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Economic Impact Assessment of the Palm Island Community Company

Report prepared for:-
Palm Island Community Company
October 2016

INCORPORATING:

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1. Introduction and Background:

This report presents an Economic Impact Assessment (EIA) of the Palm Island Community Company on the Palm Island Local Government Area economy in terms of output, value added, wages and salaries and employment.

1.1 Sources of Information

Information has been used from the following sources:

- ABS Survey Data
- ABS Census Data
- Australian Government Department of Employment Small Area Labour Market Data
- Queensland Government Statisticians Office
- Palm Island Community Company Annual Report
- Palm Island Community Company Financial Report

1.2 Form and Methodology

- Section 1: Introduction and Background to the report
- Section 2: Economic Impact Assessment of the Palm Island Community Company on the Palm Island Local Government Area economy
- Section 3: Conclusion

1.3 Input-Output Modelling

Input-Output (IO) modelling is used to estimate the Palm Island Community Company contribution to the Palm Island Local Government Area economy in terms of output, value added, employment generated and wages and salaries paid.

This approach assumes there are no resource constraints. For example, it is assumed that the project will not draw labour from other businesses and there are limitless goods and services to supply the operation.

IO modelling is useful to identify the unconstrained potential benefits (demand) of an operation and provides a clear understanding of the direct and indirect impacts associated with its operation.

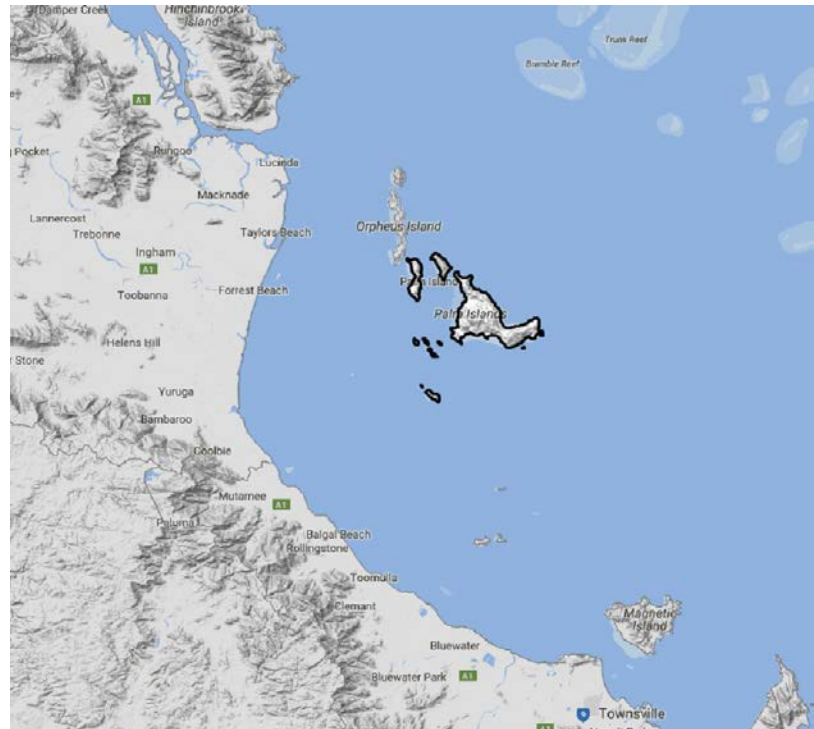
1.5 Palm Island Economic and Demographic Profile

Palm Island is an Aboriginal community located on Great Palm Island, also called by the Aboriginal name "Bwgcolman".

Covering an area of 70.9 km², the Island is situated 65 kilometres north-west of Townsville.

Palm Island is connected to the mainland via regular ferry and air services out of Townsville and a barge service out of Lucinda.

The Island was gazetted as an Aboriginal reserve in 1914, with representatives from over 40 tribes displaced and sent to Palm Island for a variety of reasons. It continued to be administered as an Aboriginal reserve until 1986.



On 26 October 1986 ownership of Palm Island was transferred to a newly formed *Palm Island Community Council* under a Deed of Grant in Trust from the Queensland government. The *Palm Island Community Council* became the *Palm Island Aboriginal Shire Council* in 2004 under the Queensland *Local Government (Community Government Areas) Act*. This Act gave the Council, and several others like it, full status as a Local Government on a par with other Councils in Queensland.

In significant part due to its history of personal, social and cultural disadvantage, and the absence of usual land tenure and property rights, the economy of Palm Island is highly constrained. As at 2016, the Gross Regional Product (GRP) for Palm Island LGA, as outlined in Table 1, is estimated at \$93.267 million.

Table 1: Gross Regional Product – Palm Island LGA, 2016

GRP Expenditure Method	\$M
Household Consumption	\$106.143
Government Consumption	\$27.362
Private Gross Fixed Capital Expenditure	\$35.918
Public Gross Fixed Capital Expenditure	\$7.763
Gross Regional Expenses	\$177.186
plus Regional Exports	\$71.309
minus Domestic Imports	-\$151.650
minus Overseas Imports	-\$3.577
Gross Regional Product	\$93.267

Source: Empower Economics

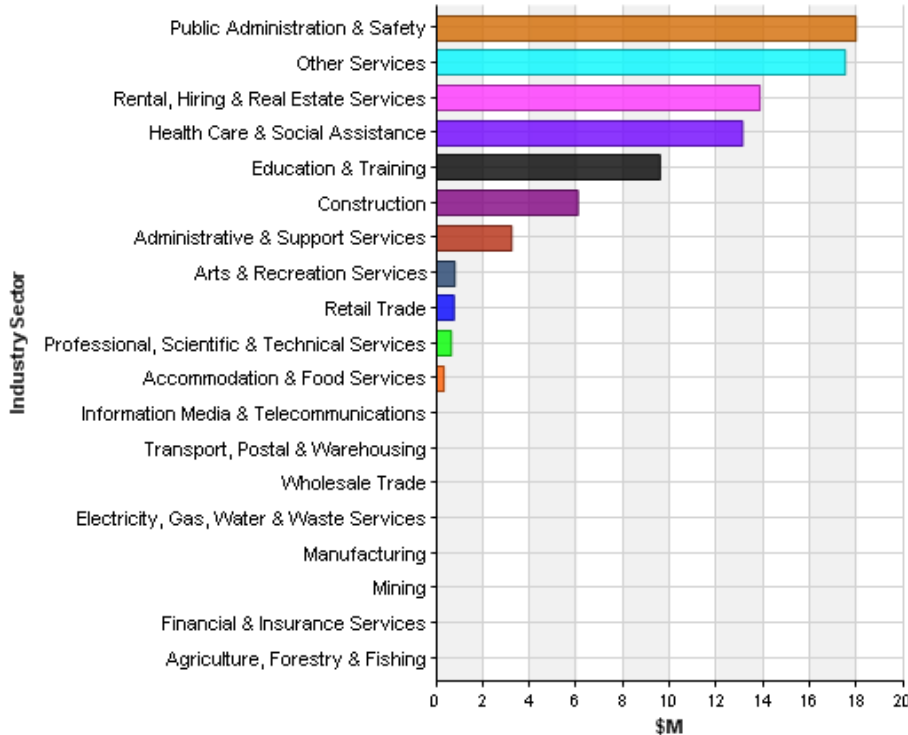
GRP is the total value of **final** goods and services produced in the community over the period of one year. As can be seen from the table, this includes exports but subtracts imports.

The Community has a significant deficit of imports over exports, another clear measure that Palm Island consumes significantly more than it produces.

Over the five years to August 2015, Palm Island LGA GRP increased on average by 1.4 percent per annum.

Value-Added refers to the value of output after deducting the cost of goods and services inputs in the production process. Value added defines the true net contribution and is subsequently the preferred measure for assessing economic production.

Figure 1: Value-Added - Palm Island (S) October 2016.



Source: Empower Economics

Figure 1 illustrates Value-Added by industry sector for Palm Island LGA.

Public Administration and Safety - includes units mainly engaged in Federal, State or Local Government legislative, executive and judicial activities, including physical, social, economic and general public safety and security services. Of the \$17.957 million contributed, Public Administration & Regulatory Services accounted for \$16.664 million and Public Order & Safety contributed \$1.293 million. The sector employs an estimated 149 people on Palm Island and contributed an estimated \$15.028 million in wages.

Other Services - includes a broad range of personal services; religious, civic, professional and other interest group services; selected repair and maintenance activities; and private households employing staff. Of the \$17.5 million contributed, \$17.28 million is attributed to “Other Services” and \$0.214 million to “Automotive Repair and Maintenance”. Other Services includes civic, professional and other interest group services. The Other Services sector employs 122 people and contributes \$14.015 million in wages and salaries.

Rental, Hiring & Real Estate Services – Relates to the ownership, maintenance and rental of residential and non-residential property and hire of equipment. All of the \$13.848 million contributed is attributed to “Ownership of Dwellings”. Due to land tenure arrangements on Palm Island, almost all “Ownership of Dwelling” activities can be sourced back to the *Palm Island Aboriginal Shire Council*.

Health Care and Social Assistance – contributes \$13.106 million and employs an estimated 160 FTE people. Made up of *Health Care Services* (\$10.963 million) and *Residential Care and Social Assistance Services* (\$2.143 million), this sector has seen considerable growth (~36%) over the decade.

Education and Training contributes \$9.565 million and employs an estimated 106 FTE people. Of those engaged in the sector, 93 are employed within the *Pre, Primary and Secondary School* sub-sector and 13 are employed in the Tech, Vocational and Tertiary Education sub-sector.

Construction - contributes \$6.049 million and employs an estimated 40 FTE people. Construction is divided into two divisions – *Construction Services* and *Construction*. The significant proportion of *Construction* activity on Palm Island is in *Construction Services* (33 FTE and \$5.34 million) with most working within the non-residential sub-sector. *Construction Services* covers trades such as plumbing, carpentry, electrical, plastering, landscaping etc. and tradespeople involved.

Table 2 below outlines average annual growth for Palm Island and Queensland the period 2005 – 2015.

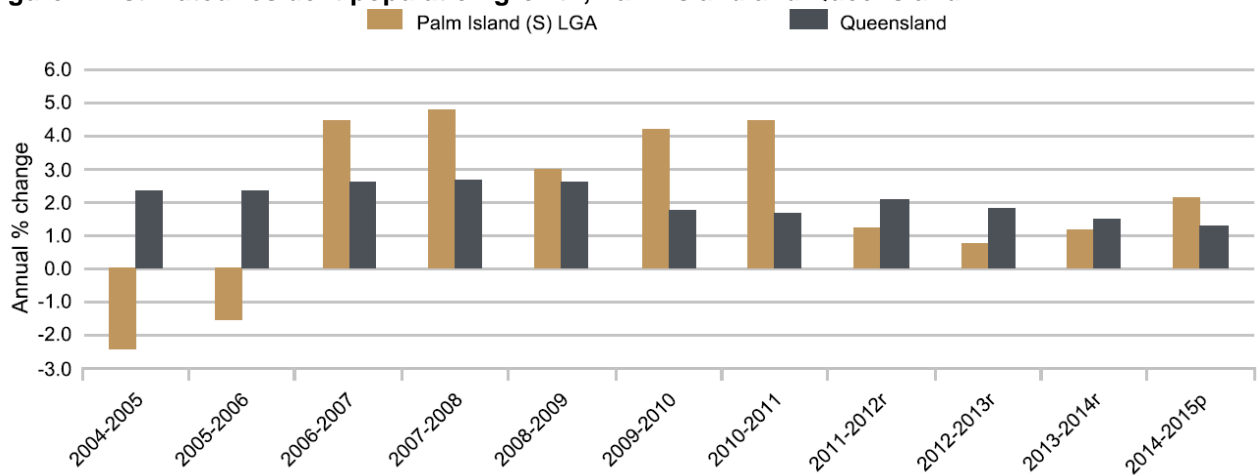
Table 2: Average Annual Growth Redland City and Greater Brisbane

LGA / Region	As at 30 June				Average annual growth rate		
	2005	2010	2014	2015p	2005–2015p	2010–2015p	2014 – 2015p
	— number —				— % —		
Palm Island (S)	2,103	2,430	2,616	2,671	2.4	1.9	2.1
Greater Brisbane	3,918,494	4,404,744	4,719,925	4,778,854	2.0	1.6	1.2

Source: ABS 3218.0 & Empower Economics

Palm Island's average annual growth rate has consistently exceeded that of Queensland with a low median age and high birth rate significantly impacting population growth.

Figure 2: Estimated resident population growth, Palm Island and Queensland



Source: ABS 3218.0. GSO

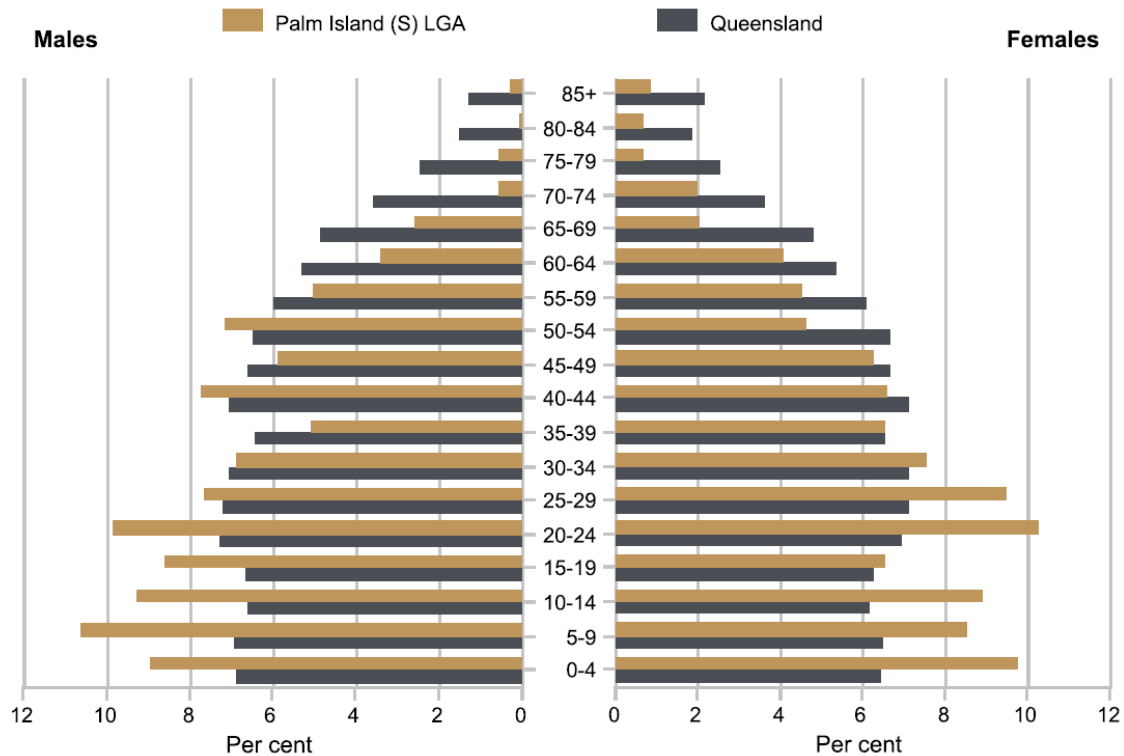
Table 3 outlines Indigenous Status for Palm Island and Queensland as at Census 2011. 94.2 percent of residents of Palm Island identified as being indigenous.

Table 3: Indigenous Status, Palm Island and Queensland

LGA / State	As at 30 June				Non-indigenous	
	Aboriginal	Torres Strait Islander	Both	Total	- Number -	%
	- Number -			%	- Number - %	
Palm Island	1837	28	336	2,201	94.2	115 4.9
Queensland	122,896	20,094	12,834	155,824	3.6	3,955,707 91.2

Source: ABS. Census of Population 2011. Indigenous Profile. Usual Residence. GSO

Figure 3: Estimated resident population by age and sex, Palm Island and Queensland, June 2015p



Source: ABS 3235.0, Population by age and sex, *Regions of Australia, 2015*

When compared with Queensland, Palm Island has proportionately more residents aged 0 – 24 (Children/Youth/Young Adults) but proportionately fewer people aged 45 and above.

Palm Island's age profile is reflected in its median age, which at 27.2 years is 9.7 years younger than Queensland. Palm Island is however aging at a faster rate than Queensland at 4.3 years for the decade to 2015 compared to 1.0 years for Queensland. This indicates that Palm Island's birth rate is reducing over time.

Table 4: Median age, Palm Island and Queensland

LGA / State	As at 30 June			Change
	2005	2010	2015p	2005–2015p
	— years —			years
Palm Island (S)	23.0	23.2	27.2	4.3
Queensland	35.9	36.4	36.9	1.0

Source: ABS 3235.0, *Population by Age and Sex, Regions of Australia* unpublished data and Queensland Treasury estimates

Table 5 outlines the crude birth and death rates for Palm Island and Queensland for 2014. Palm Island has a crude birth rate 6 times and a crude death rate half that of Queensland.

Table 5: Registered Births and Deaths, Palm Island and Queensland 2014

LGA / State	Births		Deaths		Natural Increase
	Number	Rate ^a	Number	Rate ^a	Number
Palm Island (S)	53	20.3	8	3.1	45
Queensland	63,066	3.4	28,704	6.1	34,362

a) crude rate per 1000 persons

Source: ABS 3301.0 Births Australia, ABS 3302.0 Deaths Australia 2014.

Table 6 presents Queensland Government population projections for Palm Island and Queensland.

The resident population of Palm Island is projected to be 3,184 persons as at 30 June 2036. This represents an average increase of 0.9 percent per annum over 25 years. This projected rate of increase is less than the average annual growth predicted for Queensland (1.7%).

Table 6 Projected population, Palm Island and Queensland

LGA / Region	As at 30 June						Average annual growth rate
	2011	2016	2021	2026	2031	2036	2011–2036
	— number —						%
Palm Island (S)	2,538	2,668	2,794	2,927	3,057	3,184	0.9
Queensland	4,476,778	4,853,048	5,250,292	5,730,062	6,240,546	6,763,153	1.7

Source: Queensland Government Population Projections, 2015 edition (medium series)

Table 7 presents medians and averages for Palm Island and Queensland as at Census 2011.

Table 7: Selected medians and averages Palm Island and Queensland, 2011

LGA / State	Median/Average					
	Median mortgage repayment	Median total family income	Median total household income	Median total personal income	Average household size	Average persons per bedroom
	\$/month	\$/week	\$/week	\$/week	persons	persons
Palm Island (S)	0	954	1,181	290	4.8	1.8
Queensland	1,850	1,453	1,235	587	2.6	1.1

Source: ABS Census 2011

Of note is average household size that on average is 2.2 persons per household greater than Queensland.

As at the June Quarter 2016, there were 456 unemployed persons on Palm Island with an unemployment rate of 52.8 percent. This compares to Queensland's Unemployment rate of 6.2 percent.

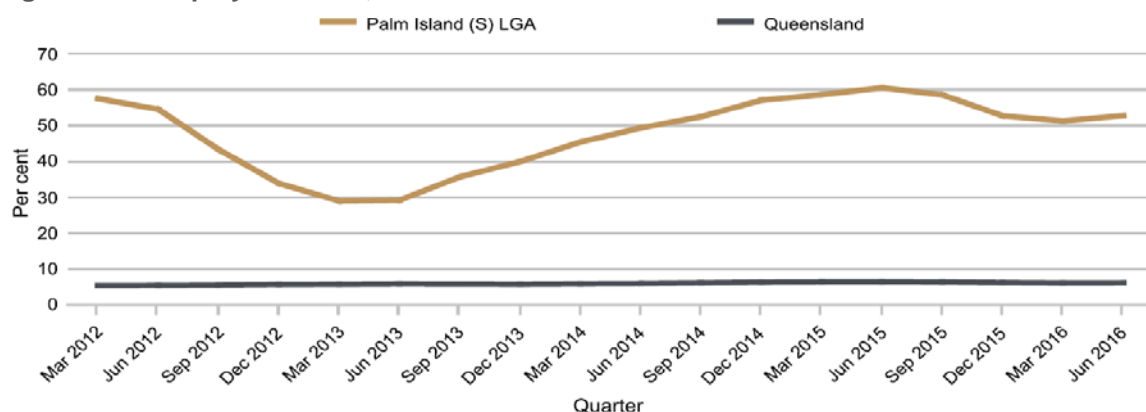
Table 8: Unemployment and labour force, Palm Island and Queensland, June quarter 2016

LGA / Greater Brisbane	Unemployed	Labour force	Unemployment rate
	— number —		%
Palm Island (S)	456	864	52.8
Queensland	156,058	2,517,518	6.2

Source: Australian Government Department of Employment, *Small Area Labour Markets Australia*, various editions

Figure 4 maps unemployment for Palm Island and Queensland for the period March 2012 – June 2016.

Figure 4: Unemployment rate, Palm Island and Queensland



Source: Australian Government Department of Employment, *Small Area Labour Markets Australia*, various editions. QRSIS

Table 9 list families with children with no parent employed for Palm Island and Queensland as at Census 2011. Almost 48 percent of Palm Island families with children had no parent employed compared to 13.5 percent of Queensland families.

Table 9: Families with Children with No Parent Employed, Palm Island and Queensland, 2011

LGA / State	One Parent Family with parent not employed	Couple Family with both parent not employed	Total Families with no parent employed		Total Families
	— number —	— number —	— number —	%	— number —
Palm Island (S)	85	49	134	47.7	281
Queensland	44,970	17,201	62,171	13.5	459,205

Source: ABS Census of Population and Housing, Unpublished Data. Families (GSO).

Table 10 presents the index of relative socio-economic disadvantage for Palm Island and Queensland.

Table 10: Population by Index of Relative Socio-Economic Disadvantage, 2011

LGA/State	Quintile 1 (most disadvantaged)	Quintile 2	Quintile 3	Quintile 4	Quintile 5 (least disadvantaged)
	— % —				
Palm Island	100.00	0.0	0.0	0.0	0.0
Queensland	20.0	20.0	20.0	20.0	20.0

Source: ABS 2033.0.55.001, *Census of Population and Housing: Socio-Economic Indexes for Areas (SEIFA), Australia - Data only, 2011*, (Queensland Treasury derived)

Socio-Economic Indexes for Areas (SEIFA) is a measure of the social and economic conditions of geographic areas across Australia. The index focuses on low-income earners, relatively lower education attainment, high unemployment and dwellings without motor vehicles. Low index values represent areas of most disadvantage and high values represent areas of least disadvantage.

With 100 percent of Palm Island residents falling within the most disadvantaged quintile, Palm Island is considered highly disadvantaged in socio-economic terms.

Table 11 records Police statistics for reported offences for Palm Island and Queensland for 2015-16.

Table 11: Reported Offences, Palm Island and Queensland, 2015-16¹

LGA/ State	Type of Offence							
	Offences against		Offences against		Other Offences		Total	
	number	rate	number	rate	number	rate	number	rate
Palm Island	260	9,538	241	8,841	758	27,806	1,259	46,185
Queensland	30.668	634	205.449	4.247	240.157	4.965	476.334	9.846

Source: Queensland Police Service

¹ Rate per 100,000 persons

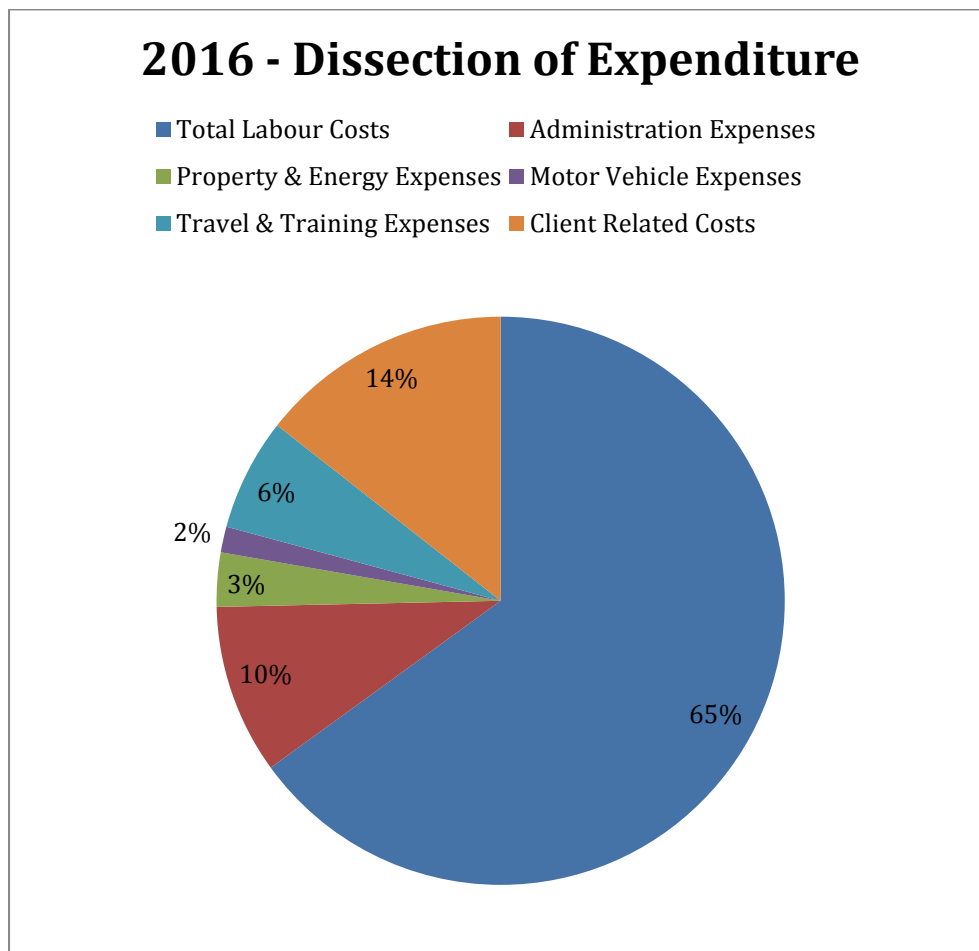
1.6 Palm Island Community Company

Established in 2007, the Palm Island Community Company (PICC) is a not-for-profit organisation delivering human services, community capacity building and economic development programs on Palm Island.

PICC provides the following programs and services on behalf of the Palm Island community:-

- Family support hub: Linking clients to services;
- Safe Haven Service: support for adolescences and parents with young children;
- Diversion Service: Providing diversionary services for clients with complex needs;
- Residential Service: Out-of-home residential care service for children at risk;
- Women’s Service: Out-of-home residential care service for Women at risk;
- Community Justice Group: Supporting Palm Island residents in contact with the justice system (offenders & victims).

During 2015/16, PICC expended \$7,789,492.00. Figure 5 below illustrates the breakdown of expenditure by cost centre.



2. Economic Impact – PICC

This section outlines the economic impact of the PICC.

2.1 Cost Estimates

Table 12 reports the activity breakdown of capital expenditure which is used as input to the model. Activity is spread across: Other Services; and, Education and Training.

Table 12: Expenditure Allocation by Input

Input	Expenditure \$million
Other Services	7.322
Education and Training	.467
Total	7.789

Source: PICC & Empower Economics

2.2 Economic Impact

Table 13 reports the impact on GRP resulting from input expenditure of \$7,789,492.00.

Table 13: Gross Regional Product Impact – PICC

GRP Expenditure Method	Before \$M	Impact \$M	Change %
Household Consumption	\$106.143	\$107.973	1.72 %
Government Consumption	\$27.362	\$27.676	1.15 %
Private Gross Fixed Capital Expenditure	\$35.918	\$35.941	0.06 %
Public Gross Fixed Capital Expenditure	\$7.763	\$7.766	0.04 %
Gross Regional Expenses	\$177.186	\$179.356	1.22 %
+ Regional Exports	\$71.309	\$78.628	10.26 %
- Domestic Imports	-\$151.650	-\$153.035	0.91 %
- Overseas Imports	-\$3.577	-\$3.631	1.50%
balancing item	\$0.000	-\$0.056	
GRP	\$93.267	\$101.262	8.57%

Source: Empower Economics

GRP for Palm Island was calculated using the Expenditure method. Using the impact scenario as outlined in Table 11, the PICC impact on Palm Island GRP is estimated to be \$7.995 million or 8.57 percent of total GRP.

Contributing to this is a direct increase in output of \$7.789 million, 53 additional jobs (FTE), \$5.337 million more in wages and salaries and a boost in value-added of \$6.624 million.

From this direct expansion in the economy, flow-on industrial effects in terms of local purchases of goods and services occur, and it is estimated that these indirect impacts result in a further increase to output valued at \$0.249 million, 3 more jobs, \$0.092 million more paid in wages and salaries, and a gain of \$0.126 million in terms of value-added.

The increase in direct and indirect output and the corresponding creation of jobs result in an increase in the wages and salaries paid to employees. A proportion of these wages and salaries are typically

spent on consumption and a proportion of this expenditure is captured in the local economy. The consumption effects under the scenario are estimated to further boost output by \$1.712 million, employment by 5 jobs, wages and salaries by \$0.397 million, and value-added by \$1.245 million.

Under this scenario, total output increased by \$9.750 million. Corresponding to this are increases in employment of 61 jobs, \$5.826 million wages and salaries, and \$7.995 million in terms of value-added. This is summarised in Table 14 below.

Table 14: Palm Island Economic Impact Summary - PICC

Economic Impact Summary Report				
Impact Summary	Direct Effect \$million	Industrial Flow- on Effect \$million	Consumption Flow-on Effect \$million	Total \$million
Output \$m	\$7.789	\$0.249	\$1.712	\$9.750
Employment Jobs	53	3	5	61
Wages & Salaries \$m	\$5.337	\$0.092	\$0.397	\$5.866
Value Added \$m	\$6.624	\$0.126	\$1.245	\$7.995

Source: Empower Economics

3. Conclusion

In significant part due to its history of personal, social and cultural disadvantage, Palm Island experiences very high unemployment, low levels of socio-economic advantage and high rates of reported crime.

PICC is a not-for-profit organisation delivering human services, community capacity building and economic development programs on Palm Island.

PICC provides the following programs and services on behalf of the Palm Island community:-

- Family support hub: Linking clients to services;
- Safe Haven Service: support for adolescences and parents with young children;
- Diversion Service: Providing diversionary services for clients with complex needs;
- Residential Service: Out-of-home residential care service for children at risk;
- Women's Service: Out-of-home residential care service for Women at risk;
- Community Justice Group: Supporting Palm Island residents in contact with the justice system (offenders & victims).

During 2015/16, PICC expended \$7,789,492.00 in delivering these services.

The injection of \$7,789,492.00 by the PICC into Palm Island during 2015/16:-

- Generated \$9,750,000.00 in economic output;
- Created 61 full time equivalent jobs;
- Generated \$5,866,000.00 in wages and salaries; and,
- Added over \$7,995,000.00 in gross regional product

to the Palm Island economy.