



11 June 2021

The Hon Martin Ferguson AM
Chair - Reimagining the Visitor Economy Expert Panel

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Submission – Reimagining the Visitor Economy Discussion Paper

Cruise Lines International Association (CLIA) Australasia welcomes the opportunity to make this submission to the Reimagining the Visitor Economy Expert Panel.

CLIA Australasia is the regional office of CLIA, the world's largest cruise industry trade association. CLIA represents 95% of the world's ocean-going cruise capacity and serves as a non-governmental consultative organisation to the International Maritime Organization (IMO), an agency of the United Nations.

In this submission, we explain the extensive economic impact and future potential of the cruise sector and address those sections of the Panel's discussion paper most relevant to cruise. We have included the regulatory bottlenecks that need to be solved and our suggestions on how collaboration between the sector and government can be increased.

1. Executive Summary

Cruise has been one of the fastest growing forms of tourism in Australia over the past decade, carrying 1 million Australian visitors and more than 200,000 international cruise visitors in this region pre-Covid. In a normal year cruise contributes more than \$5bn to the Australian economy and supports over 18,000 Australian jobs.

Consumer sentiment research by CLIA and forward booking demand reported by our cruise line members indicates that demand for cruising by Australians remains high, stemming from cruise's appeal to a broad demographic and across all age groups. With the right regulatory settings and infrastructure, the cruise sector is in an excellent position to capture the domestic travel opportunity and to attract a diversified international customer base to expand Australia's share of the high end holiday market. This will allow cruising to increase its direct contribution to Australia's economy even further.

2. Snapshot of the cruise industry in Australia



In 2019-20, 55 different international cruise ships¹ visited at least one Australian destination. The total passenger capacity of these ships is over 88,000 people. They range in size from expedition style cruise ships carrying up to 300 passengers to the largest ships carrying almost 5000 passengers. While some visit seasonally, Australia is the homeport for nine international cruise ships.

In addition, 6 smaller Australian registered ships with capacity of between 36 and 72 passengers visited Australian ports in 2019-20. The total passenger capacity of these ships is 278 people.

Cruise ships now visit almost all recognised ports and anchorages in Australia². The map below indicates ports and anchorages that had at least one cruise ship visit in 2019-20. Overall, there were 1,032 cruise ship visits to Australian ports in that period by ships with passenger capacity of over 100, and 118 visits by smaller cruise vessels³. These visits resulted in over 3.2 million passenger and crew visit days in Australian destinations in that year alone.



3. The Economic Contribution of Cruise Tourism

¹ Defined as having the capacity for more than 100 passengers

² In 2019-20, 41 out of 47 recognised ports and anchorages in Australia recorded a cruise ship visit

³ Having capacity for between 35-100 passengers



The cruise sector experienced solid growth over the decade to 2020 and has established itself as an important part of the Australian visitor economy. In 2008, just over 300,000 Australians took an ocean cruise. By 2019, this figure had grown to around 1.3 million people, meaning that pre-Covid almost 1 in every 18 Australians cruised each year.

Commensurate with this growth, the industry's contribution to the Australian economy, including many regional Australian economies, also multiplied. In a normal year, the industry makes an overall contribution of over A\$5bn to the Australian economy and supports over 18,000 jobs⁴. Tourism Research Australia has recently confirmed that the methodology used to calculate these figures aligns with their approach. A significant part of this contribution is expenditure by passengers, cruise lines and crew, providing a direct injection of funds into the communities that cruise ships visit and Australian businesses that supply the cruise industry. To give an indication of the level of cruise ship passenger spend, for ships homeported in Sydney, international cruise visitors are estimated to spend an average of \$589 per day, with interstate visitors spending around \$447 per day.

Numerous industry sectors benefit from the impact of cruise passenger, crew and cruise line expenditure. Allied hospitality and tourism businesses such as hotel accommodation (used for pre and post cruise stays by cruise visitors⁵), airlines (used by fly-cruise cruise passengers as well as regional passengers), museums, tour operators, tourism attractions, cafes and restaurants all benefit from the additional visitor numbers provided by cruise. Industries such as ports and maritime service providers also rely on the business provided by cruise ship visits, as do retailers, taxi owners and other transport operators.

Cruise bookings are a vital source of revenue for Australian travel agents. CLIA estimates that over 70% of cruise bookings in Australia are made through travel agents. With many cruise bookings being high value compared to other forms of travel, travel agents rely on commissions paid by cruise lines as a key part of their business. In 2019-20, cruise lines paid over \$142 million in commission to Australian travel agents. In the post-Covid environment, where domestic bookings will yield relatively low commissions for travel agents and international air travel may be less popular, we see the cruise sector as providing an important revenue stream for Australian travel agents.

Cruise ships have a long and high value supply chain, with the cruise sector spending hundreds of millions of dollars each year on Australian produce, wine and other supplies, and many related suppliers such as logistics and transport businesses also benefiting. The volumes of primary produce purchased by cruise lines are significant. For example, even for a three day cruise, around 2.5 tonnes of Australian red meat is supplied. One cruise line alone, P&O Cruises Australia, purchases between

⁴ Based on findings by AEC Group Pty Limited. AEC's Economic Impact Assessment of Cruise Tourism in Australia, available at www.cruising.org.au.

⁵ In passenger surveys, almost one-third of homeport passengers reported having had a pre- and/or post-cruise overnight stay in the homeport city and spent an average of 3.2 nights there.



1000-1500 tons of Australian red meat annually, between 20-30 tons of Australian poultry each week, and even higher volumes of fresh fruit and vegetables.

Cruise’s economic impact has a strong regional dimension with all states benefiting to various degrees from cruise activity⁶.



4. Capturing the domestic travel opportunity

In recent years cruise lines have grown the number of purely Australian cruise itinerary offerings and wish to expand them further. With the right regulatory settings and infrastructure the cruise sector is confident it can divert more Australians to travel within Australia and can offer longer cruise holidays that visit multiple Australian destinations.

The expansion of domestic cruising is already 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. As we note

⁶ Figures are from AEC Group Pty Limited’s Economic Impact of Cruise Tourism in Australia, 2018-19



below, this expansion of cruising to regional ports has been facilitated by a ministerial exemption from the coastal shipping licensing system.

National and regional events are also supported by the cruise industry through providing additional attendance (and accommodation) capacity. Examples include the Melbourne Cup and the Australian Tennis Open as well as other regional events such as the Dark Mofo festival in Tasmania.

The ability of expedition style cruise ships⁷ to enter smaller ports means that cruise has the ability to take high value visitors to more regional communities, including in remote areas where cruise visits represent an important economic opportunity.

Increasing domestic Australian cruise itineraries requires government support. The current regulatory settings relating to importation under the Customs Act and uncertainty about the future direction of coastal trading legislation are the key issues to be resolved.

The expedition cruise sector, which typically carries a high proportion of international high-end travellers, has been particularly impacted by this uncertainty. State governments such as Tasmania, South Australia and Western Australia are keen to grow expedition cruising, but deployments have been held back due to existing policy settings. There is also unfulfilled international tour operator demand for Australia as a cruising destination. With a significant number of new expedition cruise ships due to come into the market in the next 7 or so years, it is important that a solution be found to avoid Australia losing the opportunity to benefit from the increased activity in this sector.

Importation policy

Cruise lines need the ability to plan a series of domestic cruises without the risk of ships being deemed to be imported under the Customs Act. Importation has a number of negative operating consequences including invalidating crew visas. Since international cruise ships undertake a mix of international and domestic itineraries it is important for cruise ships to be able to maintain their crewing arrangements as the impracticalities of hiring new crew just for domestic itineraries (particularly given existing labour shortages and the specialist maritime training required of all crew) and/or changing employment terms would be unworkable.

CLIA believes the benefits of allowing cruise ships to expand their domestic cruising itineraries far outweighs any benefits from deemed importation. CLIA is not aware of there being any tangible economic or other benefits arising from importation. Post-Covid, a solution would be amending the Customs Act to allow cruise ships to undertake domestic itineraries for up to say 90 days at a time before importation is deemed to occur.

⁷ These ships typically carry up to 300 passengers



Coastal Trading Legislation

The cruise industry also needs a permanent exemption from the Coastal Trading (Revitalising Australian Shipping) Act 2012. Cruise ships over 5000 gross tonnes have relied on a ministerial exemption from the Act in order to offer wholly Australian cruise holidays. This exemption is temporary in nature: the current exemption expires in 2023 with no certainty of renewal. The federal government is currently reviewing the Coastal Trading Act, including the future of the exemption. In order for cruise to maintain and expand its domestic Australian cruise offerings it is vital that the exemption be made permanent, recognising the significant economic benefits that would flow.

Solving the Sydney capacity problem

Prior to Covid, the growth of the cruise industry in Australia was constrained by the lack of berthing space in Sydney. As noted in Infrastructure Australia's 2019 Priority List, Sydney's Overseas Passenger Terminal (the only cruise terminal in Sydney which can accommodate ships unable to fit under the Sydney Harbour Bridge) was operating at or near capacity particularly during the peak summer season. As the sector returns to pre-Covid levels, there will need to be a consideration of appropriate infrastructure to support continued economic growth.

The New South Wales government is already well progressed in its feasibility work for a third cruise terminal. Sydney is a key cruise hub and additional berthing facilities will be crucial for the cruise industry to contribute to the visitor economy to the fullest extent. It is important that the NSW and federal government do not delay planning for new facilities since a solution will take time to develop and build.

5. Attracting a diversified international customer base

Cruising is estimated as the 7th largest source of inbound international tourists to Australia. In a typical year, cruise brings over 200,000 international cruise visitors to the Australasia region. This includes around 125,000 visitors from North America and over 40,000 from Europe. The growing source market of Asia delivers around 14,000 cruise passengers to Australia, showing rapid growth prior to the pandemic. The emerging markets of Asia (especially China) provide the greatest growth opportunity for the cruise industry, and Australia is well placed to benefit from that growth as it is a natural offset base for ships during the northern hemisphere winter.

The cruise industry makes an enormous investment every year in marketing Australia as a cruise destination. Because our cruise line members are global, this marketing has worldwide reach and is constant. While Australian tourism agencies have traditionally not assisted in this marketing, we see significant opportunities for collaboration with the cruise industry to help the sector achieve the government's visitor economy goals. We suggest there should be a means of regular engagement between industry and government tourism agencies (perhaps by way of a working group) to share ideas and capitalise on opportunities to promote Australia as a cruise destination.



Again, ensuring that regulatory settings are supportive of allowing cruise lines to offer wholly Australian itineraries is crucial. Destinations such as the West Australian coastline have much to offer international passengers in particular. Regional ports including Albany, Geraldton, Bunbury, Port Hedland and Broome offer distinct and unique shoreside experiences for passengers. 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 international source markets in marketing Australia as a specific destination. The issues of importation and a permanent exemption from coastal trading legislation need to be solved for this to occur.

6. Supporting Indigenous tourism

CLIA recognises the importance of the cruise sector working with local Indigenous communities to empower them to develop businesses and service offerings to share in the visitor economy.

Cruise lines have a proven track record of working with a range of Indigenous organisations from family run tour companies to Indigenous corporations. As an example, Wijingarra Tours runs Aboriginal immersion tours on the remote Kimberley coast, employing guides from the Arraluli clan of the Worrora tribe to offer authentic cultural experiences and also selling paintings for Aboriginal artists in the tribe. Wijingarra Tours relies on international expedition cruise operators to support 90 per cent of its business.

Also in the Kimberley, the Wunambal Gaambera Aboriginal Corporation in recent years established a visitor permit to enable the community to grow their participation in the Kimberley coast tourism industry. Funds raised from the permit system are used in part to employ 70 traditional owners/rangers on country, allowing the traditional owners to look after their country and to share their unique culture with visitors. CLIA understands that in the 2019 Kimberley cruise season, 70 per cent of passengers in Wunambal Gaambera waters were from expedition class cruise ships, with the majority of passengers sailing on international expedition ships.

Provided regulatory settings support more domestic cruising, CLIA sees opportunities for cruise lines to establish more partnerships with Indigenous communities and businesses. We and our cruise line members would be happy to collaborate with government and communities to establish more partnerships.

7. Resilience, Sustainability and Social Licence

We acknowledge the importance of our sector operating in a sustainable way and gaining the ongoing acceptance of our stakeholders and the communities where we operate. CLIA and our cruise line members are willing to work with communities and governments at all levels to ensure any issues of concern are addressed.



We acknowledge the important role health protocols will play in the future visitor economy. Cruise lines globally have committed to extensive new health protocols in response to COVID-19. Developed with the help of leading medical experts internationally, these measures are among the most comprehensive to be found anywhere in the travel industry and are designed to uphold health and safety as the highest priority. The enhanced health measures are planned to be in place for as long as circumstances require to provide ongoing prevention and mitigation and will be constantly evaluated over time in consultation with medical guidance.

In addition to following stringent health protocols, CLIA cruise lines recognise that the communities in which they operate expect them to take a leading role in environmental stewardship. Environmental stewardship is a clear business imperative for the industry as both the right thing to do and essential to secure the future of the cruise experience.

While cruise ships comprise far less than 1 per cent of the global maritime community, cruise lines are at the forefront in developing environmental practices and innovative technologies that lead in environmental stewardship. To date, the cruise industry has invested over \$US23.5 billion in ships with new technologies and cleaner fuels as part of its commitment to environmental sustainability. The 2020 Global Cruise Industry Environmental Technologies and Practices Report produced by Oxford Economics (see <https://cruising.org/en/environmental-sustainability>) shows the progress CLIA cruise lines continue to make towards the development and implementation of these new technologies and practices.

Recent technologies include the installation of exhaust gas cleaning systems (EGCS) on the majority of cruise ships operated by CLIA members, allowing them to meet or exceed air emissions requirements. EGCS reduces sulphur oxide levels by as much as 98%, a typical total particulate matter reduction of 50% or more, including elemental and organic and black carbon, and nitrogen oxides by up to 12%. In addition, the majority of cruise ships⁸ operated by CLIA members are equipped with Advanced Wastewater Treatment Systems (AWTS) that are capable of exceeding MARPOL Annex VI requirements. AWTS systems use advanced tertiary-level treatment to generate effluent discharges often equivalent to best shoreside treatment plants and (consistent with CLIA policy) well beyond international requirements.

In addition to implementing new technologies, CLIA cruise lines also abide by applicable regulatory requirements and CLIA's Environmental Policy, the implementation of which, as a condition of membership, is verified annually by member cruise line CEOs. The policy is incorporated into each ship's Safety Management System (SMS) and, accordingly, is subject to third-party and internal auditing.

⁸ 99% of new cruise ships on order will have AWTS.



Each cruise ship receives dozens of inspections each year from the ports they visit, countries where they are registered and other independent agencies – including checks of equipment and practices for waste management, emission reduction and water treatment.

Cruise ship operations in Australia are regulated at state and federal levels, in addition to the global requirements of the IMO and CLIA policies. This includes strict measures covering discharges such as wastewater and ballast, and oversight of aspects such as biofouling and safety.

Looking to the future, CLIA cruise lines were the first to commit as a maritime sector, to reduce the rate of carbon emissions by 40% by 2030 compared to 2008. We are confident that the industry can demonstrate its credentials as a high standard tourism operator that uses contemporary and innovative resources to protect Australia's natural and heritage values. It is our hope that we can collaborate with governments to share the steps the industry is taking to operate sustainably and to address any misperceptions or concerns about cruise ship operations.

8. Conclusion

Australia's cruise industry has a track record of delivering significant economic benefits to the Australian economy and supporting Australian jobs in a range of industries, including in a growing number of regional economies.

With the right regulatory support and infrastructure, the industry has the potential to increase its economic contribution even further. In particular, it has the ability to expand its domestic holiday offerings and to attract the diversified international visitor mix expected after Covid. Cruise is also well placed to offer more opportunities to Indigenous businesses and communities to benefit from the visitor economy.

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

A handwritten signature in black ink, appearing to read 'Joel Katz', is positioned above the printed name.

Joel Katz
Managing Director
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