ECONOMIC IMPACT OF THE SUPERYACHT SECTOR ON THE AUSTRALIAN ECONOMY

DECEMBER, 2016

AIMEX AUSTRALIAN MARINE EXPORTS

SUPERYACHT AUSTRALIA

AEC OUTCOME DRIVEN

JOB ID:	18542BNE
JOB NAME:	ECONOMIC IMPACT OF THE SUPERYACHT SECTOR
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DOCUMENT NAME:	AEC SUPERYACHT EIA FINAL REPORT

VERSION	DATE	REVIEWED	APPROVED
DRAFT 1.0	15 DEC 2016	ARP	ARP
DRAFT 2.0	21 DEC 2016	ARP	ARP
FINAL REPORT	27 JAN 2017	ARP	ARP

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SUPERYACHT AUSTRALIA

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FORWARD

The Australian superyacht sector is an important and growing sector that touches all aspects of the Australian economy. It has grown from a number of highly skilled individuals and organisations into a respected global supply chain.

There is building awareness and drivers of growth and demand for superyacht activity in Asia and the South Pacific. Many of our neighbours have set proactive and supportive policies and initiatives around the superyacht sector. However, locally, many of the current policy settings provide unintentional impediments to the growth of the superyacht sector.

Having been disappointed by the proposed amendments to *The Coastal Trading (Revitalising Australian Shipping) Act 2012* being blocked in the Senate, the Australian International Marine Export Group (AIMEX) and Superyacht Australia identified the need for a comprehensive, robust and evidence based report to highlight and explain the importance of the sector and its reach throughout the Australian economy.

We need Government to work with our high value sector to drive jobs growth, foreign tourism spending and broader economic activity around Australia.

The lead up to the Commonwealth Games on the Gold Coast presents a unique opportunity to highlight the Australian superyacht sector and to catalyse the growth potential of the sector.

The future is bright for this distinctive and high value sector and I am excited by the opportunities it presents for this wonderful country of ours.

MaryAnne Edwards

Chief Executive

Australian International Marine Export Group
Superyacht Australia
Australian Commercial Marine Group

EXECUTIVE SUMMARY

A SIGNIFICANT INDUSTRY

The Australian superyacht sector is currently estimated to have a fleet value of $7.5 billion (59% domestic vessels and 41% foreign vessels), annual maintenance expenditure of $575 million, and operational expenditure in Australia (including crew wages and berthage) of over $400 million.

The superyacht sector also generates nearly $190 million per annum via foreign tourist/ guest and crew expenditure that would otherwise not have occurred within the Australian economy. Further growth in this high value sector will materially contribute to achieving Tourism Australia's 2020 targets.

The expenditure and activity of the superyacht sector and its supply chain directly contributes approximately $590 million to GDP, with a further $1.38 billion generated through flow-on activity. A total of around 14,500 FTE jobs are supported by the industry, paying $1.2 billion in wages and salaries.

> "The superyacht sector is unique and the growth potential is significant."
>
> Industry stakeholder

POISED FOR GROWTH

The increase in demand for superyacht activities is crowding traditional cruising grounds. Coupled with perceived safety concerns in the Mediterranean and Caribbean, the interest and increase in activity in Asia and the South Pacific is significant.

The policy and legislative settings superyachts are forced to operate under in Australia present significant hurdles for future growth. Australia's competitors and neighbours (e.g. New Zealand, Fiji, Tahiti) have all recognised the potential of the sector and have put in place policies to encourage growth. If Australia does not address the impact of inappropriate policy settings, much of the growth potential will be lost.

With no change to the current policy, the superyacht sector's annual contribution to the Australian economy is anticipated to grow by approximately 13% to 2021.

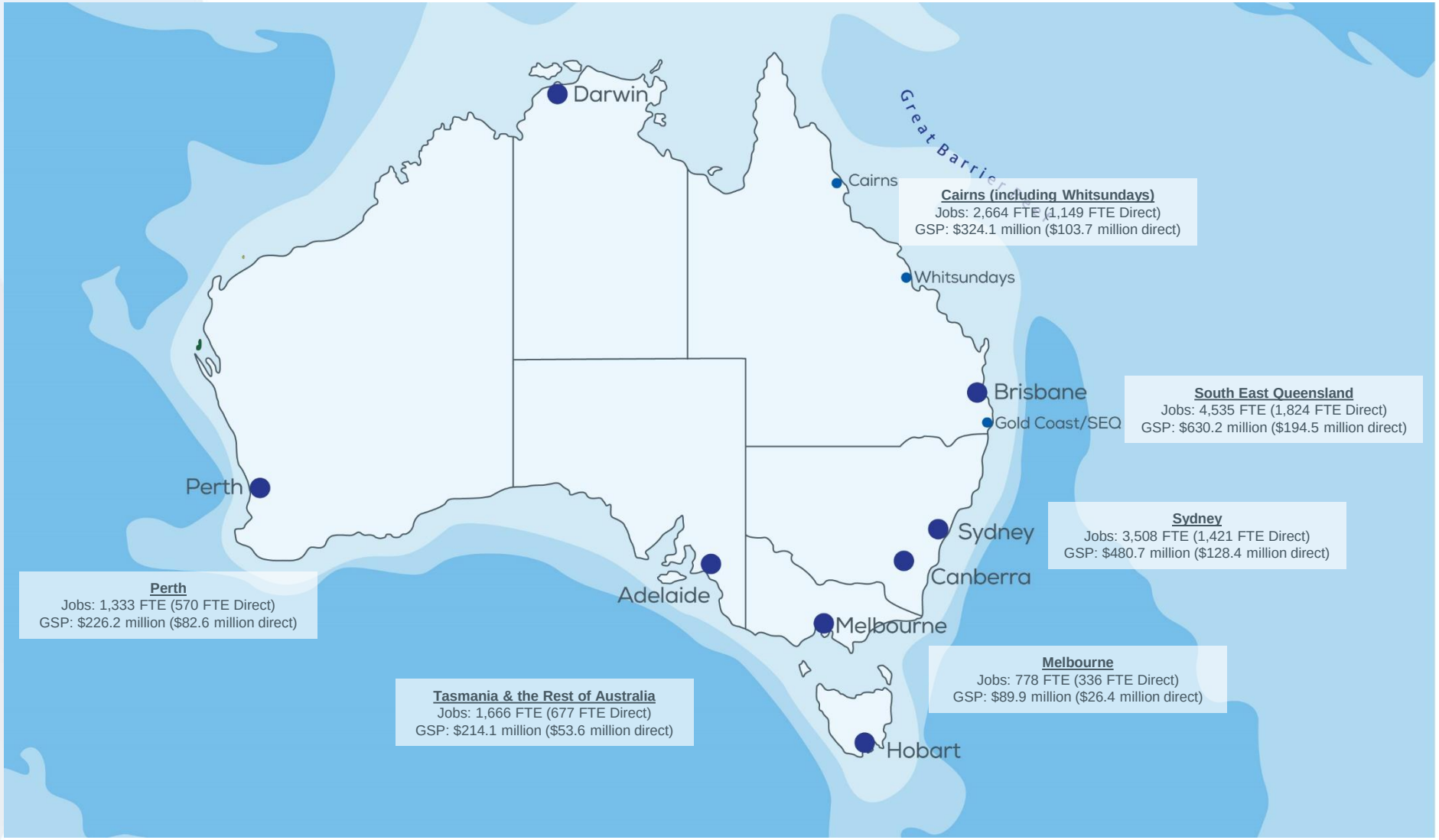
Consultation with industry stakeholders around potential growth for each aspect of the sector indicates with appropriate policy settings and a proactive, engaged and collaborative (Government and industry) sector, the superyacht sector's annual contribution to the Australian economy could grow by 70% to 2021 (overall), delivering $1.12 billion more in GDP and 8,100 more jobs over the existing/ business as usual policy setting.

BUT NEEDS APPROPRIATE POLICY TO REALISE POTENTIAL

Critical and timely legislative, policy and planning support is required to realise the growth potential of the sector. Critical factors to be addressed include:

- The requirement to fully import foreign vessels and pay 10% GST on their capital value if they are to charter commercially in Australia.
- Foreign vessels cannot currently be advertised or sold in Australia.
- The lengthy delay regarding implementation of agreed action points addressing the issue of cruising restrictions within the Great Barrier Reef Marine Park for vessels over 35 metres.
- Customs, Border Force and AQIS clearance is needed on the Gold Coast. This is critical ahead of the Commonwealth Games in 2018.
- Planning restrictions for development and infrastructure in critical locations (e.g. upstream of the Captain Cook Bridge in Brisbane, and maintaining vessel access (draught) in the Coomera River, megayacht berths in Sydney).
- Ensuring a welcoming attitude and consistency of application of Border Force/ AQIS legislation.
- Nationally consistent marketing and extension material to extend the 'Australian opportunity' to the overseas market.
- The change of crew visas from subclass 488 to 408, with increased costs and slower processing has become a major deterrent.

REGIONAL IMPACTS (2016)



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1. INTRODUCTION

INTRODUCTION

BACKGROUND & PURPOSE

The superyacht industry is a high-value niche industry catering to the needs of high net wealth and ultra high net wealth individuals pursuing an exclusive experience. It encompasses leisure and superyacht charters (term and event/ corporate charters) and their global supply chains.

There are a range factors driving increased demand and superyacht activity in Asia and the South Pacific region. Australia has many competitive advantages over other locations. However, there are a number of key policies that present unintended challenges to the growth of the sector in Australia. Two key issues impeding industry growth are the payment of 10% GST on the capital value of a foreign vessel if it is to charter in Australian waters and the confused perceptions and lengthy delay in implementing agreed action points regarding restricted access for superyachts over 35 meters throughout the Whitsunday Islands.

In 2015, proposed amendments to legislation simplifying the permit system for foreign vessels were rejected by the Australian Senate. As a result, the commercial operation of foreign fleet superyacht charters in Australia has been stalled, delaying the significant economic benefits of these changes for the Australian economy.

SCOPE OF THE REPORT

Geographic Scope

The scope of this report covers the economic significance of the superyacht sector to Australia.

Additional modelling was also undertaken to assess the economic contribution of the superyacht sector to key regions of activity, including:

- Cairns (including Whitsundays)
- South East Queensland (Brisbane & Gold Coast)
- Sydney
- Melbourne
- Perth
- Tasmania and the rest of Australia.

Sectoral Scope

For the purposes of this study, superyachts are defined as luxury marine vessels (power and sail) that are greater than 24 meters in length and have a capacity of less than 12 overnight guests (excluding crew).

The supply chain is defined as those sectors receiving direct expenditure from vessel owners, operators and guests and includes the direct and initial industry support effect.

APPROACH & METHOD

Superyachts are obvious and easily observable as they cruise or when they are docked. However, the sector is not statistically defined by the Australia Bureau of Statistics (ABS). This study undertook a detailed literature review to identify and review available literature on the sector and extensive industry engagement to identify and validate modelling drivers and industry context. Approximately 50 key industry stakeholders and organisations were engaged with including:

- Vessel manufacturers
- Captains and owners
- Participants in the supply chain
  - Marina operators
  - Maintenance and support organisations
  - Agents
- Key governmental and departmental staff
- Other key industry stakeholders.

The modelling drivers were consolidated and vetted through a series of key stakeholder workshops and one-on-one interviews. Whilst many of the modelling drivers have been developed subjectively, they are believed to represent the most comprehensive and accurate picture of the Australian superyacht sector available.

"Superyacht captains are highly conscious of their vessels and the environment they operate in. They have the worlds best practices low environmental impact systems and operational practices"

Superyacht supply chain operator

2. GLOBAL SUPERYACHT MARKET

THE GLOBAL SUPERYACHT MARKET

OVERVIEW

Vessels

There are in excess of 5,000 superyachts in operation globally (Superyacht Intelligence, 2016).

Superyachts travel to many destinations around the world but the main two areas for visitation and cruising are the Mediterranean and the Caribbean.

The Mediterranean superyacht season typically occurs during the European summer and the months either side of summer. The yachting season begins around May or June and ends around September or October.

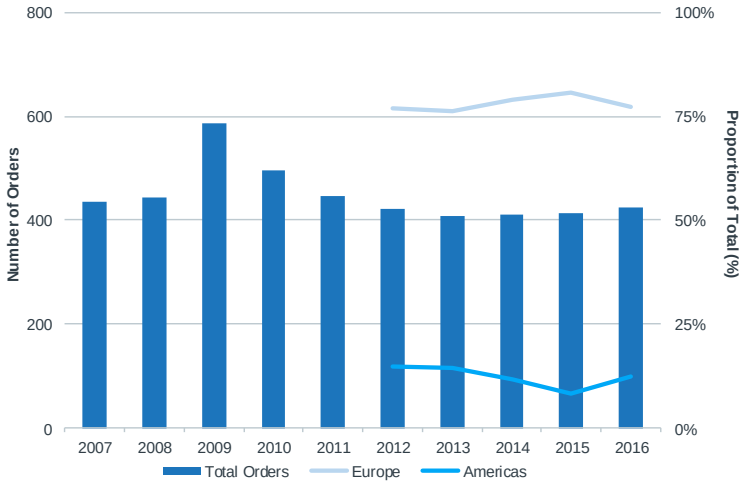
The Caribbean season is typically during the winter and the months either side, beginning around September or October and ending March or April.

Construction

Global orders of superyachts slowed following the global financial crisis. Orders reached a peak of 587 in 2009 but were recorded at 413 in 2015. Expectations are for 2016 to produce a slightly higher outcome. Europeans are the major market for superyachts, representing over 78% of the market on average over the past five years.

Estimates suggest in 2016 there are 67 superyacht builders globally (Superyacht Intelligence, 2016). The number of superyacht builders peaked in 2008, when there were 116 builders operating. Consistent with the demand profile, the majority of superyacht builders are located in Europe, with Italy, the UK and the Netherlands forming almost 54% of deliveries since 2011.

Figure 1. Global Superyacht Orders, 2006 to 2016



Note: Source data quantifies superyachts as those with a minimum length of 30m, not 24m. As such this may be an underestimate of total superyacht orders.
Source: Superyacht Intelligence (2016)

"What other sector can deliver this level of job and foreign tourism revenue generation without massive Government capital? "
Industry Stakeholder

3. AUSTRALIAN SUPERYACHT SECTOR

Data contained in this section has been compiled from industry sources who provided it on a commercial in confidence nature. All data inputs have been consolidated and weighted to represent an estimate for the entire Australian superyacht industry and to ensure the confidentiality of contributors is maintained.

THE AUSTRALIAN SUPERYACHT SECTOR

SEASONALITY

Australian superyacht activity is typically centred in Queensland between September/ October and November/ December each year. This is the peak cruising period for superyachts in Australian waters, particularly around Northern Queensland (Cairns, Whitsundays, etc).

Come November/ early December, superyacht activity typically shifts south (primarily Sydney) to avoid variable climatic conditions in Northern Australia. While cruising remains a vital activity during this period in the southern parts of Australia, many vessels are also made available for the lucrative corporate events and day cruise market.

Some superyacht activity also occurs in Australia between April and September, however, many vessels locate to the Pacific Islands over this period.

The core season for superyacht activity in Australian waters can therefore typically be considered as occurring between September/ October and March.

VESSELS

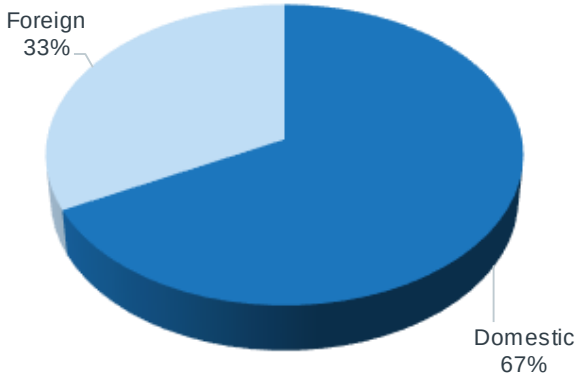
There are no definitive statistics on the number and length of vessels in Australian waters, whilst it is understood that Customs officials capture this data, it is not possible to query these data sets specifically for superyachts.

Based on data from Marine Traffic (2016) and consultation findings, it is estimated during the core 2015-16 superyacht season (September/ October to March) there were approximately 180 to 220 superyachts operating in Australian waters. This was comprised of approximately:

- 120-150 domestic superyacht vessels (135 assumed), with a typical average length of between 30-35 metres. This includes all vessels which are domiciled in Australia, and can include Australian flagged vessels as well as foreign flagged vessels that have been imported for domestic use.
- 60-70 foreign superyacht vessels (65 assumed), between 45-50 metres. This includes all vessels visiting Australian waters but are not domiciled in Australia.

Domestic vessels comprise approximately two-thirds of superyachts in Australian waters, and foreign vessels one third.

Figure 2. Domestic vs Foreign Vessels



Source: Consultation

THE AUSTRALIAN SUPERYACHT SECTOR

VESSEL LENGTH

Domestic superyachts are typically smaller than the foreign vessels. The typical/ average domestic superyacht is estimated for the purpose of this study to have been 30 – 35 metres in 2015-16, and the typical/ average foreign superyacht 45 – 50 metres.

The mid point of these ranges (32.5 metres for domestic and 47.5 metres for foreign) has been assumed for modelling. The size of these foreign vessels is important, as they are highly differentiated from domestic vessels.

FLEET VALUE

Based on consultation with industry stakeholders, it is conservatively estimated superyachts in Australian waters have an average written down value of approximately $1 million per linear metre in length (though values may vary on an individual superyacht basis).

This average takes into account the nature and age of the fleet. New vessels have a higher value, typically between $1 million and $2 million per linear metre. Sample data obtained for this report indicated an average construction value of approximately $1.8 million per linear metre, though this varied based on length of vessel with larger vessels typically having a slightly lower cost per linear metre than shorter vessels.

Based on the average value per linear metre outlined above, combined with number of vessels and average vessel length (domestic and foreign), superyachts in Australian waters in 2015-16 are conservatively estimated to have had a capital value of between $4.7 billion and $10.9 billion ($7.5 billion assumed).

THE AUSTRALIAN SUPERYACHT SECTOR

USE PATTERNS

Domestic Vessels

Consultation identified the following current use patterns for domestic vessels in Australian waters in 2015-16:

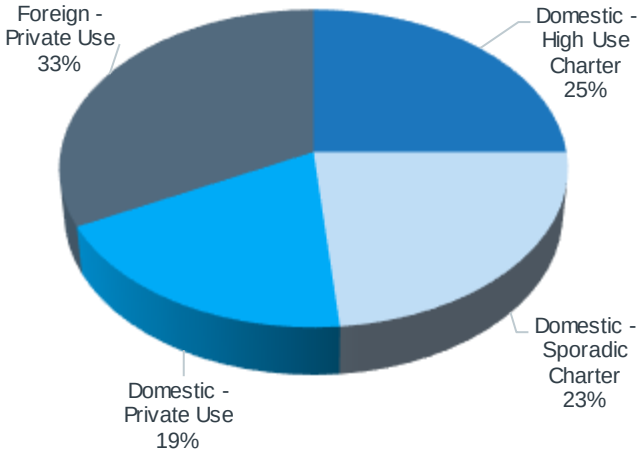
- Approximately 40-60 (50 assumed) of the domestic vessels are considered high use charters (i.e. regularly used for charter activity). The nature of charters range from multi-day/ night term cruising charters to day cruises, corporate events and functions. These vessels can also be used for non-chartered private use, provided they are available for charter at all times, with 15 days on average of private use assumed.
- Of those vessels that are not high use charters, approximately 40%-50% are exclusively for private use (between 30 and 45 vessels, 38 assumed). These vessels are assumed to be used for private use an average of between 20 and 50 days a year (35 days on average assumed).
- The remaining 45 to 50 vessels (47 assumed) are less demanded by the market and undertake a mix of sporadic chartering activity and private use activity (between 20 and 40 days of private use a year, 30 days a year on average assumed).

Foreign Vessels

Due to the cost of fully importing foreign vessels if they were to charter in Australian waters (i.e. paying 10% of their capital value as GST), or the complexity of working around this requirement, it is assumed no foreign vessels are currently chartering in Australian waters (i.e. are all private use).

The global average private use for a superyacht is approximately 20 days per year, and it is assumed foreign vessels in Australia follow this usage pattern. However, it is broadly accepted that Australian owners exceed this global average due to the Australia's climate and lifestyle.

Figure 3. Summary of Vessels by Use Pattern



Source: Consultation

THE AUSTRALIAN SUPERYACHT SECTOR

CHARTER ACTIVITY

High Use Charter

There are two primary sources of charter incomes for high use charter vessels:

- Term charters: multiple nights with a maximum of 12 guests
- Corporate/ event charters: Typically 4-6 hours with the number of guests varying considerably based on vessel size and the event, but can be more than 100 guests.

The levels of use between term charters and corporate/ event charters varies based on the location and nature of the vessel itself as well as the prevailing season and market.

Term Charter

Consultation with superyacht agents and the broader industry indicate high use charter vessels currently undertake between 200 and 300 days of term charters a year (250 assumed).

The duration of term charters can vary considerably, but typically average between 3-10 days, with between 5 to 12 guests.

Hire rates of superyachts in Australia for term charter typically range between $25,000 and $35,000 per day ($30,000 assumed), though prices vary based on factors such as the vessel and charter length. This daily fee includes access to the vessel and marine crew. In addition, the fee is subject to 10% GST and a 30% advanced provisioning allowance (APA). The APA funds are not subject to GST as they are managed on behalf of the charter client in trust.

Day Cruises/ Corporate Events

Superyachts can be chartered for day cruises or on vessel events/ functions. It is estimated approximately 1,000 day cruises/ events were held on high use chartering vessels in 2015-16, with an average of between 30 and 60 guests per event (45 assumed), though this can vary based on size of the vessel with some vessels able to cater to more than 100 guests.

Hire rates for day cruises/ events are typically between $15,000 and $25,000 ($20,000 assumed) per event for access to the vessel. A further $10,000 to $15,000 ($12,500 assumed, for a total cost of $32,500) on average is also charged for food, staff (including service staff, chefs, temporary engineers and captains), beverages and entertainment, though this charge can vary considerably depending on the event. This is inclusive of GST.

Superyacht charter activity is estimated to have generated revenue of approximately $46.0 million in 2016, across high use and sporadic term charter and day cruises/ corporate events.

THE AUSTRALIAN SUPERYACHT SECTOR

CHARTER ACTIVITY

Sporadic Charter

Vessels used sporadically for chartering (i.e. vessels that are primarily used for private uses, but are also made available at times for chartering purposes) can include a mix of term chartering and day cruising/ events. For the purposes of this assessment it has been assumed vessels sporadically chartering average approximately three day cruises/ events per year, and one day of term charter (reflecting some vessels would not undertake term charters).

The same hire rates as for high use term charter and day cruises/ events have been applied for sporadic charter vessels.

Private Use

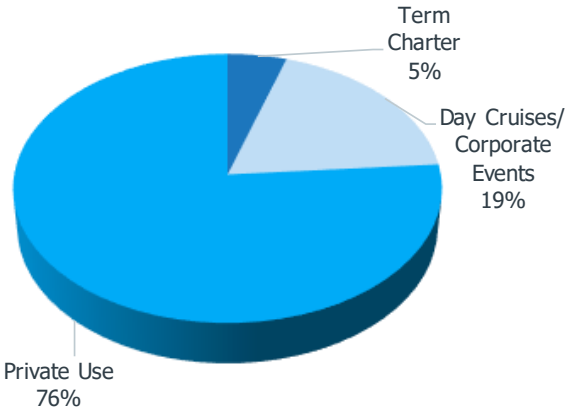
Vessels used for private use (including those used exclusively for private use as well as those used for chartering) receive no revenue from vessel hire during periods of private use.

However, these vessels still attract guests to Australia (typically as guests of the owner) and undertake cruising activity and operational expenditure.

In total, domestic vessels were estimated to be used for either chartering or private use over 4,560 days in 2015-16, including 297 term charter days, 1,000 day cruises/ events and 3,310 days of private use. Foreign vessels were estimated to be used for 1,300 days, all for private use.

The following figure summarises days of use by activity.

Figure 4. Charter & Private Use Days



Source: Consultation.

> "Foreign superyachts will not compete with Australian superyachts for charter activity. They are a different product category and experience. Allowing them [foreign vessels] to charter in Australian waters is simply opening the door to growing the sector."
>
> Superyacht Agent/ Broker

THE AUSTRALIAN SUPERYACHT SECTOR

BERTHING COSTS

Berthing rates for superyachts are typically around AU$3.30 per foot per day for vessels under 50 metres, and AU$4.80 per foot per day for vessels over 50 metres.

Estimates of berthing costs were developed based on the berthing costs above, the number of vessels (domestic and foreign), average length of vessel, and the following assumptions:

- Between 80% and 90% (85% used) of domestic vessels are under 50 metres
- Between 50% and 60% (55%) of foreign vessels are under 50 metres in length
- Domestic vessels are berthed for 365 days less days spent chartering or in private use
- Foreign vessels are berthed 4 to 6 months on average (5 months assumed) less days spent in private use.

This equates to total berthing costs for superyachts in Australia of between $17.6 million and $27.3 million in 2015-16 ($22.2 million assumed).

OPERATING EXPENDITURE

Detailed estimates of operational data and expenditure were available from a select number of captains, as many of the stakeholders engaged were bound by existing non-disclosure requirements. To ensure confidentiality, data presented has been aggregated and averaged on a linear metre basis.

The data provided by captains was broken down by cost items wherever possible, with indications provided as to where the expenditure occurred (e.g. region in Australia or overseas).

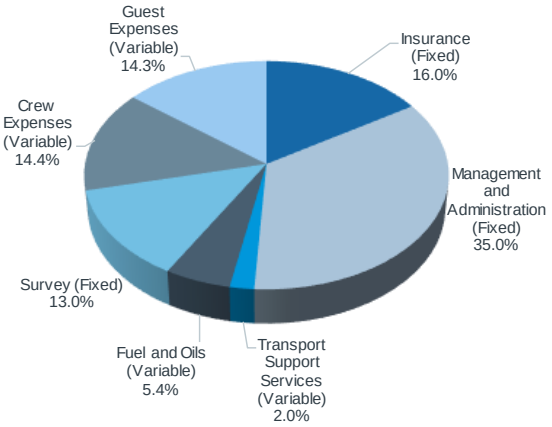
Operational expenditure was aggregated into broad categories (see Figure 5) and identified as either:

- Fixed costs for the vessel regardless of activity levels
- Variable costs, based on amount of chartering and private use activity undertaken throughout the year.

Total operating costs on goods and services (excluding berthing and crew wages/ salaries) for superyachts in Australian waters in 2015-16 was estimated to be $304.6 million. Of this, $242.1 million is estimated to have been spent in Australia.

A breakdown of expenditure on goods and services in Australia by category is provided below.

Figure 5. Operating Expenditure by Category



Source: Consultation

In addition to the above costs, wages and salaries of approximately $150.4 million are estimated to have been paid to superyacht crews. This includes wages and salaries paid to crews of both domestic and foreign vessels.

THE AUSTRALIAN SUPERYACHT SECTOR

MAINTENANCE EXPENDITURE

Australia has highly skilled and respected maintenance and refit capabilities and personnel. These skills are transferrable to and are able to be leveraged by the defence sector and vice versa.

The level of expenditure on vessel maintenance is typically related to the value of the vessel, but maintenance levels can vary between vessels. Maintenance is often carried out where a vessel charters, so chartering foreign superyachts is key to driving growth in the maintenance sector in Australia.

In order to maintain a vessel to an 'as new' condition, maintenance expenditure in order of 10% to 12% of vessel value per annum on average is required. But not all vessel owners will spend this amount and it will vary between years.

The following sections outline the expenditure levels of superyachts on maintenance works undertaken in Australia for domestic and foreign vessels.

"We have the skills, experience and reputation to compete with the best maintenance yards in the world."

Industry stakeholder

Domestic Vessels

Of domestic vessels:

- Approximately 2/3 are considered to be highly active in terms of maintenance expenditure, spending on average between 10% and 12% of vessel value on maintenance each year (11% assumed).
- Approximately 1/6 are considered moderately active, spending approximately between 5% and 10% of vessel value on maintenance each year on average (7.5% assumed).
- Approximately 1/6 are considered relatively inactive in terms of maintenance works. Approximately 4% to 5% of vessel value is spent on maintenance each year on average for these vessels (4.5% assumed).

Of vessel expenditure on maintenance by domestic vessels, around 80% to 90% is undertaken in Australia (85% assumed).

This provides a total expenditure on vessel maintenance in Australia for domestic vessels in 2015-16 of approximately between $176.4 million and $620.2 million (approximately $348.1 million assumed).

Foreign Vessels

Of foreign vessels:

- Approximately 1/3 are considered to be highly active in terms of maintenance expenditure in Australia, spending on average between 10% and 12% (11% assumed) of vessel value on maintenance in Australia each year.
- Approximately 1/3 are considered moderately active in Australia, spending approximately between 5% and 10% (7.5% assumed) of vessel value on maintenance in Australia each year on average.
- Approximately 1/3 are considered relatively inactive in terms of maintenance works in Australia. Approximately 2% to 5% (3.5% assumed) of vessel value is spent on maintenance in Australia each year on average for these vessels.

The above outlines the expenditure on maintenance in Australia only. In addition to the above, foreign vessels also undertake maintenance work elsewhere globally. Yachts plan in advance where they have their significant maintenance undertaken.

This provides a total expenditure on vessel maintenance in Australia for foreign vessels in 2015-16 of approximately between $114.8 million and $393.8 million (approximately $226.4 million assumed).

THE AUSTRALIAN SUPERYACHT SECTOR

INDUCED FOREIGN TOURISM SPEND

Guests aboard superyacht cruises are typically high net worth (HNW) and ultra high net worth (UHNW) individuals, with relatively unconstrained capacity for expenditure. Superyacht guests can contribute significantly in terms of consumption expenditure within the Australian economy not only during their superyacht voyage, but during their time in Australia either side of the cruise.

Only expenditure by foreign guests that visited Australia due to their participation in superyacht activity was included. It is conservatively assumed that domestic guests and foreign guests who would have visited Australia regardless of access to a superyacht would have otherwise undertaken similar expenditure in Australia.

Number of Foreign Guests

The following provides a breakdown of the assumed number of new foreign guests attracted to Australia as a result of superyachts during 2015-16:

- Domestic Vessel Term Charter: 80% of guests.
- Domestic Vessel Day Cruises/ Corporate Events: 0% of guests.
- Domestic Vessel Private Use: 0% of guests.
- Foreign Vessel Private Use: 80% of guests.

Length of Stay (Either Side of Cruise)

Typically foreign guests would spend three days to a week either side of their cruising activity on a superyacht in Australia (five days assumed).

Expenditure per Day

Guest expenditure can vary significantly between guests. Given the highly private nature of superyacht users it was challenging to capture quantitative data on the daily spend of foreign guests during the window either side of the charter. However, it was estimated by key industry stakeholders that a conservative estimate could be in the order of $15,000 to $25,000.

Research by Wealth-X (2015) indicates UHNW individuals spend on average US$1.1 million per year (US$3,000 per day) on luxury goods and services, including travel, jewellery, clothes, food and drinks. At an exchange rate of USD 0.76 per AUD for October 2016 (RBA, 2016), this equates to an average daily spend of approximately AU$4,000.

Given consultation findings, and the expectation that average daily spend while holidaying would be higher than while not holidaying, an average daily spend of $7,500 has been assumed.

Total Induced Foreign Tourism (Guest) Spend

Based on usage rates outlined in previous sections, the total induced expenditure of foreign guests in Australia as a result of the superyacht sector in 2015-16 is estimated to be approximately $182.1 million.

Crew Spend

In addition to induced foreign guest expenditure, superyachts provide a stimulus to the Australian economy through consumption expenditure by the crews of superyachts.

Only expenditure by crews of foreign vessels have been included. This conservatively assumes the crews of domestic vessels would otherwise work, live and spend in Australia regardless of superyacht activity. This has been critiqued by industry stakeholders as a highly conservative assumption.

Consultation with industry suggests off vessel crew expenditure for foreign vessels averages approximately $16,667 per month per vessel. Based on the number and length of stay of foreign vessels in Australian waters in 2015-16, this equates to total crew spend in Australia of approximately $4.0 million to $7.0 million ($5.4 million assumed).

THE AUSTRALIAN SUPERYACHT SECTOR

CONSTRUCTION OF NEW VESSELS

Australia has a high quality superyacht manufacturing sector, primarily based in Henderson (Perth, WA). There are two main superyacht building companies located in Henderson, Echo Yachts and Silver Yachts.

Data pertaining to the direct cost of vessels is highly confidential. Estimates of a basic cost range and structure for the construction of a superyacht based on industry averages and data supplied by key stakeholders is presented in Table 1.

The estimates presented in Table 1 were converted to an expenditure per linear metre, and a straight line path of cost per linear metre for various vessel lengths assumed.

The construction of a single superyacht can support many hundred jobs for a period of 19-24 months. The superyacht sector also supports skill retention in Australia for the defence sector.

Table 1. Construction Cost/ Linear Meter

Activity	$'000
Labour	$590
Construction of Hull	$118
Construction of Internal Spaces	$476
Electrical Equipment	$118
Other Equipment	$246
Fitout	$118
Painting and Finishing	$118
Total	**$1,784**

Note: Totals may not sum due to rounding

Data from superyacht builders regarding the number and types of vessels commissioned to be developed in Australia over the next 4-5 years is confidential. For the purposes of this assessment it was assumed there are currently four vessels that have been commissioned for delivery from Australian manufacturers over the next 4-5 years, one of 45 metres in length and three of approximately 85 metres in length. While it is likely additional contracts will be tendered over this period that could be awarded to Australian companies, to ensure a conservative assessment only four vessels have been assumed.

This would equate to a total construction value for the Australian economy of approximately $557.3 million over this period (accounting for profit margins on top of costs outlined in Table 1), of which $535.3 million would reflect costs of labour, goods and services.

On an average annual basis, this equates to $139.3 million per year (over four years). Although given the nature of the timing of construction and demand these figures can vary significantly from year to year.

THE AUSTRALIAN SUPERYACHT SECTOR

WHERE ACTIVITY OCCURS

Table 2 provides a summary of where activity is estimated to occur across key superyacht activity items. Key regions examined include:

- Cairns region (including Whitsundays), which includes the local government areas (LGAs) of Cairns, Port Douglas, Cassowary Coast, Mareeba and Tablelands.
- South East Queensland, which includes the Brisbane metropolitan region as well as Gold Coast, Sunshine Coast and West Moreton.
- Sydney, which includes the Sydney metropolitan region as well as the Hunter and Illawarra regions.
- Perth, which includes the Perth metropolitan region.
- Melbourne, which includes the Melbourne metropolitan region.
- Tasmania and rest of Australia, which includes all other areas of Australia not captured above.

Table 2. Location of Superyacht Activity, Estimated Average Annual Expenditure ($M)

Region	Construction	Maintenance	Charter Revenue (Term & Events)	Operating Expenditure (incl. Berthing)	Guest/ Crew Expenditure	Regional Total
Cairns (including Whitsundays)	0% ($0)	27% ($155.1)	5% ($2.2)	24% ($62.7)	6% ($11.8)	$231.8
South East Queensland	0% ($0)	55% ($316)	15% ($7.1)	21% ($55.9)	16% ($30.3)	$409.3
Sydney	0% ($0)	10% ($57.4)	64% ($29.5)	34% ($89.9)	40% ($74.8)	$251.6
Perth	100% ($139.3)	2% ($11.5)	0% ($0)	0% ($0)	1% ($2.5)	$153.3
Melbourne	0% ($0)	1% ($5.7)	6% ($2.6)	0% ($1.1)	23% ($43.2)	$52.6
Tasmania & Rest of Australia	0% ($0)	5% ($28.7)	10% ($4.5)	21% ($54.8)	13% ($24.9)	$112.9
Total	**100% ($139.3)**	**100% ($574.5)**	**100% ($46)**	**100% ($264.3)**	**100% ($187.5)**	**$1,211.6**

Source: AEC.

"Australia has some of the best and least crowded cruising grounds in the world. The broader superyacht sector is only just waking up to this."
Superyacht Agent/ Broker

4. CURRENT ECONOMIC CONTRIBUTION

ECONOMIC CONTRIBUTION

APPROACH & METHOD

The economic contribution estimates in this report are produced using Input-Output transaction tables and models developed by AEC for the purposes of this assessment, combined with data from a range of sources, including State and National Accounts data, other industry data from the ABS, and data on superyacht activity from consultation (summarised in the preceding chapter).

The values presented reflect the estimated contribution of the superyacht industry in 2015-16.

Appendix A provides a summary of the measures used to assess the contribution of superyachts to the economy, and Appendix B provides additional details on the methodology.

GROSS DOMESTIC PRODUCT (GDP)

The superyacht sector is estimated to have directly contributed $589.1 million to Australia's GDP in 2015-16 (Table 3). This includes direct expenditure and activity associated with the construction, maintenance and operational activity of superyachts, as well as the superyacht supply chain and induced tourism guest/ crew expenditure in Australia.

The superyacht sector also supports considerable flow-on activity, which contributed a further $1.38 billion to GDP in 2015-16.

The total contribution of superyachts to GDP was $1.97 billion. This equated to 0.1% of Australian GDP in 2015-16 of $1.66 trillion.

EMPLOYMENT AND INCOMES

The superyacht sector supported nearly 14,500 FTE jobs in 2015-16 including direct and flow-on activity, of which nearly 6,000 FTE jobs were directly supported by the superyacht activities and direct supply chain.

The 14,500 FTE jobs supported by the superyacht sector represented 0.1% of the 10.2 million FTE jobs in Australian in 2015-16.

Around $1.2 billion in wages and salaries were paid to workers either directly associated with the superyacht sector or as a result of flow-on activity generated by the superyacht sector in 2015-16.

Table 3. Economic Contribution of Superyachts to the Australian Economy

Impact Type	Gross Domestic Product ($M)	Incomes ($M)	Employment (FTEs)
Direct Impacts (incl. Supply Chain)	$589.1	$564.3	5,978
Industry Support Effects	$468.0	$245.6	2,982
Household Consumption Effects	$908.0	$385.4	5,523
Total Contribution	**$1,965.1**	**$1,195.3**	**14,483**

Source: AEC.

CURRENT ECONOMIC CONTRIBUTION

CONTRIBUTION BY INDUSTRY

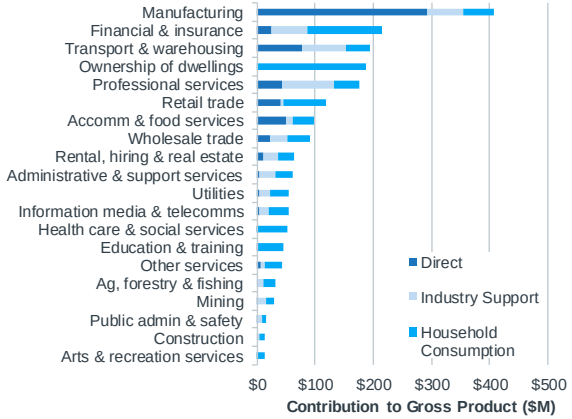
Gross Domestic Product

Australia's manufacturing industry is the key beneficiary of superyacht activity, with over $400 million in gross product supported through direct and flow-on activity in this industry. Manufacturing includes the direct superyacht activity from construction and maintenance of superyachts, which contributed just under $300 million directly to Australian GDP.

Expenditure of superyachts and guests/ crew also directly supports high levels of gross product in the industries of transport and warehousing ($77 million – primarily for water-based transport activities), accommodation and food services ($50 million), professional services ($44 million), and retail trade ($42 million) and.

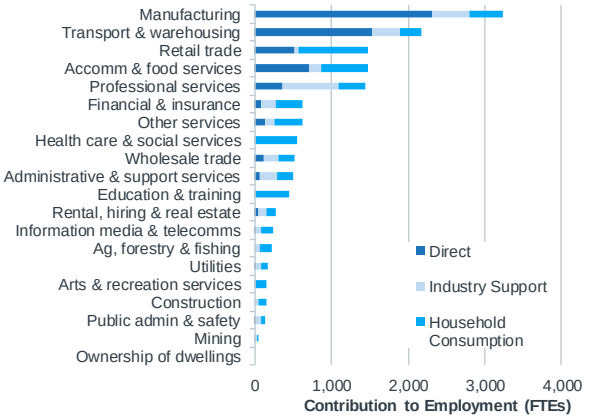
Flow-on contributions from superyacht activity support high levels of gross product in the financial and insurance services industry, professional services industry, as well as ownership of dwellings (through household consumption effects).

Figure 6. Contribution to Gross Product ($M)



Source: AEC.

Figure 7. Contribution to Employment (FTEs)



Source: AEC.

Employment

The manufacturing industry is also the primary recipient of employment impacts from superyacht activity in Australia, with over 3,200 FTE jobs supported (of which more than 2,300 are directly supported by superyacht construction and maintenance activities).

Transport and warehousing (2,200 FTE jobs), retail trade (1,500 FTE jobs), accommodation and food services (1,500 FTE jobs) and professional services (1,400 FTE jobs) are also key industries supported by superyacht activity, both through direct and flow-on effects.

CURRENT ECONOMIC CONTRIBUTION

REGIONAL CONTRIBUTION

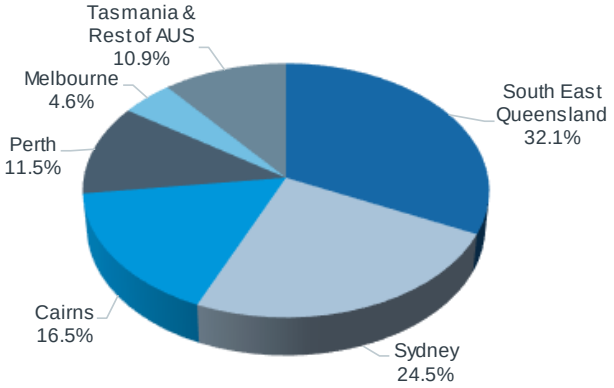
South East Queensland and Sydney account for more than half the total contribution to GDP (direct and flow-on) from the superyacht industry in Australia. A combined $1.1 billion in gross product is supported by the superyacht industry in these locations.

These two locations also account for over 55% of total jobs supported by the superyacht industry in Australia.

While South East Queensland and Sydney and the two largest beneficiaries of superyacht activity, the activities undertaken differ significantly. South East Queensland attracts a considerable superyacht maintenance market, while Sydney is primarily a chartering and guest destination.

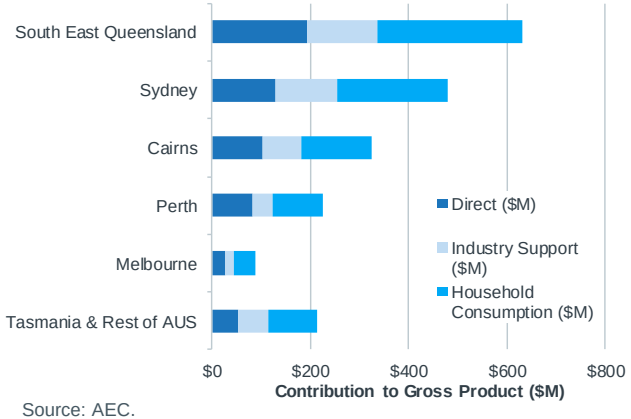
The contribution of the superyacht industry represented 0.3% of the total South East Queensland Gross Regional Product (GRP) and 0.1% of Sydney GRP.

Figure 8. Percent Contribution to Gross Product



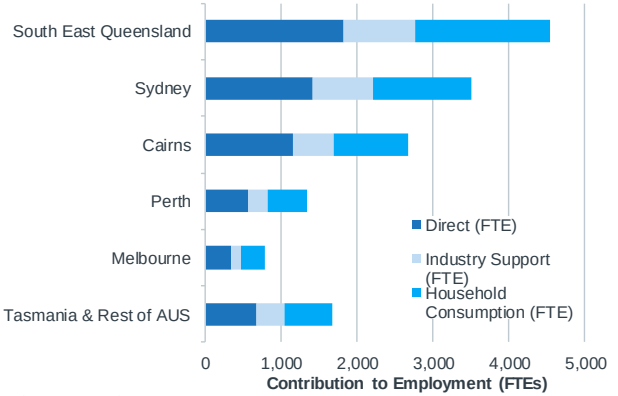
Source: AEC.

Figure 9. Contribution to Gross Product ($M)



Source: AEC.

Figure 10. Contribution to Employment (FTEs)



Source: AEC.

The superyacht industry generated approximately $325 million in gross product in the Cairns region (including Whitsundays) in 2015-16, and over 2,650 jobs. This represented approximately 2.7% of total GRP in the Cairns regional economy, and 2.8% of total jobs.

On a percent basis, the superyacht industry's contribution to the Cairns region was higher than in any other region, highlighting the importance of superyacht visitation and maintenance activity to the Cairns region.

GST REVENUE GENERATED

APPROACH

While GST is a broad tax of 10% on most goods, services and other items sold or consumed in Australia, there are a range of deductions and rebates applicable to industry. GST is designed to be applied to final goods and services for consumption rather than intermediate goods and services used in production.

Estimates of the GST revenues generated by the superyacht industry were developed using the following approach:

- A ten year average of GST revenue received by the Australian Government (ABS, 2016g) was compared to the ten year average of GDP (current prices) (ABS, 2016b).
- This ten year average ratio (3.5%) was applied to modelled estimates of the contribution of the superyacht industry to GDP in 2016.

This approach applies a national average of GST payable by Australian industry to the superyacht sector. This is likely an underestimate of GST payable, as a large portion of the sector is consumer based, thus limiting the deductable component.

GST ESTIMATES

Revenue from Foreign Vessel Imports

Consultation with industry highlights no foreign superyachts are willing to pay the 10% GST on the capital value of the vessel to operate commercially. The only vessels that operate commercially in Australia are those that are domiciled domestically.

As a result, the Australian Government is receiving no GST income from foreign superyachts for commercial use.

Revenue from Industry Activity

Estimates of GST revenue generated from superyacht industry activity are outlined in Table 4 below.

In total, approximately $69.6 million in GST revenues is estimated to have been generated by the superyacht industry in 2016. This includes GST revenues generated across superyacht construction, maintenance, vessel operations, and foreign guest/ crew expenditure.

Table 4. Indicative GST Revenue Generated by the Superyacht Industry (2016)

Impact Type	GST ($M)
Direct Impacts (incl. Supply Chain)	$20.9
Industry Support Effects	$16.6
Household Consumption Effects	$32.1
Total Contribution	**$69.6**

Source: ABS (2016b), ABS (2016g), AEC.

"The potential for the superyacht sector in Australia is enormous, the demand and appetite for our product is there, we just need the policy to get out of our road and let the entrepreneurs get to work"

Industry Stakeholder

5. CRITICAL CONSTRAINTS

CRITICAL POLICY & LEGISLATIVE CONSTRAINTS

ABILITY TO CHARTER FOREIGN VESSELS

To charter a foreign superyacht in Australian waters, the vessel must be fully imported, and in doing so attract 10% GST on the vessel value. Whilst there are a series of accounting mechanisms to work around this legislation, it presents a significant impediment to attracting foreign superyachts to come to Australia.

The legislation is perverse in that it effectively precludes any charter activity in Australian waters of foreign vessels, and in doing so removes a significant amount of GST and other potential taxes generated through an expansion of the superyacht sector, as well as associated economic activity.

ACCESS RESTRICTIONS TO GREAT BARRIER REEF MARINE PARK

Lengthy Delay of Implementing Agreed Action Points to Address Restricted Vessel Access

Superyacht access to the Great Barrier Reef Marine Park (GBRMP) (i.e. particularly the Cairns/ Port Douglas, Hinchinbrook and Whitsunday region) is restricted for vessels over 35 metres. The size of the vessel, group size on board (including crew) and the nature of the activity (i.e. recreational or charter) dictate where the vessel can access.

Whilst the GBRMP Authority has developed amendments to enhance access for superyachts less than 70 metres by providing designated anchorage areas without displacing existing users, there have been lengthy delays regarding the implementation of agreed action points to address the issue.

Perception Carries to Other Cruising Grounds

These operation exclusion zones, whilst developed to support the protection of the GBRMP as a World Heritage Area only apply to very specific areas, they create a perception that Australia is difficult to organise cruise itineraries in. Care must be taken to clearly extend the finer detail of where superyachts are able to operate and what restrictions apply in these areas to avoid misconceptions superyacht access throughout Australia.

CONSISTENCY OF FIRST POINT OF CONTACT

Consistency of Interpretation of Legislation

Engagement with a range of captains and other industry stakeholders highlighted that whilst the Border Force legislation is clear, it is frequently interpreted and/ or applied differently in different locations and/ or by different officers. This also applies to DAFF (AQIS), with some rules and regulations (as well as costs) acting as deterrents.

Captains are highly influential regarding their vessels cruise and maintenance schedule and destination. The captain network is relatively small and the negative influence of just a few captains can have a material and negative impact on the future decisions of many vessels into the future.

Welcoming Attitude

All visitors to Australian shores must clear customs and AQIS. It is essential a transparent and rigorous process is facilitated to protect Australia's borders. However, it is also important for officers to maintain and ensure all visitors have as pleasant and supportive process as possible, superyachts and smaller vessels alike.

CRITICAL POLICY & LEGISLATIVE CONSTRAINTS

CREW VISA: CHANGE FROM SUBCLASS 488 TO 408

Until 19 November, 2016 superyachts could apply for their crew to operate under a Superyacht Crew visa (subclass 488), which allowed crew members to work on board a superyacht in Australia and stay in Australia for a period of up to 12 months. These applications were typically assessed and approved within about five days and were free of charge.

Reforms and consolidation of policy and legislation surrounding Australia's border protection under the Australian Government Department of Immigration and Border Projection have seen the 488 subclass consolidated to Subclass 408 (Temporary Activity Visa). Subclass 408 visas have proven to be delivered under far longer assessment timeframes, require more detailed information requirements and cost considerably more. It is also understood there was no consultation with industry regarding these changes.

EXCHANGE RATES

Whilst not directly related to policy, the impact of exchange rates can greatly effect the relative affordability/ cost of Australian superyacht construction, manufacturing and refit operations.

The superyacht sector, whilst having a strong focus on the quality of workmanship, skills and relationships is still price conscious. So an awareness of longer term movements in the exchange rate will be a critical influencing factor on the sector moving forward.

FOREIGN VESSELS CAN NOT BE SOLD IN AUSTRALIA

Foreign vessels cannot currently be advertised or sold in Australia. This significantly limits the ability of agents and yacht brokers to operate across the full superyacht fleet in Australian waters and effectively caps the brokerage aspect of the sector.

> "We all know the 35 metre rule only pertains to some areas of the Whitsundays and amendments to this are on the way, but it creates a perception of Australia being a difficult to place to organise cruise itineraries."
>
> Superyacht Agent/ Broker

CRITICAL HARD INFRASTRUCTURE CONSTRAINTS

There are a range of critical hard infrastructure gaps that need to be addressed to support and drive industry growth. The majority of these relate to planning designations for future areas supporting/ facilitating private sector investment.

Berths for Mega Yachts in Sydney

Sydney Harbour is a mecca for superyachts over the Christmas-new year period. The length of foreign vessels is increasing and the expectations of these larger vessels is significant. There is a pressing need to identify areas in Sydney Harbour where berths for mega-yachts (>100 metres) can be accommodated.

Large Ship Lift and Dry Dock Facilities (>1,000t) on Australian East Coast

Whilst there is a lot of in-water maintenance conducted on superyachts, to be truly competitive and present maintenance facilities to the standard of Europe, large (>1,000t) ship lift and/ or dry dock facilities are required. These facilities should be located nearest to the highest concentration of available and skilled labour.

Berths Upstream in the Brisbane River

There are no superyacht berths upstream in the Brisbane River. Brisbane is one of the only river/ water based capital cities in the world that does not have high quality superyacht berths near to the CBD.

Access to Brisbane's New Casino

The Brisbane River has a number of bridges and infrastructure. The Captain Cook Bridge effectively halts superyacht access further upstream in the Brisbane River. The new Casino, which is upstream of the Captain Cook bridge in Brisbane, will support and drive high levels of demand for superyacht berths in the Brisbane River. Planning is required to facilitate superyacht berths as close to the new casino as possible.

Dredging of the Gold Coast Broadwater

Access to the Gold Coast Broadwater (i.e. depth of draught due to siltation) is critical to the development of a vital superyacht sector on the Gold Coast.

"The superyacht sector is different to other sectors, decisions are based on quality and experience [not just price].
Australia needs to 'lift' the experience provided to the sector across the board, from Border Force, to maintenance yards to facilitating social networks."

Industry stakeholder

CRITICAL SOFT INFRASTRUCTURE CONSTRAINTS

There are also a series of critical soft infrastructure gaps that need to be addressed to support and drive industry growth. The majority of these relate to information provision and industry collaboration, but also service gaps regarding Customs Clearance.

Customs Clearance (no clearance on Gold Coast)

Vessels visiting the Gold Coast are required to clear in at ports elsewhere (e.g. Brisbane) and then travel to the Gold Coast, presenting inconvenience and significant time burden. Enabling Customs, Border Force and AQIS clearance at the Gold Coast is considered a critical enabler to the sector. The Commonwealth Games present an ideal opportunity to showcase Queensland and Australia to the global superyacht sector. Clearance on the Gold Coast is required prior to the Games to ensure the superyacht sector is appropriately catered for and the 'Australian superyacht opportunity' is extended.

Nationally Consistent Engagement & Marketing

A clear and consistent message is required from the Australian superyacht industry. This message must be consistent between all stakeholders (industry, state and Australian governments) to drive growth (for example for use and extension at Monaco and Ft Lauderdale boat shows). It needs to be backed by comprehensive collateral clearly mapping where vessels can cruise, the requirements for crew and guest entry to Australia, maintenance and refit yards, as well as materials supporting captains to deliver truly hero experiences while cruising and across other Australian tourism offerings. The superyacht sectors growth will contribute significantly to the 2020 Tourism Australia Overnight Visitor expenditure target.

It is critical this is organised and facilitated ahead of the Commonwealth Games (at the Gold Coast) to ensure a key drawcard for the sector is leveraged.

Social Engagement Network

Feedback from industry stakeholders indicates Australia lacks a comparable social network to the traditional superyacht cruise destinations (e.g. Monaco). This presents an opportunity for local entrepreneurs to facilitate and deliver high end concierge services to support superyacht guests and crew.

Planning for Success

There will be modest growth within the superyacht sector to 2021. The combination of the Commonwealth Games and overarching global trends are all positive influences for Australia.

Consultation with key industry stakeholders identified the maintenance and supply chain for the superyacht industry can likely absorb baseline growth. However, where strong growth occurs, resulting from changes in the current policy settings, the private sector will need to respond very quickly with new infrastructure and services. The private sector is capable of responding rapidly to new entrepreneurial opportunities, however, pre-planning is required to ensure protracted development approvals do not limit the realisation of pending industry growth over the next 2-5 years.

THE TIPPING POINT – LOSING OUR COMPETITIVE EDGE

CASE STUDIES

Many nations in the south Pacific have amended policy settings to support and encourage the growth of the superyacht sector and attract vessels to drive local economic activity.

Case studies of Fiji and New Zealand are provided for context as they represent proactive governments, who understand the value and unique requirements of the superyacht sector.

These governments have both taken not only positive steps toward removing prohibitive policy and legislation that was unintentionally holding the sector back, but have also implemented proactive programs of industry development and support.

New Zealand represents a genuine competitor to the development of the Australian superyacht sector. If Australia's policy does not support the growth of the superyacht sector, it is likely much of the potential growth in Australian jobs and economic activity will be lost to, and captured by, New Zealand.

Fiji

The Fijian Government has proactively supported the strong growth in the superyacht sector by making entering and exiting Fijian waters easier and opening previously inaccessible areas (Boat international, 2015). This proactive policy setting stimulated growth of 38% from 2013 to 2014.

Foreign superyachts can obtain entry to Fijian waters for up to 18 months, provided the owner holds a valid immigration permit for this period (FIR&CA, undated). Superyacht charter is supported on the basis 12.5% of the charter fee is paid to the Government (Fiji Marinas, 2016).

In 2014, approximately 56 superyachts visited Fiji, injecting FJ$16 million into the local economy (The Fiji Times, 2015). Whilst the number of vessels is relatively low the expenditure per vessel is very high (The Fiji Times, 2015). Most guests arrive by plane with their crew navigating the boat into the marina ahead of their arrival. Most superyachts stay in Fiji for 6 weeks to 2 months.

New Zealand

New Zealand Customs Authority announced a Temporary Import Entry method for private vessels (Customs New Zealand, 2015). Non-resident visitors to New Zealand on superyachts can remain in New Zealand waters for up to 24 months, providing their chartering activities account for less than 65% of their time in the country. Certain activities may also be exempt from the usual 15% GST.

2015 was particularly lucrative for Superyacht visits to New Zealand (NZ Herald, 2015), with vsits from foreign yachts increasing by 54% in 2015 (37 to 57).

The New Zealand Government has acknowledged the value of the sector and has actively set policy to encourage the industry. Combined with proactive industry stakeholders, the recent changes to the policy that encourage and facilitate superyacht activity present a significant competitive advantage for New Zealand over Australia.

Australia must follow our South Pacific neighbours and employ appropriate policy settings to facilitate and realise the significant latent demand of the high value superyacht sector.

We have all heard the slogan, BUT is Australia really "Open for Business"?

Industry Stakeholder

6. FUTURE SCENARIOS

CONTEXT & KEY ISSUES

WHAT IS THE KEY POLICY THAT NEEDS TO CHANGE?

The requirement to fully import a foreign vessel and pay 10% GST for it to charter in Australian waters has been identified by key industry stakeholders as the most critical and significant issue that is holding the sector back.

There are a range of other important policies, planning and infrastructure issues that need to be addressed to support an environment that is conducive to sector growth and these are highlighted throughout the report. But addressing the requirement to pay 10% GST to fully import a foreign vessel is identified as the catalyst to future growth for the sector.

Unlocking the potential of the sector will increase foreign induced tourism expenditure and activity around Australia, as well as the maintenance and provisioning activities in key superyacht areas.

Beyond the direct supply chain, the sector supports strong employment opportunities right across the economy for Australian workers.

WILL FOREIGN VESSELS IMPACT CHARTER MARKET?

The ability for foreign vessels to charter in Australian waters will not deleteriously effect the current charter sector or displace any employment opportunities for Australian workers.

Foreign superyachts will not compete with domestic superyachts for charter activity. They are identified as a different product category and consumer experience. Domestic vessels (which are typically less than 35 metres) are smaller than foreign vessels (generally over 45 meters). Foreign vessels also offer an elite level of product that is not currently available in Australian waters.

Foreign vessels will likely open new and higher value charter markets in Australia as they will not be able to directly compete compared to local product in those price brackets.

FUTURE SCENARIOS

IF EXISTING POLICY IS RETAINED

Australia and the South Pacific has received increased interest as a cruising destination in recent years in response to growing global demand, crowding in traditional cruising grounds and some safety concerns in the northern hemisphere.

This interest will continue to grow the sector modestly in the coming years.

Despite this expected underlying growth, retaining current policy settings is expected to considerably constrain growth potential for superyachts in Australia, in particular in the foreign superyacht market.

Details regarding the drivers and assumptions used for modelling growth of the superyacht sector under a scenario where existing policy is retained are provided in Appendix D.

A summary of activity in Australia in 2021 under the existing policy scenario is provided in the tables on the following page, under the 'Baseline' headings.

IF POLICY CHANGES TO ADDRESS KEY CONSTRAINTS

Successful changes in current policy to address the critical constraints outlined in the previous chapter is expected to significantly boost interest in Australia as a destination for superyacht activity for the foreign fleet.

As a direct result of policy change, it is expected that many foreign vessels that either currently or would otherwise be expected to visit Australia regardless of policy change may change their visitation and usage pattern, choosing to switch from exclusively private use while in Australia to a mix of chartering and private use.

Importantly, a key barrier to foreign vessels visiting and chartering in Australia would be removed. This would be expected to result in considerable growth in the number of foreign vessels visiting Australia, with most if not all of these additional vessels expected to be attracted by (and taking advantage of) easier entry into the chartering market in Australia.

In undertaking modelling of economic impacts of policy change, two scenarios were developed (reflecting a moderate and a strong industry response) through detailed and extensive stakeholder consultation. Stakeholders were questioned regarding the potential realistic range of growth for both a moderate and strong scenario of growth.

Details regarding the drivers and assumptions used for the moderate industry response scenario are provided in Appendix E. Details regarding the drivers and assumptions used for the strong industry response scenario are provided in Appendix F.

The mid-point of projected growth in these two scenarios was used in modelling future economic impacts under policy change. A summary of activity in Australia in 2021 under the mid-point of these two scenarios is provided in the tables on the following page, under the 'Policy Change' heading.

The moderate and strong industry response scenarios were also modelled as a form of sensitivity testing. The results of this modelling are provided in Appendix G.

FUTURE SCENARIOS

SUMMARY OF ASSUMPTIONS

Table 5. Vessel Numbers

Driver/ Assumptions	Existing Policy	Policy Change
Domestic vessels *(Total)*	***160***	***168***
High Use Charter	59	62
Sporadic Charter	56	59
Private Use Only	45	47
Foreign vessels *(Total)*	***74***	***171***
High Use Charter	0	53
Sporadic Charter	0	74
Private Use Only	74	44

Table 6. Fleet Value ($B)

Driver/ Assumptions	Existing Policy	Policy Change
Domestic vessels	$5.2	$5.5
Foreign vessels	$3.5	$9.0

Table 7. Maintenance & Construction Spend ($M)

Driver/ Assumptions	Existing Policy	Policy Change
Maintenance	$670.3	$1,167.4
Construction	$139.3	$163.8

Table 8. Fleet Usage

Driver/ Assumptions	Existing Policy	Policy Change
Domestic vessels *(Total)*	***5,839***	***6,131***
Term Charter Days	351	369
Day Cruises/ Corporate Events	1,348	1,417
Private Use Cruise Days	4,140	4,345
Foreign vessels *(Total)*	***1,480***	***3,198***
Term Charter Days	0	339
Day Cruises/ Corporate Events	0	339
Private Use Cruise Days	1,480	2,520

Table 9. Induced Tourism Guest & Crew Spend ($M)

Driver/ Assumptions	Existing Policy	Policy Change
Guest Spend	$209.6	$383.5
Crew Spend	$6.2	$15.0

Table 10. Operating Expenses ($M)

Driver/ Assumptions	Existing Policy	Policy Change
Berthing	$23.7	$30.4
Crew Salaries	$181.4	$257.4
Other Operating Expenses	$285.6	$448.3

"The Commonwealth Games presents a once in a lifetime opportunity to present the Australian superyacht sector to the world. Let's get it right!"

Industry stakeholder

7. ECONOMIC IMPACTS OF FUTURE SCENARIOS

ECONOMIC IMPACTS OF FUTURE SCENARIOS

APPROACH & METHOD

Economic impacts of the future scenarios were assessed using Input-Output impact analysis, based on data of superyacht activity from consultation (summarised in the preceding chapter).

The values presented reflect the estimated additional contribution of the superyacht industry in 2021, in 2016 dollar terms (i.e. do not incorporate inflation to 2021).

Appendix A provides a summary of the measures used to assess the contribution of superyachts to the economy, and Appendix C provides additional details on the methodology.

A comparison of modelling results for the two scenarios is presented in Table 11 on the following page. These results are summarised in the following columns.

The contribution presented is for 2021. This reflects the additional economic activity generated by superyachts anticipated for 2021, compared to 2016. It is not a cumulative figure for years 2017 to 2021, and is intended to highlight the potential benefits each year from increased superyacht activity.

SUMMARY OF RESULTS

Existing Policy is Retained (Baseline Scenario)

Without policy change, the superyacht sector is projected to contribute an additional $254.4 million to Australian GDP in 2021 (including direct and flow-on impacts. This is over and above the $1.97 billion currently contributed (i.e. total contribution of $2.22 billion).

Over 1,800 FTE jobs are projected to be supported in 2021, in addition to the nearly 14,500 FTE jobs currently supported by the superyacht industry. These additional jobs are projected to pay more than $160 million in household incomes.

Policy Support Delivers Superyacht Industry Growth

GDP is projected to be approximately $1.12 billion higher in 2021 compared to what would be expected to occur under existing policy. This would equate to a total contribution of the superyacht industry to Australian GDP of $3.34 billion in 2021.

More than 8,100 additional FTE jobs would be supported in the Australian economy under this scenario compared to if existing policy is retained, paying households more than $700 million in wages and salaries. In total, the superyacht industry would be estimated to support more than 24,400 FTE jobs in Australia in 2021.

ECONOMIC IMPACT OF FUTURE SCENARIOS

COMPARISON OF SCENARIOS

Table 11. Economic Impact of Additional Superyacht Activity to the Australian Economy, Comparison of Scenarios (Annual Impact in 2021)

Impact Type		Gross Domestic Product ($M)	Incomes ($M)	Employment (FTEs)
Existing (2016) Total Economic Contribution	**(A)**	**$1,965.1**	**$1,195.3**	**14,483**
Existing Policy Is Retained (Baseline Scenario)				
Direct Impacts (incl. Supply Chain)	(B)	$86.4	$86.6	841
Industry Support Effects	(C)	$37.8	$19.9	222
Household Consumption Effects	(D)	$129.3	$56.7	758
Additional Contribution (Above Existing)	**(E = B + C + D)**	**$253.4**	**$163.2**	**1,822**
Total Contribution	**(F = A + E)**	**$2,218.5**	**$1,358.5**	**16,305**
Policy Support Delivers Superyacht Industry Growth				
Direct Impacts (incl. Supply Chain)	(G)	$392.8	$369.9	3,828
Industry Support Effects	(H)	$171.2	$90.2	1,017
Household Consumption Effects	(I)	$558.4	$244.9	3,275
Additional Contribution (Above Baseline)	**(J = G + H + I)**	**$1,122.3**	**$705.0**	**8,120**
Total Contribution	**(K = F + J)**	**$3,340.9**	**$2,063.6**	**24,425**

Source: AEC.

ECONOMIC IMPACTS OF FUTURE SCENARIOS

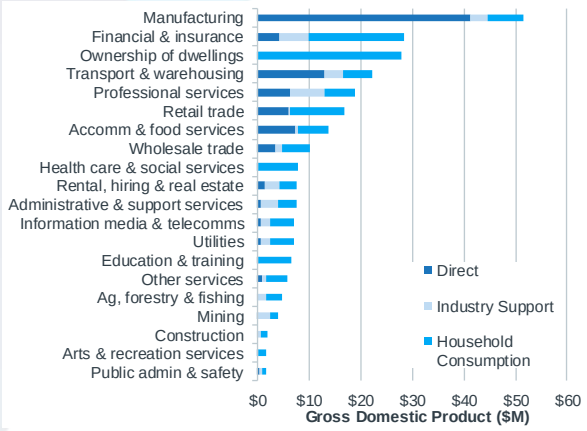
ADDITIONAL CONTRIBUTION TO GROSS DOMESTIC PRODUCT BY INDUSTRY

Existing Policy is Retained (Baseline Scenario)

If existing policy is retained, manufacturing would be the key beneficiary of additional activity, with more than $50 million in additional gross product supported in this industry.

Other key industries supported would include financial and insurance services, ownership of dwellings, transport and warehousing, professional services, retail trade, and accommodation and food services.

Figure 11. Baseline Scenario Additional Contribution to GDP – Above Existing ($M)

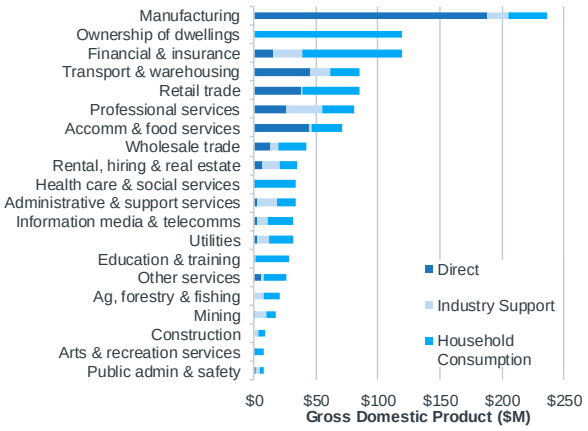


Source: AEC.

Policy Support Delivers Superyacht Industry Growth

Increased foreign flagged superyacht activity is expected to drive considerably higher levels of activity. The Australian manufacturing industry would be expected to the primary beneficiary, with more than $235 million in additional gross product supported in this industry over and above what would be expected to occur in the baseline scenario.

Figure 12. Policy Support Additional Contribution to GDP – Above Baseline ($M)

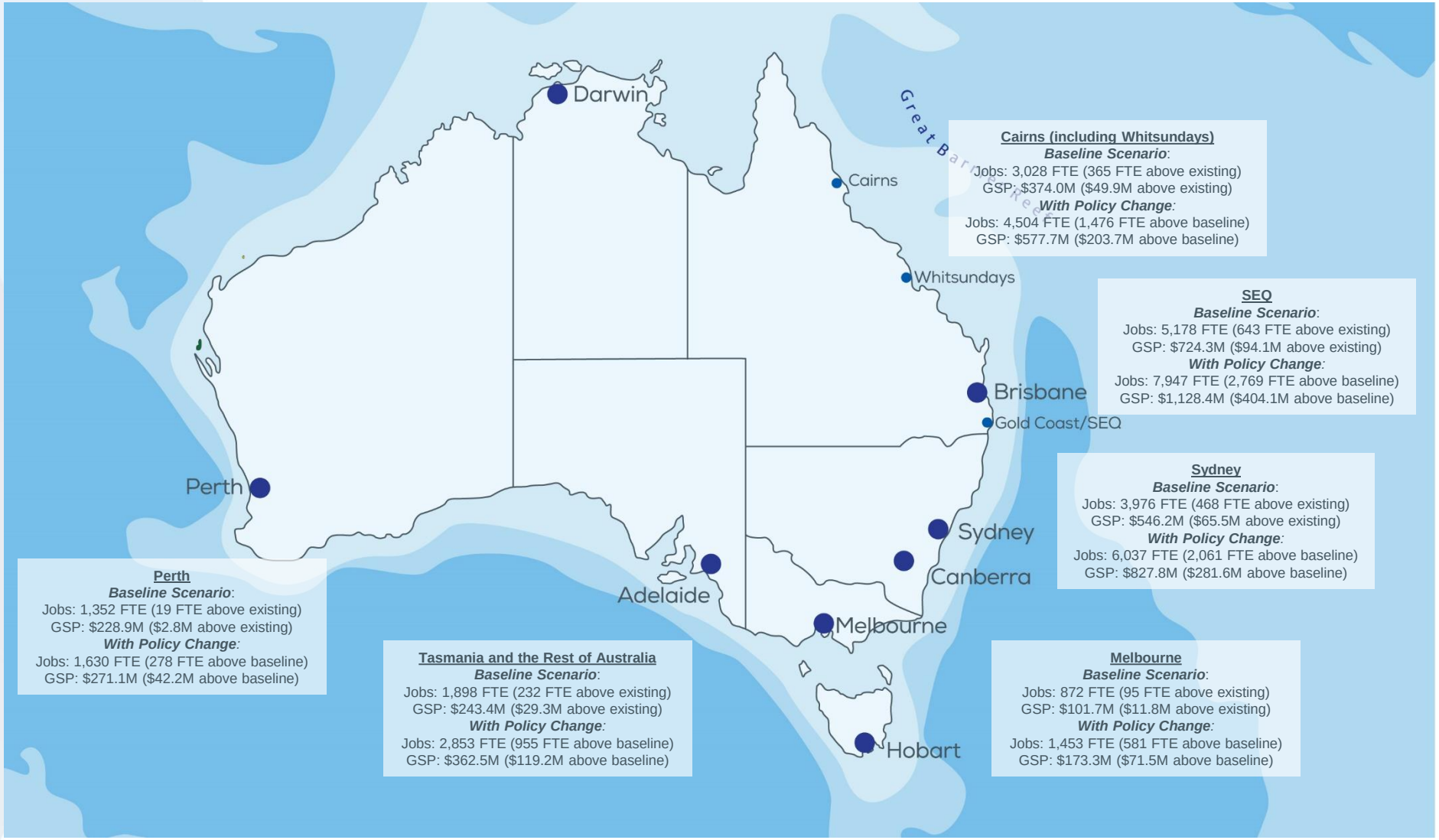


Source: AEC.

The industries of ownership of dwellings and financial and insurance services would each produce over $115 million more in gross product than if existing policy is retained, primarily through flow-on activity.

Other key industries benefiting by more than $70 million in gross product from increased superyacht activity would include transport and warehousing, retail trade, professional services, and accommodation and food services.

REGIONAL CONTRIBUTION (2021)



FUTURE GST REVENUE GENERATED

APPROACH

Future estimates of the GST revenues were generated using the same approach outlined for existing GST revenues. A ratio of 3.5% was applied to GDP estimates for the baseline and with policy change scenarios to develop indicative estimates of GST generated in each scenario.

REVENUE FROM FOREIGN VESSEL IMPORTS

As with the current situation, under the existing policy (baseline) scenario it is not anticipated any GST revenues would be generated by foreign vessels as no foreign vessels are assumed to operate commercially.

In a scenario of policy change the 10% GST on vessel value would be removed. While this would not generate GST revenue for importing the vessel, as this policy currently generates no revenue there would be no net loss. Rather, the Australian Government would benefit through increase GST revenues being generated through increased superyacht industry activity.

REVENUE FROM INDUSTRY ACTIVITY

Estimates of GST revenue generated from superyacht industry activity in the existing policy and with policy change scenarios are outlined in Table 12 below.

Under existing policy, approximately $78.6 million in GST revenues is estimated to be generated by the superyacht industry in 2021. This is $9.0 million more than in 2016.

With policy change it is estimated a total of $118.3 million in GST revenues would be generated by the superyacht industry in 2021, approximately five times the increase compared to 2016 that would be achieved under existing policy.

Table 12. Indicative GST Revenue Generated by the Superyacht Industry, Comparison of Scenarios (2021)

Impact Type	Existing Policy ($M)	Policy Change ($M)
Direct Impacts (incl. Supply Chain)	$23.9	$37.8
Industry Support Effects	$17.9	$24.0
Household Consumption Effects	$36.7	$56.5
Total Contribution	**$78.6**	**$118.3**

Source: ABS (2016b), ABS (2016g), AEC.

"The potential is there, all we need is appropriate legislation and support for our sector, private sector monies will do the rest."

Industry stakeholder

8. KEY ACTION POINTS

KEY ACTION POINTS

Industry Wide Data & Statistics

Regular and reliable industry wide data and statistics are required to plan and manage growth and to monitor and evaluate the performance of the sector (construction, operations and maintenance) over time. An accurate view on the number of vessels in Australian waters, their areas of activity, and maintenance and the guest nights facilitated would greatly benefit the industry in understanding and planning for growth.

Industry Wide Development Strategy

The Australian superyacht industry needs a consolidated industry wide development strategy. The strategy should set the forward vision for the sector, and include detailed implementation plans tailored for each state and their sub-regions role in driving growth in the sector moving forward.

Given Queensland's significant contribution to the sector (with SEQ and Cairns (including Whitsundays) accounting for nearly 50% of total GDP generated by the sector in 2016) it is likely Queensland will require a detailed strategy and implementation plan to take further advantage of the opportunities presented to the industry.

Nationally Consistent Marketing & Extension Material

Consolidated national marketing, exhibition and high quality collateral is required to communicate and extend the 'Australian opportunity'. Australia needs to present to the global stage (e.g. Monaco and Ft Lauderdale boat shows) a consolidated and professional suite of collateral that is supported by a detailed strategy and appropriate resources (staff, web, flyers, display booths, etc) to secure Australia's place as a premium superyacht destination. It is expected this would require coordination and collaboration with Tourism Australia who have the expertise in this area. This expertise is critical to realise the full and significant tourism potential of the superyacht sector.

Work with Government(s) to Overcome Development Challenges

The Australian superyacht sector is a vibrant and distinctive sector with strong growth potential. Industry needs to work collaboratively with all levels of government to address those issues holding the sector back, for example:

- The requirement to fully import foreign vessels and pay 10% GST on their capital value if they are to charter commercially.
- The restrictions regarding the advertising and sale of foreign vessels in Australia.
- The lengthy delay regarding implementation of agreed action points addressing the issue of cruising restrictions within the Great Barrier Reef Marine Park for vessels over 35 metres, as it presents a broader perception of it being difficult to arrange cruise itineraries in Australian waters.
- Customs, Border Force and AQIS clearance is needed on the Gold Coast. This is critical ahead of the Commonwealth Games in 2018.
- Planning restrictions for development and infrastructure in critical locations (e.g. upstream of the Captain Cook Bridge in Brisbane, and maintaining vessel access (draught) in the Coomera River, megayacht berths in Sydney).
- Ensuring a welcoming attitude and consistency of application and interpretation of Border Force/ AQIS legislation.
- The change of crew visas from subclass 488 to 408, with increased costs and slower processing times has become a major deterrent.

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INPUT-OUTPUT: DESCRIPTION OF MEASURES USED IN MODELLING

APPENDIX A

AEC
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MEASURES USED IN MODELLING

HEADLINE IMPACT MEASURES

The contribution of superyacht's to the Australian economy is estimated across the following three key measures:

- **Gross Product**: Refers to the value of all outputs of an industry including taxes/ subsidies on its final products after deducting the cost of goods and services inputs in the production process. Gross Domestic Product (GDP) is the measure of a country's total gross production, Gross State Product (GSP) a State's total gross production, and Gross Regional Product (GRP) a region's total gross production.
- **Incomes**: Measures the level of wages and salaries paid to employees of each industry.
- **Employment**: Refers to the part-time and full-time employment positions supported by an industry, and is expressed in terms of full time equivalent (FTE) positions, where one FTE is equivalent to one person working full time for a period of one year.

Two additional measures are also referenced:

- **Industry output (or turnover)**: Refers to the total dollar value of all goods and services produced during the year. This measure overstates the true economic contribution of the industry as it double counts the value of material and services inputs used in the production of an industry's goods and services.
- **Gross Value Added (GVA)**: Refers to the value of output after deducting the cost of goods and services inputs in the production process. Value added thereby defines the true net contribution. It is a similar measure to gross product, but excludes taxes/ subsidies on final products.

DIRECT & FLOW-ON IMPACTS

The economic contribution is measured in terms of:

- **Initial impacts**, which represents the economic activity of the superyacht sector itself.
- **First Round (Type IA) impacts**, which comprise the effects from direct expenditure on goods and services by the superyacht sector (direct suppliers to the superyacht sector).
- **Industry Induced (Type IB) impacts**, which represent the industry support and subsequent round effects of increased purchases by direct suppliers to the superyacht sector in response to increased sales.
- **Household Consumption Induced (Type II) impacts**, which represent the consumption induced activity from household expenditure on goods and services resulting from wages and salaries being paid by the superyacht sector and those within the supply chain (Type IA and IB).

For the purposes of this assessment, the total direct superyacht sector impact is considered to be delivered by the initial impacts and first round (direct suppliers) impacts. Flow-on impacts are reflected by Type IB and Type II impacts.

INPUT-OUTPUT: CONTRIBUTION ASSESSMENT METHODOLOGY

APPENDIX B

AEC
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SIGNIFICANCE ASSESSMENT MODEL

OVERVIEW

The economic contribution estimates in this report are produced using Input-Output transaction tables and models developed by AEC for the purposes of this assessment, combined with data from a range of sources, including State and National Accounts data, other industry data from the ABS, and data on superyacht activity from consultation.

Significance vs Impact Assessment

Significance assessment **differs from economic impact analysis** (described in Appendix C) in that economic significance assessment primarily seeks the contribution of an existing industry as opposed to the impact of a 'stimulus' in a particular industry or in several industries.

Significance assessment modelling effectively pulls the contribution an industry makes out of an economy. In order for the model to solve, the model assumes the products/ services of the industry examined are replaced by imports. In this manner, significance assessment precludes the potential for double counting or for the assessment to result in a contribution of each industry that equates to more than the sum of the total economy.

MODEL DEVELOPMENT

The models used in this assessment are derived from sub-regional transaction tables developed specifically for this project. The process of developing a sub-regional transaction table involves developing regional estimates of gross production and purchasing patterns based on a parent table, in this case the 2013-14 Australian transaction table (ABS, 2016a).

Estimates of gross production (by industry) in the study areas were developed based on the percent contribution to employment (by place of work) of the study areas to the Australian economy (ABS, 2013), and applied to Australian gross output identified in the 2013-14 Australian table.

Industry purchasing patterns within study areas were estimated using a process of cross industry location quotients and demand-supply pool production functions as described in West (1993).

The 2013-14 Input-Output tables produced by the ABS (2016a) define 114 distinct industries. In assessing the contribution of the superyacht sector, the activities of the sector were extracted from their relevant Input-Output aggregated industries.

APPROACH

The significance assessment is initially undertaken for the 2013-14 financial year to be consistent with the Input-Output transaction tables utilised. These estimates are then 'rebased' to 2015-16 values using:

- Data from the National and State Accounts (ABS, 2016b) and AEC's Gross Regional Product Model to identify growth between 2013-14 and 2015-16 in gross product and gross value add for each industry of the economy.
- Data on the value of building work done (ABS, 2016c) and the value of engineering construction work done (ABS, 2016d) in each state to estimate the proportion of overall construction sector growth attributable to building construction versus engineering.
- Data on labour productivity increases (ABS, 2016e) to identify changes in productivity per employee for each industry between 2013-14 and 2015-16. These estimates were then applied to 2015-16 production (estimated above) to identify 2015-16 employment for each industry.
- Estimates of incomes in 2015-16 were obtained assuming that the relationship between income and output in 2013-14 remains constant, which is consistent with the stylised fact of cost shares of output being close to constant over the long-term.

SIGNIFICANCE ASSESSMENT MODEL

ASSUMPTIONS OF SUB-REGIONAL TRANSACTION TABLES

Developing sub-regional transaction tables from a parent table (in this case the national table) is subject to the following assumptions:

- It is assumed the sub-region has similar technology and demand/ consumption patterns as the parent (Australia) table (e.g. the ratio of employee compensation to employees for each industry is held constant).
- Intra-regional cross-industry purchasing patterns for a given sector vary from the national tables depending on the prominence of the sector in the regional economy compared to its input sectors. Typically, sectors that are more prominent in the region (compared to the national economy) will be assessed as purchasing a higher proportion of imports from input sectors than at the national level, and vice versa.

LIMITATIONS OF SUB-REGIONAL TRANSACTION TABLES

As a result of these assumptions, sub-regional transaction tables (and thereby modelling undertaken using these tables) is subject to the following limitations:

- The mix of commodities within each of the 114 industries represented in the input-output transaction table will vary between regions and the nation. These variances will not be reflected in the sub-regional transaction table.
- Localised variances in production patterns for an industry are not reflected in the sub-regional transaction table.
- The approach used (cross industry location quotients and demand-supply pool) typically overstate the use of local intermediate purchases compared to trade between regions. This is because these functions have a bias towards purchasing locally where supply is available.

Despite these limitations, modelling using sub-regional transaction tables is considered a useful and appropriate approach to developing estimates of the economic contribution of an industry at a regional level.

INPUT-OUTPUT: IMPACT ASSESSMENT METHODOLOGY

APPENDIX C

AEC
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IMPACT ASSESSMENT MODEL

OVERVIEW

Economic impacts of the future scenarios was undertaken using Input-Output impact analysis.

Impact analysis demonstrates inter-industry relationships in an economy, depicting how the output of one industry is purchased by other industries, households, the government and external parties (i.e. exports), as well as expenditure on other factors of production such as labour, capital and imports. Input-Output analysis shows the direct and indirect (flow-on) effects of one sector on other sectors and the general economy.

As such, Input-Output modelling can be used to examine a change in final demand of any one sector and the resultant change in activity of its supporting sectors.

MODEL DEVELOPMENT

The impact analysis models developed for this project are derived from sub-regional transaction tables developed specifically for this project.

The same process for developing sub-regional transaction tables as was used for the significance assessment modelling (Appendix B) was used for the impact analysis models, and the same assumptions and limitations apply.

Where appropriate, values were rebased from 2013-14 (as used in the Australian national IO transaction tables) to 2016 values using the Consumer Price Index (ABS, 2016f).

The key difference between the significance assessment models and the impact analysis models is the impact analysis models estimate the additional impacts to the economy from a stimulus, and were not constrained by the existing size and contribution of industries within the economy.

KEY ASSUMPTIONS

The key assumptions and limitations include:

- **No supply-side constraints**: It is implicitly assumed there are no supply-side constraints and that extra output can be produced in one area without taking resources away from other activities.
- **Fixed prices**: Constraints on the availability of inputs require prices to act as a rationing device. As factors of production are assumed to be limitless, this rationing response is assumed not to occur.
- **Linear production function**: It is assumed there is a fixed input structure in each industry. For example, increased demand for a product is assumed to imply an equal increase in production for that product.
- **No economies of scope**: The total effect of carrying on several types of production is the sum of the separate effects, with no economies of scope.
- **No marginal responses to change**: It is assumed industry and households consume goods and services in exact proportions to their initial budget shares.
- **Absence of budget constraints**: It is implicitly assumed household and government consumption is not subject to budget constraints.

IMPACT ASSESSMENT MODEL

KEY LIMITATIONS

Due to the assumptions outlined above, impact assessment using input-output modelling can result in higher modelled outcomes than other modelling techniques that take into account some of these assumptions. Input-output modelling is therefore often considered to overstate the economic impact of a project or policy change.

Caution is recommended in interpreting the results of impact modelling contained in this report. For completeness, all flow-on multiplier impacts are included in the analysis presented. Observed impacts may be lower than those presented where production and consumption patterns do not grow in a linear manner as assumed in the modelling. A conservative approach to understanding the quantum of potential impacts of policy change could exclude the Household Consumption Induced (Type II) impacts.

SCENARIO 1: EXISTING POLICY IS RETAINED

APPENDIX D

AEC OUTCOME DRIVEN

FUTURE SCENARIOS
EXISTING POLICY IS RETAINED

OVERVIEW

Australia and the South Pacific has received increased interest as a cruising destination in recent years, in response growing global demand, crowding in traditional cruising grounds and some safety concerns in the northern hemisphere.

This interest is expected to continue to grow in the coming years, and the Australian superyacht sector is expected to experience growth over the next four to five years even if current policy settings remain unchanged.

Despite this expected underlying growth, retaining current policy settings is expected to considerably constrain growth potential for superyachts in Australia, in particular in the foreign superyacht market.

VESSEL NUMBERS

Domestic Vessels

Industry consultation indicates growth in domestic vessels over the next 4-5 years could be between 2% and 5% per annum. This could result in approximately an additional 12 to 41 domestic vessels (25 assumed) over the period to 2020-21.

In total, this would equate to between 132 and 191 domestic vessels operating in Australian waters in 2020-21 (160 assumed).

Foreign Vessels

Growth in foreign vessels could also be as high as 5% per annum to 2021 (potentially an additional 19 vessels) without policy change, as foreign interest in cruising the south Pacific increases in response to concerns in the northern hemisphere.

For this study it is assumed growth of 2.5% per annum would be achieved to 2020-21, equating to an additional 9 foreign vessels (74 in total).

VESSEL LENGTH & FLEET VALUE

Vessel Length

It is assumed the average vessel length for domestic and foreign vessels would remain approximately the same as in 2015-16:

- 30-35 metres (32.5 assumed) for domestic vessels
- 45-50 metres (47.5 assumed) for foreign vessels.

Fleet Value

It is assumed the average value of superyacht vessels in Australian waters will continue to be approximately $1 million per linear metre over the next 4-5 years.

Based on 160 domestic vessels and 74 foreign vessels (and average vessel lengths remaining the same), this would equate to a total fleet value of approximately $8.7 billion in 2020-21. Approximately $1.2 billion more than in 2015-16.

FUTURE SCENARIOS
EXISTING POLICY IS RETAINED

USE PATTERNS

Domestic Vessels

Use patterns for domestic superyachts are not anticipated to materially alter from existing use patterns over the next 4-5 years. Based on 160 domestic vessels in 2020-21, this would see:

- Approximately 59 high use charter vessels, catering to 295 term charter days and 1,180 day cruises/ events.
- Approximately 56 vessels undertaking sporadic chartering, catering to 56 term charter days and 168 day cruises/ events.
- Approximately 45 vessels used exclusively for private use.
- Approximately 4,140 days of private use across the domestic superyacht fleet.

Foreign Vessels

Without policy change it is not expected vessel use patterns will vary noticeably from existing patterns for foreign vessels. This would see all 74 foreign vessels in 2020-21 used exclusively for private use, averaging 20 days of cruising per year (for a total of 1,480 days).

CHARTER ACTIVITY

High Use Charter

High use charter vessels are expected to continue to be used for a mix of term charters and corporate events. The same mix of term charter and day cruises/ corporate events as for 2015-16 is assumed.

Vessel hire/ access rates, APA and other costs for both term charter and corporate events are also assumed to remain constant with 2015-16 values (in real terms).

Sporadic Charter

Vessels used for sporadic chartering are assumed to have the same usage split between term charter and day cruises/ corporate events as in 2015-16.

The same hire rates as for high use term charter and day cruises/ events was applied for sporadic charter.

GUEST & CREW EXPENDITURE

Guest Spend

The number of net new foreign guests per vessel (by vessel type/ usage), length of stay in Australia and average induced tourism spend per day per guest (in real terms) is assumed to remain consistent with 2015-16, with guest spend growing in line with increased activity.

This would equate to total induced foreign guest spend of approximately $559.0 million in 2020-21, $73.4 million more than in 2015-16.

Crew Spend

The average off vessel crew spend in Australia per foreign superyacht is assumed to remain consistent with 2015-16 (in real terms).

This would equate to total off vessel crew spend of approximately $14.8 million in 2020-21, $1.8 million more than in 2015-16.

FUTURE SCENARIOS
EXISTING POLICY IS RETAINED

OPERATIONAL EXPENDITURE

Berthing Rates

Berthing rates per linear metre are assumed to remain relatively constant over the next 4-5 years (in real terms). The average amount of time spent moored in berths per vessel is also assumed to remain constant with 2015-16.

This would equate to a total cost for berthing for the superyacht fleet in 2020-21 of approximately $23.66 million, $1.48 million more than in 2015-16.

Operational Expenditure

Operating expenditure per linear metre of vessel is assumed to remain constant from 2015-16 (in real terms). The 2015-16 breakdown by expenditure item is also assumed.

This would equate to a total spend on goods and services in Australia of $285.6 million in 2020-21, $43.5 million more than in 2015-16.

In addition to the above costs, wages and salaries of approximately $181.4 million are estimated to be paid to superyacht crews, $31.0 million more than in 2015-16.

MAINTENANCE & CONSTRUCTION

Maintenance Expenditure

Expenditure as a proportion of fleet value on maintenance for domestic and foreign vessels is assumed to remain constant from 2015-16 levels, increasing as a result of increased activity and number of vessels.

This would equate to total maintenance expenditure in Australia of $670.3 million in 2020-21, $95.8 million more than in 2015-16.

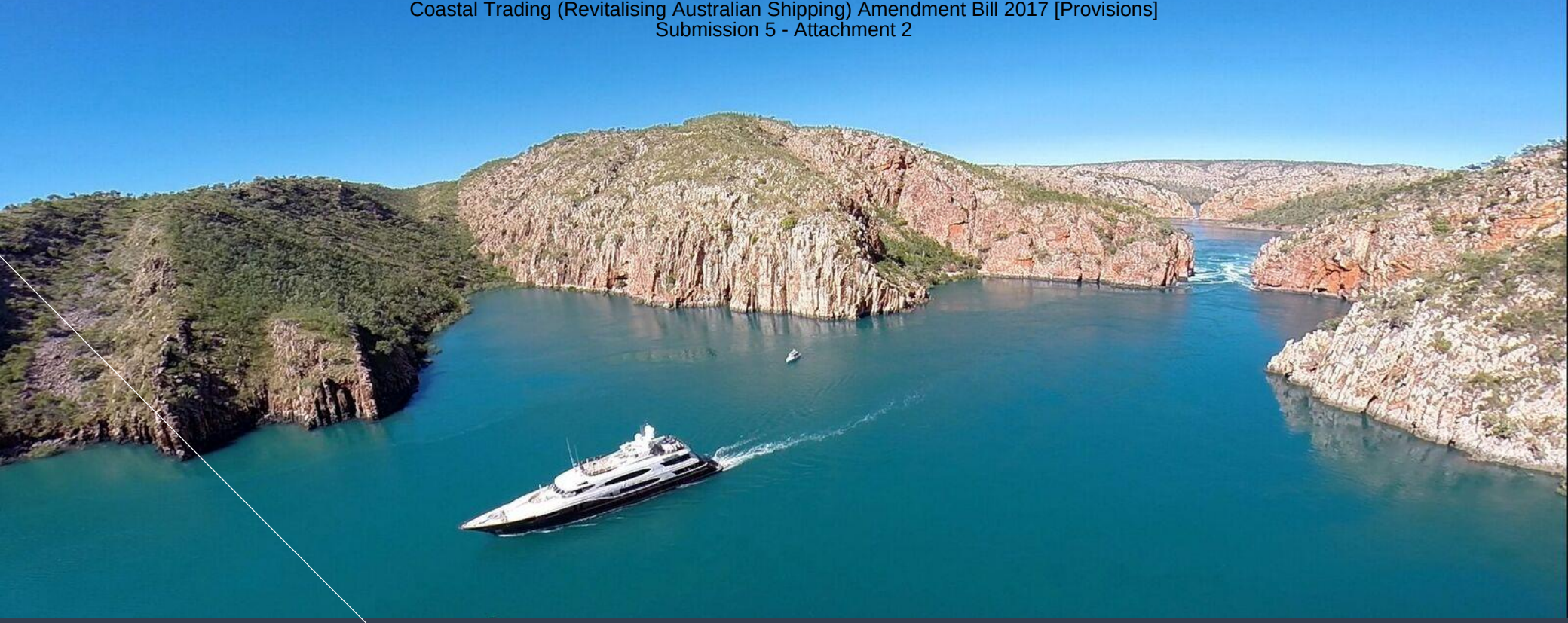
Construction of New Vessels

Average annual expenditure on vessel construction of $139.3 million is assumed to be maintained over the next 4-5 years.

While it is likely additional contracts will be tendered over this period that could be awarded to Australian companies, to ensure a conservative assessment it has been assumed the average annual expenditure on vessel construction remains consistent with current levels.

WHERE ACTIVITY OCCURS

The breakdown of where additional activity is estimated to occur is assumed to follow the same patterns as existing activity across each of the activity items (i.e. construction, maintenance, operational expenditure, and guest/ crew expenditure).



SCENARIO 2: POLICY SUPPORT DELIVERS MODERATE SUPERYACHT INDUSTRY GROWTH

APPENDIX E

AEC
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FUTURE SCENARIOS

POLICY SUPPORT DELIVERS MODERATE SUPERYACHT INDUSTRY GROWTH

OVERVIEW

Successful changes in current policy to address the critical constraints outlined in the previous chapter is expected to significantly boost interest in Australia as a destination for superyacht activity for the foreign fleet.

As a direct result of policy change, it is expected that many foreign vessels that either currently or would otherwise be expected to visit Australia regardless of policy change may change their visitation and usage pattern, choosing to switch from exclusively private use while in Australia to a mix of chartering and private use.

Importantly, a key barrier to foreign vessels visiting and chartering in Australia would be removed. This would be expected to result in considerable growth in the number of foreign vessels visiting Australia, with most if not all of these additional vessels expected to be attracted by (and taking advantage of) easier entry into the chartering market in Australia.

VESSEL NUMBERS

Domestic Vessels

While the policy change would be directed at attracting additional foreign vessels to Australia, it is anticipated the additional interest and attention growth in the foreign fleet would generate could result in a modest increase in growth in domestic superyachts as well.

It is assumed growth in domestic superyachts of 3% to 6% (4.5% assumed) could be achieved. This would equate to 168 domestic vessels in 2020-21, 8 more vessels than the future without a change in policy.

Foreign Vessels

Growth in foreign vessels is expected to be the key driver of growth compared to the baseline (no policy change) scenario.

Consultation with industry indicates a moderate and readily achievable level of growth in foreign superyachts in Australian waters could be in the order of 15% to 25% per annum over the next 4-5 years (20% assumed). This would see approximately 162 foreign vessels in Australian waters in 2020-21, approximately 88 more than without policy change in 2020-21.

VESSEL LENGTH & FLEET VALUE

Vessel Length

It is assumed the average vessel length for domestic vessels would remain approximately the same as in 2015-16.

The increased attraction of foreign vessels to Australia, primarily for chartering activity, is expected to result in the average length of foreign vessels increasing compared to 2015-16. An increase of approximately 2.5 metres on average is assumed, to 50 metres on average.

Fleet Value

It is assumed the average value of superyacht vessels in Australian waters will continue to be approximately $1 million per linear metre over the next 4-5 years.

Based on 168 domestic vessels and 162 foreign vessels (and average vessel lengths as outlined above), this would equate to a total fleet value of approximately $13.4 billion in 2020-21. Approximately $4.7 billion more than without policy change.

FUTURE SCENARIOS

POLICY SUPPORT DELIVERS MODERATE SUPERYACHT INDUSTRY GROWTH

USE PATTERNS

Domestic Vessels

Regardless of whether the existing policy regarding import duties on foreign vessels is changed, use patterns for domestic superyachts are not anticipated to materially alter from existing use patterns over the next 4-5 years.

Based on 168 domestic vessels in 2020-21, this would see:

- Approximately 62 high use charter vessels, catering to 310 term charter days and 1,240 day cruises/ events.
- Approximately 59 vessels undertaking sporadic chartering, catering to 59 term charter days and 177 day cruises/ events.
- Approximately 47 vessels used exclusively for private use.
- Approximately 4,345 days of private use across the domestic superyacht fleet.

Foreign Vessels

Removing the import duty on foreign vessels undertaking chartering activity in Australia would be expected to result in a significant shift in use patterns of foreign vessels.

It is assumed approximately half the vessels that would come to Australia anyway, regardless of the policy change, (74 vessels) would undertake some chartering activity (assumed 25% high use and 25% sporadic use).

Most new vessels attracted by the policy change (88 vessels) would be expected to undertake chartering activity to some degree (35% high use and 55% sporadic charter assumed) given the removal of the import duty on chartering is the impetus for these vessels to visit Australia. The other 10% of vessels attracted are assumed to be private use only, attracted to Australia as a result of increased awareness of Australia as a cruising destination following the policy change.

Foreign vessels are expected to undertake less charter activity on average per vessel than their domestic counterparts, in part due to their shorter stay in Australia. It is also expected term charter will comprise a larger share of overall charter activity for foreign vessels than domestic vessels, reflective of interest from foreign visitors seeking to experience Australia and the region on the larger vessels provided by the foreign market.

The following mix of use for foreign vessels in 2020-21 is assumed:

- Approximately 47 high use charter vessels, catering to 235 term charter days and 235 day cruises/ events.
- Approximately 64 vessels undertaking sporadic chartering, catering to 64 term charter days and 64 day cruises/ events.
- Approximately 42 vessels used exclusively for private use.
- Approximately 2,270 days of private use across the foreign superyacht fleet.

FUTURE SCENARIOS

POLICY SUPPORT DELIVERS MODERATE SUPERYACHT INDUSTRY GROWTH

CHARTER ACTIVITY

High Use Charter

Combining domestic and foreign vessels, a total of 109 vessels are assumed to undertake high use charter activity under this scenario, 50 more than without policy change. The same mix of term charter and corporate events as for 2015-16 for high use charter vessels is assumed.

Vessel hire/ access rates, APA and other costs for both term charter and day cruises/ corporate events are also assumed to remain constant with 2015-16 values (in real terms).

Sporadic Charter

Combining domestic and foreign vessels, a total of 123 vessels are assumed to undertake sporadic charter activity under this scenario, 67 more than without policy change.

Vessels used for sporadic chartering are assumed to have the same usage split between term charter and day cruises/ events as in 2015-16.

The same hire rates as for high use term charter and day cruises/ events was applied for sporadic charter.

GUEST & CREW EXPENDITURE

Guest Spend

The number of net new foreign guests per vessel (by vessel type/ usage), length of stay in Australia and average induced tourism spend per day per guest (in real terms) is assumed to remain consistent with 2015-16.

This would equate to a total induced foreign tourism guest spend of approximately $933.0 million in 2020-21, $374.0 million more than without policy change.

Crew Spend

The average off vessel crew spend in Australia per foreign superyacht is assumed to remain consistent with 2015-16 (in real terms).

This would equate to total off vessel crew spend of approximately $32.4 million in 2020-21, $17.6 million more than without policy change.

FUTURE SCENARIOS

POLICY SUPPORT DELIVERS MODERATE SUPERYACHT INDUSTRY GROWTH

OPERATIONAL EXPENDITURE

Berthing Rates

Berthing rates per linear metre and average amount of time spent moored in berths are assumed to remain relatively constant over the next 4-5 years (in real terms). However, the average size of vessel is assumed to increase, which is likely to result in greater numbers of vessels over 50M.

It was assumed:

- Between 80% and 90% (85% used) of domestic vessels are under 50 metres
- Between 40% and 60% (50% used) of foreign vessels are under 50 metres in length

This would equate to a total cost for berthing for the superyacht fleet in 2020-21 of approximately $28.81 million, $5.16 million more than without policy change.

Operational Expenditure

Operating expenditure per linear metre of vessel is assumed to remain constant from 2015-16 (in real terms). The 2015-16 breakdown by expenditure item is also assumed.

This would equate to a total spend on goods and services in Australia of $418.0 million in 2020-21, $132.4 million more than without policy change.

In addition to the above costs, wages and salaries of approximately $242.7 million are estimated to be paid to superyacht crews, $61.3 million more than without policy change.

MAINTENANCE & CONSTRUCTION

Maintenance Expenditure

Expenditure as a proportion of fleet value on maintenance for domestic and foreign vessels is assumed to remain constant from 2015-16 levels.

This would equate to total maintenance expenditure in Australia of $1.09 billion in 2020-21, $343.3 million more than without policy change.

Construction of New Vessels

Average annual expenditure on vessel construction of $139.3 million is assumed to be maintained over the next 4-5 years.

While it is likely additional contracts will be tendered over this period that could be awarded to Australian companies, to ensure a conservative assessment it has been assumed the average annual expenditure on vessel construction remains consistent with current levels.

FUTURE SCENARIOS

POLICY SUPPORT DELIVERS MODERATE SUPERYACHT INDUSTRY GROWTH

WHERE ACTIVITY OCCURS

The breakdown of where additional activity is estimated to occur is assumed to follow the same patterns as existing activity across each of the activity items (i.e. construction, maintenance, operational expenditure, and guest/ crew expenditure).

SCENARIO 3: POLICY SUPPORT DELIVERS STRONG SUPERYACHT INDUSTRY GROWTH

APPENDIX F

AEC
OUTCOME DRIVEN

FUTURE SCENARIOS

POLICY SUPPORT DELIVERS STRONG SUPERYACHT INDUSTRY GROWTH

OVERVIEW

This scenario reflects a stronger foreign superyacht response to the critical constraints being addressed than outlined in the previous scenario. One of the critical ingredients to achieving this stronger response is a proactive, collaborative and coordinated industry and government response.

Consultation with industry indicates that with a comprehensive and collaborative industry and government strategy, the superyacht industry could as much as triple over the next 4-5 years as a result of the implementation of supportive legislation, planning and extension and marketing initiatives .

VESSEL NUMBERS

Domestic Vessels

This scenario assumes the same growth in the domestic fleet as the moderate response scenario.

It is assumed growth in domestic superyachts of 3% to 6% (4.5% assumed) could be achieved. This would equate to 168 domestic vessels in 2020-21, 8 more vessels than without policy change.

Foreign Vessels

Growth in foreign vessels is expected to be the key driver of growth compared to the baseline (no policy change) scenario.

The strong response scenario assumes growth in foreign superyachts in Australian waters could be in the order of 20% to 30% per annum over the next 4-5 years (25% assumed). This would see approximately 198 foreign vessels in Australian waters in 2020-21, approximately 124 more than without policy change in 2020-21.

VESSEL LENGTH & FLEET VALUE

Vessel Length

It is assumed the average vessel length for domestic vessels would remain approximately the same as in 2015-16.

The strong response scenario assumes an increase of approximately 5 metres on average for foreign vessels, to 52.5 metres on average. This reflects attraction of larger vessels to Australia for chartering activity.

Fleet Value

It is assumed the average value of superyacht vessels in Australian waters will continue to be approximately $1 million per linear metre over the next 4-5 years.

Based on 168 domestic vessels and 198 foreign vessels (and average vessel lengths as outlined above), this would equate to a total fleet value of approximately $15.5 billion in 2020-21. Approximately $6.8 billion more than without policy change.

FUTURE SCENARIOS

POLICY SUPPORT DELIVERS STRONG SUPERYACHT INDUSTRY GROWTH

USE PATTERNS

Domestic Vessels

Use patterns in the strong response scenario are assumed to be as per the moderate response scenario.

Foreign Vessels

Use patterns in the strong response scenario for foreign vessels are assumed to be in line with those in the moderate response scenario.

This would see the following mix of use for foreign vessels in 2020-21

- Approximately 59 high use charter vessels, catering to 295 term charter days and 295 day cruises/ events.
- Approximately 84 vessels undertaking sporadic chartering, catering to 84 term charter days and 84 day cruises/ events.
- Approximately 46 vessels used exclusively for private use.
- Approximately 2,770 days of private use across the foreign superyacht fleet.

CHARTER ACTIVITY

High Use Charter

Combining domestic and foreign vessels, a total of 121 vessels are assumed to undertake high use charter activity under this scenario, 62 more than without policy change. The same mix of term charter and corporate events as for 2015-16 for high use charter vessels is assumed.

Vessel hire/ access rates, APA and other costs for both term charter and day cruises/ corporate events are also assumed to remain constant with 2015-16 values (in real terms).

Sporadic Charter

Combining domestic and foreign vessels, a total of 143 vessels are assumed to undertake sporadic charter activity under this scenario, 87 more than without policy change.

Vessels used for sporadic chartering are assumed to have the same usage split between term charter and day cruises/ events as in 2015-16.

The same hire rates as for high use term charter and day cruises/ events was applied for sporadic charter.

GUEST AND CREW EXPENDITURE

Guest Spend

The number of net new foreign guests per vessel (by vessel type/ usage), length of stay in Australia and average induced foreign tourism guest spend per day per guest (in real terms) is assumed to remain consistent with 2015-16.

This would equate to total induced foreign tourism guest spend of approximately $1.11 billion in 2020-21, $553.5 million more than without policy change.

Crew Spend

The average off vessel crew spend in Australia per foreign superyacht is assumed to remain consistent with 2015-16 (in real terms).

This would equate to total off vessel crew spend of approximately $39.6 million in 2020-21, $24.8 million more than without policy change.

FUTURE SCENARIOS

POLICY SUPPORT DELIVERS STRONG SUPERYACHT INDUSTRY GROWTH

OPERATIONAL EXPENDITURE

Berthing Rates

Berthing rates per linear metre and average amount of time spent moored in berths are assumed to remain relatively constant over the next 4-5 years (in real terms). However, the average size of vessel is assumed to increase, which is likely to result in greater numbers of vessels over 50M.

It was assumed:

- Between 75% and 90% (82.5% used) of domestic vessels are under 50 metres
- Between 30% and 60% (45% used) of foreign vessels are under 50 metres in length

This would equate to a total cost for berthing for the superyacht fleet in 2020-21 of approximately $32.01 million, $8.35 million more than without policy change.

MAINTENANCE & CONSTRUCTION

Operational Expenditure

Operating expenditure per linear metre of vessel is assumed to remain constant from 2015-16 (in real terms). The 2015-16 breakdown by expenditure item is also assumed.

This would equate to a total spend on goods and services in Australia of $478.6 million in 2020-21, $60.7 million more than without policy change.

In addition to the above costs, wages and salaries of approximately $272.1 million are estimated to be paid to superyacht crews, $29.4 million more than without policy change.

MAINTENANCE & CONSTRUCTION

Maintenance Expenditure

Expenditure as a proportion of fleet value on maintenance for domestic and foreign vessels is assumed to remain constant from 2015-16 levels.

This would equate to total maintenance expenditure in Australia of $1.24 billion in 2020-21, $498.0 million more than without policy change.

Construction of New Vessels

The high industry response scenario also assumes two additional superyacht construction contracts are awarded to Australian companies in Perth, for superyachts of between 45 and 60 metres (two x 50m assumed).

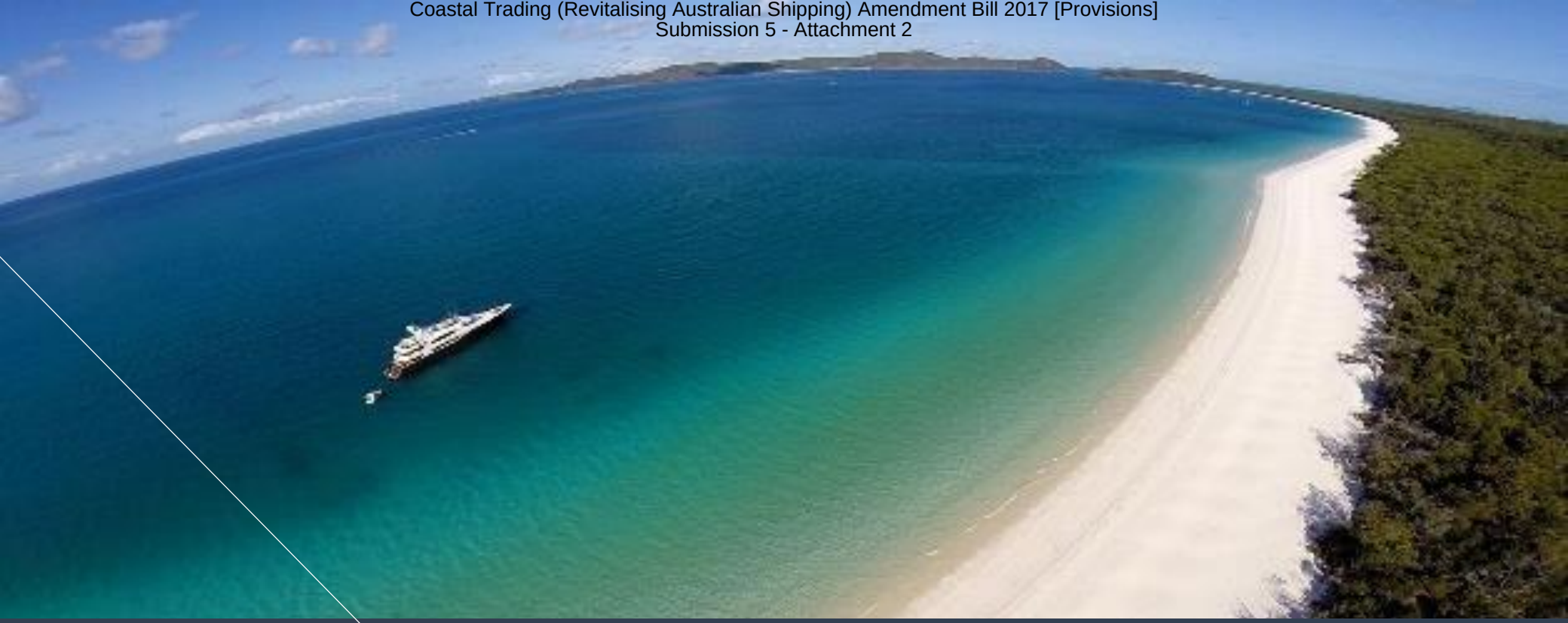
The two additional vessels would result in average annual expenditure on vessel construction of $188.3 million over the next 4-5 years ($48.9 million more than in the other scenarios).

FUTURE SCENARIOS

POLICY SUPPORT DELIVERS STRONG SUPERYACHT INDUSTRY GROWTH

WHERE ACTIVITY OCCURS

The breakdown of where additional activity is estimated to occur is assumed to follow the same patterns as existing activity across each of the activity items (i.e. construction, maintenance, operational expenditure, and guest/ crew expenditure).



COMPARISON OF MODELLING RESULTS FOR POLICY SUPPORT SCENARIOS

APPENDIX G

AEC
OUTCOME DRIVEN

ECONOMIC IMPACT OF FUTURE SCENARIOS

COMPARISON OF POLICY CHANGE SCENARIOS

Table 13. Economic Impact of Additional Superyacht Activity to the Australian Economy, Comparison of Policy Change Scenarios (2021)

Impact Type	Gross Domestic Product ($M)	Incomes ($M)	Employment (FTEs)
Moderate Scenario of Superyacht Industry Growth			
Direct Impacts (incl. Supply Chain)	$310.5	$292.5	3,035
Industry Support Effects	$136.5	$71.9	811
Household Consumption Effects	$442.3	$194.0	2,594
Additional Contribution (Above Baseline)	**$889.3**	**$558.5**	**6,441**
Total Contribution	**$3,107.9**	**$1,917.0**	**22,746**
Strong Scenario of Superyacht Industry Growth			
Direct Impacts (incl. Supply Chain)	$475.1	$447.2	4,621
Industry Support Effects	$205.8	$108.5	1,223
Household Consumption Effects	$674.5	$295.8	3,956
Additional Contribution (Above Baseline)	**$1,355.4**	**$851.6**	**9,800**
Total Contribution	**$3,573.9**	**$2,210.1**	**26,105**
Mid-Point of Drivers from Moderate and Strong Scenarios (These values were used and reported in the body of the document)			
Direct Impacts (incl. Supply Chain)	$392.8	$369.9	3,828
Industry Support Effects	$171.2	$90.2	1,017
Household Consumption Effects	$558.4	$244.9	3,275
Additional Contribution (Above Baseline)	**$1,122.3**	**$705.0**	**8,120**
Total Contribution	**$3,340.9**	**$2,063.6**	**24,425**

Source: AEC.

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