proposed (\$40 million +)

Proposed Projects	Proponent	Capex (\$M)
Lithium Ion Battery Plant	Imperium3	\$2,500
Bruce Highway -Townsville Northern Access Intersections Upgrade	QLD Government	\$107
Haughton Channel Capacity Upgrade	QLD Government	\$90
Hematite Refinery	Pure Minerals	\$554
Lansdown Eco-industrial Precinct	Townsville City Council	\$50
Majors Creek Solar Project 200MW	Edify Energy	\$500
Green Hydrogen and Solar Energy Facility	Edify Energy	\$50
North Australia Cultural Precinct	n/a	\$300
North Queensland Country Club Resort and Equestrian Centre	Landmark Projects	\$1,000
Pinnacles Satellite City Development - Masterplan	EJ Cooper & Son	\$2,000
Rollingstone Solar Farm	ESCO Pacific	\$210
Strand Lagoon	Townsville City Council	\$85
The Hive Mixed Use Development	Gleeson Group	\$450
Townsville Airport Redevelopment	Qld Airport Ltd	\$80
Townsville Energy Chemicals Hub (TECH)	Queensland Pacific Metals	\$416
Townsville Port Expansion Project Outer Harbour Expansion (berths 14+15)	QLD Government	\$200
Townsville Ring Road Stage 5	QLD Government	\$230
Tropical Marine and Aquaculture Research Centre	Qld Government & Federal Government	\$67
Townsville Concert Hall	Federal Government	\$100
Total Proposed Projects	-	\$8,989

Source: RDA (2021), Cordell Connect (2021)

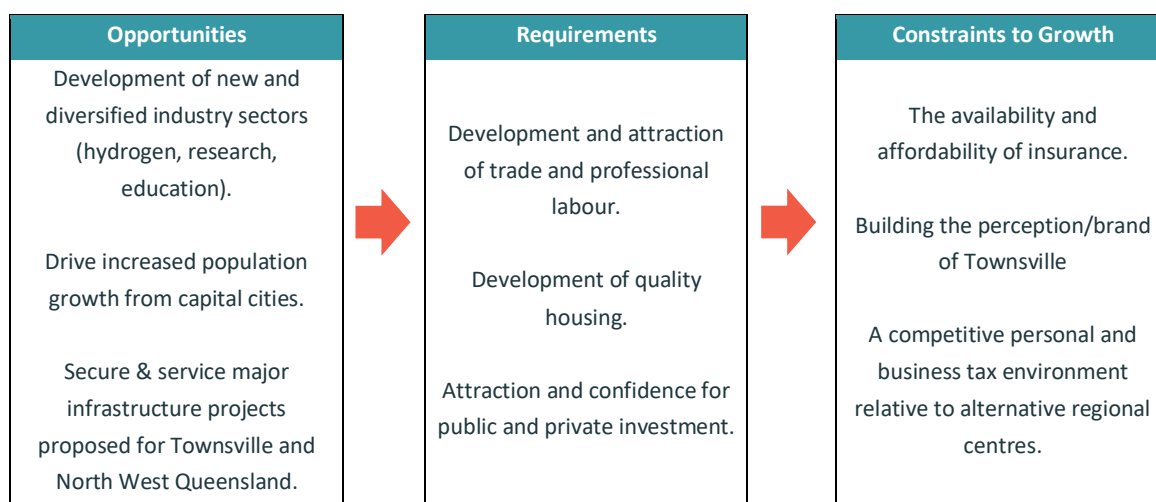
4. Addressing the Constraints to Growth

Based on the performance and outlook of the Townsville economy, the following sections briefly consider three of the key constraints which need to be addressed to support future growth, namely:

- The availability and affordability of insurance.
- Building the brand of Townsville to support labour, skills, and investment attraction.
- A competitive personal and business tax environment.

The considered constraints are by no means comprehensive; however, each are considered fundamental roadblocks to growth and prosperity for the city.

Figure 4-1: Growth Opportunities and Constraints



Source: REA.

4.1 The Availability and Affordability of Insurance

The exit of several insurance providers from the Northern Australian market has created a significant cost and availability issue for Townsville households and businesses. Due to limited market size and the prevalence of natural disasters (floods and cyclones) homeowners in Northern Australia are being charged almost double for home and contents insurance compared to the rest of Australia (ACC, 2021).

There are multiple examples in Townsville, and more broadly across Northern Australia, where people cannot get insurance for the specific events of cyclones and floods presenting a market failure for a basic need of households and businesses. Strata titled properties have been particularly hard hit locally.

The affordability/availability of insurance has been a major constraint on investment and development in the north, leading to:

- An increasing share of properties being uninsured due to the unaffordable/unobtainable nature of cover.
- Lenders being uneasy to support new medium and high-density developments due the insurance risk, with high initial cash requirements for new developments to begin.
- Developers have not identified commercial opportunities for strata-title developments to address the housing shortage because the additional costs of insurance render the final unit product unattractive for purchasers, and consequently the project as commercially unviable.

This in turn has flowed through to the availability and costs of rental properties, impacting those on low incomes most and constraining the level of potential population growth.

The Federal Government has announced a \$10 billion reinsurance pool aimed at addressing the insurance disparity in Northern Australia. The final form of the arrangement is currently under review, with an aim of supporting competitive coverage costs for households and businesses and improving lending conditions and market appetite for the development of additional housing stock.

Ensuring fair and equitable access to insurance will have significant impacts for local wealth. An average premium reduction of just \$1,000 (approximately 25%) per household annually would potentially increase available incomes³ across the city by nearly 6% (total annual savings of approximately \$80 million).

Returning this income to local households would in turn have significant impacts for the local economy. If just two thirds of the hypothetical savings were put back into the local economy (allowing for factors such as non-local expenditure, savings, non-local landlords, etc.) through typical expenditure sectors⁴, each \$1,000 insurance saving could generate on an ongoing annual basis:

- **Approximately \$100 million in economic output** (\$53 million directly).
- **Approximately \$60 million contribution to GRP** (approximately \$30 million directly).
- **Over \$30 million in incomes and salaries for local workers** (\$17.5 million in direct incomes).
- **Approximately 475 Full Time Equivalent (FTE) jobs** (over 300 direct FTE).

Potential economic benefits at different levels of savings are presented in Table 4-1.

Table 4-1: Modelled Economic Impacts Insurance Savings (Townsville Local Government Area)

Impact	Output (\$M)	GRP (\$M)	Incomes (\$M)	Employment (FTE)
\$1,000 p.a. (approx. 25% saving)				
Direct	\$53.3	\$28.8	\$17.5	302
Production Induced	\$26.5	\$12.5	\$6.7	72
Consumption Induced	\$31.4	\$17.8	\$7.9	100
Total	\$111.1	\$59.2	\$32.1	474
\$2,000 p.a. (approx. 50% saving)				
Direct	\$106.7	\$57.7	\$35.1	604
Production Induced	\$52.9	\$25.1	\$13.3	145
Consumption Induced	\$62.7	\$35.7	\$15.8	200
Total	\$222.3	\$118.4	\$64.2	949

Source: REA

The effects on investment, development, and supporting increased population growth in the region have the potential to increase these local impacts many times over. The recirculation of money through the local economy will also support government revenues through streams such as income tax and GST.

4.2 Building the Townsville Brand

With the difficult economic conditions of the past five years, and broader community and political trends, parts of Townsville have seen an increase in social issues including drug and alcohol abuse and youth crime. In 2020 Townsville rated amongst the highest rates of passenger vehicle theft in Queensland (National Motor Vehicle Theft Reduction Council, 2021).

³ Accounting for average expenditure levels in Townsville (.id 2021).

⁴ For illustrative purposes modelling is based on retail trade and food and beverage services in the REA Input-Output model. Results will vary notably depending on discretionary expenditure sectors and the share of local purchases. Current local expenditure impacts through higher insurance premiums were not included, though can reasonably be expected to be modest/minimal.

Along with relatively weak economic conditions for an extended period, the prevalence and perception of Townsville as a youth crime hotspot creates significant challenges in driving the population and industry growth required to support long term prosperity.

While acknowledging the seriousness of youth offences and the pain inflicted on local families and businesses, it is important to understand that the incidence of youth crime has been a state-wide issue. The rate of youth crime is currently high in Townsville (approximately double the state average on a per capita basis). However, the rate of growth in youth crime incidence in Townsville has been broadly comparable with the state average over the past five years⁵. Notably, the overall rate of crime in Townsville (including adult and youth offences) has declined on a per capita basis since 2015, with a 2.7% overall decline in adult offences over the period.

There are numerous underlying factors driving youth crime, including domestic abuse and neglect, disengagement from education and the workforce, mental health issues, drug and alcohol abuse, and limited life opportunities which cause youth not to remain at home at night and therefore walk the streets where they both commit and are the victims of crime.

Incidents of some crimes have reportedly reduced in recent months, with funding increases and changes to youth bail laws (breach of bail now viewed by courts as an aggravated circumstance). While it is hoped that Townsville will turn the corner, further legislative changes and commitment will be required to appropriately deal with serious and repeat youth offenders.

Table 4-2: Regional Crime Statistics

Region	2015 Adult offences	2020 Adult offences	% Increase	2015 Juvenile offences	2020 Juvenile offences	% Increase
Queensland	265,696	257,225	-3.2%	43,444	50,029	15.2%
South Brisbane	30,384	28,221	-7.1%	4,120	6,461	56.8%
North Brisbane	29,265	33,277	13.7%	3,599	5,574	54.9%
Far North	23,380	23,114	-1.1%	6,004	5,522	-8.0%
Gold Coast	29,581	23,682	-19.9%	3,480	4,462	28.2%
Townsville	17,178	16,707	-2.7%	3,565	4,157	16.6%
Darling Downs	18,533	18,334	-1.1%	3,263	3,708	13.6%
Logan	19,697	18,611	-5.5%	3,601	2,979	-17.3%
Moreton	20,695	18,462	-10.8%	3,282	2,819	-14.1%
Capricornia	16,553	15,381	-7.1%	2,828	2,714	-4.0%
Sunshine Coast	13,690	13,221	-3.4%	2,196	2,712	23.5%
Mount Isa	6,309	4,306	-31.7%	1,667	2,700	62.0%
Ipswich	12,561	14,069	12.0%	1,619	2,139	32.1%
Wide Bay Burnett	12,626	13,458	6.6%	2,241	1,612	-28.1%
Mackay	10,067	11,561	14.8%	1,159	1,360	17.3%
South West	5,177	4,821	-6.9%	820	1,110	35.4%

Source: QPS (2021)

⁵ Both in terms of total youth offences and unlawful usage of a motor vehicle.

The perception of the city as an area of high crime has created a significant constraint to population attraction, investment, and broader economic growth. It works against many of the city's natural and built advantages as a destination of choice with notable tourism and events draws (Magnetic Island, Queensland Country Bank Stadium, North Queensland Festival of Chamber Music) and stable career opportunities across health care, defence, and education.

In its favour, Townsville supports a population of almost 200,000 and is the largest city in Northern Australia and the unofficial capital of North Queensland. As such, it is a thriving city with the supporting infrastructure to support a medium size regional city and its associated industry, businesses, and tourism growth.

In addition to its natural environment, favourable weather, liveability, lifestyle and accessibility, Townsville can also be perceived as a destination of economic opportunity showing growth in key areas:

- Overall population and economic growth trending upwards.
- Ranking in the top 10 places in Australia for job creation (Smith, 2021).
- Appealing property market for owners and investors with rents increased by over 3% per annum since 2016 and rental vacancies at below 1% across many areas of the city (0.7% as of July 2021 (REIQ, 2021)). Property price levels have also begun to rapidly increase in recent months but remain comparably very affordable (approximately 30% of the Sydney and 50% of Brisbane median house price).

Through the COVID pandemic, Townsville has had increased visibility as a potential destination for tourism, relocation from cities, sporting events, and investment with business confidence trending upwards. In the last few months, Townsville has successfully held the national, and international stage with key events including the Rugby Championships double header, the State of Origin, and North Australian Festival of Arts (NAFA) putting the spotlight on the city.

The overarching brand and narrative of Townsville needs to continue to evolve to reflect an area of safe, affordable growth and opportunity that reflects the reality, needs, and aspirations of the city as its traditional industrial base continues to evolve to become more cosmopolitan and diverse. This message needs to be consistent and alongside broader efforts to address underlying issues and outwardly projected for the city's target markets, particularly young families which are potentially a strong fit for Townsville's affordable lifestyle and short working commutes.

While far from a panacea, improving local economic conditions and employment will in turn support opportunities for youth to have a greater stake within the Townville community.

4.3 A Competitive Business Tax Environment

There is a recognised need for broad based tax reform in Australia. While all taxes have the potential to depress economic activity in some way or another, true tax reform would shift dependence away from those taxes that are most detrimental to economic activity (e.g., taxes on income) towards those that are less damaging (e.g., taxes on consumption). On a more micro-scale some suggestions as to how changes to taxation could support Townsville's future growth include:

- Stamp duty on the purchase of owner-occupied residential property (family homes) acts as a deterrent to household mobility and represents a barrier to moving homes generally, let alone moving to another state or territory. Specific stamp duty exemptions for households relocating to Townsville would be a positive contribution to our regional appeal.
- Relative differences between local council rating structures (council rates being a tax levied by local government), serve to create a preference for families to choose one destination over another. Council rates have to provide a sustainable revenue base for the provision of local government services; however they should also be set with attraction of new residents in mind.

- Payroll taxes create a disincentive, whether actual or perceived, to the growth of businesses and the creation of new employment opportunities. Payroll taxes creates two layers of cost for business: firstly the tax itself; and secondly the associated compliance costs. Payroll tax compliance and administration is magnified for businesses with operations in multiple states or territories and even for businesses within a state that operate in major urban centres and regional centres (as is the case in Queensland and Victoria). Immediate and direct benefits could be created for businesses, including those in Townsville, through meaningful change in payroll taxes. Three concepts are proposed below.
 - In the first instance, the State and Federal Governments should engage in a genuine and outcome-oriented manner around realising the long-discussed opportunity for broad based tax reform in Australia. A foundational component of that reform is the abolition of payroll taxes (with the resultant decline in State Government revenues likely replaced via increases in other taxes, like GST). It is acknowledged that there are a number of significant challenges in realising broad based tax reforms, but overcoming those is a shared responsibility of the Federal and all State and Territory Governments.
 - State Governments are likely to be as reluctant to abolish payroll taxes as the Federal Government would be to increase the rate of GST and / or the breadth of application of GST. A second concept to explore involves taking interim steps on the journey towards abolition of payroll tax such as reductions in the rate of payroll tax, increases in the payroll tax thresholds and enhanced use of payroll tax concessions to bolster both the attractiveness of both regional economies and / or the employment of more people in regional economies (including by “out-of-state” employers. Steps such as this reduce some of the direct cost burden of paying payroll tax, but unless carefully implemented may not do much in the way of reducing payroll tax compliance costs.
 - The third concept to explore is focussed very much on reducing the costs of payroll tax compliance (which inherently relates to reducing the complexity of payroll tax compliance). Payroll tax compliance costs are driven, in part, by:
 - Definition of “taxable wages” (which varies from the concept of wages used to determine Pay As You Go Withholding (PAYGW) obligations, which also varies from the concept of wages used to determine Superannuation Guarantee obligations and which also can vary from State to State – for both payroll tax and workers compensation insurance purposes). There are also differences around the definitions of key terms like employee and contractor which are not standardised.
 - Differing rates, thresholds, exemptions and concessions between the States and Territories.
 - The preparation and lodgement of monthly and annual payroll tax returns for each State or Territory in which a payroll tax obligation arises (this being a return in addition to the Activity Statements employer entities are lodging on a monthly basis with the ATO).
 - Separate payment mechanisms for each State or Territory in which a payroll tax obligation arises (again, this being in addition to monthly activity statement payment obligations).
- The costs of payroll tax compliance would be meaningfully reduced if the system across all States and Territories were overhauled such that:
 - A standard definition of “taxable wages” is adopted in all states and territories and that this definition matches the concept of wages used to determine an employer’s PAYGW obligations (ensuring only one payroll calculation is required each period for both payroll tax and PAYGW purposes). That is, if an amount paid to an employee or contractor is subject to PAYGW, its then also potentially subject to payroll tax (after application of the relevant payroll tax thresholds etc).
 - A standard rate and payroll tax threshold is utilised in all States and Territories (currently rates, thresholds, exemptions and concessions are used by different jurisdictions, in part, to differentiate from a business attractiveness perspective).
 - Payroll taxes obligations are disclosed and paid via Activity Statements lodged with the ATO and / or via enhanced Single Touch Payroll Reporting systems. A standard definition of wages for payroll tax and PAYGW purposes coupled with the existing Single Touch Payroll reporting systems means all relevant payroll data is made available to the ATO for self-assessment of both PAYGW and payroll tax obligations and is likely to lead to increased levels of payroll tax compliance (it becomes easier for employers to both identify when a payroll tax obligation arises and the ongoing calculation of their liability, including the exceedingly complex and cumbersome payroll tax threshold calculations). Separate lodgements to different revenue offices in each state is an unnecessary and non-value adding compliance activity for Australian

businesses that can be overcome with enhanced reporting to the ATO and sharing of relevant data between the ATO and State / Territory revenue offices.

- A payment mechanism then needs to be established between the ATO and the State / Territory revenue offices to ensure the timely remittance of payroll taxes initially collected by the ATO. Additional consideration is needed around how the various collection agencies deal with recalcitrant taxpayers.

A standardised national system for lodgements and collections is expected to have a net positive benefit for all stakeholders – reduced compliance costs, better utilisation of existing data flows and increased levels compliance and collections. In turn, this will facilitate business expansion across State and Territory borders (in terms of both expanding operations and virtual labour mobility).

5. Summary & Outlook

Townsville stands ready for a new phase of growth, despite the global and national downturn. The city and its business community have repeatedly shown resilience and adaptability. Renewed interest in relocation and investment into Townsville to take advantage of employment and lifestyle opportunities, while escaping the worst of the COVID pandemic, has underpinned a new wave of confidence.

The attraction of new residents and businesses, in turn, has the potential to unlock significant wealth and investment given the disparity in property prices and housing equity in Townsville compared to capital cities. A broad pipeline of opportunities underpins potential for long term growth and prosperity.

While the opportunity exists, the city faces fierce competition for investment, labour and skills from other Australian centres which are facing a similar outlook. Likewise, companies and stakeholders from alternative regional centres and capital cities will be rightly seeking to capitalise on the projected infrastructure pipeline across the broader Townsville and North-West Queensland region.

While trade labour and housing shortages present genuine challenges, they can be overcome and are not a legitimate reason to reduce the economic development potential of Townsville. A commitment to funding and delivery of a greater share of the local project pipeline will be required to support local business confidence and expansion, as will a commitment to local content across construction and trades, professional services, ongoing employment, and strategic public services.

The issues which currently constrain the outlook for Townsville are fundamental needs for businesses and households. These can be addressed through legislation to support available and competitive insurance premiums, and consideration of a more competitive personal and business taxation environment that supports growth across many regional centres. We have repeatedly seen inequitable insurance costs, local government rates, and payroll tax implications impact new investment and expansion plans for economically viable businesses.

In line with the improving outlook and a diversifying industry base, the overarching brand and narrative of Townsville needs to continue to evolve to promote an area of safe, affordable growth and opportunity that reflects the reality, needs, and aspirations of a city that is now one of the top 10 centres for job creation in Australia. The city must commit to being open for business and new development.

Where these commitments can be met, Townsville offers some of the strongest economic development potential in Australia. The upside for businesses and property, and the opportunities for individuals to get ahead with an affordable family-friendly lifestyle with short work commutes over the coming years is more than worth the commitments required to support growth.

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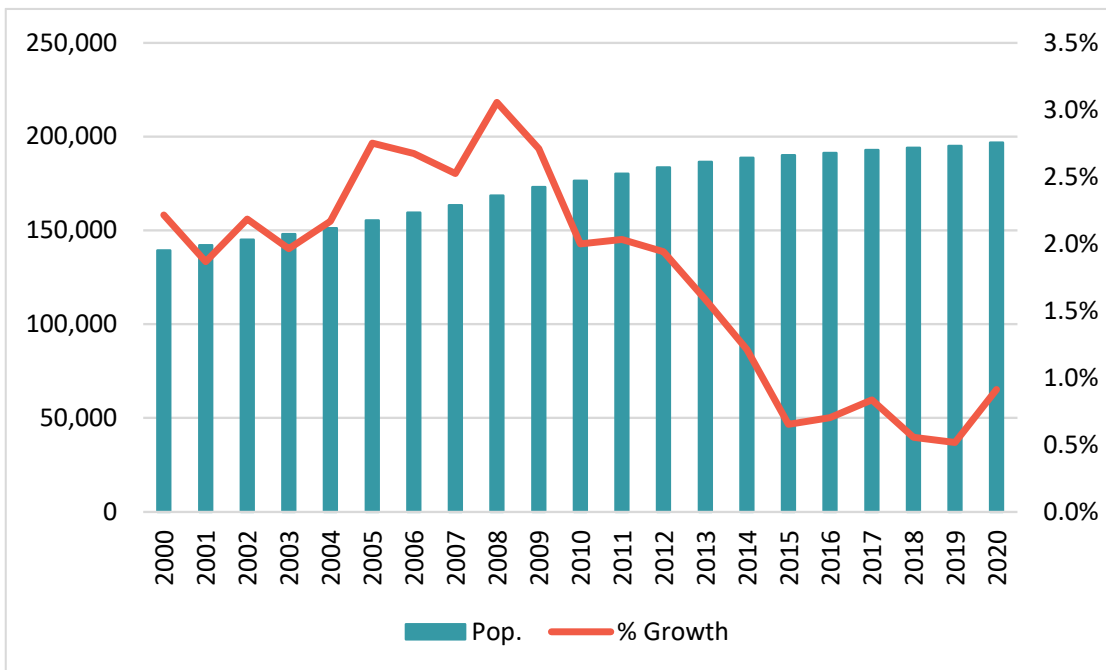
Appendix A: Socio-Economic Indicators

Population Growth

Townsville currently hosts a resident population of 196,800 with growth of 0.9% during 2019-20. The last 12 months have seen an uptick in population growth compared to the last five years, however growth remains well below the Queensland average (1.6% per annum since 2015) and Townsville’s pre-Global Financial Crisis (GFC) average of 2.4% per annum.

Over the next 20 years, Townsville is projected to grow on average 1.7% per annum, reaching a population of approximately 282,000 by 2041.

Figure A.1: Population Growth



Source: QGSO (2021)

Age Profile

Townsville has a relatively young demographic, with a greater share of the population representing children and young working individuals/families and a notably lower share of retirees and elderly people compared to Queensland as a whole.

Table A.1: Share of Population by Age (2020)

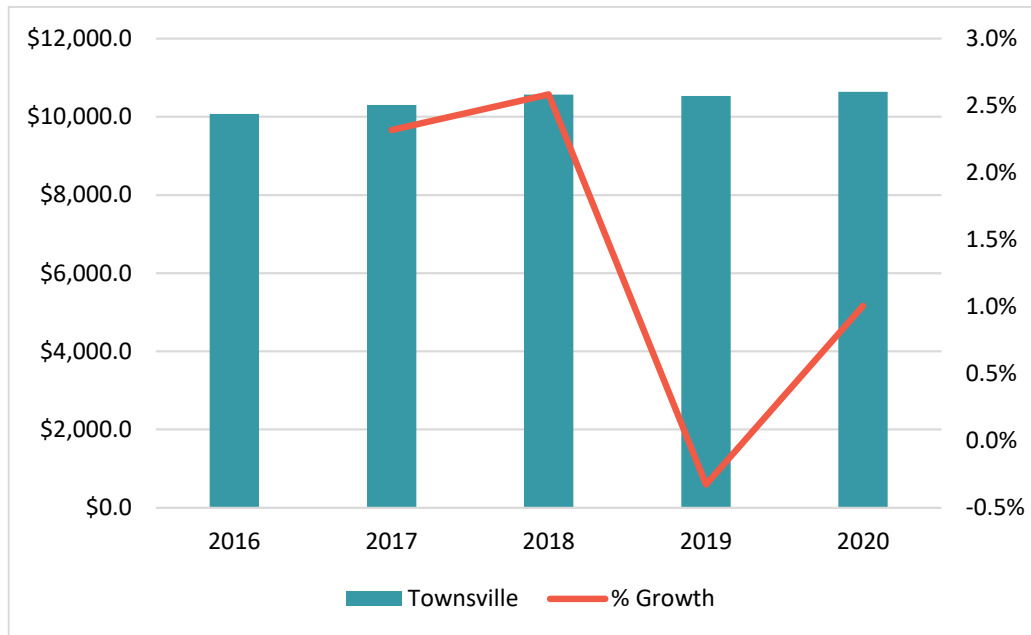
Age Band	Townsville	Queensland
0-14	19.7%	19.3%
15-24	14.9%	12.7%
25-39	22.4%	21.0%
40-65	29.8%	30.9%
65-80	10.5%	12.3%
80+	2.7%	3.8%

Source: QGSO (2021)

Gross Regional Product

Townsville generated Gross Regional Product (GRP) of \$10.6 billion during 2019-20 with growth of 1.0%, a significant achievement through the initial stages of the COVID-19 pandemic. Growth has averaged 1.4% per annum since 2016, with negative growth during 2019 due to the February floods.

Figure A.2: Gross Regional Product (\$M)



Source: NIEIR (2021)

Industry Value Added

Townsville has a diverse economy, with no sector contributing more than 15.2% of Industry Value Added (IVA). The largest sectors in North Queensland include:

- **Public administration and safety (15.2% of IVA):** Townsville hosts major defence establishments including Lavarack Barracks, Royal Australian Air Force (RAAF), and the Townsville High Range Training Area in addition to significant local, state, and federal government employment.
- **Health Care and Social Assistance (13.2% of IVA):** Townsville acts as a major regional health care hub for Northern and North West Queensland, with private and public hospitals and allied health care.
- **Education and Training (7.2% of IVA):** Townsville is a significant education provider, including James Cook and Central Queensland University, the Greater Barrier Reef Institute of TAFE, and a broad range of public and private primary and secondary school offerings.
- **Construction (7.1% of IVA):** Townsville hosts a major construction sector servicing industry, infrastructure, and residential demand.
- **Manufacturing (% of IVA):** Townsville is a major manufacturer, with the sector focussed on value adding to the region's agricultural and minerals production. Major regional establishments include the Sun Metals Zinc and Glencore Copper refineries, and the 900 head beef cattle per day JB Swift meatworks.

The majority of Townsville's growth since 2016 has come through the sectors of Health Care and Social Assistance (+\$396.9 million, 8.6% per annum), Mining (+\$218.2 million, 14.9% per annum), and Information Media and Telecommunications (+148.5 million, 19.4% per annum). Nine sectors recorded negative growth, most notably Construction (\$217.9 million, -6.1% per annum) and Public Administration and Safety (-\$173.5 million, -2.5% per annum).

Table A.2: Industry Value Added (\$M)

ANZSIC	2016	2020	AAG (2016-2020)
Public Administration and Safety	\$1,786.2	\$1,612.7	-2.5%
Health Care and Social Assistance	\$1,008.9	\$1,405.8	8.6%
Education and Training	\$776.2	\$766.2	-0.3%
Construction	\$977.6	\$759.7	-6.1%
Manufacturing	\$671.3	\$720.4	1.8%
Transport, Postal and Warehousing	\$617.9	\$627.8	0.4%
Electricity, Gas, Water and Waste Services	\$618.4	\$579.6	-1.6%
Retail Trade	\$577.8	\$570.1	-0.3%
Financial and Insurance Services	\$490.3	\$560.1	3.4%
Mining	\$294.4	\$512.6	14.9%
Wholesale Trade	\$338.5	\$483.0	9.3%
Professional, Scientific and Technical Services	\$450.8	\$465.3	0.8%
Administrative and Support Services	\$274.2	\$299.0	2.2%
Information Media and Telecommunications	\$144.2	\$292.7	19.4%
Accommodation and Food Services	\$318.5	\$273.6	-3.7%
Rental, Hiring and Real Estate Services	\$259.2	\$258.0	-0.1%
Other Services	\$246.0	\$220.5	-2.7%
Arts and Recreation Services	\$82.4	\$160.3	18.1%
Agriculture, Forestry and Fishing	\$136.8	\$73.4	-14.4%
Total	\$10,069.5	\$10,640.8	1.4%

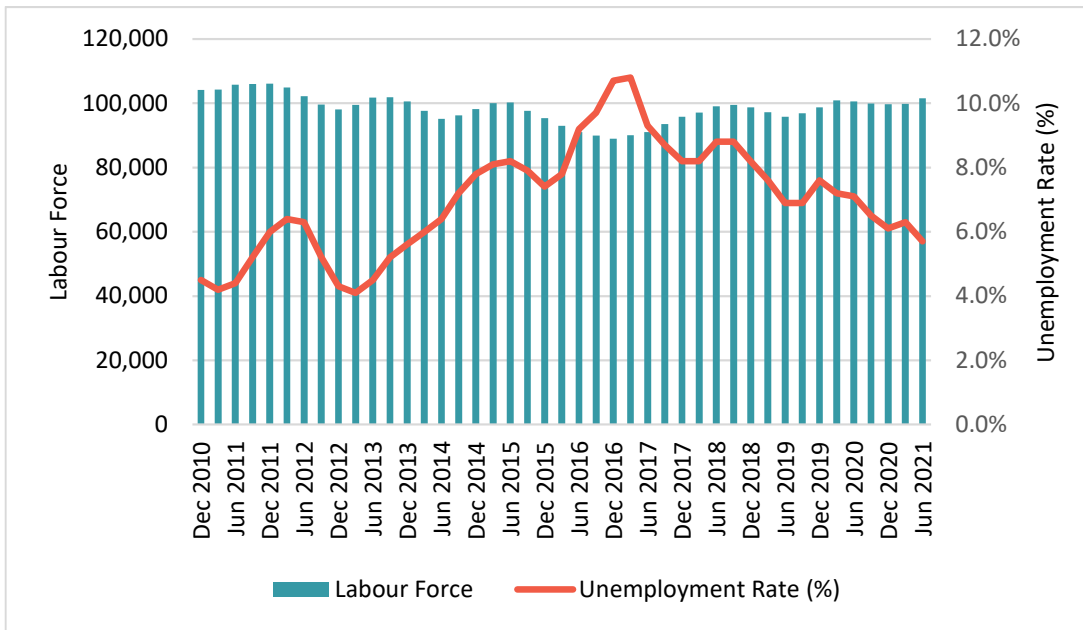
Source: NIEIR (2021)

Labour Market

The Townsville labour market has tightened significantly since its high of nearly 11% unemployment post the closure of QNI Nickel Refinery in 2016. Townsville's current unemployment rate of 5.7% sits well below the Queensland average of 6.8%, highlighting the relative strength of the local economy through the COVID-19 pandemic. The Townsville labour force has also grown by over 12,500 people (approximately 14%) since the lows of late 2016/early 2017.

Many sectors including construction/trades and hospitality currently report labour shortages as becoming a significant constraint to recovery and expansion. Attracting and retaining labour and skills within Townsville is a key to longer-term recovery and growth.

Figure A.3: Labour Force and Unemployment

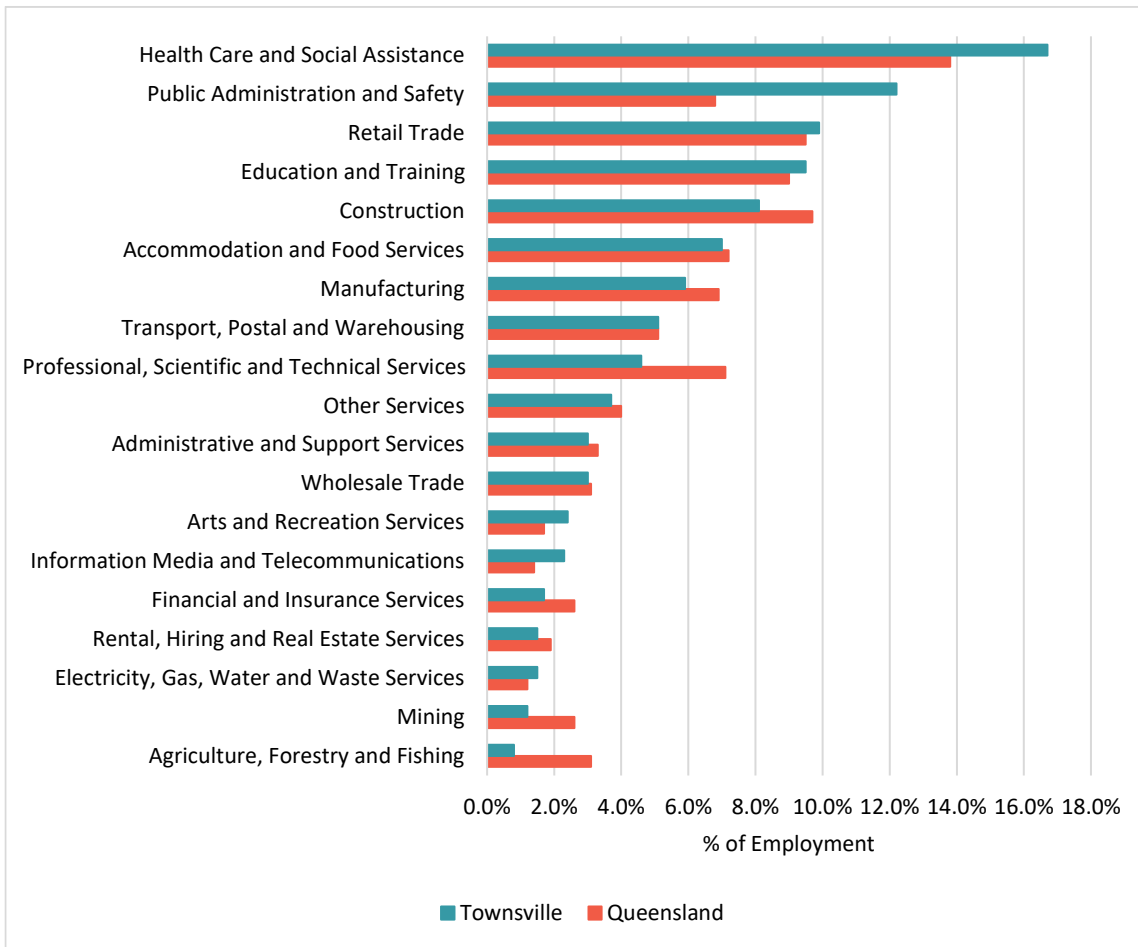


Source: QGSO (2021)

Health care and social assistance, public administration and safety, retail trade, and education and training are the largest employment industries in Townsville. The relative strength in these sectors is highlighted by a notably greater share of employment compared to the State of Queensland.

The city remains underrepresented in key industry sectors including construction (0.4 ppt lower employment compared to Queensland), manufacturing (1.0 ppt lower employment compared to Queensland), and professional, scientific, and technical services (2.5 ppt lower employment compared to Queensland).

Figure A.4: Employment by Industry (2019-20, Place of Work)



Source: NIEIR (2021)

Property Market

The Townsville property market has experienced a recent resurgence after more than a decade of weak conditions. Residential vacancy rates are particularly tight, estimated at >1% in many areas. The rental shortage has been driven by very low levels of construction in recent years, the disruption of housing stock in Townsville due to the 2019 floods, and a recent uptick in population growth including relocations associated with the COVID-19 pandemic.

Median prices have also begun to recover from a very low base in recent months. However, unit values remain well below 2016 levels. Prices are currently constrained by the availability and affordability of insurance, particularly for strata titled properties. Due to limited market size and the prevalence of natural disasters (floods and cyclones) homeowners in Northern Australia are being charged almost double for home and contents insurance compared to the rest of Australia (ACC, 2021).

Townsville remains a very affordable place to live, with median house prices 10% cheaper than the Queensland average and median rents 10% cheaper for three-bedroom houses and 25% cheaper for two-bedroom units.

Table A.3: Median Prices and Rents

Indicator	Townsville
Median Price (YE March 2021)	
Detached Dwellings	\$347,000
Attached Dwellings	\$259,000
Average Annual Growth (2016-2021)	

Indicator	Townsville
Detached Dwellings	0.1%
Attached Dwellings	-2.2%
Median Rent (YE March 2021)	
3 Bedroom House	\$350
2 Bedroom Unit	\$300
Average Annual Growth (2016-2021)	
3 Bedroom House	3.1%
2 Bedroom Unit	3.7%

Source: QGSO (2021)

Commercial/retail markets remain in a state of oversupply relative to demand. However, the markets are identified as being at the early stages of recovery with the volume of sales increasing (HTW, 2021).

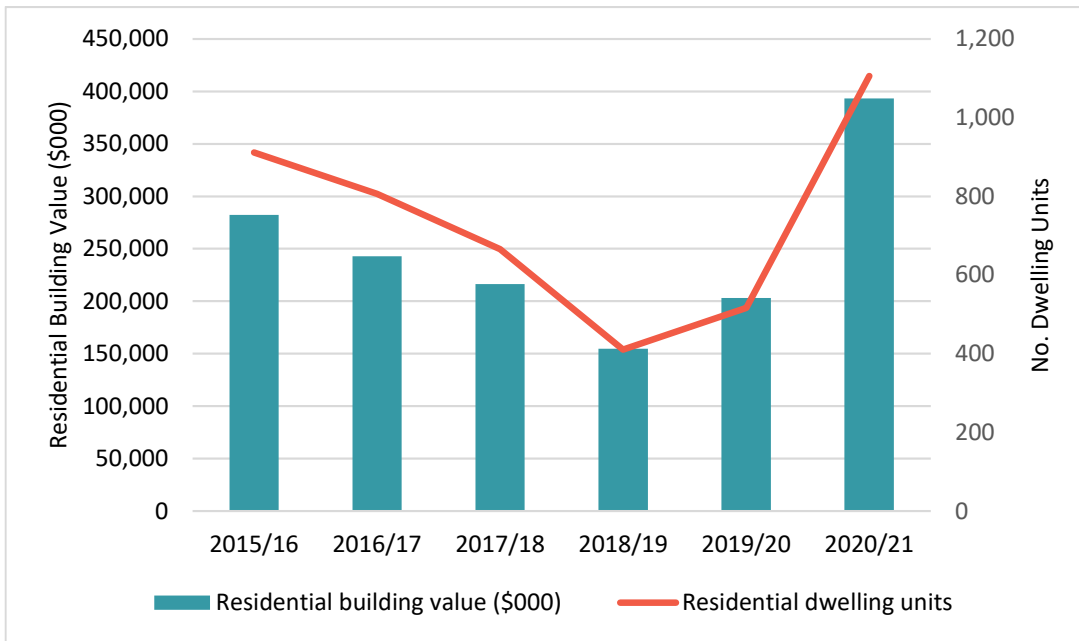
Table A.4: Property Market Indicators

Indicator	Townsville
Residential	
Rental Vacancy Situation	Severe shortage of available property relative to demand
Rental Vacancy Trend	Tightening
Volume of Property Sales	Increasing
Stage of Property Cycle	Rising Market
Commercial/Retail Space	
Rental Vacancy Situation	Over-supply of available property relative to demand
Rental Vacancy Trend	Steady
Volume of Property Sales	Increasing
Stage of Property Cycle	Start of Recovery

Source: HTW (2021)

Building activity has increased significantly due to the Federal Government HomeBuilder grants from a very low base (up over 100% during 2020-21). While approvals have declined post the scheme's conclusion, monthly indicators remain significantly above pre-COVID levels.

Figure A.5: Residential Building Approvals



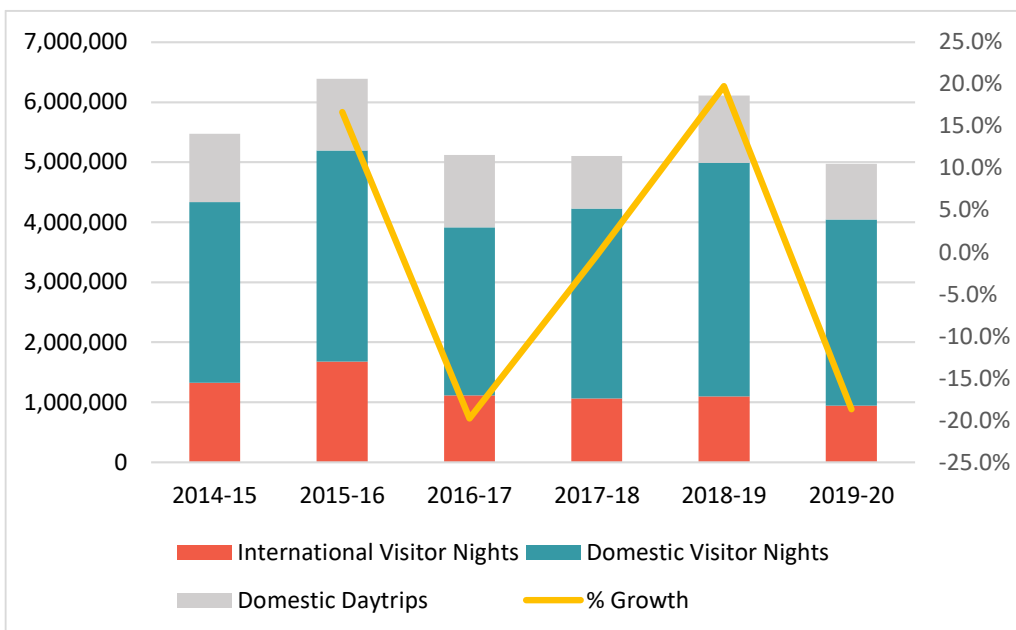
Source: QGSO (2021)

Tourist Visitation

Townsville is a notable tourism and events destination, known for high quality island, reef and sporting/cultural experiences. The city recorded approximately 5 million total visitor days/nights during 2019-20, a decline of approximately 19% due to the early impacts of the COVID-19 pandemic.

At this stage the timing for recovery in domestic and international visitation remains highly uncertain, however the city will remain a significant tourist draw once the global pandemic has passed.

Figure A.5: Tourist Visitor Days/Nights



Source: TRA (2021)

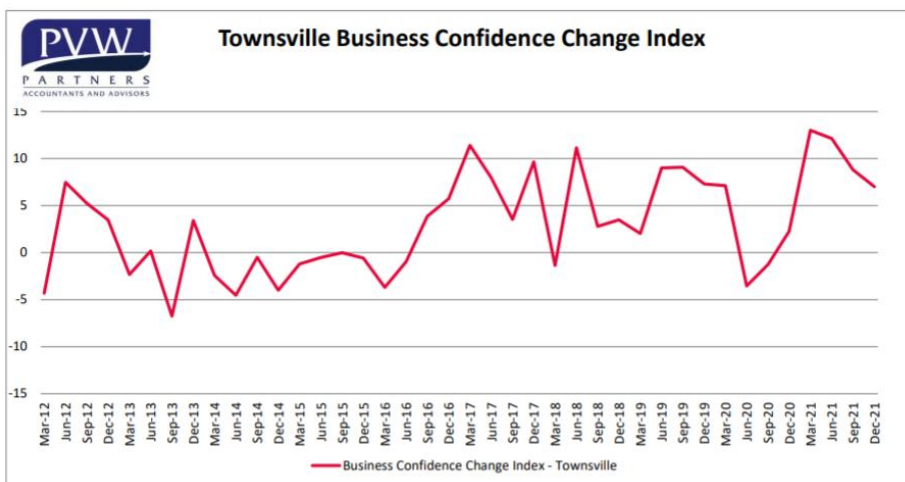
Business Confidence

While volatile, business confidence has trended upward over the last 5 years to the December Quarter 2021. The level of confidence remains above recent averages and well above the long-term average.

While the early onset of COVID-19 did result in a temporary drop in business confidence, it has recovered quickly in line with the resurgent Townsville economy. There is a significant feeling across the business community that our future is geared toward an upward economic trend and despite the uncertainty of COVID-19 and the government responses to it (impacting some sectors more than others), many businesses in Townsville are enjoying better trading conditions than seen for quite some time.

Some of the improved conditions are attributable to the COVID-19 related government stimulus packages (JobKeeper and HomeBuilder) but it shouldn't be overlooked that Townsville was on a recovery trajectory before COVID-19 and that trajectory is now continuing.

Figure A.6: Business Confidence



Source: PVW (2021)

Appendix B: Townsville Economic Review Summary Sheet

TOWNSVILLE
CHAMBERRegional
Economic
Advisory
GROWING COMMUNITIESPVW
PARTNERS
ACCOUNTANTS AND ADVISORS

Townsville Economic Review 2021 – 2022

Townsville stands ready for a new phase of growth, despite the global and national COVID downturn.

The city and its business community have repeatedly shown its resilience and adaptability. Renewed interest in relocation to and investment in Townsville to take advantage of employment and lifestyle opportunities, has underpinned a new wave of confidence.

The attraction of new residents and businesses has the potential to unlock significant wealth and investment given the disparity in property prices in Townsville compared to capital cities and the broad pipeline of opportunities offering long term growth and prosperity.

While significant opportunity exists, the city faces fierce competition for investment, labour, and skills from other Australian centres facing a similar outlook.

Labour and housing shortages present genuine challenges, however can be overcome. Securing funding and delivery of a greater share of the local project pipeline will be required to support local business confidence and expansion, as will a commitment to local content across construction and trades, professional services, ongoing employment, and strategic public services.

The issues which currently constrain the local outlook for Townsville are fundamental to businesses and households - insurance and tax. These

can be addressed through legislation in favour of competitive insurance premiums and create a taxation environment that supports growth across regional centres. We have repeatedly seen inequitable insurance costs, local government rates, and payroll tax implications impact new investment and expansion plans for economically viable businesses.

In line with the improving the economic outlook and a diversifying industry base, the brand narrative for Townsville must continue to evolve to promote a city that is vibrant and innovative while being safe, affordable, and stable reflecting the aspirations of a city that is now one of the top 10 centres for job creation in Australia. The city must commit to being open for business and new development.

Where these commitments can be met, Townsville offers some of the strongest economic development potential in Australia. The upside for business, economy, and for individuals wanting to get ahead with an affordable family-friendly lifestyle is well worth the commitment required to support growth.

It's time to put Townsville on your investment radar.....

**Townsville offers
some of the
strongest economic
development
potential in Australia**

SOCIO-ECONOMIC INDICATORS



GRP of \$10.6Bn 2019-20

↑ **1.4%** Y-AVE since 2016

Economy **GREW 1%** in 2020 despite initial impacts of covid



POPULATION GROWTH

↑ **0.7%** Y-AVE since 2016

Interest in relocating to TSV

INCREASED since covid



UNEMPLOYMENT DOWN

5.7% in 2021 vs. **11%** in 2017

QLD state average currently **6.8%**

**TOP
10**

LABOUR FORCE UP

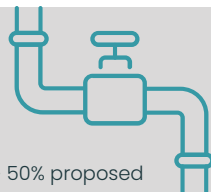
↑ **2.2%** Y-AVE since 2016

AUSTRALIAN CITIES
FOR JOB CREATION

\$18BN

PROJECT PIPELINE

40% underway • 10% committed • 50% proposed



BUSINESS CONFIDENCE

Upward trend since 2016 and remaining well above long term averages

**RAPIDLY RISING
PROPERTY MARKET**



RENTAL RETURNS ↑ **3%** pa since 2016

Vacancies below 1% across the city

MEDIAN HOUSE PRICE \$347K

30% of SYD median

50% of BRIS median

MACRO TRENDS – LOCAL ENVIRONMENT

COVID in TSV

Townsville has had minimal direct cases and no extensive closures that have impacted the community that other capital and regional cities have experienced.

Evidence indicates regional migration to Townsville from capital city areas.

Impacts of the transition from “zero-COVID” to living with COVID in 2022 may pose greater challenges for Townsville than the original outbreak and management

LOW GLOBAL INTEREST RATES

A decade of low level interest rates has led to rapid asset appreciation (property, equities, cryptocurrency).

Townsville has not experienced the asset price inflation of capital cities and is at less at risk of a significant price correction should interest rates begin to rise over the coming years.

The city presents a golden opportunity for those living in capital cities to migrate and lock in the substantial capital gains achieved over the past 10 years.

REMOTE WORKING

The rise in adaption and acceptance of remote working through the pandemic has been a driver of regional migration creating more opportunities for people to be employed in regions such as Townsville.

AUTOMATION

Investment in automation is a major trend for many key Townsville industries, helping to recover international competitiveness in value adding and new advanced manufacturing sectors.

GROWTH TRENDS IN EMERGING MARKETS

While emerging markets continue to drive global growth, there has been a significant maturing of economic activity, particularly in China.

This has led to changes in both the opportunities associated with emerging market growth and the nature of economic competition from emerging markets.

OPPORTUNITIES

New & Diverse
Industry Sectors

Population Growth from
Capital Cities

Major Project Pipeline for
TSV & Regions

REQUIREMENTS

Develop & Attract
Critical Labour

Develop
Quality Housing

Gain Investor
Appeal & Confidence

CONSTRAINTS

The Availability &
Affordability of Insurance

Building Townsville's
Brand & Perception

A Competitive Personal
& Business Tax
Environment

ADDRESSING CONSTRAINTS TO GROWTH

The availability & affordability of insurance

Insurance is an essential need for households and businesses, and the fundamental market failure of insurance in Northern Australia is one of the major constraints to future growth. The Federal Government's proposed \$10 billion reinsurance pool will be key to unlocking investment and future growth. A successful design of the reinsurance pool is critical to ensure insurance companies re-enter the Northern Australia market place and stimulates competition.

Addressing the inequality of insurance will have significant impacts for household wealth and, in turn, the local economy.

Achieving equality in insurance costs is estimated to generate through increased local expenditure for Townsville (based on approximately 50% reduction):

- **\$118 million pa to GRP directly (\$58 million in direct impacts)**
- **950+ FTE jobs (over 600 direct FTE)**

Building Townsville's brand & perception

As economic conditions improve, and Townsville's industry mix continues to evolve the city needs to continue to develop its image as a safe and affordable lifestyle destination, with strong economic fundamentals and career prospects in line with the needs and aspirations of the city.

A strong brand backed by economic and community fundamentals will be critical to attract and retain the households and businesses required to support future growth.

A competitive personal & business tax environment

A competitive personal and business tax environment, relative to alternative centres, that supports the relocation of households, expansion of existing businesses into new locations and creation of new businesses is critical to the growth of Townsville and other regional Australian cities.

Specific stamp duty exemptions for households relocating to Northern Australia would be a positive contribution to our regional appeal. Relative differences between local council rating structures can serve to create a preference for families to choose one destination over another.

For More Information

The Townsville Economic Review has been developed as a collaboration between Townsville Chamber of Commerce, Regional Economic Advisory and PVW Partners.



DOWNLOAD THE FULL REPORT



www.townsvillechamber.com.au

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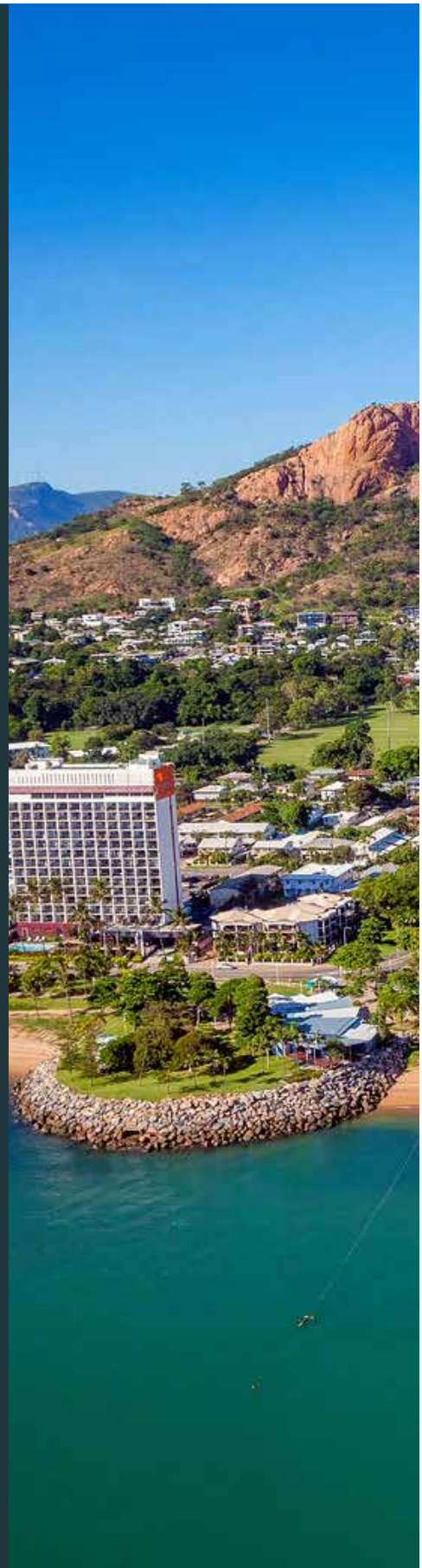
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GROWING COMMUNITIES

