



**Australian Government**

**Austrade**

## **An Inquiry into the Coastal Trading (Revitalising Australian Shipping) Amendment Bill 2017**

Submission by

Australian Trade and Investment Commission (Austrade)

November 2017



Australian Government

Australian Trade and Investment Commission

13 November 2017

Senator Barry O'Sullivan  
Chair  
Rural and Regional Affairs and Transport Legislation Committee  
PO Box 6100  
Parliament House  
CANBERRA ACT 2600

**An inquiry into the Coastal Trading (Revitalising Australian Shipping) Amendment Bill 2017**

Dear Senator

Thank you for giving the Australian Trade and Investment Committee (Austrade) the opportunity to make a submission to the Inquiry into the *Coastal Trading (Revitalising Australian Shipping) Amendment Bill 2017* (the Amendment Bill).

As part of implementing Australia's *Tourism 2020 Strategy*, Austrade works to ensure that the Australian Government fosters a market environment that is conducive to tourism industry growth. Tourism is a \$130 billion industry that employs around one in 13 Australians, accounts for 11 per cent of Australia's exports, and is a key driver of Australia's economy. The benefits are spread across the country, with over 43 cents in every tourism dollar being spent in regional Australia.

Austrade supports the reforms proposed within the Amendment Bill as they will assist with the dispersal of economic growth and job creation within our marine tourism industry. I encourage the Legislative Committee to consider the economic benefits of introducing the Amendment Bill and to support the legislation when it returns to the Senate for further consideration.

I thank you again for the opportunity. For any other enquiries please contact Ms Aimee Castrission, Manager of the Transport and Access team in Austrade's Tourism Division on (02) 6272 6948.

Yours sincerely

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### **Australia significantly benefits from tourism.**

Tourism is a \$130 billion industry that employs around 1 in 13 Australians, accounts for 11 per cent of Australia's exports and is a key driver of Australia's economy. The benefits of tourism are spread across the country with over 43 cents in every tourism dollar being spent in regional Australia.

With the Australian economy transition from the resources and energy construction phase to production phase well advanced, it is increasingly important to look to other sectors to drive economic growth. In particular, driving growth in high potential and high yield service-based sectors, such as domestic and international tourism, is of critical importance.

Recognising the strong growth potential of the tourism sector, through the *Tourism 2020 Strategy*, the Australian Government is committed to achieving the ambitious target of doubling overnight visitor expenditure to between \$115 and \$140 billion by 2020. In order to achieve this objective, the Australian Government must continue to pursue reforms which foster a market environment conducive to industry growth.

### **Marine tourism makes a significant contribution to the Australian economy**

Marine tourism is one of the fastest growing sectors of Australia's tourism industry and an important driver of jobs and economic growth. The Australian Institute of Marine Science estimates that in 2013-14, marine tourism and recreational activities contributed more than \$28 billion to the Australian economy and employed over 177,000 people.<sup>1</sup>

Research conducted by Tourism Australia shows around 70 per cent of international visitors enjoy aquatic and coastal experiences as part of their trip to Australia.<sup>2</sup> Visitors from China comprise Australia's most valuable international visitor market.<sup>3</sup> Chinese nationals consider aquatic and coastal experiences to be important factors when selecting a holiday destination.<sup>4</sup> This demonstrates the significance of our marine tourism offering to the international tourism market and the importance of developing a market environment favourable to the sector's growth.

The 2018 Commonwealth Games on the Gold Coast also provides an opportunity to further promote Australia to the world as an attractive destination. The Commonwealth Games will deliver a major boost to Australia's tourism sector and especially the Gold Coast, attracting new visitors, supporting small businesses and creating jobs. The Gold Coast is home to some of the world's most spectacular coastal based natural attractions. With the right regulatory settings, the local marine tourism sector could be well-positioned to capitalise on growth opportunities as international visitors travel to Australia for the Commonwealth Games.

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<sup>1</sup> Australian Institute of Marine Science, The AIMS Index of Marine Industry, December 2016, 8.

<sup>2</sup> Tourism Australia, There is nothing like Australia: Coastal and Aquatic Campaign, <<http://www.tourism.australia.com/en/about/our-campaigns/theres-nothing-like-australia/aquatic-and-coastal.html>>

<sup>3</sup> Tourism Research Australia, International Visitors In Australia, Year Ending June 2017, 2017, 1.

<sup>4</sup> Tourism Australia, Consumer Profile: China, 2017, 2.



## Coastal trading reforms

Austrade supports the proposed *Coastal Trading (Revitalising Australian Shipping) Amendment Bill (2017)* (the Amendment Bill). If the legislation is passed it will:

1. Make it easier for foreign-flagged vessels to charter in Australia by reducing the number of required voyages for a 12 month Temporary Licence from five to one;
2. Enhance access for foreign-flagged vessels seeking to charter in Australia by removing the requirement to import the vessel and pay GST on the value of the vessel; and
3. Allow foreign-flagged vessels to dry-dock to undertake repair and maintenance in Australia by removing the requirement to import the vessel and pay GST on the value of the vessel.

These reforms will generate economic opportunities for coastal and regional communities by encouraging foreign-flagged vessels to travel between ports and provide new revenue streams for local tourism businesses. Australia's highly skilled marine manufacturing workforce is also set to benefit from the proposed reforms through increased repair, maintenance and refit opportunities. Enhanced access for foreign-flagged vessels in Australian waters could facilitate growth in Australia's marine manufacturing and ship-building sectors.

## The superyacht and expedition cruise sector

The superyacht sector is an example of a marine tourism sector that is expected to benefit from the reforms proposed in the Amendment Bill. The superyacht sector is already a significant contributor to the Australian economy, valued at almost \$2 billion and employing close to 14,500 Australians.<sup>5</sup> With the right regulatory settings in place, the superyacht industry estimates the sector could generate an additional \$1.12 billion to the economy and create an additional 8,120 jobs by 2020.<sup>6</sup> Growth in the sector (either existing business or new and emerging business) is currently constrained by the impost of GST costs on importing vessels for commercial chartering,<sup>7</sup> dry-docking<sup>8</sup> and the number of required charters under a Temporary Licence.<sup>9</sup>

Without the proposed amendments, Australia risks losing its share of the lucrative superyachts market to key competitors. Fiji and New Zealand are already yielding the benefits of attracting high yield foreign-flagged superyachts to their shores. In 2013 it was estimated NZ\$185 million was generated by 35 foreign-flagged superyachts operating in New Zealand. This included NZ\$95 million in additional tourism expenditure. These superyachts were primarily from the United States (33 per cent) Germany (17 per cent), and

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<sup>5</sup> Superyachts Australia, *Economic Impact of the Superyacht Sector on the Australian Economy*, December 2016, 39.

<sup>6</sup> Ibid.

<sup>7</sup> Ibid, 34.

<sup>8</sup> Superyachts Australia, *Submission to the Coastal Shipping Reform Discussion Paper*, March 2017, 2.

<sup>9</sup> Ibid.

the United Kingdom (16 per cent).<sup>10</sup> Following similar regulatory reforms, the total number of foreign-flagged superyachts entering New Zealand increased to 57 in 2015.<sup>11</sup> Relaxing vessel importation requirements and reducing the number of required chartered voyages under the Temporary Licence regime would allow Australia to similarly benefit from more foreign-flagged superyachts operating in Australian waters.

The above position is corroborated by a 2017 report released by KPMG that found a superyacht will typically stay in a destination for one to two years. The report also found ‘many more superyachts are currently travelling to Fiji, Tahiti or New Zealand (where they can charter and earn revenue) than to Australia.’<sup>12</sup>

Foreign-flagged expedition cruises are another important part of Australia’s marine tourism sector set to benefit from the proposed reforms. Like superyachts, while generally smaller than other tourism vessels, foreign-flagged expedition cruise ships generally cater to high-yield clientele and have the potential to make highly valuable contributions to regional economies. In recent years, Temporary Licence requirements have deterred foreign-flagged expedition cruises from operating Australian itineraries.

While the Amendment Bill reforms will encourage foreign-flagged vessels to charter in Australia, this is unlikely to put the domestic sector at a disadvantage. Foreign-flagged superyachts and expedition cruise vessels are substantially different product offerings to Australian vessels and are targeted at different markets. Foreign-flagged vessels seeking to enter the Australian market will not be in direct competition with Australian operators. The product diversity that would result from the introduction of the Amendment Bill would create greater choice for international visitors and domestic tourists, significantly improving Australia’s marine tourism offering.

Also it should be noted to further mitigate any possible concerns of “unfair competition” to an Australian commercial vessel, contestability provisions will remain in place. This ensures that in the event a foreign flagged yacht does actually present direct competition to an Australian domestic vessel, a domestic general licence holder will retain the ability to contest the temporary licence application of a foreign vessel.

### **Growing Australia’s marine manufacturing sector**

The Australian marine manufacturing sector is renowned for its highly skilled workforce and reputation for quality, innovation and efficiency. Australian companies are successfully delivering solutions to improve the safety, operational efficiency and profitability of their products. The sector as a whole contributes \$1.7 billion to the Australian economy each year and employs 14,600 workers nationwide.<sup>13</sup> The sector is geographically dispersed with

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<sup>10</sup> Tourism New Zealand, ‘Welcoming superyachts with open arms’, 22 April 2014, <<http://www.tourismnewzealand.com/news/welcoming-superyachts-with-open-arms/>>

<sup>11</sup> Superyachts Australia, Economic Impact of the Superyacht Sector on the Australian Economy, December 2016, 32.

<sup>12</sup> KPMG, Australia’s Marine Industry Capability; Research into the Civil and Defence Marine Manufacturing sectors in Australia, May 2017, 41.

<sup>13</sup> Ibid, 1.



over 2,000 registered businesses based in Queensland (32 per cent), New South Wales (28 per cent), Western Australia (18 per cent) and Victoria (12 per cent).<sup>14</sup>

Reducing the number of chartered voyages, and removing GST on the value of importation of a vessel will see more foreign-flagged vessels in Australian waters who will require Australian ship and boat-building expertise. Foreign-flagged vessels will be able to manage more flexible itineraries and travel more freely from port to port. Foreign-flagged vessels would be able to establish “temporary home ports” where vessel operators could rely on local marine manufacturing businesses to repair and maintain their boats. While foreign-flagged vessels can currently pursue this, the GST impost discourages vessel operators from porting in Australian waters. This results in vessels seeking out other markets such as New Zealand or Fiji for repair and maintenance.

Pursuing regulatory reform within the Amendment Bill presents opportunities to further expand Australia’s marine manufacturing sector, creating more jobs and expanding the sector’s knowledge and expertise.

### **Concluding comments**

Austrade supports the proposed reforms within the Amendment Bill. In the lead up to the Commonwealth Games in April 2018, the legislative changes would support growth in the tourism sector, help showcase Australia’s natural marine and aquatic coastal environments and coastal communities. By supporting greater visitation by foreign-flagged vessels to Australian shores, local jobs in the tourism and marine manufacturing sectors will be generated and significant contributions towards Australia’s *Tourism 2020* target will be realised.

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<sup>14</sup> Ibid