



13 November 2017

Committee Secretary
Senate Standing Committee on Rural and Regional Affairs and Transport
PO Box 6100
Canberra ACT 2600

By email: rrat.sen@aph.gov.au

Re: Inquiry into the Coastal Trading (Revitalising Australian Shipping) Amendment Bill 2017

Cruise Lines International Association (CLIA) Australasia welcomes the opportunity to make this submission on the Coastal Trading (Revitalising Australian Shipping) Amendment Bill 2017 (the Bill).

CLIA Australasia is the regional office of CLIA, the world's largest cruise association dedicated to the promotion and growth of the cruise industry. CLIA is composed of more than 60 of the world's major cruise lines and serves as a non-governmental consultative organisation to the International Maritime Organization, an agency of the United Nations.

Due to our members' extensive activities in this region, the application of Australian coastal trading legislation has potentially significant impacts on the future growth and success of the cruise industry in Australia.

1. Executive Summary

The cruise sector is the fastest growing sector of Australian tourism and has experienced double digit growth over the past 12 years. Since 2004, the number of Australian ocean cruise passengers has grown more than sixfold to now exceed 1.28 million annually, placing Australia as the fifth largest source market in the world.

The total national economic contribution of the industry to the Australian economy in 2016/17 was A\$5.3bn, representing an impressive 15.4% growth against the previous year. The industry stimulates economic activity at both national and regional levels. This is driven by both passenger and crew spend during visits to Australian ports as well as spend by cruise operators in Australia on items such as Australian food and wine, ship supplies, maintenance requirements and fuel.

At a regional level, the economic contribution of cruising is now shared with local communities at over 30 regional ports and anchorages around the Australian coastline.



This growth has been supported in part by the current exemption of large passenger ships from the licensing regime of the *Coastal Trading (Revitalising Australian Shipping) Act 2012* (the Act). The exemption was granted in recognition that the cruise industry is global in nature and ships operating in this region need to remain competitive by global standards. It was also recognised that such an exemption would deliver economic benefits that flow directly from the cruise industry into the Australian economy.

However, while the exemption is a very positive step, there are a number of constraints that result in Australia losing out on the full economic benefit that the cruise industry is able to provide.

These are:

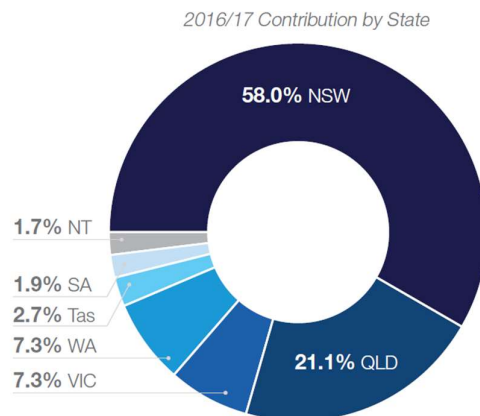
- The industry does not have certainty that the exemption will be continued in the longer term. Cruise operators plan their deployments and itineraries at least 2 years in advance, and without certainty, some operators choose to deploy their ships outside Australia rather than commit to Australian itineraries. The Bill should provide for the exemption to be made permanent.
- There are associated policy settings that work against the intention of the exemption and need to be adjusted. Although the exemption is intended to stimulate cruise itineraries on the Australian coast, Customs' recent interpretation on when importation occurs means that there is uncertainty as to when Customs may deem a cruise ship doing coastal itineraries to be imported. The primary effect of importation is to render invalid the maritime crew visas of all crew. Again, many operators choose to deploy their cruise ships elsewhere given this uncertainty. An appropriate policy needs to be adopted that works in hand with the exemption to facilitate Australian cruise itineraries.
- Cruise ships that are not licensed under the Act continue to be exposed to Customs' importation requirements so far as dry-docking in Australia is concerned. The Bill provides protection against importation only for licensed ships. It is the dry-docking of large cruise ships that provides the significant economic benefit of approximately \$15m per dry-dock that we believe is referred to in the Regulation Impact Statement for the Bill (page 20). In our view, the Bill will not have the desired effect of increasing the use of Australian dry-dock facilities by large cruise ships. CLIA submits that the problem, which has been unresolved for over 5 years now, should be resolved through amendment of the Customs Act 1901.



2. The Economic Contribution of Cruise Tourism

In line with the growth of the industry over the past decade, the economic contribution of the cruise industry has also grown significantly and made an overall contribution of A\$5.3bn to the Australian economy in the 2016-2017 financial period. (Source: *The Contribution of Cruise Tourism to the Australian Economy in FY 2016-17*, Business Research and Economic Advisors, prepared for CLIA Australasia). This represents a 15.4% increase over the 2015-2016 figure of A\$4.58 billion. As a result of industry's output, 21,260 FTE jobs were required.

Numerous industry sectors benefit from this impact of cruise passenger and ship operator expenditure including agriculture, hotel accommodation, restaurants and bars, tourist attractions, tour operators, retailers, taxi owners and transport operators, ports and other maritime service providers, as well as over 3,000 travel agents operating in Australia. This economic impact has a significant regional dimension with all states benefiting to various degrees from cruise activity.



The expansion of the industry's economic contribution is now benefiting new regional areas. Destinations such as Moreton Island, Gladstone, Mooloolaba, Kangaroo Island, Burnie, Eden, Port Kembla, Fraser Island and Esperance have in recent years welcomed their first cruise ship visits. This is in addition to established regional destinations including Cairns, Broome, Airlie Beach, Port Arthur and Townsville. The businesses in those communities are overwhelmingly positive about the local job and growth opportunities that the cruise ship visits provide¹. The existing exemption from the Act has been a key factor in enabling these visits to happen.

¹ See for example, "More Cruise Ships Coming to Eden is Just the Beginning of Something Very Big", 31 August 2015, <http://www.abc.net.au/local/stories/2015/08/31/4303437.html>, "Our Ships Keep Coming In!", 9 June



National and regional events are also being supported by the cruise industry through providing additional attendance (and accommodation) capacity. Existing examples include the Melbourne Cup and the Australian Tennis Open as well as other regional events such as festivals.

3. Cruise Industry Operating Environment

The cruise industry is global in nature and operates in both a highly competitive and internationally regulated environment. The industry's deployment strategies are driven by the commercial, operational and regulatory environments of countries and markets around the world. Both these factors play a vital role in the decision-making process of all the major cruise lines regarding the deployment of their fleets.

Certainty of the operating environment as well as the sustained competitiveness of the operating environment in Australia are key to it maintaining and enhancing its position as an attractive region in which to deploy cruise ships.

CLIA members wish to continue and grow their cruise activities in Australia. The reality though is that with over 1000 ports of call globally to choose from and Australian sourced passengers representing less than 5% of passengers worldwide, any adverse change or uncertainty in operating conditions in Australia could well cause international operators to redeploy their ships elsewhere in the world.

Destinations such as the West Australian coastline have much to offer international and Australian passengers. Regional ports including Albany, Geraldton, Bunbury, Port Hedland and Broome offer distinct and unique shoreside experiences for passengers. This is also the case for regional ports in Tasmania, the Northern Territory, Queensland, New South Wales and Victoria.

For many cruise operators though, operating Australian itineraries only makes commercial sense if they are able to offer a series of three or more back to back Australian cruises to justify the significant investment made in marketing Australia as a specific destination. The industry wants to be able to grow cruise tourism in regional areas but is being held back by current policy settings.

2016, Sunshine Coast Council, <http://www.sunshinecoastqld.gov.au/Council/News-Centre/>, "Busselton Businesses Get Boost From Cruise Ship", 28 November 2014, <http://www.abc.net.au/news/2014-11-27/Busselton-businesses-get-boost-from-cruise-ship>, "Mega Passenger Ship Signals Arrival of New Industry in Wollongong", 27 October 2016, <http://www.abc.net.au/news/2016-10-27/cruise-ship-to-visit-wollongong/7971602>, "Pacific Pearl Superliner Casts Impressive Figure Over Port Phillip Bay at Mornington", 24 February 2015, <http://www.heraldsun.com.au/leader/south-east/>, "Kangaroo Island Welcomes Cruise Ships", 5 March 2015, <http://www.theherald.com.au/story/2924696/kangaroo-island-welcomes-cruise-ships/>



4. CLIA Recommendations

Ministerial exemption

The current ministerial exemption for cruise ships expires on 31 December 2018. Cruise operators either have already planned or are in the course of planning their itineraries for 2019, 2020 and beyond, and unfortunately must do so without any certainty as to the future of the exemption.

Due to the global nature of the cruise business, international operators plan their fleet deployments and book ports some years in advance, and require a stable and certain operating environment to do this. Reliance on the exemption process continues to provide a lack of certainty for cruise line operators in terms of deployment planning.

CLIA therefore submits that the Bill include a permanent exemption on the basis that:

- It will provide certainty of the domestic operating environment by removing the industry's reliance on a ministerial exemption
- It will create a supportive operating environment that will continue to stimulate the overall economic contribution of the cruise industry, both nationally and regionally.

CLIA notes that should the exemption from the Act not be continued, the impact on Australia's cruise tourism sector (and related economic impact) would be significant as virtually all domestic cruise itineraries would become unviable due to higher operating costs relative to other parts of the world. CLIA estimates that domestic cruising represents approximately 15% of the Australian cruise holiday market, and that the loss of domestic cruising would result in a reduction to the industry's economic contribution of approximately A\$0.8bn (based on the industry's 2016/17 economic contribution).

Facilitating dry-docks in Australia

In recent years Customs has adopted the view that the entry of a ship into a dry-dock facility triggers importation. This is despite the fact most cruise ship dry-docks last only a short period of 2-3 weeks before the ship departs.

The primary consequence of importation for cruise ship operators is that it renders invalid the maritime crew visas of the crew. Bearing in mind there are usually over 1000 crew on a large cruise ship, the cost, time and administrative requirements involved in applying for new crew visas for the 2-3 week period of the dry-dock generally leads to it being uneconomic to dry-dock in Australia. A significant number of cruise ship dry-docks have therefore been relocated to international alternatives



such as Singapore in recent years. Given that each dry dock involves expenditure in excess of \$15 million, the loss to the Australian economy (and employment) is significant.

We agree with the intention in the Bill to remove the significant financial disincentive that customs importation represents to dry-docking in Australia. The Bill proposes a 'fix' for this issue by the insertion of dry-docking in section 112 of the Act. However, this solution will not apply to exempted cruise ships which still face the importation issue. Without a solution, CLIA considers it likely that large cruise ship operators will continue to choose to dry-dock outside Australia.

The Bill also does not assist if a cruise ship operator that is exempt or does not require a licence under the Act has to conduct an unscheduled dry-dock in Australia (ie for emergency repairs). It is unclear how a cruise ship that does not hold a temporary licence would be able to dry-dock in Australia in an emergency, given the Customs importation requirements.

CLIA also notes that even for cruise ships that are subject to the Act, bringing dry-docks into the coastal trading regime may not assist due to the consequential impacts of the Act such as the application of the Fair Work Act and Seagoing Award Part B. These impacts would be expected to make dry-docking in Australia internationally uncompetitive.

CLIA submits that the issue needs to be solved by amendment of the Customs legislation to ensure that cruise ships in short term or emergency dry-docks are not required to be imported.

Facilitating Australian itineraries

As described above, the risk of Customs importation "undoes" some of the good done by the ministerial exemption by constraining the ability of large cruise ship operators to offer a series of Australian coastal cruises to appeal to international and domestic guests.

It is CLIA's understanding that Customs previously had an operational policy of not requiring importation where a ship was in Australian waters for less than 90 days. In recent years Customs has abandoned that policy, and to CLIA's knowledge no replacement policy has been developed. CLIA understands that Customs now takes the view that where a series of domestic itineraries is planned, the circumstances of each ship visit must be considered separately to determine if importation occurs. This is not conducive to providing the certainty that business needs.

CLIA submits that a policy or guidance on importation should be developed which takes into account the aim behind the ministerial exemption (to stimulate economic benefit through facilitating domestic cruise itineraries) while still providing an appropriate timeline after which importation will be assumed. This would allow cruise operators to offer a series of Australian itineraries and to unlock the unrealised economic benefit that will flow from this additional tourism activity.



5. Conclusion

Australia's cruise industry delivers significant economic benefits to the Australian economy, including to a growing number of regional economies. This is in part due to the ministerial exemption that applies to large cruise ships.

This contribution would be even more significant, and would benefit more regional and remote communities, if the exemption were embedded in the Act and related policy settings were adjusted to support the intention behind the exemption.

While the current exemption from the Act has supported the recent growth of the industry, CLIA encourages the government to embed this support through a permanent exclusion from the Act. Regulatory certainty is essential for the industry to be able to plan and invest in domestic itineraries, and relying on a time-limited exemption does not provide this certainty.

Cruise is a unique sector that is more aligned with tourism than transportation. The licensing regime under the Act is not a regulatory system that supports the potential of the domestic cruise industry. If the cruise sector were to be brought within the licensing framework under the Act the effects on domestic cruising in Australia and cruising's economic contribution, would be catastrophic. The cruise industry is global in terms of operating standards and competitiveness, and additional regulatory burden that adds to the cost of doing business in Australia would discourage cruise lines from deploying their ships to Australia.

Please let me know if the Committee requires any further information in connection with this submission.

Joel Katz
Managing Director
CLIA Australasia