



11th July 2014

The Research Director
Transport, Housing and Local Government Committee
Parliament House
George Street
Brisbane Qld 4000

Ref: Inquiry into Coastal Sea Freight

The Australian cruise industry welcomes the opportunity to provide a submission to the Queensland Government's inquiry into Coastal Sea Freight. While the cruise industry is not directly involved in the carriage of freight around the Queensland coast, it is heavily engaged in the carriage of passengers within Queensland waters as part of the overall cruise tourism activity and some of the regulatory issues surrounding coastal shipping activity are relevant to the ongoing growth and success of cruise tourism in Queensland. The following provides an overview of Queensland's cruise industry and the key regulatory challenges that the industry is addressing as it continues to realise the growth opportunities at both a national and regional level.

1. Introduction to CLIA Australasia

CLIA Australasia is the regional office of Cruise Lines International Association (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 (IMO), an agency of the United Nations.

CLIA Australasia represents the interests of cruise lines, travel agents and various industry business partners in the region (Australia, New Zealand and the South Pacific), before various regulatory and legislative policy makers. CLIA Australasia is also engaged in travel agent training, research and marketing communications to promote the value and desirability of cruise holiday vacations with thousands of travel agency and travel agent members.

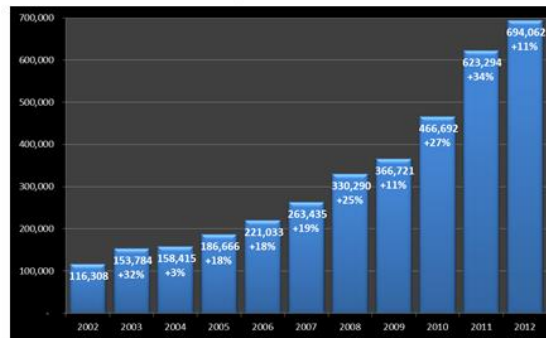
As a result of CLIA Australia's members' extensive activities in the region, the application of domestic Australian coastal trading regulations has potentially significant impacts on the future growth and success of the cruise industry, both at a state and national level.

2. The Australian Cruise Industry Success Story

The Australian cruise industry has experienced significant growth over the past decade and is now the fastest growing segment of Australia's tourism industry. The industry has experienced average annual growth of over 20% over the past 10 years (2002-2012) and it is estimated that more than 800,000 Australians will cruise in 2013.

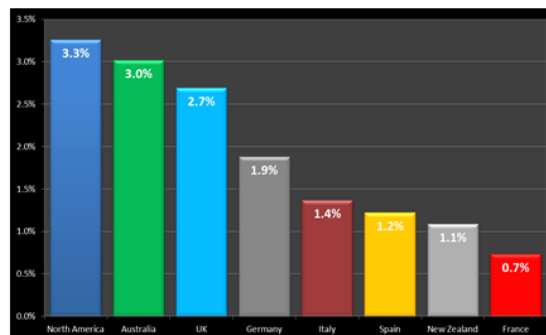


CLIA AUSTRALASIA Australian Cruise Industry 2012
Total Passenger Numbers 2002 to 2012



The Australian cruise industry is also the fastest growing cruise market globally with its' market penetration rate of 3% second only to the significantly more mature US cruise market.

CLIA AUSTRALASIA Australian Cruise Industry 2012
Population Penetration - Key Markets



.CLIA Australasia sees significant further growth potential for the industry as the quantity and quality of cruise ships deployed in the region continues to increase. All the major cruise line operators have recently announced the deployment of additional ships in the Australian market in the coming 2-3 years and by 2016 it is estimated that 18 cruise ships will be based out of Australia, either seasonally or on a full year basis. It is anticipated that over 1m Australians will be cruising by 2016 and the industry will reach a market penetration rate in excess of 4% by 2020.

3. Queensland's Cruise Industry

CLIA Australasia has commissioned an independent study on the economic impact of the Cruise Industry to the Australian economy. (This is set to be published in late August 2014). The report will highlight the size of the industry in Queensland and the contribution it makes to the Queensland economy. In summary, the ports of Queensland benefitted from 228 cruise calls, 241 cruise ship visit days and 417,734 passenger visit days. These passenger and crew



visit days, as well as the spending by cruise lines generated **\$271 million** in direct cruise tourism expenditures in Queensland. This direct expenditure was responsible for the generation of **\$503 million** in total output, **\$251 million** in value-added and **2,081 FTE** jobs paying \$144 million in employee compensation in the state (see table below). These economic impacts were spread throughout the state economy with the largest impacts in the business services and wholesale and retail trade industries.

Region	Total	Manufacturing	Wholesale & Retail Trade	Lodging & Restaurants	Transport	Information & Financial Services	Business Services	All Other Sectors
Queensland								
Output (Mil)	\$ 503.1	\$ 48.3	\$ 89.5	\$ 34.2	\$ 64.4	\$ 64.0	\$ 109.1	\$ 93.7
Value-Added (Mil)	\$ 251.1	\$ 22.8	\$ 47.3	\$ 17.0	\$ 27.9	\$ 35.8	\$ 53.0	\$ 47.3
Compensation (Mil)	\$ 143.9	\$ 8.2	\$ 29.6	\$ 10.1	\$ 12.7	\$ 12.5	\$ 41.4	\$ 29.5
Employment	2,081	117	451	270	188	114	412	529

4. Future Industry Trends

Within the current and projected growth of the cruise industry there are a number of trends that are of significant relevance to the coastal trading regulatory regime as it applies to domestic cruise activity:

- a. Cruise durations – in line with the overall trend of Australians taking shorter and more frequent breaks, the cruise line operators are introducing a range of shorter duration cruises, ranging from 3 to 5 nights. This is resulting in an increased number of cruises to and from Australian ports and thereby having a further positive impact on the economic contribution of the industry, both nationally and regionally.
- b. Cruise destinations – the increase in shorter duration cruises has also resulted in more domestic orientated cruises and, as a consequence, the development of more regional cruise destinations. Queensland has seen destinations such as Moreton Island and Mooloolaba recently commence cruise ship calls while the further development of PNG as a cruise destination will lead to further opportunities for Queensland’s regional port destinations such as Townsville, Cairns and others.
- c. National and Regional events – within the shorter cruise segment, national and regional events are being supported by the cruise industry through providing additional attendance (and accommodation) capacity. Existing examples include the Melbourne Cup and the Australian Tennis Open and other regional events are being evaluated.

These trends will continue to play a major role in the growth of the industry and will have a significant impact on the relevant regional economies.



5. CLIA Position on Coastal Shipping Activity

The cruise industry is currently exempt from the requirements of the Coastal Trading Act through a ministerial exemption. This permits all cruise ships greater than 5,000 GRT to operate in coastal waters without the requirement to obtain a licence and without the need to be an Australian-flagged vessel. While the ministerial exemption for cruise ships has been re-granted for a period of 5 years (from 2012) it continues to provide a lack of certainty for cruise line operators in terms of long term deployment planning. The rather arbitrary nature of the vessel size threshold (>5,000 GRT) has also excluded a number of foreign-flagged expedition vessels carrying high-income passengers from operating from/to Australian destinations with Queensland potentially being a major beneficiary of any relaxation of this threshold.

CLIA Australasia has therefore supported the enshrinement of the ministerial exemption in law as part of its' submission to the Federal Government's review of the Coastal Trading Act. It has also requested that the 5,000 GRT limit be removed so as to allow international expedition and luxury vessels to compete in the domestic market which in turn would generate further growth in the economic impact of cruise tourism in Queensland.

6. Related Regulatory Issues

There are a number of related regulatory environments that the industry is encouraging the Federal Government to review as they apply to the cruise industry and which have the potential to impact the future growth and economic impact of the industry. While these are recognised as national rather than state-based issues, CLIA welcomes key stakeholder support in ensuring these are addressed in a manner that continues to drive growth and the related economic benefits.

a. The Australian International Shipping Register

The industry would welcome a review of the Australian International Second Register (AISR) on the basis that if the employment requirements, Fair Work Act etc. were removed from the registration conditions, cruise ship operators and owners would consider the ASIR as an attractive alternative to their current registrations. This in turn would increase Australia's jurisdiction over these vessels and contribute significantly to an Australian maritime cluster. The industry recognises that such vessels would be subject to the same OHS and environmental standards as the Australian General Register but would otherwise be recognised and treated as a foreign vessel, regulated by international standards and global maritime practices.

b. Application of the Fair Work Act

Foreign-flagged cruise vessels operate with predominantly international crew and are already subject to international conventions and standards as laid down by the IMO and ILO. The application of domestic employment legislation would significantly impact the operating and compliance costs of foreign-flagged vessels and thereby compromise Australia's global competitiveness. CLIA is seeking confirmation that the Fair Work Act would not apply to foreign-flagged vessels registered on the AISR.



c. Customs

The relatively recent interpretation by Customs that, under the Customs Act 1901, a ship entering a dry dock facility in Australia will be treated as being imported, has resulted in a significant number of cruise ship dry docks being relocated to international alternatives such as Singapore. While the direct consequences of importation are manageable, the indirect impacts have been significant, in particular the automatic expiry of maritime crew visas. This has resulted in higher costs and increased administrative requirements which in turn have led to the industry relocating dry docks to Singapore. Given that each dry dock involves expenditure in excess of \$15million, the loss to the Australian economy (and employment) is potentially significant and we have already seen the closure of the Forjacs drydock facility in Brisbane.

d. Taxation

The ATO is currently reviewing the GST status of domestic and international cruises which CLIA understand includes the status of Willis Island as a “destination outside Australia”. Willis Island and its’ current status have been instrumental in developing Queensland’s domestic cruise activity and the regional Queensland destinations would be significantly impacted if Willis Island’s tax status was to change.

7. Conclusion

While the Queensland Government’s inquiry into Coastal Sea Freight does not directly impact the Cruise industry, the industry’s ability to continue to undertake domestic cruise activity without the burden of unnecessary legislation is key to its further growth and the contribution it makes to the Queensland economy. CLIA believes that Queensland has significant further growth potential and welcomes the Queensland Government’s continued support of the industry.

Neil Linwood

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