# SUBMISSION BY CORAL PRINCESS CRUISES (NQ) PTY LTD TO HOUSE OF REPRESENTATIVES INQUIRY INTO COASTAL SHIPPING POLICY AND REGULATION

## WHO IS CORAL PRINCESS CRUISES (NQ) PTY LTD

Coral Princess Cruises (NQ) Pty Ltd is an Australian owned and operated tourism cruise operator. The Company operates three vessels, two of which are purpose built 35 metre catamarans and the third is a monohull of 63 metres, which was recently constructed at a cost of around $26 million. All these vessels were built in Australia and are operated by Australian crews.

The Company has been operating for more than 25 years and has developed its itineraries and products progressively with the main emphasis on interpretation. Each vessel carries at least one university qualified Marine Biologist.

The Company provides 3, 5 and 7 day cruises in the Great Barrier Reef World Heritage Area between Cairns, Townsville and Lizard Island. Each year from April to October the Company operates 10 day cruises in the Kimberley between Darwin and Broome and Broome and Darwin. Coupled with this programme is the "Across The Top"cruise from Cairns to Darwin and a return cruise to Cairns from Darwin. In addition the Company operates expeditions to Papua New Guinea, Melanesia and New Zealand.

The Company has won State and Commonwealth Tourism Awards and Small Business Awards. It actively promotes the Australian tourism product overseas. The success of its promotion is confirmed by the fact that around 80 per cent of the passengers on the Reef cruises are overseas visitors.

## THE TRIGGERING OF THE PROVISIONS OF THE NAVIGATION ACT

Given that Australia is an island nation it would seem that the development of a strong and viable coastal shipping industry is essential. Indeed this is part of the Terms of Reference of the present Inquiry.

Under the existing provisions Coral Princess Cruises can sail its vessels up and down the Queensland coast, into the Gulf of Carpentaria up to the Queensland Northern Territory Border. However if we wish to sail across that border line we trigger the application of the Navigation Act, which then classes our voyage as "international". That is, in simple terms, to go to Gove in Northern Territory we are in the same league as sailing around the world.

If we were to base the vessel in Darwin we could operate freely up to but not across the Queensland and Western Australian Borders. Similarly if we based the vessel in Western Australia we could the coast of Western Australia but not cross into Northern Territory or South Australia.

The vessel could sail from Cairns and circumnavigate Australia returning to Cairns without being caught up in being on an "international" voyage, provided it did not call into any inter-State port.

This whole arrangement is clearly a major impediment to the development of a coastal industry. To meet the "international " standards the qualifications of the crew have to be upgraded as do the vessels on board systems. It represents a major expense in both money and management time. In addition the triggering of the Navigation Act on inter-State voyages also means that the vessels are deemed to be Regulated Ships. This means that they have to comply with full security provisions.

It seems an entirely artificial and inappropriate manner of regulating coastal shipping. Australian flagged coastal ships should have the freedom to cross State lines without incurring additional major expenditures. International vessels operating in Australian waters are clearly that and should meet the obligations of an international vessel.

The requirements to be met by Australian flagged vessels obviously will need to be reviewed – but this should be done against the background that these vessels could operate in the individual State waters if they based themselves in that State. It is the crossing of a dotted line on a chart (State border) that is the only change that occurs – the same crew operates the same vessel.

The Navigation Act should be amended, if not redrafted .

**SEACARE**

Related to the triggering of the Navigation Act is the obligation to be involved in Seacare.

Seacare is something of a contentious area – not that there is any opposition to the existence of adequate Workers Compensation arrangements. The problem relating to Seacare is its cost.

For the first six years that Coral Princess was involved in the Kimberley we were covered by Seacare – we had no option. The cost of this was, from our Company's viewpoint, enormous. For four months operation of one vessel in the Kimberley the insurance bill was greater than that for all of the other operations of the Company for the full year. But, worse than that, was the fact that the Company had to gamble its very existence. This was because we had an excess on each and every claim of the order of $50,000 – so any major catastrophe virtually meant the end of the Company.

At this point we had the opportunity to give evidence at a Senate Inquiry into amendments to the Navigation Act. We high-lighted the problems facing us and it is fair to say that the Senators were sympathetic to out situation. Devolving from this appearance we were able to arrive at an arrangement where our cover under Queensland WorkCover covered our operations in the Kimberley. We took out insurance policies in Western Australia and Northern Territory to cover any individuals hired there.

We received exemptions from Seacare for the next four years and then Seacare indicated that they would not give another exemption. This matter was discussed with the Minister's Office and with the Departmental Secretary. Ultimately there was an amendment inserted into the Seacare Guidelines providing grounds for exemption if the Seacare insurance could not be obtained at equivalent prices to that provided by the State systems. We have been given exemptions on those grounds for the last two years as Seacare remains much more expensive than the State system.

The question is why is Seacare so expensive? Firstly there are only two suppliers.

Secondly, Seacare is an open-ended system. In other Workers Compensation arrangements there are provisions for a case to be reviewed and a pay-out figure established. In Seacare this facility does not exist; Seacare runs on indefinitely.

Around the world P & I Clubs who handle the bulk of vessel insurance also cover the crew. This crew cover is provided throughout the world with the exception of Australia, where they will not enter the market because of the open-ended nature of our Seacare scheme.

One has to ask why should Australian seafarers be treated differently from all other Australian workers or indeed than their international counterparts.

If the open-endedness of Seacare was addressed then the P & I Clubs would enter the market and costs of insurance would drop dramatically. This would make Seacare an attractive option for the coastal shipping industry. Seacare would have a greatly increased client base and would be a far more robust fund. This would not be at the expense of seafarers' cover from the Scheme.

## PRESENT REGULATORY ARRANGEMENTS FOR COASTAL SHIPPING

The administration is controlled by set Guidelines which optically appear comprehensive.

That said, there is no doubt that the Australian Owned Tourism Cruise Operators, of which there were three, are far from satisfied with the Administering Department's performance.

The discontent resides around the decision by the Department to grant a Coasting Trade Exemption to an overseas chartered vessel without any consultation with the industry.

This vessel operates in direct competition with the domestic operators. It is foreign owned and foreign crewed. The crew is not paid Australian wages and they do not pay Australian taxes. The company has benefitted from the domestic industry promotion, has copied our itineraries and has been engaged in disruptive marketing. Its cheaper operating costs obviously help fund its ability to cut prices in the market place.

The domestic industry has raised their objections to the present situation but the Department has done nothing to redress the blatantly unfair competitive position that the domestic industry faces.

The industry is not asking for protection from competition – all it is asking is that the playing field be level and presently that is far from the case.