



Submission No. 24
Norfolk Island Economy
Date: 24/04/14



***Joint Standing Committee on the National Capital and External Territories –
Inquiry into Economic Development on Norfolk Island***

Submission of Carnival Australia

Executive Summary

- The Carnival Group (representing P&O Cruises Australia, Carnival Cruise Lines, Princess Cruises, Holland America Line, Cunard, Seabourn and P&O UK) carries more than 70 per cent of the 800,000 Australians that take a cruise holiday each year and is the only group that brings superliners to Norfolk Island. Ships from the Carnival Group bring at least 2000 passengers to the Island with each successful visit compared with considerably smaller vessels that call occasionally.
- The destination of the very first cruise holiday from Australia, back in 1932, was Norfolk Island. There is huge potential in returning Norfolk Island's position as a key destination in the Pacific Islands due to its strategic location between Australia, New Zealand and New Caledonia.
- Cruise ship passengers who have visited Norfolk Island rate the experience highly. The island's history, warmth of the people and the high quality of the shore tours run by the locals all contribute to its success as a destination. Carnival Australia estimates Norfolk Island has the potential to receive up to 40-50 calls each year across our brands if some important investments decisions are made.
- Ships vary in size and passenger numbers but a successful cruise industry could deliver upwards of 100,000 tourists each year and about \$8 million in economic value to the community each year. This is a conservative estimate.
- The number of cruise ship visits to Norfolk Island has dropped considerably in recent years because of prevailing weather in the area and the operating limitations of normal cruise ship tenders. In fact, over the past four years, ships from the Carnival Group have missed approximately 60 per cent of scheduled calls to Norfolk Island. The unacceptably high volume of "aborted calls" to Norfolk Island has led cruise lines from the Carnival Group to almost remove Norfolk Island from all future itineraries.
- With tourism being a major industry on Norfolk Island, Carnival strongly supports Cascade Pier being upgraded, consistent with the application made by Norfolk Island to the Federal Government's the Regional Development Australia Funding (RDAF) Round 4 funding.
- However, this upgrade is only part of the solution and would not solve the issue of missed ship visits to Norfolk Island. For this reason Carnival Australia strongly supports the purchase of three-to-four multi-purposed tenders to transfer passengers from the cruise ships to the shore. Carnival Australia believes that at least 80 per cent of scheduled calls could be achieved by the purchase these relatively low cost tenders which would be operated by locals who are renowned as skilled seafarers.
- Carnival Australia has already funded the design of multi-purpose tender vessels and these have been quoted as costing approximately \$800,000 each to purchase. Even without the improvements to Cascade Pier, these tenders would allow Norfolk Island to achieve the significant economic benefits that cruise ship visits can generate and are currently all but missed entirely.

Introduction

Carnival Australia is pleased to provide a submission to this inquiry for the consideration of the Committee. The focus of this submission is facilities for cruise ships, which is specifically mentioned within the terms of reference for the inquiry.

About Carnival Australia

Carnival Australia is a branch of Carnival plc (which is included in the S&P 500 index in the United States and the FTSE 100 index in the United Kingdom). Carnival Australia is Australia's largest cruise ship operator and operates the P&O Cruises, P&O Cruises UK, Cunard, Princess Cruises, Holland America Line, Carnival Cruise Lines and Seabourn brands in the Australian market.

Carnival Australia is the backbone of the cruise industry in this region, with the P&O Cruises brand sailing from Australia since 1932 when the P&O mail ship, *Strathaird* embarked on a five-day cruise to Brisbane and Norfolk Island.

Carnival Australia is headquartered in North Sydney and has approximately 350 staff working in its shore-based operation.

Background – Cruise ship visits to Norfolk Island

There is a rich heritage surrounding visits by cruise ships to Norfolk Island, as evidenced by it being the destination for the very first cruise holiday from Australia 82 years ago. Since then, visits by cruise ships to Norfolk Island have fluctuated.

By and large, this has been due to current infrastructure limitations at Norfolk Island. These limitations, together with the combined effect of the prevailing weather in the area and the operating limitations of normal cruise ship tenders have seen Carnival's cruise ships miss more than 70 per cent of calls to Norfolk Island in recent years. Specifically, these tenders are not designed to transfer passengers from ship to shore in the swell conditions which are often experienced at Norfolk Island.

In fact, the status of Norfolk Island as a destination for Carnival's cruise ships has suffered to the point where it currently no longer regularly appears on our schedules. In 2012-13, there were just four days when cruise ships visited Norfolk Island. According to Cruise Down Under, total direct expenditure resulting from these four visits was \$0.4 million.

Economic benefits of cruise ships

Carnival Australia notes the parlous economic state of the Norfolk Island economy and respectfully submits that more visits by cruise ships – which would deliver in the vicinity of 2000 passengers per visit – to the destination would provide significant economic benefits to the island.

Conservatively, Carnival Australia estimates that a successful cruise industry could deliver upwards of 100,000 tourists to Norfolk Island on an annual basis who would inject approximately \$8 million in economic value to the island community.

This is based on the exponential growth that the cruise ship industry has experienced in the Australian market in the past decade:

- In 2012-13, the estimated total output of the Australian cruise shipping industry (including domestic passengers and crew) was \$2.88 billion.
- From 2011-12 to 2012-13, there was a 20.6 per cent increase in the estimated total output of the Australian cruise shipping industry.
- Economic growth from 2011-12 to 2012-13 included:
 - An increase in total expenditure of 23.2 per cent
 - An increase in total passenger expenditure from \$442.8 million to \$574.1 million
 - An increase in total crew expenditure from \$55.3 million to \$68.2 million
 - An increase in total port-related expenditure from \$733.2 million to \$908.3 million
 - An increase in corporate expenditure from \$157.2 million to \$160.3 million
 - Passenger capacity of cruise ships increased 14.8 per cent, from 54,063 to 62,051¹

Cascade Pier project

In June 2013, the then Federal Government announced that \$13 million had been approved under round four of the Regional Development Australia Funding (RDAF) scheme to upgrade the main jetty on Norfolk Island, Cascade Pier. It was envisaged that the funds would be used to extend and strengthen the jetty to improve cargo and tourist transfers.

To its credit, in December 2013, the Abbott Government announced that it would fund RDAF projects as part of rounds two, three and four on the condition that funding recipients will be required to provide detailed project information, including project outcomes and benefits, planning and costs and delivery time-frames.

However, this upgrade is only part of the solution and would not solve the issue of missed ship visits to Norfolk Island. For this reason Carnival Australia strongly supports the purchase of three-to-four multi-purposed tenders to transfer passengers from the cruise ships to the shore. In addition to transferring passengers, the multi-purpose tender vessels could also be used to transfer cargo from commercial cargo vessels to shore.

Carnival Australia has already funded the design of multi-purpose tender vessels and these have been quoted as costing approximately \$800,000 each to purchase. Even without the improvements to Cascade Pier, these tenders would allow Norfolk Island to achieve the significant economic benefits that cruise ship visits can generate and are currently all but missed entirely.

¹ Economic Impact Assessment of the Cruise Shipping Industry in Australia 2012-13, Cruise Down Under, September 2013

Carnival Australia's contribution

Carnival Australia has contributed to the attempts to increase cruise ship visits to Norfolk Island. We did this by funding the design (by an engineering company) of purpose-built tenders which could be operated by accredited Norfolk Island locals (who are renowned as skilled seafarers). The investment made by Carnival Australia on this project was approximately \$50,000.

Carnival Australia is of the view that an effective upgrade of cruise ship infrastructure – including the purchase of purpose-built tenders – at Norfolk Island would enable up to 40 to 50 calls from cruise ships each year, with the potential for this number to grow in future.

We believe that at least 80 per cent of our scheduled calls to Norfolk Island could be achieved by the purchase of a minimum of three, but ideally four purpose-built tenders to reduce the risks on ship tenders to transfer passengers.

Other considerations

Given our strong desire for Norfolk Island to be a regular destination for cruise ships, Carnival Australia continues to work closely with senior representatives of the Government of Norfolk Island on this issue. As part of this, we have made a commitment to the island's Government that once the upgrade works are complete, we will move quickly to once again include Norfolk Island on our itineraries.

Conclusion

Carnival Australia is pleased to provide this submission for consideration and looks forward to further engagement with the Committee about the issues raised.